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Speaker: The Honourable Donald M. Stewart, M.L.A.

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YELLOWKNIFE, NORTHWEST TERRITORIES

MONDAY, FEBRUARY 16, 1987

MEMBERS PRESENT

Mr. Appaqaq, Mr. Arlooktoo, Hon. Tom Butters, Hon. Michael Ballantyne, Ms Cournoyea, Hon. Tagak Curley, Mr. Erkloo, Mr. Gargan, Mrs. Lawrence, Mr. MacQuarrie, Mr. McCallum, Hon. Bruce McLaughlin, Mr. Nerysoo, Mr. Paniloo, Hon. Red Pedersen, Mr. Pudluk, Mr. Richard, Hon. Nick Sibbeston, Hon. Don Stewart, Mr. T'Seleie, Mr. Wah-Shee, Hon. Gordon Wray

ITEM 1: PRAYER

---Prayer

SPEAKER (Hon. Don Stewart): Before we get into the orders of the day, it is my pleasure to introduce in the gallery today, the Hon. Dr. David Carter, MLA, Speaker of the Alberta Legislature.

---Applause

Orders of the day for Monday, February 16th. Item 2, Ministers' statements. Mr. Sibbeston.

ITEM 2: MINISTERS' STATEMENTS

HON. NICK SIBBESTON: Mr. Speaker, following traditions of the House and adapting it to our northern situation, normally when a Minister of Finance makes his budget speech he is given a pair of shoes. So, in our case I would like to present Mr. Butters with a pair of moccasins and suggest that the Members remember the saying, "Don't be critical of a person unless you have walked a mile in his shoes."

---Laughter

MR. SPEAKER: Item 2, Ministers' statements. Mr. Butters.

HON. TOM BUTTERS: Mr. Speaker, may I request unanimous consent to present the Budget Address under this item?

MR. SPEAKER: Thank you, Mr. Butters. Unfortunately our rules do not set aside an area appropriate for the Budget Address. We are asking unanimous consent to present the Budget Address under this Item 2. Do I have unanimous consent?

SOME HON. MEMBERS: Agreed.

MR. SPEAKER: Are there any nays? We have unanimous consent. Mr. Butters.

Minister's Budget Address, 1987-88

HON. TOM BUTTERS: Mr. Speaker, the budget I am presenting to the Legislative Assembly today will sustain the economy across the Northwest Territories during the current slowdown in economic activity. This budget reflects the Executive Council's commitment to a pro-active approach to the

economic development of the North and the current problems faced by some of our industries and regions. It also continues the implementation of the social policy objectives adopted by the Members of the Legislative Assembly over the past three years. It is a plan to respond to pressing social and economic needs within the limits imposed by the government's fiscal capacity.

This budget contains important expenditure measures that demonstrate your Executive Council's desire to address crucial issues. Considerable progress must be made before all northerners can enjoy public services comparable to those that residents of southern Canada take for granted. We must enhance essential people services such as education, health care and recreational facilities. We must devote resources to help extend and strengthen our goal of equal employment opportunities for persons of both sexes and of all ethnic origins. We must extend and strengthen our social support system to help alleviate social problems that result in recourse to the judicial system or the breakdown of the family unit.

Our economy has weakened considerably over the past two years. The continued depressed state of base metal markets, the fall in world oil prices and the completion of construction of the Norman Wells pipeline have combined to cause a major fall in overall private sector investment activity. The demise of the sealskin markets has also dramatically affected the traditional economic base of some of our communities. The closure of the Cullaton gold mine in 1985 and of the Canada Tungsten mine in 1986 has weakened mining employment. The capital budget I am proposing today will help sustain economic activity and employment during the current downturn through fast-tracking of our capital projects. It will also improve our infrastructure and enhance our economic development opportunities as international commodity markets recover.

Our government recognizes the need for a sound financial position. Our record of prudent fiscal management will result in an estimated accumulated surplus of approximately \$50 million as of March 31st of this year. Our government's past fiscal integrity is allowing me to present today a budget which draws down our surplus in order to increase our expenditures and mitigate the economic downturn, without increasing taxes.

Mr. Speaker, your Executive Council recognizes its duty to exercise restraint over expenditures and to use our accumulated surplus wisely. However, it believes that the current economic situation calls for decisive action to stimulate the economy through government expenditures. During the years of robust economic performance and growth in government revenues, our government successfully maintained a roughly balanced budget. By doing so, we did not jeopardize our ability to react to future needs.

After careful analysis of the economy's performance and of its near-term prospects, the Executive Council decided that now is the time to make use of our financial room to manoeuvre and shore up the economy. The budget I am proposing today, therefore, contains expenditure increases of 11 per cent over the 1986-87 revised forecast levels while revenues will register only a 4.7 per cent increase.

Economic Situation And Outlook

The External Environment

International Factors

Internationally, 1986 rates of real economic growth in major industrialized countries were in the two per cent to three per cent range. These positive, albeit sluggish, economic performances mask major structural and policy problems which have plagued the world economy during the last few years. These problems are having significant unfavourable impacts on the economy of the Northwest Territories and especially on the development of our non-renewable resources. Continuing high real interest rates have held back expansion in our capital-intensive resource sectors. Higher production of non-precious metals by less developed countries postpones recovery in our mining sectors. Lower and uncertain oil prices have led to rapid cutbacks in oil and gas exploration and development. To these factors were added intensive competition among commodity producing countries and an alarming increase in protectionist measures. The consequence was serious harm to all regions of the world which have a heavy economic dependence on the primary sector.

On the positive side, some international developments over the past year bode well for the economy of the Northwest Territories. Currency realignments have significantly enhanced the profitability

and competitiveness of Northwest Territories mining companies which compete with overseas producers. Co-operation among major industrialized countries has reduced the exchange rate of the US dollar vis-a-vis most major currencies, with the notable exception of the Canadian dollar. As a result, by year end our currency was about 35 per cent below its early 1985 peak vis-a-vis major overseas currencies. The rapid decline in the US dollar over the last few weeks has not reversed this trend.

The Canadian Economy

In Canada, economic performance weakened in 1986: Real economic growth is estimated to have been slightly below three per cent, the slowest advance since the 1981-82 recession. This slowdown can largely be attributed to the fall in energy prices which resulted in a deterioration in Canada's merchandise surplus and a sharp curtailment in investment by energy producers and their suppliers. Despite sustained export volumes, lower oil and gas prices reduced the total value of exports by an estimated \$3.75 billion. In the wake of falling energy prices, the oil and gas industry rapidly reduced its investment expenditures, thereby depressing total Canadian investment. In 1986, total investment is estimated to have experienced no real growth.

Although the Canadian economy expanded in 1986, growth was narrowly based and very uneven among industries and across regions. Weak markets for grains, fish, metals and energy have depressed our primary industries. The resulting pronounced and extended disparity in regional economic performance is one of the most troubling features of our country's economic situation and outlook. This clearly poses a major challenge to economic policy in Canada. No effort must be spared to intensify co-operation between the two orders of government to design policies which will ensure more equal distribution of economic well-being. The erosion of the economic base of commodity producing regions such as the Northwest Territories cannot continue without seriously impairing the long-term economic viability of these regions.

Canada's overall employment situation improved last year. Total employment increased by 320,000 and the unemployment rate edged down from 10.5 per cent in 1985 to 9.6 per cent in 1986, its lowest level since 1981. However, unemployment remains unacceptably high in most parts of Canada. As for inflation, the 1986 increase in the consumer price index was virtually unchanged from 1985.

This year, Canada may experience a further slowdown in overall economic activity. The oil and gas, mining and agricultural sectors are predicted to have another year of below-average growth and the suppliers of services to these industries will have a second year of huge decline in activity. In many parts of the country, including the NWT, the existence of the economic sector which supplies services to mining and oil companies is threatened. It is incumbent on all orders of government to implement forceful policies to maintain activity in this sector. Failure to do so will result in the loss of irreplaceable expertise that took decades to build and which is vital to a future strong recovery in the mining and oil and gas sectors.

The Economy Of The Northwest Territories

Mr. Speaker, the performance of the economy of the Northwest Territories deteriorated significantly in 1986. Some regions are currently experiencing a full-fledged economic recession and face a bleak future in 1987. The cause of our economic problems can be traced to poor international markets for some of our key mineral resources and the dramatic fall in oil and gas prices. There is nothing we can do to shield ourselves from international forces; as an export-based economy we are vitally affected by international and national market developments and the policy decisions of competing countries all over the world.

Oil And Gas

The major development in our economy during 1986 was the fall in international oil prices. By the summer of 1986, the price of oil had fallen as much as 65 per cent from its December 1985 level. Prices firmed by the year end as the result of the agreement reached by OPEC members but were still about 35 per cent below December 1985 levels. This dealt a serious blow to the economy of the NWT. Companies had already been revising their exploration operations in high cost areas such as the North in view of the elimination by the federal government of the petroleum incentive program. The lower and more uncertain oil prices led them to curtail or cancel most of their exploration and development plans. Even development of proven reserves such as the Amailigak and the Bent Horn

fields have been significantly scaled down. Overall industry activity has been drastically reduced and several hundred direct and indirect jobs have been lost. Suppliers of services to the oil and gas industry have lost a large share of their business and many may have to cease operating this year.

In 1985 the federal government introduced new frontier energy policies to mitigate the impact of the termination of the petroleum incentive program on frontier oil and gas activity. They included a royalty regime which maintained royalties at a very low level until investment pay-out, an exploration tax credit for high cost wells, an investment royalty tax credit for lower cost wells and a simplification of the regulatory framework. These policies might have been successful in sustaining northern activity had it not been for the subsequent fall in oil prices. However, circumstances are now completely different and require either redesigning the 1985 frontier energy package or introducing special temporary measures to help the industry through the current difficult times. It is estimated that investment in oil and gas fell by 40 per cent to 50 per cent in 1985 and by a further 30 per cent to 40 per cent in 1986. In the absence of strong oil price increases, investment is expected to continue falling this year unless the industry receives rapid and substantial investment incentives.

Mr. Speaker, the state of our oil and gas sector is not only an issue of concern to northerners; it is a national issue which could jeopardize the achievement of long-standing national policies. Our oil and gas industry has put in place an infrastructure and has developed technologies which are at the leading edge of worldwide northern energy exploration and development. Our proven and potential reserves have an essential role to play in Canada's quest for long-term energy self-sufficiency. The presence of vibrant oil and gas and mining industries in the North can bolster Canada's legitimate claim to sovereignty over the Arctic.

Mining

Our metal mining is vital to the maintenance of overall economic activity. It is the largest creator of private sector jobs and accounts for approximately 15 per cent of total employment. The industry is the Territories' oldest non-traditional source of economic activity and spearheaded development of the North.

Non-precious metal prices have been depressed for most of the decade and the toll is being increasingly felt on mining activity, investment and jobs. Lead prices are about 30 per cent and tungsten prices 75 per cent below their respective 1981 levels. Zinc prices have only recently caught up to the average increase in industrial prices. New mines are not opening and exploration activity is down. Total value of non-precious metal production fell by over 10 per cent in 1985 and is estimated to have only recovered its lost ground in 1986. However, the 1986 firming in lead and especially in zinc prices is an encouraging sign. If this trend continues, we could see greater interest in development of new ore deposits, but this is unlikely to occur in the near term.

The most visible impact of the weak non-precious metal mining sector is on employment. Over 400 mining jobs were lost last year, most of them in non-precious metal mines. With the announcement of the closure of the Pine Point and Salmita mines this year, the employment situation will worsen.

Gold mining, which accounts for about 30 per cent of total metal mining production, enjoyed significant price improvements last year. If sustained, these higher prices should help extend the productive life of our older gold mines, stimulate exploration and could lead to new deposits being brought into production over the next few years. However, the fall in exploration expenditures by mining companies does not bode well for expansion in this sector.

Trapping And Fishing

Trapping and fishing, our two traditional primary industries, remained stable last year, but at depressed levels. The international anti-fur lobby has virtually eliminated markets for seal pelts. Many communities are now deprived of what used to be their major source of cash income. A short-term reversal of this situation cannot be expected in view of the anti-fur groups' demonstrated disregard for the hardship that their narrow and ill-conceived views are causing to northern native populations. Stronger demand for other varieties of fur pelts has increased prices and resulted in higher value of trapping production in the Mackenzie and Liard valleys.

Services

Our service sector performed well last year despite some serious setbacks in certain regions. Total service sector employment, which includes all employment outside the primary, manufacturing and construction sectors, increased by three per cent. The improvement was mainly centred in education, health and the hospitality industry. Some of the major expenditure initiatives contained in today's budget will provide a significant boost to our service sector this year and should partly compensate for the depressing effect of poor conditions in mining and oil and gas.

Overall Performance

After adjustment for inflation, overall economic performance was very poor last year. Real gross territorial domestic product, the broadest measure of the value of production in the Northwest Territories, is estimated to have declined by 12 per cent to 15 per cent in 1986. Consumer confidence weakened as a result of reduced earnings and employment growth. Total 1986 consumer expenditure growth is estimated at 3.5 per cent which, after adjustment for inflation, translates into a decline of over one per cent, compared to the Canadian increase of four per cent.

Investment expenditure was the weakest component with a total estimated decline of approximately 35 per cent from its 1985 level. This represents a reduction of \$500 million in investment which is almost entirely accounted for by falling mining and energy related investment. Despite the fact that a very substantial proportion of the benefits from these investments leaks outside of the Territories, such a massive reduction is sufficient to cause an economic downturn.

As for exports and imports, indicators of primary sector activity last year suggest that gross exports were reduced. This reduction should be more than compensated for by lower imports and result in a less negative balance of trade. Current government expenditures on goods and services grew by five per cent to six per cent last year, after adjustment for inflation. Given their relatively low import content they were the largest significant source of economic growth.

Last year's overall poor economic performance was reflected in employment and wages. Best available estimates show that total employment did not grow. Average weekly earnings increased by one per cent to two per cent and therefore did not even keep pace with inflation. Consumers consequently had to reduce their saving or increase their debt to fund the 3.5 per cent increase in their expenditure.

Economic Outlook

Mr. Speaker, as I now turn to our 1987 economic outlook, I would like to paint a more rosy picture of what lies ahead. Fortunately, there are a few bright spots. Investment will remain our main problem area but some investment will continue. Offshore, Gulf proposes to drill two delineation wells at its Amauligak field in preparation for seasonal production next year. Onshore, some investment activity should take place in the Mackenzie valley. Overall investment levels will none the less remain depressed. Trapping should benefit from continued strong markets. Gold prices are firm and will have a favourable impact on gold mining's output and profitability. Tourism should benefit from our presence at Expo '86. However, my view is that in the absence of stimulus from government expenditures we could experience another decline in economic activity and employment could fall to unacceptably low levels.

This poor economic outlook should, however, be viewed as a temporary setback. In the longer term, the Northwest Territories remains a land of opportunity. We are exploring the potential of our fishery and other renewable resource products. Our vast mineral and energy resources have barely begun to be exploited. Our young and dynamic population is ready to seize the economic development opportunities that will return as international markets improve. Northerners will face the current difficult economic environment and redeploy their energies in anticipation of a return of economic growth. The fiscal strategy which I will now present will help us turn the corner and improve our economic development potential.

1987-88 Fiscal Strategy

Mr. Speaker, the Executive Council considered a number of options in establishing the 1987-88 fiscal strategy and concluded that four key objectives should underlie our expenditure and revenue decisions this year:

- 1) Support the economy across the NWT in the current downturn by implementing an expenditure program that will provide maximum short-term stimulus to the economy;
- 2) Continue to improve essential people services and enhance the quality of life by promoting equal employment opportunities for all northern residents and by developing social programs that recognize the unique cultural realities of the North;
- 3) Direct expenditures to the continued development of our capital infrastructure to provide long-term business and employment opportunities and strengthen regional economies;
- 4) Ensure comparable treatment of regions in expenditure decisions while recognizing the greater needs of certain areas and communities.

Stimulus To The Economy

Government fiscal policy alone is not sufficient to guarantee long-term investment and jobs but it has an important role to play in sustaining our economy in these difficult times. This budget will help stimulate the economy through a growth in total expenditure of \$78 million. Based on 1984 data, direct expenditures by the territorial government, local governments, school boards and hospitals account for approximately 17 per cent of the total value of expenditures made annually in the NWT. They directly generate about 25 per cent of total employment. As a result, our expenditure decisions have a major impact on overall activity.

To maximize the short-term beneficial economic impact, we have emphasized expenditures on those programs which have a high employment content and which incorporate a high proportion of goods and services supplied by NWT businesses. For instance, the capital budget of the Department of Municipal and Community Affairs has been increased by \$11 million. This will be expended on municipal infrastructure which has both a high employment and high local content. The \$20 million increase in the Department of Education's capital budget will stimulate demand for the Northwest Territories' construction industry. The 10 per cent increase in our total operations and maintenance budget will also have immediate stimulative impact on employment and local businesses since it is predominantly composed of wages and locally purchased goods and services.

Improving Essential People Services And Employment Opportunities

Improvement of essential people services such as health care, education, recreational facilities and social services continues to be a priority of the government. The completion of the new Stanton Yellowknife Hospital and the \$85 million budget for health care will increase our capacity to provide high quality health services in the North.

Education is also a high priority; 23 per cent of the budget and 19 per cent of the operations and maintenance budget are allocated to the direct provision of education and training. These percentages are significantly higher when indirect education costs incurred by other departments, such as the Department of Public Works and Highways, are taken into account. These expenditures, Mr. Speaker, will improve the future employment opportunities of our youth.

Close to \$22 million is committed to community recreational facilities. Needs for better social services, especially in smaller communities, are being addressed. Examples include more community social workers, decentralization of some administrative and management positions and the introduction of a program to promote reduction of family violence. A major increase in social assistance food rates and scales will increase social assistance payments by more than six million dollars.

Infrastructure Development

Mr. Speaker, the development of our infrastructure will further enhance our long-term employment opportunities. The Department of Public Works and Highways will control approximately \$230 million in 1987-88 for expenditures on government buildings, schools, municipal water and sewage systems, highways and ferries. An estimated 80 per cent of this funding will be spent in the North through the use of local suppliers. This will strengthen our local business sector and provide immediate employment opportunities for northerners. The Northwest Territories Housing Corporation will be introducing separate supply and erect contracts on a Territories-wide basis. It should result in a greater proportion of the money spent on housing remaining in the North and should foster the development of northern businesses and increase local employment.

School construction will be doubled. Expansion and upgrading of educational facilities and student residences, notably in Inuvik and Rankin Inlet, and the major expansion of Arctic College will help increase the range of programs offered in the North and meet the need created by higher enrolments.

Comparable And Flexible Treatment Of All Regions

The budget, Mr. Speaker, pursues the dual objective of allocating expenditures among regions in an equitable way while recognizing the temporary special needs of some regions and the basic deficiencies in the infrastructure of certain other regions and communities.

The Executive Council weighed these objectives carefully and it believes that it has successfully achieved a comparable and flexible distribution of capital expenditures. For example, the Baffin Region has been allocated a nine million dollar, or 45 per cent, increase in capital expenditures to meet smaller communities' pressing need for upgraded basic facilities such as water and sewage systems and to establish a secondary educational facility in that part of the Territories. As another example, the Inuvik Region was allocated an increase in capital expenditures of over six million dollars above the level proposed in last year's capital plan. This will help mitigate the severe impacts of falling economic activity that the region is experiencing.

Fiscal Position

Mr. Speaker, let me now turn to this government's fiscal position. We entered the 1986-87 fiscal year with an accumulated surplus of over \$60 million. This surplus reflected recognition by this and previous governments of the need to manage prudently public funds and have reserve funds to face future exceptional expenditure needs.

In my last budget, I indicated that the Executive Council had made the decision to utilize, during the year, a portion of this accumulated surplus. This was done to provide needed facilities and services for the residents of the Northwest Territories and to partly redress the economic situation which was starting to deteriorate. The 1986-87 budget projected a \$15.8 million deficit and my current estimate supports this original projection. However, the final deficit level will reflect additional expenditures resulting from supplementary 1986-87 estimates, as well as changes in revenues which may occur prior to March 31.

The main estimates' revised forecast of revenues and expenditures for 1986-87 differs somewhat from the 1986-87 main estimates amounts. Revenues are now expected to be approximately \$20 million higher than originally anticipated and expenditures approximately \$30 million higher.

On the revenue side, the increase is largely due to a favourable \$7.7 million adjustment to the federal grant received under the formula financing agreement, to the \$4.6 million base funding adjustments related to the Baffin health services transfer and to significantly higher increased capital recoveries due to the Stanton Yellowknife Hospital being ahead of schedule. Our taxation revenues are also higher than originally expected.

On the expenditure side, the increases are largely explained by some of the same factors. Faster progress on building the Stanton Yellowknife Hospital accounts for \$5.2 million of the increased expenditures, and the Baffin health services transfer explains a further \$4.6 million. Another major supplementary expenditure came from the need to comply with provisions of the Young Offenders Act for which we incurred expenditures of over six million dollars. Negotiations with the federal government to determine the amount of base funding to compensate for the costs of implementing this federal legislation have made significant progress but as yet, no funds have been received. Other supplementary funds were allocated for the affirmative action program, for rate and volume increases for financial assistance, for renovations to the Yellowknife Correctional Centre, for the Tuktoyaktuk shoreline erosion project and for Expo '86.

Our fiscal position at the end of 1986-87 will, Mr. Speaker, be very healthy. The main estimates forecast an accumulated surplus of \$50 million. Taking into account supplementary estimates that the Assembly may approve for the current year and appropriation lapses, I expect that our 1986-87 budgetary deficit will be about \$15 million and that our accumulated surplus will in fact be approximately \$42 million. This accumulated surplus will provide a significant source of financing for our 1987-88 expenditure increases.

Budgetary Expenditures

Mr. Speaker, total 1987-88 expenditures will be \$790 million, an increase of \$78 million or 11 per cent over the expected 1986-87 level.

Education

The importance of education to the well-being of the population and to the economic development of the North is reflected in the significant budgetary resources we have allocated to it.

Capital expenditures for education will grow by \$20 million to close to \$38 million. This includes a doubling of school construction, continuing renovations to the Grollier Hall student residence in Inuvik, the addition of 68 beds to the Kivalliq Hall student residence in Rankin Inlet and the construction of college facilities for the Iqaluit campus of Arctic College. These major expansions in capital expenditures are needed to meet the ongoing requirement to provide school and student residence facilities to meet expanding programs, increasing enrolments and the replacement of older, inadequate buildings.

Operating expenditures for education will grow by over \$11 million to \$118 million. The two largest funding initiatives are a \$1.7 million, 25 person-year boost to the special needs education program and a \$1.6 million, 16 person-year rise in the Arctic College budget of which close to one million dollars will be spent at the new Inuvik campus. Other major funding increases are in the areas of training in support of affirmative action, divisional board development and residence programs. Substantial increases in native language education, adult education, English as a second language, employment programs and student loans are also part of the education budget.

Overall a total of \$156 million will be spent directly on the delivery of education and the expansion of educational facilities. These expenditures must be viewed as one of the most important investments of this government. It is an investment in our youth and in our future.

Social Services

The Department of Social Services continues to strengthen community service delivery and expand community involvement. During the coming year the community corrections program will be further decentralized and enhanced by placing specialist support positions in each region. This initiative is intended to provide the courts with alternatives to incarceration in all regions.

Family violence prevention programs which were established as a new departmental activity in the 1986-87 budget will continue to fund community-based programs in 1987-88.

In recognition of the difficult circumstances faced by many northerners, the department implemented increases to social assistance scales and food rates in 1986-87. A second increase is proposed for April 1, 1987. This would bring allowances more in line with northern food costs. When combined with projected volume growth due to the economic downturn, these increases will push up social assistance expenditures by \$3.5 million over 1986-87 revised estimates.

Increased costs in family and children's services are related to changes in foster care per diems and clothing allowances which were effective January 1, 1987 and an increase in volume associated with children requiring specialized institutional services in the South.

The alcohol and drug program has been enhanced to provide additional funds to community organizations and includes an additional \$200,000 specifically for youth programs. A new thrust for the alcohol and drug program will provide capital funds to enable groups utilizing older buildings to undertake minor renovations to meet fire and safety standards.

Major capital spending will be directed to completing the renovations at the Yellowknife Correctional Centre and constructing facilities for senior citizens and handicapped adults.

Health

Today's budget includes close to \$92 million in expenditures for the Department of Health, indisputable evidence of our government's commitment to the provision of essential people services.

1986-87 saw the successful transfer from the federal to our government of the management responsibility for public health services and facilities in the Baffin Region. This results in a base transfer of funds to our government during the current and next fiscal years of over \$5.5 million, and partly explains the large \$14 million increase in the budget of the Department of Health. Negotiations will continue with the federal government and the various native organizations for transfer of management responsibility for the balance of health services in the NWT. Full transfer, however, may not occur before the end of the 1987-88 fiscal year.

Construction of the Stanton Yellowknife Hospital is progressing rapidly and should be completed by the end of this year. At a total cost of approximately \$42 million, cost-shared on a ratio of 65 per cent and 35 per cent by our government and the federal government, this is the largest single construction project currently under way. The new hospital will almost double current Yellowknife bed capacity and will widen the range of diagnostic and surgical services. It should significantly reduce the number of referrals to southern hospitals with a consequent reduction in current out-of-territory hospital and transportation costs.

Justice

As Members are aware, the Department of Justice received supplementary funding in 1986-87 to reorganize the department, revise and consolidate the Northwest Territories statutes, establish a judge and court registry in the Baffin Region and automate legal registries. The effects of these initiatives will greatly improve services to the public in the coming year. In addition, action has been taken to initiate law reform through the establishment of a law reform committee, an initiative which has been requested by the Legislative Assembly for several years.

During the next fiscal year, the Department of Justice intends to continue improving representation at the regional level. With a judge and staff residing in Iqaluit, the Baffin Region will be better served by court services. In the Public Services sector of the department, another safety division position will be created in Inuvik and in the Baffin Region. Additional resources are included in this year's budget for mining inspection services to improve training of inspectors and encourage native involvement in the programs offered in that area.

Municipal And Community Affairs

The Government of the NWT continues in this budget to recognize the importance of sound local governments. Through the Department of Municipal and Community Affairs, the government intends to re-emphasize its responsibility to give access to basic municipal facilities and services to all northerners. In this budget, over \$38 million is being contributed as direct assistance for municipal operations and maintenance. As well, nearly \$25 million will be directed specifically toward establishing basic community recreation facilities.

The need for continued emphasis on municipal water and sanitation systems and roads has not been overlooked. Provision has been made for over \$3.6 million through the Department of Municipal and Community Affairs to assist in the acquisition of municipal buildings other than those used for recreation and of equipment and works, and just over four million dollars for developing land for housing lots in communities.

The government recognizes that the economic outlook for the North will require that spending on "the running of government" must be done with the utmost efficiency. To this end, the government is assisting all interested municipalities to obtain state-of-the-art administrative systems, and is providing full-scale training to those municipal and community governments that will use them.

Housing

Earlier initiatives for improved housing services through the Northwest Territories Housing Corporation are reflected in programs to be delivered in the 1987-88 fiscal year. Over the last few years, the government has been able to allocate funds for increased housing delivery with the full support of the Legislative Assembly. In addition, significant resources have been allocated to housing associations to address issues related to the provision of housing. I am pleased to advise that the budget provides continued support for these important initiatives.

During 1986, the Housing Corporation was successful in negotiating an agreement with Canada Mortgage and Housing Corporation for federal participation in the popular home-ownership assistance program, HAP. As a result, the number of new home packages delivered to private owners and builders has almost doubled. The support provided for HAP under the agreement is reflected in the 1987-88 budget.

The NWT Housing Corporation's 1987-88 capital program was developed with significant community input. In virtually all communities, advice was sought on the mix of public and private housing and the capital program for new housing fully reflects this important advice.

Community involvement in direct delivery of the corporation's home-ownership and repair programs is increasing. The direct involvement and control by local groups in the delivery of housing has been very successful. In addition, direct delivery of labour funding has been accomplished by many local bands and housing associations, as well as by the Mackenzie Regional Council and the Inuvialuit Housing Corporation.

Mr. Speaker, the capital program of the NWT Housing Corporation is now better suited than ever to the needs of the communities and provides significant support to the territorial economy.

AN HON. MEMBER: Hear, hear!

Public Works And Highways

In the past year, over \$108 million was directed to the operation and maintenance functions in Public Works and Highways. Through contracts with the private sector and use of government staff and equipment, government buildings such as offices and schools, and equipment and works such as piped water and sewage systems are operated and maintained. Maintenance of the territorial highway system and the operation of ferries is also carried out largely on a contract basis.

The Department of Public Works and Highways will control expenditures of approximately \$230 million in 1987-88. Operation funds of \$122 million have been allocated in the main estimates to Public Works and Highways. Capital expenditures for such programs as intraterritorial highway reconstruction, energy conservation measures, such as waste heat recovery systems, and other priority programs have been set at \$16.5 million.

In addition, Public Works and Highways is responsible for the design and construction of capital projects funded in the main estimates of other government departments. The approximate value of this work managed by Public Works and Highways will be \$90 million in 1987-88. A further amount of \$2.3 million will be expended by this department on new highway construction and four million dollars on highway reconstruction projects on behalf of the federal government. Public Works and Highways is also highly involved in developing new approaches to increase the level of work carried out in the Northwest Territories by northerners. For example, the department implements capital construction projects each year using contract tenders designed to maximize northern contractor and supplier involvement. In other cases, the department uses special methods of construction management and supervision to maximize local employment opportunities.

By such actions and others, the department has been able to increase the proportionate level of its expenditures which remain in the North.

Economic Development Initiatives

Mr. Speaker, our government's economic development initiatives have significantly increased over the past few years and we have now put in place an impressive number of effective measures in support of private sector development. These policy initiatives are helping foster the longer-term development of our economy.

The Minister of Economic Development and Tourism is near to reaching agreement on a three year renewal of the economic development agreement with the federal government. Six subsidiary agreements are proposed. These are: small business development; applied economic planning; mineral development; arts and crafts; tourism; and renewable resources. These programs constitute an important component of a strategy for support to the private sector in the medium-term development of the economy of the Northwest Territories.

On the tourism front, the budget of the Department of Economic Development and Tourism contains \$1.5 million to improve the international and national awareness of the Northwest Territories as an exciting and unique travel destination. Capital funds for the construction of visitor centres in Iqaluit and Rankin Inlet in the next two fiscal years will also enhance the already developing tourism industry in these regions.

An amount of three million dollars in capital has been identified in 1987-88 for renewable resource business development, which will recapitalize the fisheries and resource harvesting industries in the Northwest Territories. This injection of capital will help strengthen the base of the industry and create much-needed jobs and income in more remote communities. Combined with the \$400,000 in renewable resource contributions, these initiatives will help to offset some of the existing difficulties faced by renewable resource operators.

Support to arts and crafts is enhanced by \$245,000. Greater funding for the development of the Dene arts and crafts will bring support to this segment of the industry. Funding will be more in line with what has been made available to the Inuit and other producers in the North. It will provide further diversification for this industry.

Revenue And Taxation

Mr. Speaker, today's budget contains no tax increases. Despite a budgeted growth of 11 per cent in expenditures over expected 1986-87 levels and of 16 per cent over 1986-87 main estimates, the Executive Council decided not to increase taxes next year. We will incur a budgetary deficit.

One of the key reasons for this decision is our responsibility to help sustain the economy in the current difficult times. Increased taxes reduce businesses' net income and ability to expand. They reduce individuals' take-home pay and ability to purchase goods and services from our local businesses. They reduce the attractiveness of doing business and expanding in one province or territory relative to the rest of Canada. Increasing taxes by an amount equivalent to the budget's proposed increase in expenditures would have partly cancelled out the favourable stimulative effect of our fiscal strategy. The Executive Council, therefore, decided to use our surplus and accumulate a deficit of \$8.8 million.

Mr. Speaker, I wish to repeat today what I stated in my budget address of last year. Expenditure growth cannot outstrip revenue growth for any extended period of time. Incurring repeated deficits and accumulating debt would be an indication that we have built an expenditure base which the Northwest Territories cannot afford, that the citizens have chosen to place the burden of today's expenditures on the shoulders of tomorrow's taxpayers. It must also be recognized that deficits tend to feed on themselves. Programs are difficult to cut once introduced, high capital expenditures require higher operation and maintenance in future years and if debt accumulates, future costs must be incurred to service that debt. There can rapidly come a time when control over the deficit is lost. The \$55 million deficit projected for 1987-88 represents seven per cent of total expenditure, a trend which, if unchecked, could create precisely the mounting debt load that I have just described. In the future, revenues will have to increase or expenditures will have to be scaled down.

For the next fiscal year, however, our high expenditure increase can be met without increases in taxes for two reasons. First, past prudent fiscal management allowed us to accumulate a surplus which at the beginning of the next fiscal year is estimated to be some \$50 million. This amount was intended to give our government room to manoeuvre in addressing future special situations and special needs. It was a surplus being kept for a rainy day. Mr. Speaker, the economic downturn constitutes such a rainy day and the time has come to reap the benefits of past restraint. Secondly, since the formula financing agreement was first put in place in 1985-86, the federal grant has been growing at a rate which reflects our provincial-like responsibilities, thereby allowing us to meet a significant proportion of our expenditure growth. As a result, despite poor own-source revenue growth attributable to weak economic performance, we will be able to finance most of next year's deficit without increasing taxes. The estimated accumulated deficit for next year will be financed internally. We will not have to borrow.

Among other reasons why tax increases were considered inappropriate at this time is the considerable uncertainty over the effect on our tax revenues of the emerging federal proposals for comprehensive tax reform. The NWT, like most other provincial and territorial governments, has

entered into a tax collection agreement with the federal government. This means that the federal government largely determines the tax base through the Canadian Income Tax Act. An in-depth reform of that act would, therefore, have a direct impact on our tax revenues. Until we know the extent of the reform and until we are able to assess its revenue impact, the Executive Council considered it would be undesirable to proceed with major new tax initiatives.

Finally, it is extremely important to maintain a favourable tax environment in the Northwest Territories. Like other resource-based regions our economy is very capital-intensive and must attract large pools of capital from outside its boundaries to finance investment. We must still rely on specialized types of labour and expertise not available in the North. Keeping our current favourable tax environment will help us to continue to attract these needed resources.

Mr. Speaker, the NWT taxation regime compares very favourably with that of other Canadian provinces and the Yukon. We have one of the most stable and favourable tax environments in Canada.

- 1) We have no sales tax whereas sales tax rates range from five per cent to 12 per cent in the nine provinces that levy them.
- 2) Our personal income tax rate is the lowest in Canada.
- 3) We have among the lowest tax rates on fuel.
- 4) We impose no capital tax on our corporations.
- 5) Our corporation income tax rate compares favourably with that of other jurisdictions.

Possibly more important than our favourable tax regime is the fact that our government has abstained from tinkering with the tax system, thereby maintaining the most stable tax environment in the country. Furthermore, higher costs of living for individuals in the North and proportionately higher incomes lead to higher tax burdens for residents. Similarly businesses face higher overall input costs. As a government, we must be aware of the potential negative impacts of substantially increasing tax burdens.

Summary Fiscal Outlook

Mr. Speaker, the budget I am presenting today projects total expenditures of \$790 million of which \$166 million are directed to capital expenditures and \$624 million to operations and maintenance. Expenditures on third party programs, which are entirely recovered from third parties, are expected to slightly exceed \$36 million, bringing the total to \$826 million.

Revenues are anticipated to total \$721 million, with \$520 million or 72 per cent coming from the federal government under the formula financing agreement. After adjustments of six million for estimated supplementary requirements and \$19 million for estimated appropriation lapses this will leave a budgetary shortfall of approximately \$55 million.

The largest part of the deficit will be financed by drawing down our accumulated surplus. After allowance for expected 1986-87 supplementary estimates, our accumulated deficit will total approximately \$16 million by fiscal 1987-88 year end. Recognizing the timing of our cash flows, it is not anticipated that the government will be required to borrow. Our accumulated surplus will therefore allow us to remain virtually debt free next year.

Conclusion

Mr. Speaker, the Executive Council is confident that this budget constitutes an effective fiscal strategy to respond to the current difficult economic situation and to the ongoing pressing need for improved basic public services and infrastructure. I also believe that our financial position allows us to meet next year's significantly higher expenditures without increasing taxes and without jeopardizing our fiscal integrity.

- 1) We have focussed expenditures on essential people services and on development of our infrastructure.
- 2) We have tried to allocate resources among regions in a comparable yet flexible way.

3) We have put forward an overall expenditure and revenue plan that will both help sustain short-term economic performance and improve our long-term economic opportunities.

Mr. Speaker, the Executive Council believes that this budget presents a sound financial strategy. It balances the need for economic stimulus with the need for essential people services. It balances the need for the enhancement of long-term economic opportunities for our population with the need for expenditure programs that are responsive to the unique social and cultural conditions of the North. It balances the need for equitable treatment of regions with the need to help those areas more severely affected by the economic downturn. It is an important part of the government's overall economic and social development strategy.

Budget Secrecy

Before I take my seat, Mr. Speaker, I would like to conclude my remarks with a few comments about budget secrecy.

HON. TAGAK CURLEY: Hear, hear!

HON. TOM BUTTERS: Budget secrecy is a most sacrosanct principle of financial administration in parliamentary systems around the world. It means that the financial plans of the government and the estimates of its expenditure needs for the coming year are kept under wraps until they are made public through the Minister of Finance's budget speech and the tabling of the estimates in the Legislature.

HON. TAGAK CURLEY: Hear, hear!

HON. TOM BUTTERS: In fact, the principle of budget secrecy is so important, that a Minister of Finance whose budget is "leaked" ahead of time, would, in most jurisdictions, be called upon to resign.

HON. TAGAK CURLEY: Hear, hear!

HON. TOM BUTTERS: While I do not intend to resign, the fact that much information about this budget has been given to the media by Members of the standing committee on finance raises serious questions about the budgetary process in the NWT.

HON. TAGAK CURLEY: Right on.

HON. TOM BUTTERS: First, Mr. Speaker, what has happened raises a question of the privilege of Members of this Legislature. It is extremely unfair that many MLAs, those who are not Members of the standing committee on finance, will have learned about the contents of the government's budget, not in this House but from the local and even the national media.

Secondly, the events of the past week also raise questions of propriety and fairness. The early release of budgetary information contravenes the important principle that no person or company should have a competitive advantage over any other through foreknowledge of the government's financial plan. To maintain fairness, it is essential that each citizen has the opportunity to learn of the contents of the budget at the same time; that for instance, one contractor does not get a head start over others by obtaining information about our capital expenditure plans ahead of time; or that individuals can benefit from financial decisions by learning prematurely that tax changes may or may not be introduced.

Finally, the premature public release of information shared by the government with the Members of the standing committee on finance raises a basic question of trust. It is trust, Mr. Speaker, upon which the system we call consensus government is able to operate, and that trust has been compromised by some honourable Members who have released privileged information to the media.

Mr. Speaker, I have presented the last budget of the 10th Assembly. My Executive Council colleagues and I realize that we may or may not be around when the next main estimates are tabled.

Executive Council Recommends Cessation Of Early Access To Budget For Standing Committee

However, we are at this time recommending that the practice of giving standing committee on finance early access to budgetary materials cease.

HON. TAGAK CURLEY: Hear, hear!

HON. TOM BUTTERS: Mr. Speaker, I believe we are witnessing the end of an era with respect to the budgetary system of this government. The tradition of shared information and mutual trust between the Executive and the Legislative Assembly of the NWT in financial matters is a long established one, a tradition that can be destroyed by the heedless actions of a few.

Perhaps it is to be expected, perhaps it is part of "growing up" or a loss of innocence as a consensus government. Therefore I say with a deep sense of regret that through this breach we may have lost something very important to our relationship -- lost something perhaps irretrievable. Thank you.

AN HON. MEMBER: Shame, shame!

---Applause

MR. SPEAKER: Thank you, Mr. Minister. Would you let the records show that the item utilized under Ministers' statements today, for the presentation of the budget, shall not set by way of precedent the same type of use again; that we will have proper rules and regulations in effect before the next budget.

Item 2, Ministers' statements.

Item 3, Members' statements.

Item 4, returns to oral questions. Are there any returns today to oral questions? Item 5, oral questions. Mr. Pudluk.

ITEM 5: ORAL QUESTIONS

Question 017-87(1): Inuit Employee Medical, Travel And Accommodation Expenses, Nanisivik

MR. PUDLUK: Thank you, Mr. Speaker. I would like to direct this question to the Minister of Health and Social Services. I have just heard from Nanisivik that Inuit employees, who are not employed by the government, have to pay for their own medical bills. Or if they have to go to Iqaluit for a medical check-up they have to pay for their own plane tickets and medical bills. Sometimes they have to wait for a month just to save up enough money so they can go to Iqaluit for medical reasons. These expenses are paid for only when they are emergency cases. This is unfair for those people. They also have to pay to go to see an ophthalmologist and audiologist. They must also pay for their hotels and plane tickets. I would like to ask the Minister, if this is the case, could he rectify this problem? Thank you.

MR. SPEAKER: Mr. Minister.

Return To Question 017-87(1): Inuit Employee Medical, Travel And Accommodation Expenses, Nanisivik

HON. BRUCE McLAUGHLIN: Thank you, Mr. Speaker. The status Indians and Inuit in the Northwest Territories are, of course, covered by Indian Affairs and National Health and Welfare Canada under the health policy. Non-native people that work for employers of large corporations, such as mining companies -- and not just Nanisivik but Pine Point, Yellowknife and Polaris, etc., whose companies have medical plans in place, are covered under those plans. The rest of the people in the Northwest Territories, who may be non-status Indians or non-native people who are not covered by any plan by their employers, are covered under our medical travel plan and that includes airfares as well as other services. Our plan basically covers those people in the Northwest Territories who are not covered by the federal government's plans or are not covered by employer plans, so that people working for mining companies have usually, through their contract negotiations between their union and their employer, a program to cover them so they are not eligible for our plans. Thank you, Mr. Speaker.

MR. SPEAKER: Thank you, Mr. Minister. Supplementary, Mr. Pudluk.

Supplementary To Question 017-87(1): Inuit Employee Medical, Travel And Accommodation Expenses, Nanisivik

MR. PUDLUK: (Translation) Thank you, Mr. Speaker. Yes, the employees are covered under the medical services plan. However, the dependants are not. Is this the case?

DEPUTY SPEAKER (Mr. Wah-Shee): Mr. Minister.

Further Return To Question 017-87(1): Inuit Employee Medical, Travel And Accommodation Expenses, Nanisivik

HON. BRUCE McLAUGHLIN: Thank you, Mr. Speaker. The medical services plan we have is very definite that employees of companies with plans and their dependants are not covered under our plan. However, we have made some amendments recently by which, if our plan provides something that one of the employer's plans does not, our plan will make up the difference. So I will look into this situation and see if that new rule would apply to this situation. Thank you, Mr. Speaker.

MR. DEPUTY SPEAKER: Thank you. Item 5, oral questions. Mr. Paniloo.

Question 018-87(1): Cost Of Pope's Proposed Visit

MR. PANILOO: (Translation) Thank you, Mr. Speaker. My question is directed to the Government Leader. The Pope was supposed to visit the NWT. I think they used up a lot of money for those preparations. I would like to know if they will use some more money for the Pope's proposed visit.

MR. DEPUTY SPEAKER: Thank you. Mr. Sibbeston.

Return To Question 018-87(1): Cost Of Pope's Proposed Visit

HON. NICK SIBBESTON: Mr. Speaker, the plans of the Pope have not been made public as to whether he will visit the Northwest Territories, in particular Fort Simpson. I do not know if the community of Fort Simpson, if the Pope does go there, will be asking for any funds from our government. I do know that for the past proposed visit there was some money spent and a lot of the facilities are in place now for the visit. I simply do not know whether the community will ask our government for any assistance to make the arrangements for the visit if he does come.

I should tell the Member that there will be a delegation of native leaders from across Canada led by Steve Kakfwi who will be travelling to Rome in the next month or so to officially request the Pope to come to the Northwest Territories and Fort Simpson. Once a decision has been made, then I am sure that we will know much better just what will happen. I certainly do not know at this stage if the community will be asking us for any money.

MR. DEPUTY SPEAKER: Thank you. Item 5, oral questions. Mr. Erkloo.

Question 019-87(1): Use Of Old RCMP Building, Pond Inlet

MR. ERKLOO: (Translation) This question might possibly be directed to the Minister of Culture and Communications. As you are aware, the ladies' association in Pond Inlet has been trying to obtain an old RCMP building. I would like to know if you are aware that an individual has obtained the building and they have not informed the women's group. Thank you.

MR. DEPUTY SPEAKER: Thank you. Mr. Sibbeston, is that within your department?

HON. NICK SIBBESTON: Mr. Speaker, I will take the question under advisement and provide the Member with a response as soon as possible.

MR. DEPUTY SPEAKER: Thank you. Item 5, oral questions. Mr. Erkloo.

MR. ERKLOO: (Translation) Supplementary. The women's group has a matchbox building. There is not enough space for the women. Perhaps the Government Leader, while dealing with my question, could consider getting another building for the women's group. Thank you.

MR. DEPUTY SPEAKER: Thank you. I believe the Minister indicated that the question is under advisement and will return to the honourable Member. Item 5, oral questions. Mr. Arlooktoo.

Question 020-87(1): Better Equipment For Inuit Carvers

MR. ARLOOKTOO: (Translation) Thank you, Mr. Speaker. My question is to the Minister of Economic Development and Tourism. The Inuit carvers have very poor carving tools. Perhaps your department can advise us as to where we can find better carving equipment. Thank you.

MR. DEPUTY SPEAKER: Thank you. Mr. Curley.

Return To Question 020-87(1): Better Equipment For Inuit Carvers

HON. TAGAK CURLEY: I do not think it would be too hard to deal with your question. Perhaps if Mr. Butters' budget proposal is approved it could be done very soon.

MR. DEPUTY SPEAKER: Thank you. Item 5, oral questions. Mr. Pudluk.

Question 021-87(1): Recreational Funding By Department Of Social Services

MR. PUDLUK: (Translation) Thank you, Mr. Speaker. My question is to the Minister of Social Services. I would appreciate a reply sometime in the future. Last November we heard on the news from Rankin Inlet that they are trying to get a recreational facility at the cost of \$1.5 million and the community contribution is \$400,000. As we heard on the news, the welfare recipients and unemployed people were told that they can get assistance to pay for their hockey fees. My question, Mr. Minister, is how much money have they used for this? Thank you.

MR. DEPUTY SPEAKER: Thank you. Mr. McLaughlin.

HON. BRUCE McLAUGHLIN: Mr. Speaker, the Department of Social Services gives out financial assistance payments to people in need and does so in a system that allows for food, clothing and shelter allowances for people and does not have any program for funding of recreational events. I will check with the department to see what the details on this story are and get back to the Member, because it is a surprise to me. Thank you very much.

MR. DEPUTY SPEAKER: Item 5, oral questions. Mrs. Lawrence.

Question 022-87(1): Health Care Training Positions For Natives

MRS. LAWRENCE: (Translation) Last year I asked the Minister of Health and Social Services if he intended to create training positions to assist native people wishing to enter the health care professions. At that time the Minister said that there were no such positions. Now that the new hospital in Yellowknife is nearing completion, I want to ask him again if he intends to create training positions to enable native people to enter the health professions.

MR. DEPUTY SPEAKER: Thank you. Mr. McLaughlin.

Return To Question 022-87(1): Health Care Training Positions For Natives

HON. BRUCE McLAUGHLIN: Mr. Speaker, at that time I indicated that if native students in the NWT were able to get the academic standing and wished to enter the health profession field, there was nothing barring them from doing that. In other words, a student who finishes grade 12 and wants to go on to take nursing or medicine courses is able to do so and that would be entirely funded under the existing grants and bursaries program. In addition to that, through co-operation with the Department of Education, my department has been able to establish, with the University of Manitoba, some positions there, which can be taken up by northern residents. In fact, last year a student from Inuvik began that program. It also includes upgrading of students who are interested. That student had some personal problems and had to withdraw, but the opportunities are there, and if the students want to go into the health professions, the avenues are open to them through the Department of Education. Thank you very much.

MR. DEPUTY SPEAKER: Thank you. Item 5, Mrs. Lawrence.

Supplementary To Question 022-87(1): Health Care Training Positions For Natives

MRS. LAWRENCE: Thank you, Mr. Speaker. I understand, then, that there is no such training for native people in that big new hospital that is coming up. When I am talking about training programs, I am talking about training in all areas of the Department of Health. Are you saying then, Mr. Minister, that there are no such training programs for any native people to take part in that new big expensive hospital that is being built in Yellowknife?

MR. DEPUTY SPEAKER: Mr. McLaughlin.

Further Return To Question 022-87(1): Health Care Training Positions For Natives

HON. BRUCE McLAUGHLIN: Mr. Speaker, I will repeat my answer. It is the same one I gave last year. The thing is, as I indicated before, that any student who gets qualifications through the education system will be funded entirely through our grants and bursaries system to take health care courses. In addition to that, for students who do not have the academic qualifications, we have made provisions for them to get academic upgrading at the same time that they take courses. We have a couple of positions available for that. As to other opportunities, the people can apply for positions within the Department of Health and the equal employment opportunities program will provide native northerners the opportunity to become involved in those training fields. Thank you, Mr. Speaker.

MR. DEPUTY SPEAKER: I would like to remind some Members of this House that we are still in formal sitting of the House and you should really address the Chair as Speaker.

---Applause

Item 5, oral questions. Mrs. Lawrence.

Supplementary To Question 022-87(1): Health Care Training Positions For Natives

MRS. LAWRENCE: Thank you, Mr. Speaker. A supplementary question. I understand that the community level programs, such as community health representatives, do not necessarily require grade 12 and a lot of our young people have not completed their grade 12. Are there any plans to train these community health representatives at the community level? Is there any kind of plan taking place at this time, since the government is so busy trying to transfer that health program to territorial government?

MR. SPEAKER: Mr. Minister.

Further Return To Question 022-87(1): Health Care Training Positions For Natives

HON. BRUCE McLAUGHLIN: Thank you, Mr. Speaker. As far as the CHR positions go, I have looked into this in the past. The medical services branch of Health and Welfare Canada indicated to me that training programs could occur within their budget but they did not have any funds in order to hire any graduates of such programs. I have identified with Mr. Epp that this is one of the areas, in negotiations with his government, that we feel should be upgraded, so that there can be more CHR positions created. Once the funding is in place to hire people, then it would be appropriate to train them. But it would not be fair to train people for jobs that there is no funding to pay for at present.

MR. SPEAKER: Thank you, Mr. Minister. Oral questions. Mr. Gargan.

Question 023-87(1): Communities Covered By Statistics Canada Survey Of Prices

MR. GARGAN: Thank you, Mr. Speaker. I would like to direct my question to the Government Leader. It is with regard to Statistics Canada, who are doing a survey on the consumer price index in the Northwest Territories. I would like to ask the Government Leader whether any type of dialogue has been going on with these people from Statistics Canada that are doing that survey; whether they are only restricting themselves to Yellowknife, or are they going out into other communities to collect information on the cost of living up here?

MR. SPEAKER: Mr. Minister.

HON. NICK SIBBESTON: Mr. Speaker. (Translation) I have no idea about the question being asked, so I will take it as notice and respond tomorrow.

MR. SPEAKER: Thank you. You are taking the question as notice. Oral questions. Mr. T'Seleie.

Question 024-87(1): Access By Community Residents To Stanton Yellowknife Hospital

MR. T'SELEIE: Mr. Speaker, I would like to ask the Minister of Health a couple of questions about the new hospital in Yellowknife. I would like to know if the hospital is a hospital that is only for residents of Yellowknife or is it the intention that the hospital would serve all of the other communities in the Northwest Territories as well? I would also like to ask the Minister if it is the intention that this hospital serve other communities, whether someone is working on some type of an agreement that ensures that this hospital here is not simply filled by residents of Yellowknife only. I think we all know here that at times Yellowknife gets hoggish about facilities that are sometimes intended for the use of more people. So I would like to ask the Minister those two questions.

MR. SPEAKER: The honourable Member for Pine Point.

Return To Question 024-87(1): Access By Community Residents To Stanton Yellowknife Hospital

HON. BRUCE McLAUGHLIN: Thank you, Mr. Speaker. If Members will go back to the previous debates of when the hospital in Yellowknife was first proposed, Members from outlying regions in the Northwest Territories did not want the Stanton Yellowknife project to go ahead as first envisioned in that it would be a major referral centre for the whole Territories, or at least for the whole western part of the Territories, because they were apprehensive that the medical service provided for them in their own communities or areas would be downgraded. The objective is to continue the practice of having patients first go to the hospital which exists in their area, like Inuvik, Fort Smith or Hay River and subsequently come to Yellowknife when those specialties are offered in the North for the first time and the beds are available for the first time, so that patients can remain in the Territories. So it is intended that the hospital will serve the other regions of the Northwest Territories, especially the communities in the Western Arctic and Mackenzie valley areas. The increase in the number of beds available is from 72 to 115. There are 20 beds for chronic care as well, so there is actually a total of 135 beds in the hospital. But it is primarily intended that this expansion of the facilities will enable northerners from all regions to be able to come to the hospital in Yellowknife instead of having to go to hospitals in southern Canada. The expansion of the hospital is primarily for that purpose. Thank you, Mr. Speaker.

MR. SPEAKER: Thank you, Mr. Minister. Oral questions. Mr. Paniloo.

Question 025-87(1): Funding For Counselling To Prevent Suicides

MR. PANILOO: (Translation) I have a question regarding the number of suicides in the North, which has increased drastically since 1986. This morning in my constituency one of the people has committed suicide by hanging himself. The people are wondering if there could be funding for this problem. Also, is the funding for young offenders used just for the people who have already committed crimes or could we use some of the funding for counselling purposes?

MR. SPEAKER: Would the appropriate Minister answer this, please? Mr. McLaughlin.

Return To Question 025-87(1): Funding For Counselling To Prevent Suicides

HON. BRUCE McLAUGHLIN: Thank you, Mr. Speaker. The difficulty that young adults in the Northwest Territories face as they mature in the small communities and consider their futures is a serious concern to this government. The suicide rate amongst youth in the NWT is higher than anywhere else in Canada. Through the youth forums and meetings that we have been able to organize -- as far as using the youth money in the budget to initiate programs for youth -- in each of these meetings we have always made an attempt to make youth aware of problems, that they are not by themselves, that there are avenues in their communities and people they can seek for help.

In addition to that, Health and Social Services both work with the Department of Education to create courses to be taken at high schools so that students will be more aware of themselves and more aware of the difficulties that all youth have when they grow up. Hopefully these courses will give them more of a positive attitude in life.

In addition to that, Mr. Speaker, this is a very timely question because Mr. Patterson and myself accompanied the Hon. Jake Epp, the Minister of National Health and Welfare, to Iqaluit on Friday and discussed with him, on the plane, the problems of violence and suicide in the Baffin in the recent year. There has been a large increase in such. Mr. Speaker, the national Minister in his speech indicated his concern for this and that he would, hopefully, be able to do something in this area. This is another area, Mr. Speaker, where this government has identified what we feel is a deficiency in what Health and Welfare Canada does right now. They are presently responsible for mental health and, during negotiation for transfer, that program is one of the areas we would like to see enhanced, specifically in the Baffin.

My department made a presentation to the new Baffin Regional Health Board on this matter. As far as the feedback I got from the chairman of the health board and some of the members, they were happy with what the department proposed to them and in addition to that, Members should be aware that the regional health board has addressed mental health as their priority in the current calendar year. Thank you, Mr. Speaker.

MR. SPEAKER: Thank you, Mr. Minister. Oral questions. Mr. Richard.

Question 026-87(1): Evidence Of Budget Information Leak

MR. RICHARD: Thank you, Mr. Speaker. I have a question of the Minister of Finance. It concerns a statement made by the Minister earlier this afternoon about leaks in budget information. I, too, am concerned and share the concern of the Minister of Finance of any improper leak of budget information to the people who would have a competitive advantage over others or contractors who would get a head start over others by early information about capital expenditure plans or individuals who had early information to benefit from financial decisions by learning prematurely that tax changes may or may not be introduced. Mr. Speaker, my question is, does the Minister of Finance have any evidence of any such improper leak of budget information and if so, what is being done about it?

MR. SPEAKER: Mr. Minister.

Return To Question 026-87(1): Evidence Of Budget Information Leak

HON. TOM BUTTERS: No, Mr. Speaker, I was just indicating what results when budget leaks begin to occur. Where do they end? This is one of the reasons why budget secrecy has been sacrosanct. But in terms of any specifics with regard to any leakages of this budget -- no, I do not.

MR. SPEAKER: Thank you. Mr. MacQuarrie.

Question 027-87(1): Specific Advantage Gained From Leaked Budget Information

MR. MacQUARRIE: For the Minister of Finance, could I ask the Minister which specific information, that he had heard released early, appears to him to give an advantage to individuals, either contractors or taxpayers?

MR. SPEAKER: Mr. Minister.

Return To Question 027-87(1): Specific Advantage Gained From Leaked Budget Information

HON. TOM BUTTERS: I do not think the honourable Member heard my previous reply. I said I did not have any specific information of some particular leak. What I indicated was that when budget material begins to be leaked and there is foreknowledge of the various areas...

AN HON. MEMBER: Which areas?

HON. TOM BUTTERS: ...which the honourable Member just read, then problems can ensue.

MR. SPEAKER: Thank you, Mr. Butters. Mr. MacQuarrie.

Supplementary To Question 027-87(1): Specific Advantage Gained From Leaked Budget Information

MR. MacQUARRIE: Thank you, Mr. Speaker. As a Member neither of the government nor of the standing committee on finance, I myself can see no information that I found out early through the media that would appear to give anyone an advantage as a result of that budget information. So I would ask the Minister -- he is saying that he has no evidence whatsoever and is unable to point to specific information that was produced early as being detrimental -- can I ask the Minister that on the basis of that, is he, and are all other government Members recommending a fundamental change to the approach to the way that business is done in this Assembly, without having any evidence? Because to me that is what he appears to be saying.

MR. SPEAKER: Mr. Minister.

Further Return To Question 027-87(1): Specific Advantage Gained From Leaked Budget Information

HON. TOM BUTTERS: Yes, Mr. Speaker, a fundamental change is being recommended. I think that one of the areas that should be looked at, and I imagine will be looked at in the new House, is that the capital budget will be provided in the fall session so that it is not included in the winter session. On the matter of secrecy, it is quite obvious, information that I have heard on the news has indicated to me that elements of this budget have been made available to the press. Not maybe in the area of privileged knowledge that some contractor might use over another, but certainly leaks have occurred with regard to specific items that occur in this budget.

What I was saying is that once that leakage occurs, there is no end to it, there is no stopping it. The practice of budget secrecy is so strong in other jurisdictions that only the Finance Minister is aware of the total ambit of the budget that he is presenting. I am suggesting that what we should look at is an arrangement by which the budget could be developed and at the budgetary session be tabled. Then the House could rise and it could be referred to the standing committee on finance, where it could be examined in some detail. In that case all Members of the House have the advantage and have the knowledge of what is in that budget document.

MR. RICHARD: It is open to all Members right now.

MR. SPEAKER: Final supplementary, Mr. MacQuarrie.

Supplementary To Question 027-87(1): Specific Advantage Gained From Leaked Budget Information

MR. MacQUARRIE: Thank you, Mr. Speaker. I point out to the Minister that he is recommending that the practice of giving standing committee on finance early access to budgetary materials cease. That is a recommendation of momentous proportions for this House. Now, is the Minister saying that secrecy itself is sacrosanct and therefore if it is violated in some way, this kind of drastic recommendation is necessary? Or is the Minister saying that certain kinds of budget information ought to be secret? If it is the former, does the Minister not think that he is not being realistic with respect to requirements of good government? If it is the latter point that I make, does the Minister not feel that he has an obligation to specifically point out to Members where they acted improperly?

MR. SPEAKER: Mr. Minister.

Further Return To Question 027-87(1): Specific Advantage Gained From Leaked Budget Information

HON. TOM BUTTERS: The manner in which this budget was discussed by the press, not only in the local news but on the national news, indicates that the press was privy by some means or manner to material that was contained in this budget. I do not know; I was not at the various meetings where these items were discussed. I was not part of the meetings. I do not know what occurred. All I know is what I read in the newspaper or hear on the air and I heard things in those media reports that would suggest that matters that appeared in our budget were made available in a public sense before they were tabled in this House or provided in this House. I think the statement is self-evident, it speaks for itself. Obviously, this Executive Council is not going to be able to influence or affect the manner in which the next budget is presented or handled by the next Assembly, but in view of the material that would seem to be placed in the public domain before being tabled in this House by myself, as Minister of Finance, this suggests that the current practice requires examination and possibly a new system developed by future governments.

MR. SPEAKER: Thank you, Mr. Minister. Oral questions. Mr. Nerysoo.

Question 028-87(1): Role Of Executive Council Members In Budget Development

MR. NERYSOO: Thank you, Mr. Speaker. In light of the statements made by the Minister of Finance, does the Minister of Finance not consider a review of the present financial presentation of government, consider in fact a change in the manner in which the Members of the Executive Council also participate in the development of that particular budget?

MR. SPEAKER: Mr. Minister.

Return To Question 028-87(1): Role Of Executive Council Members In Budget Development

HON. TOM BUTTERS: Well, Mr. Speaker, we are into the area of supposition now. I am not sure what would occur under a new arrangement. I know the arrangement that we have now, which has worked amazingly well in a consensus government -- I am surprised that it has worked, but increasingly we are beginning to find that the degree of trust or agreement to maintain secrecy with regard to certain aspects of the government's programs or budget is diminishing. And I tend to feel that this last exercise indicated that more and more holes are appearing in the fabric of our arrangement between the Executive Council and standing committees of this House, especially in the area of the standing committee on finance.

MR. SPEAKER: Thank you, Mr. Minister. Oral questions. Supplementary, Mr. Nerysoo.

Supplementary To Question 028-87(1): Role Of Executive Council Members In Budget Development

MR. NERYSOO: Thank you, Mr. Speaker. With regard to the question of supposition, I believe that it is the Minister of Finance that supposes that certain particular issues and information has been leaked to the public that could give advantages to contractors. Now, Mr. Speaker, that same supposition could apply to Members of the Executive Council. The Minister, Mr. Speaker, has indicated that a change should take place. Is the Minister in his recommendation of change to the manner in which the budget is reviewed by the standing committee on finance, also considering changes to the manner in which the Executive Council prepares the particular budget?

MR. SPEAKER: Mr. Minister.

Further Return To Question 028-87(1): Role Of Executive Council Members In Budget Development

HON. TOM BUTTERS: Mr. Speaker, I indicated at the outset, in response to another Member's question, that I do not have specific examples of where a leak has occurred in recent past that is to the advantage of some contractor or some other individual. What I am saying is that budget secrecy has been a sacrosanct aspect of the development of budgets in other jurisdictions. We are an odd man out in terms of Confederation, in terms of constitutionality as we know it in the free world. We are a consensus government and for many years have operated that consensus remarkably well. What I am saying is that in the area of developing of a financial budget framework, that consensus is breaking down because it is dependent on a strong working relationship between Members of the Assembly and the Executive Council. I am not casting aspersions on anybody. All I am saying is that I have heard over the last two weeks information with regard to the budget that must have come from somebody. I do not believe that it is Members of the Executive Council that have communicated that information. I think it has been communicated in various constituency meetings and various other places. So I am just saying that the arrangement that we have had has broken down and what maybe this House should do, what the next government should do, is look at another arrangement for handling budgetary items that will remove us all from the realm of criticism. I suggested one, that we would cease discussing with the standing committee on finance a proposed budget prior to the time it was tabled in the House. It could be tabled in the House. We could either rise, leave, and come back, or we could look at two or three weeks of legislation. There are many ways in which the matter could be addressed. It is not an insurmountable problem, but I am saying there is a very good reason for budget secrecy. I am saying that possibly the next government should look at some other way of preparing its budget and dealing with this problem of leakage.

MR. SPEAKER: Thank you, Mr. Minister. Oral questions. Mr. T'Seleie.

Question 029-87(1): Authority Of Executive Council Re Budget Secrecy Decision

MR. T'SELEIE: Mr. Speaker, I would like to know from the Minister of Finance whether or not this decision not to allow any committee of this Legislature to future year's estimates is a decision that the Executive can make on its own. Or do they need the concurrence of other Members as well?

MR. SPEAKER: Mr. Minister.

Return To Question 029-87(1): Authority Of Executive Council Re Budget Secrecy Decision

HON. TOM BUTTERS: No, Mr. Speaker. In a consensus government it is not a decision that the Executive Council can make on its own.

MR. SPEAKER: Thank you, Mr. Minister. Oral questions. That appears to conclude oral questions for today. Item 6, written questions. Mr. Erkloo.

ITEM 6: WRITTEN QUESTIONS

Question W3-87(1): Funding For Women's Group, Pond Inlet

MR. ERKLOO: (Translation) The women's group in Pond Inlet requested funding last year and have not heard whether they will be receiving any funding. They are again requesting total funding of \$35,000 but are having difficulty as to where to address this issue because the economic development officer in Pond Inlet does not know who to request the funding from. They are asking for funding through the hamlet council in that community.

My questions are: 1) Can you inform your department to clarify the role of the economic development officers in the communities? 2) Can you inform your department that groups or associations in the communities, such as the one I am referring to, should be given clear information on how to apply for funding and what the criteria are when requesting for funding to start a group?

MR. SPEAKER: Thank you, Mr. Erkloo. Written questions. That appears to conclude written questions for today.

Item 7, returns to written questions.

Item 8, replies to Opening Address.

Item 9, petitions. Item 10, reports of standing and special committees. Mr. Nerysoo.

ITEM 10: REPORTS OF STANDING AND SPECIAL COMMITTEES

Report Of The Standing Committee On Finance On The Proposed Budget, 1987-88

MR. NERYSOO: Thank you, Mr. Speaker. At this particular time I wish to give the report of the standing committee on finance, upon its review of the budget of the Government of the Northwest Territories.

The Review Process

At the suggestion of the Minister of Finance, the committee scheduled its review of the 1987-88 budget for the two week period commencing January 5, 1987. These dates changed when the committee agreed to meet jointly with the standing committee on legislation January 6 to January 8 for a review of the Financial Administration Act. It was agreed that the committee would sit an additional week and conduct its review of the budget, with an overview presentation by the Minister of Finance on Friday, January 9th, and a review by department for the two weeks, January 12 to January 23.

The committee wishes to acknowledge the assistance of the office of the Minister of Finance, especially Mr. Aumond, in working with committee staff to prepare and co-ordinate an agenda for our review. As a result of that assistance the meetings were conducted in a timely and efficient manner. All Ministers and their support staff were in attendance when scheduled and the meetings,

with very few exceptions, kept to the proposed timetable. As in previous years, the hearings were recorded for the purposes of note taking and to assist in the review and reporting process. Care was taken to respect the need for confidentiality and these minutes were given restricted circulation.

In conducting its review the committee was provided with review documents prepared by the Financial Management Secretariat from information provided by departments. These documents took the same form as in last year's review. While in the report of this committee last year the FMS was given praise for the development of new documents and formats, this year the committee found itself questioning the accuracy of the information that was provided and the style in which it was prepared. In that part of this report that deals with the secretariat, some of those concerns are further discussed and recommendations made. For the purpose of this introduction it should be said that a major difficulty was experienced with the capital documents. The presentation did not allow for easy comparison to previous years, nor did they provide accurate projections of future requirements. In the operations and maintenance documents the committee was too often told that there were errors in the information provided, usually in the revised forecast figures for the current fiscal year.

The process of review by the committee included a comparison of the proposed budget to the budget for the current year, 1986-87. Every Member was concerned that, following the 1986-87 precedent-setting deficit budget, that better controls over expenditures would be in place in 1987-88. This budget does not provide that control. For several reasons, which will be reviewed in greater detail later, the government once again has proposed a deficit budget. However, unlike last year when the deficit was clearly able to be covered by our cash surpluses, this budget will, for the first time ever, put this government in a true deficit position. The surplus that we have openly enjoyed for some years will be gone and spending will exceed our resources.

The standing committee on finance recognizes its unique position when compared to the other governments of this country. In no other jurisdiction is the budget of the government presented to "ordinary" Members in advance of its presentation within the Assembly. In no other jurisdiction are Ministers of the government subject to such open and direct examination on their proposed budget requirements. The review conducted by this committee is therefore recognized as having special significance. It is this uniqueness, this special significance, that emphasizes the importance of the work of this committee. We, as Members of the standing committee on finance, believe that in exercising an authority given nowhere else, we have also to assume an additional burden of responsibility. We must ensure that our work has impact and that our review is conducted in such a way as to ensure that the government under review is both responsive to the needs of the people and responsible for the sound financial management of the affairs of government.

Members noted that in past years there has appeared to be a tendency to agree too readily with the government, to "rubber-stamp" their budgetary requests. In recent years the Members of the Assembly, indeed all of the people of the Northwest Territories, have recognized that there has existed here in the North a sound economy, in certain areas, as compared with most areas in the South. The downturn in the economy being experienced in the Beaufort, the closing of mines, the loss of the sealing industry, the high unemployment in many areas of the North have all signalled two important needs in a budget. One is to stimulate growth, infuse economic activity, and address the social implications of loss of incomes. The other calls for fiscal responsibility at a time when our good fortune of past years appears to be in jeopardy, if not lost. It was with this understanding that the committee prepared to question the witnesses appearing before it.

The Preliminary Overview

On Friday, January 9, the Minister of Finance told the committee, "This has been a very difficult budget process. Difficult for me as Minister of Finance...difficult for my colleagues as Ministers of program departments being required to address new and ongoing initiatives, and extremely difficult for the small FMS staff who has had to deal and produce...very many various fiscal frameworks and targets." At this point the Minister went on to say, "The accumulated surplus in this projection is gone." This was a dramatic moment and the reason for including a recounting of it in a report such as this is to give readers a sense of the importance of the moment and the impact that that statement would have on the proceedings of the next 10 days and the conclusions to be drawn by the committee in making its recommendations.

The Minister told the committee that among the reasons that the surplus was to be spent were:

- 1) That the priorities process and programs of a few years ago have generated ongoing initiatives which have resulted in associated demands for funding that were not anticipated when those priorities and programs were implemented.
- 2) Forced growth outside of the control of government is being experienced in such areas, for example, as utility costs, the number of social assistance recipients, the renewed RCMP agreement, special needs education, etc.
- 3) The budget is attempting to address a serious economic need in a global sense throughout the NWT because the economic situation is very bleak; the sealing market is depressed; the mining industry has been severely hurt by world prices and supply and demand with a resultant withdrawal of exploration money in the NWT; there has been a reduction of petroleum exploration and development activity.
- 4) The government is carrying out the will of the Legislative Assembly. That is to say, programs being put in place are programs that have been recommended to the government by the House; or they are new initiatives that have been suggested in discussion of previous budgets by motion.
- 5) No new revenue initiatives are being identified.
- 6) It was felt that to have an accumulated surplus in the year that the formula funding agreement with the federal government is subject to renegotiation would be detrimental to this government's bargaining position.

This last statement requires more explanation, as it appears that it may be a questionable motivator for the increased spending in this fiscal year.

Formula Funding And The Surplus

The Minister of Finance has suggested, and Members agree, that the funding agreement that was negotiated with the federal government has worked in this government's favour. The Minister pointed out to the committee that 1987-88 is the third year of this five year agreement and that either party can exercise the right to renegotiate the formula at the end of this fiscal year.

The concern of the Minister and his colleagues is that the federal government will find that our accumulated surplus is evidence that a reduction in the formula agreement is possible. It is the government's position that the funding arrangement must be maintained as is. In fact, there are regular requests for increases to our base funding position because of various federally initiated programs, such as the young offenders program. The surplus is a result of good management and of self-imposed restraint. The surplus does not reflect the real financial requirements of this government in its efforts to meet the needs of the residents, especially in a time of serious economic downturn.

The Minister told the committee, "I think increasingly, as they look at that unexpended surplus, or accumulated surplus, questions are being raised by the Department of Finance and DIAND officials... my feeling would be that the surplus that we have enjoyed over the last ten years through good fiscal management is very, very vulnerable." It was the feeling within the committee that this concern with vulnerability is what has prompted so much spending to be planned for this year. The committee agrees that at this time the accumulated surplus should be spent. The concern of the committee is that the government has not used that surplus to adequately address the economic downturn in a long-term way. It has not provided significant help to the sealing industry nor addressed the serious downturn in the Beaufort area.

The Budget

The Minister had his deputy minister provide the committee with the dollar figures associated with this budget. Some of the important observations from his commentary are these:

- 1) Total expenditures estimated for 1986-87 will be \$703,843,000.
- 2) Total revenues for 1986-87 will be \$689,152,000.
- 3) Total deficit for 1986-87 will be \$14,691,000.

- 4) Accumulated surplus at the end of fiscal year 1986-87 will be \$42,042,000.
- 5) Total O and M in 1987-88 requested will be \$624,002,000. Actual O and M requirement after application of a reserve for supps and an estimated amount of lapsed funds will be \$613,942,000.
- 6) Total capital in 1987-88 requested will be \$165,760,000. The actual requirement after application of a reserve for supps and an estimate of lapsed funds will be \$162,727,000.
- 7) Total expenditures for 1987-88 requested will be \$789,762,000. The actual amount expected to be incurred after application of a reserve for supps and lapsed funds is \$776,669,000.
- 8) Total revenues for 1987-88 as per documents given the committee will be \$715,171,000. The figures provided by Mr. Nielsen are different and report \$721,498,000.

Note: The amounts being requested will reflect total expenditures of \$789,762,000 and a resulting deficit of \$74,591,000. However, the adjusted figures presented by Mr. Nielsen predict values that result in a deficit in the fiscal year of \$55,171,000.

- 9) Accumulated deficit based on the figures given to the committee would be \$32,549,000. The accumulated deficit based on Mr. Nielsen's projections will be \$16,628,000.

Note: The estimates figures being used both in the committee documents and in the revised figures used by the deputy minister do not include expenditures or revenues relative to the young offenders program.

Another observation made by the deputy minister was that in 1987-88 the fiscal framework allows for a "growth factor" in O and M of \$54 million, while in 1988-89 it is projected as zero. It was generally felt by Members that such a projection was unrealistic at best, and perhaps impossible. Throughout the review period, Members of the committee looked at the various departmental budgets and asked how such a projection could be met. The quick answer, often given, was that if the Minister of Finance directs the departments to prepare a zero growth budget they would have to comply, limiting new initiatives and controlling growth. It was a real concern of the committee that this budget is asking a future government, one that because of this election year may be substantially different, to exercise restraint and no growth. It was felt that it is impossible to direct the course of a new government and that the future fiscal plan of the current government may never be implemented.

In closing the overview presentation, the deputy minister provided the committee with the potential impact of a few revenue producing initiatives -- if they were to be implemented. No tax initiatives are being suggested, particularly in that in the current economy they would be inappropriate. New tax initiatives in the areas of sales tax, payroll tax, hotel tax, and increases in current taxes such as personal income tax, corporate income tax, tobacco tax, liquor tax, would in total only realize between \$20 million and \$25 million.

The Departmental Reviews

In the following section no effort will be made to reproduce all of the discussion or to repeat the figures associated with each departmental budget. Rather, it will report on those items that drew considerable concern from Members and which might be included in any recommendations from the Members of the committee. Any recommendations to be made will be listed in the closing commentary. The agenda for the review of departments was as follows:

Thursday, January 8th: 2:00 p.m., budget overview, Mr. Butters.
Friday, January 9th: 10:00 a.m., Executive, Mr. Sibbeston. At 2:00 p.m., Culture and Communications, Mr. Sibbeston.
Monday, January 12th: 10:00 a.m., Justice, Mr. Ballantyne. At 2:00 p.m., Government Services, Mr. Curley.
Tuesday, January 13th: 10:00 a.m., Economic Development and Tourism, Mr. Curley.
Wednesday, January 14th: 10:00 a.m., NWT Housing Corporation, Mr. Ballantyne.
Thursday, January 15th: 10:00 a.m., Health, Mr. McLaughlin.
Friday, January 16th: 10:00 a.m., Social Services, Mr. McLaughlin; Workers' Compensation Board, Mr. McLaughlin.

Monday, January 19th: 10:00 a.m., Education, Mr. Patterson; Aboriginal Rights and Constitutional Development, Mr. Patterson.

Tuesday, January 20th: 10:00 a.m., Municipal and Community Affairs, Mr. Wray.

Wednesday, January 21st: 10:00 a.m., Public Works and Highways, Mr. Wray; Highway Transport Board, Mr. Wray.

Thursday, January 22nd: 10:00 a.m., Renewable Resources, Mr. Pedersen. Also the Status of Women, Department of Personnel and Equal Employment Directorate, Mr. Pedersen.

Friday, January 23rd: 10:00 a.m., Finance, Mr. Butters. Also the Financial Management Secretariat, Energy, Mines and Resources and the Public Utilities Board, Mr. Butters. And at 3:00 p.m., Legislative Assembly, Mr. Stewart.

The Executive

Mr. Sibbeston presented the budget estimates for the Executive Council office, and for the Regional Operations Secretariat, the Audit Bureau, Priorities and Planning and the Office of Devolution. In brief, the department is seeking \$13.7 million and 168.8 person years.

Members noted that Executive Members will receive raises in salary level both for that portion of their indemnities as MLAs and for that portion of their wages as Ministers. Ministerial executive assistants were given various raises, some of which were higher than the norm, in order that their pay levels might be more comparable with each other and be in line with their similar responsibilities.

A concern was expressed with the increasing costs of the Ottawa liaison office and the function that it is performing. At the same time there was concern that the Edmonton liaison office was not being utilized as well as it might and that funds might be better directed to it rather than to Ottawa. Concern was also expressed that funds are being directed for a contract for a public relations officer in Europe.

Another concern of Members was with what appears to be an unusually high salary level for employees of the Government Leader's office, in particular, and within the Executive generally.

Culture And Communications

This department is seeking \$7.78 million in O and M and \$328,000 in capital. It should be noted that 24 language positions are being funded under an agreement with the federal government and these costs and revenues are not shown in the budget requests of the department. The committee did ask for a forecast of the breakdown of expenditures planned in this area for 1987-88.

The committee was also concerned about the creation of an assistant deputy minister position before the approval of the person year. It was suggested that this process, and which is evident in several departments, detracts from the previously accepted procedure of justifying need and then hiring after approval rather than the reverse that seems to be the practice now.

Another concern was raised about the high costs associated with the administration of funds for various groups. In the example of the Arts Advisory Council, \$104,000 is being spent to administer a program of \$250,000 in grants and contributions. It was felt that administration costs have to be dramatically reduced so that the groups can get greater benefit of the dollars being made available.

It was agreed that the small capital budget request would be dealt with in the House.

Department Of Justice

The Minister, Mr. Ballantyne, in his opening comments referred to the several areas that were driving this budget increase, some of which are: the increase to the RCMP agreement; the computerization of the registries function; the revision of legislation; increases in legal aid; and the newly operating court in Iqaluit.

During its review it became clear to the committee that the information that it had been provided with was inadequate for a proper analysis. The Minister gave several examples of information that was in error or that required extra explanation that would have to be provided at a later date.

The Minister stated, "There is some problem that we are having with a new format with the FMS...what we will do is provide for the committee the actual positions and where they are and an explanation...there is some discrepancy, it seems, in this new format."

The response of the committee was that more information and in clearly understood format, must be available when the budget comes up in the House. One Member said, "One should be able to figure out what is happening there and it is clearly confusing." Another Member commented that surely somebody must go through these to ensure that there are comments. "There is no comment. What are we supposed to do? Somehow, somebody has got to give us the proper information if you expect to get any kind of support for it."

Some of the committee's specific concerns were:

- 1) The amount of money allocated for special constables. The committee was informed that most of the funding in this area appears in the budget under the RCMP agreement.
- 2) The agreement with the RCMP. Members wanted to know what controls could be placed on the RCMP to ensure that they were being cost-effective, especially in the area of equipment purchases and repairs. The Minister indicated that these matters can be discussed with the force and that in this current year he did advise them that their request for funding would have to be reduced. It was by approximately \$600,000.
- 3) The large increase in the directorate task, finance and administration. The committee was told that this was to computerize the legal registries area to make it more efficient, faster, etc. This effort is being undertaken, apparently, as a result of earlier motions made by this committee.

Another area of concern was the confusing nature of the allocations and requests for PYs. In the task, revision of legislation, there is a request for an additional person year. However, when the need was questioned the committee was told, "Our intention is just to fill three of those four PYs in the coming year. In future years there will be the need probably for that PY."

Capital

This department seeks \$266,000 in capital funding. In order that the review stay on schedule the committee agreed to hold its examination of the capital items until committee of the whole.

Conclusion

The committee does not feel that the presentation by this department was clear or informative enough to allow for reasonable assessments or recommendations by the committee. Several areas of confusion exist but the Minister has promised to be able to answer questions when they are raised in the House.

Department Of Government Services

This department requests a total of \$14,479,000 in O and M and another \$9,093,000 in capital. The committee was told that most of this increase is due to infrastructure -- internal growth factors of departments -- and price increases. It must be noted that there are three activities of this department that are not included in these estimate figures. The petroleum products division, subject to the Revolving Funds Act, will require expenditures of \$43.8 million in O and M; the liquor system one million dollars; and the systems chargeback service will spend \$4.5 million -- recovered from other departments from their O and M. In particular it is important to note that PY and dollar increases in these areas are not included in the totals given for overall government in the summaries of the SCOF documents. The committee was told, "In this document before you, in the standing committee on finance, SCOF, document, it is somewhat misleading in terms of total personnel working for the Department of Government Services." The committee advises Members of the Assembly to consider this in attempting to assess the full size and scope of the government, that is being presented for approval.

Concerns

In order for the committee to better understand the needs and the revenues of the petroleum products division and the liquor system, the department promised copies of their recent profit and loss statements. These documents will be requested for use in the review of the department in the House.

The committee questioned the Minister on the chargeback procedure and was particularly concerned that no one seems to address the reasonableness of departmental requests for growth. It appears that this department simply seeks approval to increase in size in direct relationship to the size and number of requests from other departments without an assessment of the need or priority. The concern is that this seems to be an operational question that can and should be addressed sooner and at a lower level than in the Legislative Assembly debate on the budget. The committee was provided with a listing of departmental requests for computer services that was used in questioning other departments when they appeared.

The committee asked and was informed that there are nine or 10 vacant person years in this department.

The committee does wish to acknowledge that this department, more than any other, did provide adequate commentary on changes to the budget and on the perceived costs of decentralization.

Capital

The committee questioned the continued development of tank farms. We were told that a problem exists in providing adequate storage for new products in communities, for instance aviation fuels or unleaded versus leaded gas. It would appear that these kinds of changes will continue to require regular upgrading of facilities for some time.

After general discussion, the chairman, in recognizing the need to adhere to the schedule, then asked Members to continue their discussion of capital for this department in the House.

Department Of Economic Development And Tourism

The committee noted that figures provided in the review documents were misleading. The changes appear to be smaller than they are because last year's figures included the one-time-only increases for Expo. A more realistic comparison for this department might be those from 1985-86.

A major initiative of this department is the addition of \$1.4 million for a "comprehensive marketing strategy" for tourism designed to bring more tourists and more tourist dollars to the North.

The committee was informed that community works or STEP funding that had been transferred to the NWTTC last year was back in the budget of this department for 1987-88.

There was some confusion among Members as to the financial arrangement made with the federal government regarding the economic development agreement. Departmental officials were asked to provide an explanation to the committee before the session.

Capital

A major initiative in capital spending is the creation of a three million dollar fund to encourage business development for "innovative renewable resource projects". This is a new fund to be administered by the department. Members noted that the \$100,000 request for a one-time grant to the Issitak fish plant might be a project helped by this fund if it is approved, making the specific allocation to the fish plant unnecessary.

Both the Members of the committee and the Minister agreed that the allocation of capital requested for the construction of a residence for the store clerk in Nahanni Butte was too high. It was the hope of the committee that this project would be re-examined and changes suggested before the budget session.

Department Of Social Services

This department's budget request is for \$52.7 million in O and M and \$6.2 million in capital. It must be noted that funding related to young offenders is not included in this estimate. A supplementary appropriation for this purpose can be expected later. Of course, because of the omission of these figures this year, but their inclusion in the revised forecast, the estimates of change are very misleading. The actual increase is in the area of 18.5 per cent.

Concerns

The committee is very concerned about the process of funding the young offenders program by supplementary appropriations. It is a genuine concern that in developing the fiscal framework for 1987-88 the government has allowed only four million dollars in reserve for supps for the entire government. The young offenders program cost approximately six million dollars in 1986-87. If substantial revenues are not received from Ottawa, the entire fiscal framework will be out of line.

The committee also noted its concern that in the area of institutional care the Minister made note that the 1986-87 revised forecast might be small; in fact that some \$600,000 in additional need will have to be funded from within other departmental programs. This same problem also exists with the forecast for foster care. There are other examples of the inaccuracy of information given the committee which makes forming opinions and making recommendations difficult.

Capital

The committee chose, in the interest of time, to defer any review of capital until discussion in the House.

Department Of Health

In his opening remarks the Minister told the committee that this budget does not "reflect enhancement, but rather, increases reflect basic price and volume factors. Accommodation of new initiatives would have to be within existing funds." A major factor in volume increases was the transfer of Baffin nursing stations from Health and Welfare Canada to the GNWT.

Some Members of the committee questioned the Minister on the continued value of the THIS Board. It was felt that considerable amount of money is spent in an area of management that might be served by departmental officials rather than an outside board.

Capital

In discussion of the capital requirements for this department, in particular hospital renovations in Iqaluit, the committee was informed that funds were "approved but frozen". The department wants approval for \$500,000 to start a project totalling over \$12 million but promises not to go ahead until Health and Welfare Canada has Treasury Board approval to pay for this work. This process was apparently preferred to using a supplementary appropriation when such approval has been given. It was suggested by Members that this item might be eliminated from the estimate.

Workers' Compensation Board

Members of the committee reviewed the operating budget of the WCB. It was noted that no funding was required from the GNWT as all programs and benefit plans are funded entirely by premium collection and investment revenues.

Northwest Territories Housing Corporation

The committee received changes to the capital documentation approximately one week prior to its meetings. The Minister came with even more changes when he appeared before the committee. The changes related particularly to the allocation of social housing versus home-ownership funding, as well as correcting wrong totals included in the revised forecasts for person years.

The Minister stated, "I am still not 100 per cent happy with the format that you are going to see in the budget book, but I will ensure that Members of the Legislative Assembly will have a very clear picture of what we are doing."

In his opening remarks the Minister explained that the total O and M budget of the NWT HC is \$79.75 million, \$46.8 million being the GNWT share. The capital requirement is \$45.6 million, \$20.9 million being the GNWT share. It was noted that CMHC will contribute less this year for capital, while the GNWT share increases. The reason given is that our emphasis has shifted from public housing to home-ownership. CMHC pays a smaller contribution toward home-ownership units than for public housing.

The Minister also made this commitment to the committee, "We can live with not coming to you for supps this year. Also, this budget will not drive O and M increases next year."

Department Of Education

The committee was told that the budget of this department continues to be driven by the recommendations, in 1982, of the special committee on education. The department has experienced increases for special needs education and for the Arctic College, among others. Its budget request is for \$118 million in O and M and \$37.8 million in capital.

In a response to a question, the Minister informed the committee that his department is seeking an additional 20 person years for affirmative action training positions. These are reserved in a "pool" to be allocated to departments as requested. No plan for where those PYs will go is completed at this time.

The committee was told in task 1409, regional administration, that the revised forecast of PYs in 1986-87 is wrong. It should read 58.5 rather than 57.5 and this makes the change four new PYs rather than five. A confusion relating to changes in person years continued throughout the review of this department. The Minister indicated that he would provide a report clarifying the actual person year breakdowns and comparisons.

Capital

The term "fast-track" has resulted in confusion for the committee. Several items within the budget have seen increases from what was proposed last year; some are new. Those that have dollars advanced from future year plans into this year are within the committee's perception of the term. This department, and others, sometimes uses the term to mean "not previously identified in a budget". Departmental officials indicated that a summary of items meeting the committee's definition could be provided.

Department Of Municipal And Community Affairs

The committee was told that the budget for this department was "an attempt to allocate resources in the best possible way to achieve political, administrative and physical development objectives at the community level".

To assist the committee, the department provided a document entitled, "Departmental Overview" which provided comparisons to previous years in graphs and charts.

Concerns

The committee noted that this department is looking to increase its person years and has some 17 vacant positions. This department, and others, have paid for "unfunded" positions from money available because of vacant positions. In this department, of 14.8 new PYs, 7.8 are in their positions already, being paid with money allocated for positions that are vacant. One of those positions is that of assistant deputy minister which has been unfilled for several months. The concern of the committee is that if a position can remain unfilled for such a long period, is it necessary? Rather than new PYs should old ones be reassigned?

Capital

Once again the committee found itself faced with unclear definitions being used to describe "fast-tracking". In this department projects in the capital plan fit into three categories:

- 1) Those with "planned" increases. These are routine changes to the capital plan because of price increases, changes to construction schedules, revised designs, etc.
- 2) Fast-tracked increases. These are examples of projects within the existing capital plan for which dollars have been advanced from future year plans. These projects are going ahead faster or earlier than planned.

3) Accelerated increases. These are projects not expected to be in this year's plan, which might have been recognized and included on a "needs" list or even in a previous year, but that are accelerated into the capital plan because of extra dollars being allocated to the department by the fiscal planners.

The committee was provided with a list of accelerated projects valued at \$18,589,000.

Concerns

The committee noted that the only documents which it has at its disposal for comparison purposes are the capital estimates for 1986-87 and the five year plan provided during its review last year. It was clear, however, that the Minister was referring to a newer, revised capital plan and that such revisions occur periodically without the involvement of Members of the Assembly. The Minister said, "We are working off different documents. One thing that is not reflected in there is that over the last year, as a department, we have completely revamped our total capital planning process."

While it is of no benefit for the purpose of this review, the committee requested that copies of updated or revised capital plans be made available to Members in the future.

Department Of Public Works And Highways

In his opening remarks the Minister noted, "The steady growth in government infrastructure requires a corresponding increase in operation and maintenance funds for these facilities." In the coming year the department looks for \$121.7 million in O and M. In addition, the capital requirement is for \$16.5 million. It was noted also that the department also administers a substantial capital program with federal money, approximately \$80 million in 1987-88.

Concerns

A Member of the committee reminded the Minister of a motion in the Assembly asking the government to reconsider one of its decisions to defer a capital project, particularly the Fort Providence access road. The Minister was asked, "Under whose authority are these motions ignored when a political decision is made by the Assembly giving the direction to the Executive?" The response was, "First of all a motion of the Legislature is a recommendation to the Executive Council. It is not direction, it is not an order, it is a straightforward recommendation. Under whose authority was the decision made not to accept the recommendation? It was under my authority."

The committee noted the 20 positions currently paid for out of capital funds are being converted to be recognized as salary within O and M.

Capital

The committee questioned the priority of two projects, the Victor Bay road in Arctic Bay and the Sandy Lake access road. A concern was expressed whether these projects should have priority over the Fort Providence access road project.

Highway Transport Board

Members questioned the Minister about the budget of this board. No specific concerns were expressed.

Department Of Renewable Resources

The Minister told the committee that there are basically no new programs and that the department is "holding the line". The committee, after its review, agreed.

Concerns

One concern raised, as with other departments, is that this department employs people, 10 to 12 PYs, to do work on behalf of others. These PYs and costs and recoveries do not appear in the briefing material, though these will appear in the appropriation bill detail as an information item. As a result, the committee Members are unable, as they conduct their review, to see the total picture of the department.

It was noted that a position of assistant deputy minister has been filled without an approved person year. The department is paying the incumbent with dollars available because of the vacancy rate.

Capital

It was agreed to leave discussion of this department's relatively small capital request for committee of the whole.

Science Institute

Members questioned the director about some of the policies and programs which the institute is involved in. No concerns were expressed as regards the budget.

Women's Secretariat

There was considerable discussion of the role of the secretariat. The description "to provide advice" as used in our briefing documents minimized the many valuable services of this group. Committee Members were concerned that here, because of the description, but generally throughout government, a very large amount of money is spent "on advice" and there is a concern about value for money.

No specific concerns regarding the budget of the secretariat have been noted.

Department Of Personnel

In his opening remarks the Minister noted that 10.5 per cent of the growth in O and M for this department is due to overall growth in the public service. Capital is being reduced because fewer staff houses are being constructed.

Concerns

Perhaps the most dramatic statement made was that this department has included, in their estimate, funding for 285.9 new PYs for overall government. The summaries in the briefing documents given to the committee indicate 66.3 new PYs, plus PYs for young offenders. The Department of Personnel figure is more than 100 per cent higher.

Members of the Assembly should note the following breakdown of new PYs as provided to the committee by department and by region:

Legislative Assembly, 1; Executive, 6; NWT Housing Corporation, 13.9; Financial Management Services, nil; Finance, 3; Culture and Communications, 4.5; Equal Employment Directorate, 2; Personnel, 5; Justice, 18; Government Services, 5; Public Works and Highways, 36; Renewable Resources, 4; Municipal and Community Affairs, 14; Social Services, 14; Health, 3; Economic Development and Tourism, 10.4; Education, 132.7; Headquarters, 131; Fort Smith, 39.2; Inuvik, 29; Baffin, 39.8; Keewatin, 29.5; Kitikmeot, 17.

It was noted that each new PY has been allocated \$4800 or a total of \$1,496,000. It was further noted that these are GNWT positions not associated with work on behalf of others.

The committee also noted that the annual accrual accounting entry to set up an allowance for employee benefits is not included in this estimate. It is therefore a concern that from the four million dollar supp reserve planned in the fiscal framework, a supplementary appropriation of two million dollars is inevitable.

In response to a question about the vacancy rate throughout government, the department provided the committee with some startling figures. According to the "establishment report", which the committee was told is inaccurate because departments do not make necessary adjustments, there are 866 vacant positions; 423 have been vacant longer than six months. Both the department and the Financial Management Secretariat have indicated that they will review this report and provide accurate information to the House.

Capital

It was agreed to defer discussion of the capital estimate for consideration in the House.

Legislative Assembly

The Legislative Assembly budget for O and M is increasing only 3 per cent. A large increase in capital is expected, to make the necessary renovations and purchase the equipment needed to meet the translation requirements of the Official Languages Act.

There were no specific concerns related to the estimates for the Legislative Assembly.

Department Of Finance

The Minister informed the committee that revenues, exclusive of the grant from Canada, were expected to be \$80 million in 1987-88. The grant from Canada, determined under the formula financing arrangement, is expected to be \$520 million, an increase from \$476 million in 1986-87.

Concerns

Several matters were discussed with this department that were deferred until the appearance of the FMS. No specific concerns with the budget request of this department were noted.

Public Utilities Board

Members questioned the Minister on the role and direction of the board. No specific concerns with the budget request were noted.

Financial Management Secretariat

There were no specific concerns noted relating to the budget request of the FMS. There were several questions put to the Minister and his officials which were related to the government's budget in its entirety. The secretariat was the last department to be dealt with in the review process. As a result, the review of the FMS allowed for a meaningful overview as a follow-up to the general overview given by the Minister on the first day. The value of having the FMS last was noted as significant and the committee makes the following recommendation: "It is recommended that at future hearings of the standing committee on finance for the purpose of a budget review, the Financial Management Secretariat be placed last on the agenda of witnesses."

Concerns

Members of the committee expressed their concern that the fiscal planners have presented budget estimates which exceed the accumulated surplus. The Minister responded that other Ministers had each had an opportunity to present the rationale for their budget requests and that if the committee did not feel satisfied with the explanation of a proposed need, then it could recommend reductions. This led to the additional concern about who could best suggest cuts or reductions. Members were unsure if they might look to reducing specific items, to general percentage reductions by department, or to a general reduction to the government as a whole.

Another concern related to the projections for future years in the fiscal framework. Members were reluctant to accept that zero growth was a realistic plan for the coming years, especially due to forced growth in O and M because of this year's substantial capital budget. The Minister indicated that he would pass this concern on to his Executive colleagues.

The concern with the accuracy of information related to the vacancy rate as provided by Personnel was discussed. The FMS staff agreed to work on providing accurate figures to the committee.

The committee expressed its concern with the many errors in information and the inadequate explanations for change within the briefing documents. The Minister pointed out that content is provided by departments. The committee noted that there are analysts assigned to each department who should have ensured greater accuracy. FMS witnesses did tell the committee that the FMS does review departmental submissions and suggest changes but cannot make changes on its own authority.

It was agreed that some changes to presentation and additional information may be needed for future briefing documents. The following recommendation is made: "It is recommended that the standing committee on finance and the FMS examine the briefing documents presented to the committee for the purpose of its budget review and make appropriate changes to their format and level of information."

Another concern was expressed about the government's borrowing limit under the NWT Act. If deficit budgets require that this government borrow money to pay for programs, then it was felt that our limit was too low. The Minister cautioned that a request for an increased limit based on a perceived need to cover a deficit would not likely be well-received in Ottawa. However, he pointed out that there are several reasons that can be advanced to substantiate a need for increased borrowing capability.

In closing the review on the FMS, the following comment made by a Member should be noted, "Notwithstanding all the negative things that we have said...I certainly am appreciative of the work that the secretariat has done. It has been a tough three weeks but I think your people have done their work, too."

Energy, Mines And Resources Secretariat

The committee questioned the Minister about the policy and direction of the secretariat. One suggestion was made -- to examine the possibility of transferring one person year from Economic Development, non-renewable resource area, to this secretariat and reduce, by one, the new PYs requested.

Closing Commentary

In closing, the committee wishes to note that the review process is long, involved and tiring. Members and witnesses must realize that in such a process the spirit of co-operation that is intended by this review must not be forgotten. The government, as noted in the introduction, provides Members with more information than any other government in Canada. The Committee Members examine the budget and make recommendations to government to assist it to make the budget realistic and acceptable to the people being governed. The committee has accepted its role with a true commitment and determination. It has resolved to be fair at all times and is determined to be firm where it must.

The Deficit

The committee is disappointed that the government has proposed a budget that in the coming fiscal year will place the GNWT, for the first time in history, in a true deficit position. Part of this disappointment stems from the realization that 1987 is an election year and that this budget may not impact on this current Assembly as much as it will on a future Assembly. It is agreed by Members of this committee that this budget must be reduced. It is the feeling of the committee that the best place for reduction is from the ever-increasing operations and maintenance budget. The government seeks a large increase in person years while benefiting from a large vacancy rate. Vacant positions could be declared redundant and the number of new person years requested could be smaller. Allowances in budgets for travel, conferences, phones, furniture, office space, etc., among many other areas, can be reduced without dramatically hindering the ability of the government to operate. Large salary levels for incoming employees, employee reclassification to positions of high title and subsequently high wages, high pay-outs to employees leaving government service -- all of these can reduce costs. What follows is discussion of some of the ways this process might be realized.

Reducing The Budget

It was the committee's first hope that Members of the Executive Council would respect the very real concerns of this committee of "ordinary Members" and make substantial reductions in this budget before it came to the House.

Before reductions are made in the House by motion of Members, the committee wants to provide some advice. Firstly, the committee believes that reductions in capital, with a few notable exceptions, should be avoided. Secondly, general reductions to departments must be cushioned with recommendations that certain programs or types of programs, for example spousal assault, not be subjected to cuts.

Members have the following options:

- 1) A motion that reduces a particular task by a specified dollar amount;
- 2) A motion that reduces the total O and M request of a department by a specified dollar amount.

Note: There can be no conditions on a motion. If the committee wishes to protect the funding in a particular task or for a particular purpose, a second motion is required recommending that the reductions be made exclusive of that area being protected.

A final option exists that would have far-reaching effect. Members of the Assembly can vote against the appropriation bill. This would leave the government without an approved budget and the lawful right to make expenditures and would inevitably result in the resignation of at least some Members of the Executive Council.

Conclusion

The standing committee on finance recommends that the Legislative Assembly demand reductions to the budget being proposed for 1987-88. Members of the committee will move reductions throughout the debate of this bill. The committee does not go so far as to suggest the defeat of the appropriation bill. In mentioning that option, the committee wishes only to emphasize the depth of feeling behind the call for a reduction to this budget.

One Member of the committee expressed our concern in dramatic fashion, "Many times I walked into that Legislative Assembly and felt like saying, 'No, we cannot approve this budget, this is not right', but we went ahead and approved it anyway. I never did like doing that but I followed everyone else. If I am going to be involved and I am going to participate, then they damn well have to listen to me. Otherwise, I am not going to sit here and just pass it for the sake of passing it."

The Minister of Finance stated, "I do not imagine the recommendations would be received with great glee but I would assure you, the chairman, and the Member, that they would be received and given serious consideration. All the Members that have spoken today have indicated the same concern and I will certainly see that that concern is raised with my colleagues and made known to them at the first opportunity." Thank you, Mr. Speaker.

---Applause

MR. SPEAKER: Thank you, the honourable Member for Mackenzie Delta. We are on Item 10, reports of standing and special committees. Item 11, tabling of documents. Mr. Butters.

ITEM 11: TABLING OF DOCUMENTS

HON. TOM BUTTERS: Thank you, Mr. Speaker and my colleague across the way. I would like to table Tabled Document 7-87(1), NWT Main Estimates, 1987-88. It is part of the bill.

MR. SPEAKER: Tabling of documents, Mr. Nerysoo.

MR. NERYSOO: Thank you, Mr. Speaker. I wish to table Tabled Document 8-87(1), Report of the Standing Committee on Finance at the Ninth Session of the 10th Legislative Assembly, on its review of the proposed budget for the fiscal year 1987-88.

MR. SPEAKER: Thank you. Tabling of documents.

Item 12, notices of motion.

Item 13, notices of motion for first reading of bills.

Item 14, motions. Item 15, first reading of bills. Bill 7-87(1). Mr. Butters.

ITEM 15: FIRST READING OF BILLS

First Reading Of Bill 7-87(1): Education Act

HON. TOM BUTTERS: Mr. Speaker, I move, seconded by the honourable Member for Nahendeh, that Bill 7-87(1), An Act to Amend the Education Act, be read for the first time.

MR. SPEAKER: I have a motion on the floor. Are you ready for the question? Question being called. All those in favour? Opposed, if any? The motion is carried.

---Carried

Bill 7-87(1) has had first reading. First reading of bills. Mr. Butters.

HON. TOM BUTTERS: Mr. Speaker, I wish to leave Bill 9-87(1) until a later date when the two committees of this House, finance and legislation, have had a further opportunity to consider it and I would also like to leave Bill 24-87(1), the Student Financial Assistance Act, for another date.

MR. SPEAKER: Thank you, Mr. Butters. First reading of bills. That appears to conclude bills. I would just remind the Minister that these two bills have been called twice so they will now have to go through the procedure of being re-entered to be put back onto the order paper. They will be taken off the order paper now.

HON. TOM BUTTERS: Fine, no problem.

MR. SPEAKER: Item 16, second reading of bills. Mr. Butters.

ITEM 16: SECOND READING OF BILLS

Second Reading Of Bill 1-87(1): Appropriation Act, 1987-88

HON. TOM BUTTERS: Mr. Speaker, I move, seconded by the honourable Member for Nahendeh, that Bill 1-87(1), An Act Respecting Appropriations for the Government of the Northwest Territories for the Fiscal Year Ending the 31st Day of March, 1988, be read for the second time. The purpose of this bill, Mr. Speaker, is to make appropriations for the Government of the Northwest Territories for the fiscal year ending the 31st day of March, 1988.

MR. SPEAKER: Thank you, Mr. Minister. I have a motion on the floor. The rules governing second reading of a bill. To the principle of the bill. Mr. McCallum.

MR. McCALLUM: Thank you, Mr. Speaker. I would like to speak to the principle of this bill, the principle being that this government is attempting to make an expenditure this year of approximately \$790 million, which will generate, and I use that word, generate a deficit of approximately \$16 million. I recognize that within the budget speech of the Minister, he is indicating that it would accumulate a deficit of \$8.8 million, but in point of fact that estimate will increase so that there would be a total accumulated deficit of roughly \$16 million.

Mr. Speaker, at this particular time we have a deficit budget, not as it was in previous years, but a budget that is in fact taking away what this government has been able to get by going into a formula financing arrangement with the federal government -- in one or two instances, and as far as the government is concerned, not everybody agrees. The fact remains, Mr. Minister, that when this government was looking after the formula financing, what it started in its formula financing, this government was able to generate a great deal of additional funding because of the way that it was negotiated with the federal government. The grant from the federal government in 1984-85 to 1985-86 was approximately \$70 million. Through its fiscal arrangements and its attention to detail and hopefully because of certain particular comments made by other Members, this government was able to put away a particular surplus. In some instance, Mr. Speaker, this particular surplus came about because certain particular projects were not carried out.

Difficulty Of Recovering From Deficit Position

As I indicated last year when I spoke about the budget, and the Minister today reinforced that, to get into a deficit budget is a very treacherous kind of budgeting exercise. This is the kind of thing where deficits tend to feed on themselves; once programs are put in, it is very difficult to cut these programs. When debts are particularly accumulated, future costs will be required to service those debts. There will come a time, Mr. Speaker, when the cost of deficits will control this particular government. The control will be lost; it will not be possible to get back because our particular situation is that we do not have the wherewithall in order to get this money to pay for our deficit. We would have a difficult time if this deficit approaches anything of an accumulated nature that approached anything of an accumulated surplus that was established over the last three years. We would have a very difficult time paying the interest on it. We do not have the resources.

Last year when we were talking about this particular budget, the Minister indicated then that this budget was going to try to tighten the belt on expenditures and that they would have to look at reducing overall expenditures of the government. Well, they have done a great job, Mr. Speaker, looking at how to reduce overall expenditures over the last...

HON. TOM BUTTERS: Point of order, Mr. Speaker.

MR. SPEAKER: Point of order, Mr. Butters.

HON. TOM BUTTERS: Are these remarks being made by the honourable Member to the principle of the bill, sir?

MR. SPEAKER: I have been reading the bill and there have been a great many things mentioned by the honourable Member that are not actually to the principle of the bill. The debates that have taken place previous to Bill 1-87(1) being entered, actually, are not part of the principle of the bill itself. I would ask the honourable Member to direct his attention to the principle of the bill as the bill is presented.

MR. McCALLUM: Thank you, Mr. Speaker. I would intend to refer to the principle of the bill, the purpose being to make appropriations -- an appropriation of approximately \$790 million and at a time when the government over the past year was attempting to downturn their expenditures. In point of fact, sir, with this expenditure in O and M of \$624 million and in capital of roughly \$166 million, there has been no attempt to reduce expenditures.

Proposed Expenditure Is Irresponsible

In point of fact the only expenditure that has occurred not only takes in the amount of money that the government was able to get through its formula financing this year, roughly \$36 million, but spends that within that total O and M and capital, spends the amount of money that this government says it accumulated in surpluses of roughly \$40 to \$50 million and in addition to that, goes another \$16 million in the hole to come with a figure of \$789,762,000. I say that that, Mr. Speaker, is irresponsible in this particular time. It is a question of the expenditure meeting the needs of this government. These deficit expenditures, Mr. Speaker, that result in an overall expenditure of \$789 million, will put this government in a particularly difficult place. It will place on the shoulders of future government of this territory a task that they will find very difficult.

In fact in this particular budget of \$789 million, Mr. Speaker, it seems inconceivable to me that they will not be able to get from that \$16 to \$17 million, so that in point of fact, there would not be a deficit. It seems bad enough to me when you want to spend \$624 million on O and M, that you would have to go into an accumulated surplus and use that surplus for the purposes of enhancing programs. I am not talking capital, Mr. Speaker, I am talking about the programs and the enhancement that is there. There is an enhancement in this particular budget from last year's budget of approximately \$50 million more in O and M. If there is to be something done about trying to reduce this deficit in the total expenditures of the government, then there should have been an attempt done by government at that time. To expect this particular committee or a committee of this House to do the work and to place in order particular cuts to expenditures in any one of the 17 departments that make up that total operations and maintenance budget is to say that we should do the work of the government.

I do not believe in this kind of an expenditure, Mr. Speaker, because it is now a true deficit budget. When you spend an amount, such as is being put forth in front of us now, of \$789 million, that is going to cause a great deal of concern, not only this year but in future years. If in point of fact the government had to embark upon a program of an increased expenditure of approximately 11 to 12 per cent over last year's, and then project that it would not have any kind of growth in the next year or the following year, surely if the projections could be made for two years hence so that we would not be faced with this kind of overall O and M of \$624 million, then surely the government could have done a job and projected a zero growth this year.

Future Growth In O And M

In the capital, the government has responded to a lot of things that have gone on. But by responding, by increasing their capital budget to \$166 million this year, Mr. Speaker, they have ensured that there will be a growth in O and M for next year. And the particular formula financing arrangements, whereby they get most of the money that they require for these expenditures, will not look after that kind of growth.

It seems to me, Mr. Minister, that other Members of this particular committee should be concerned that the government is embarking upon a total appropriation in this bill of \$790 million and putting this particular House and future Houses into a position whereby somebody else would have to take over and finance that deficit.

The government has indicated that this kind of expenditure will be done by taking care of an accumulated surplus that will allow them to remain virtually debt free over the next year. I know, and other Members of this House know, that when this kind of budget comes through on a day like today, as the year goes along we are being hit with more and more supplementary amounts of money so that -- notwithstanding the fact that they have already indicated that they would have set aside a particular amount of money for supplementaries -- dollars to doughnuts, when we come through the final accounting of this budget it will not be \$790 million, Mr. Speaker, it will indeed be a greater amount.

Mr. Speaker, again I ask other Members of the House to take a look at this particular budget. There comes a time when we as Members of this House have to be responsible, if nobody else is going to be responsible, in terms of appropriating this kind of money; where we must take a stand, a stand that would ensure that future citizens of these Territories and people who come in and represent themselves as MLAs in this House are not going to be saddled with a deficit of the amount such as is being proposed. The rate of growth that is being proposed by this particular budget, Mr. Speaker, will ensure that we and other people will be saddled with this deficit. I think there comes a time when Members of the House must say, "No", to the continual growth of spending in O and M. I cannot go into particular areas because I have to speak on the principle of the bill. But there are many particular areas of this bill, Mr. Speaker, that warrant a great deal of comment.

We have to take a look at the total expenditure in light of what is going on and in light of what we have in resources to pay for. We do not have the resources. Were we a province, we may own resources. We may be able to get some revenue from them. We do not have that luxury. We cannot go back out into the orchard, there is nothing there -- the thought of them taking the apples off the tree, they are taking the tree too.

AN HON. MEMBER: We heard it on CBC already.

Unnecessary Expenditures On Programs And Personnel

MR. McCALLUM: You heard it again today. The problem, Mr. Speaker, is that this particular budget represents an outrageous amount of money being spent on programs and on personnel within this government that there need not be. If government were going to take a look at providing the goods and services to the extent that they were able to do it in past years, there is no need to enhance the personnel involved with it. I do not want to talk about particular parts because I have to keep referring, Mr. Speaker, to the principle of the bill, the \$790 million. For that reason, then, I would ask other Members of this House, sir, to speak their minds on this second reading of the bill and if it strikes them, I think that this bill should be voted down. Thank you.

---Applause

MR. SPEAKER: Thank you, Mr. McCallum. To the motion on the floor. To the principle of the bill. Mr. Richard.

MR. RICHARD: Thank you, Mr. Speaker. I, too, wish to speak to the principle of this bill, which calls for an expenditure of \$789 million or, as I read in the press, close to \$800 million. I wish, Mr. Speaker, in commenting on the principle of the bill which is to spend that amount of money, to compliment the Minister of Finance on his preparation of this bill. It is clear, Mr. Speaker, that the Minister has put a lot of work into the budget. The amount of money that this bill proposes that the government spends in the next year is a staggering amount of money, Mr. Speaker. The Minister and his colleagues are to be congratulated for the new initiatives that the Minister has referred to and for their genuine efforts to provide better programs and services to the people of the Northwest Territories, represented by this \$789 million.

As a Member of the standing committee on finance, I have had an opportunity to review some of the details of the \$789 million. And I do have some understanding of where that money that is proposed will be spent.

While, Mr. Speaker, I cannot question the Executive Council for the vast majority of that large figure, I do have one question and one simple question: Where is the money going to come from for that \$789 million and in future years? The understanding I have, Mr. Speaker, of the available revenues would indicate that this \$789 million exceeds the available revenues by some \$75 million. This government, Mr. Speaker, as a result of this bill if passed, is going into a deficit position for the first time and I question, sir, the principle of the bill. I question the wisdom of our doing so in such a dramatic fashion and in a manner which I feel is without sufficient consideration or forethought.

Dramatic Leap Into Deficit Position

Mr. Speaker, in recent weeks, I and other MLAs have expressed that serious concern both within committee and outside of committee, a concern about this dramatic leap into a deficit position. I have heard, Mr. Speaker, on the notion of speaking of the budget and its deficit, at least two Ministers speaking publicly in support of such a deficit. Mr. Speaker, there are those of us who are genuinely concerned about what is happening with this bill calling for an expenditure of \$789 million and we feel that it is part of our job, our duty in fact, to raise these concerns to the Minister of Finance and to the public. Mr. Speaker, to raise these genuine concerns about this \$789 million and then to have such concerns labelled as a sign of weakness or being timid or weak-kneed or as a breach of trust; to suggest, Mr. Speaker, that of one who raises such a serious concern about a gross expenditure of \$789 million, I submit, sir, is an infantile response to one who raises a serious concern. Mr. Speaker, the other flippant response I expect to hear within the coming weeks is something in the nature of this, "Okay, Richard, if you think we should cut back, we will cut back a few projects in your constituency." That response would be equally infantile and irresponsible to a serious issue being raised.

Method Of Financing Deficit

Mr. Speaker to get back to my question as to where is the \$789 million going to come from, it is clear there is going to be, from the Minister's speech, an operational deficit of \$55 million on his projections. We are told we have \$40 million in the bank; we clearly will need to borrow the extra money at some point in time. How much money will we need to borrow? When will we borrow it? Will it only be \$15 million? I ask Members to ask themselves these questions and more importantly, when and how is it going to be paid back? How accurate is the Minister's projection of a \$55 million operational deficit? There are some assumptions the Minister has given us that there will be lapsed appropriations of \$19 million or \$20 million. There will only be supps in the coming year of six million dollars, not the \$20 million, \$30 million or \$40 million we have had in recent years. I ask Members to consider whether those assumptions are correct and what, Mr. Speaker, are the projections. When we look at the \$789 million proposed in this Bill 1-87(1), what are the projections for future years? Will we continue to have larger and larger deficits?

This government, Mr. Speaker, has said in the past that it is not short-sighted, that it does do such things as five-year capital plans, that it does project its fiscal framework two or three years into the future. Some of these projections, Mr. Speaker, were explained to the Members of the standing committee on finance. Sir, I have serious concerns about the assumptions in those projections and I will be asking the Minister of Finance to bring those figures, the entire fiscal framework of the government, into the discussion in committee of the whole.

Mr. Speaker, with respect to this \$789 million, I ask, are we not going eventually to have to borrow money to cover the deficit? Will we not have to borrow even more money in future years? Will we not have to ask future generations to pay back these debts? Mr. Speaker, our children and their children will have to pay it back. Our children and their children will pay for the decision in February, 1987 of approving expenditures of \$789 million if this bill carries.

Position Of Other Governments

Mr. Speaker, one of the defences I have already heard spoken by one of the Ministers of this government is that every other government in the country runs on deficit budgets so we should, too.

AN HON. MEMBER: That wonderful Liberal party of yours.

MR. RICHARD: Mr. Speaker, first of all I ask, do we want to be in a position like other governments in Canada? Let us use the example of the federal government. Admittedly, the deficit run up by a Liberal government by and large does not make it right. A deficit of \$220 billion -- do we want to be like that government? Mr. Speaker, I ask Members to ask that question of themselves. The billions of dollars required annually, Mr. Speaker, to service that debt. I understand that the federal budget, Mr. Speaker...

MR. SPEAKER: Mr. Richard, you must stay within the confines of this bill, please.

MR. RICHARD: ...pay back the money required to service that level of expenditure, that we not get ourselves into a position which the federal government today is in where it spends 30 cents of every dollar to service debts. Even in the Northwest Territories, Mr. Speaker, we are already spending some \$15 million annually to service the debt of the Housing Corporation.

When it is suggested that we behave like other governments, Mr. Speaker, the second and more important point is that we are not like other governments in Canada. We simply do not have a tax base like other governments to raise \$789 million or any significant portion of it and we will not have, Mr. Speaker, such a tax base for the foreseeable future. Our own revenues in the government financial documents, our own revenues generated in the North are a small portion of the \$789 million. Even within that revenue, Mr. Speaker, I note that we annually in recent years have raised some \$10 million in interest income. That is one item that we can be assured we are not going to have in the future if we are wiping out the surplus.

Mr. Speaker, this government this year and governments of the Northwest Territories or divided territories for many, many years to come will not be able to raise revenues by increasing taxes in order to service a large debt which is a direct result, I submit, Mr. Speaker, of approving \$789 million expenditures. So, Mr. Speaker, the answer to the question of where is the money going to come from is clearly not from tax revenues. Where else can it come from? The other place we get a large amount of our money from today is from the Government of Canada. Will they provide the \$789 million for this year or next year or the year after? If they promise to do so, Mr. Speaker, that would be fine with me, but will they? Will we get those revenues from the federal government?

Mr. Speaker, I was going to make a comment about the remarks about budget secrecy but I suspect, sir, that you would not allow me to respond. I had in any event changed my mind because I believe the comments about budget secrecy to be simply a red herring to deflect attention from the real issue.

Mr. Speaker, these questions I have asked in speaking to the principle of this bill, I do expect with sincerity that the Minister of Finance and his colleagues will address these issues of where we are going to get the money to pay for these expenditures in this coming year and in the three or four years thereafter. I will, Mr. Speaker, be posing such questions to the Members of the Executive Council during the consideration of this bill in committee of the whole. Thank you.

MR. SPEAKER: Thank you, Mr. Richard. I have a motion on the floor. To the principle of the bill. Mr. T'Seleie.

Budget Does Not Help Remote Communities

MR. T'SELEIE: Mr. Speaker, I am a Member of the finance committee and I guess ordinarily I would not feel concerned about a budget of the territorial government. It is not something that I lose a whole lot of sleep over but what worries me in this discussion, and I guess what concerns me, is that in future years, if the government is so worried about saving money, the places where they will be looking at making cuts are in the remote areas, in communities that are not able to represent their interests as well as places like Yellowknife. That part of this deficit discussion concerns me. The other part, Mr. Speaker...

MR. SPEAKER: Mr. T'Seleie, would you mind turning your receiver down. We are getting some feedback.

MR. T'SELEIE: I wanted to express my disappointment in this budget from the point of view of my own constituency. In the budget speech that the Minister of Finance gave us, the very first line there says that this budget "will sustain the economy across the Northwest Territories during the current slowdown in economic activity". To me, that does not apply in my constituency even though my constituency is one of the ones that has been hardest hit by the slowdown in the oil and gas sector. There are other references where this current budget is supposed to address that downturn and my complaint is that this budget has not addressed that in my constituency. Therefore, as I was sitting here listening to the Budget Address, all that I was hearing as far as I was concerned was simply words. If it has been addressed -- well, hopefully, it has been addressed in someone else's constituency, this budget has been useful for someone else. I certainly cannot think of one project in my constituency for the coming year. It addresses the number of people that are out of work as a result of the downturn in the oil and gas. From my own point of view, the budget has not done that for my area.

An Economic Perspective

The other part, Mr. Speaker, is that I would like to go on record now and try to put this deficit question, this government spending, in some type of perspective in terms of the economy of the North. Up until 10 years ago, the cost of one drill ship in the Beaufort was \$300 million. At that time there were three drill ships operating in the Beaufort. My point is that if industry is able to spend that much money -- the point, I think, is clear, that the Northwest Territories is a rich country. There is wealth here. If all was equal and the wealth is here, then we should not be bickering about \$15 million. That is not the way things are set up now. Therefore, we as politicians sit here and try and deal, you know, a building or two off one another. To me, if we have a bigger picture than that, then I do not know if we want to throw all of our energy into this arena here.

So, Mr. Speaker, in these general remarks about the budget, I, myself, feel it important that people at least understand where I am coming from on this. Thank you.

MR. SPEAKER: Thank you, Mr. T'Seleie. I have a motion on the floor. To the motion. To the principle of the bill. Mr. MacQuarrie.

MR. MacQUARRIE: Thank you, Mr. Speaker. It appears that the lines are clearly drawn with respect to the budget that has been introduced and the bill that has been placed before the House, calling for an expenditure of close to \$790 million. There are some of us in this House who are neither Members of the government nor Members of the standing committee on legislation. So in some sense we are very much in the same circumstance as the vast majority of people in the Northwest Territories who have not yet been apprised of all of the details of the budget. On the one hand we are asked by the government to approve this expenditure of \$790 million during this next year, knowing that the revenue from all sources will not match that sum and that, in fact, we will have to expend all the revenue we receive during this year, plus spend a surplus that has been accumulated over the years. So we are being asked by the government to support that measure.

On the other hand we are being asked by the standing committee on finance to limit the expenditure. It states very clearly in the report of the chairman of that committee that he will be recommending to the House that we demand that there be reductions in the budget. As I said, the lines then are clearly drawn and the implications I recognize are very, very important and so I will be listening carefully to arguments on both sides. It is clear that the expenditure will be about \$790 million; it is clear that the revenues are about \$729 million. Beyond that there are a

number of things that are not particularly clear: the exact amount of the surplus at the beginning of the fiscal year; the size of additional expenditures that may be accrued during this coming year; whether the amount of revenue will match the projections; how the deficit will be financed, and so on. So there are a great many questions that will be asked including those that are usually asked -- whether these expenditures really are necessary and in this case, whether the expenditures really address the problem that was raised in the opening part of the budget speech.

Many Questions Still Unanswered

I am not ready yet to come to a determination on these things because there are so many questions unanswered but at the same time, this much has already become clear to me -- that if we pass this budget as it is, at the very best, we will be running at the margin and at the worst we will actually incur what I would call a real debt. Not being an economist, I do not know what other term is used. But it is not just spending more in one year than you earn in that year, it is actually spending more than you have altogether and in order to do that you have to borrow. So it appears to me that we are running at the margin or else that is actually going to happen.

I would say from what I have heard so far, the government, in a sense, has put a case for a significant increase in expenditure. Perhaps it has put a case for expenditure that would wipe out any surplus that we have, but it is not at all clear to me that the government has made a case for going beyond that and perhaps incurring real debt in addition. I do not know whether it says I am a Scotsman or what, but I have real concern about running at the margin like that because I deeply believe that the benefits of deficit financing in that way are quite deceptive. It appears to be a very expedient way to deal with this year's problem but in fact in future years it erodes the ability of a government to deal with problems that arise tomorrow.

AN HON. MEMBER: Hear, hear!

MR. MacQUARRIE: And so the question would be then, if our expenditures this year actually exceed what is noted in the main estimates; if revenues do not match what we anticipate; if we really have to borrow money in order to finance the budget; and if the economy does not improve between this year and next year, I have to ask myself, if we have blown the bank account, what kind of situation is going to face Members who are sitting in this House one year from now. Posing that question raises concern in my mind. I will be listening very carefully to debate in committee of the whole to try to answer some of the questions that are on my mind but I can only say that, at the present time, Mr. Speaker, I am concerned enough about running at the margin or perhaps actually incurring real debt that I simply cannot vote in favour of the bill on second reading but I would have no intention of defeating it. I believe I would like to let the government carry its bill to the next stage where there can be more examination and discussion, and so in the vote that will be taken shortly, Mr. Speaker, I will abstain.

MR. SPEAKER: Thank you, Mr. MacQuarrie. Mr. Curley.

Budget Designed To Address Real Economic Problem

HON. TAGAK CURLEY: Mr. Speaker, I am very short on the principle of the bill. Mr. Speaker, we are hearing a lot of arguments on why we should not support this deficit bill that the Minister of Finance has introduced. Mr. Speaker, as a Minister responsible for one of the departments which attempts to solve many of our economic problems in the North, I must say that for the Executive Council and one who is concerned with the expenditures, this was the year that the government was not particularly proud in presenting such a bill of this nature. But in reality, Mr. Speaker, we had no choice because of the state of the country, the state of the economy in the Northwest Territories. The people of the Northwest Territories asked us to do so and I am surprised, Mr. Speaker, that we are panicking with this particular bill as it is.

Voting against a bill at this time will not solve the problems of the Northwest Territories, therefore it is important that I have an obligation as a Member of this House to support the bill and the budget presented by the Minister of Finance. It is only then through such expenditures that we can address a real economic problem, the unemployment problems, the infrastructure problems that the communities have and so on, and we can go on and on. I can assure you, Mr. Speaker, my colleagues sitting right next to me would agree that the improvement with education and increasing teachers and positions in regard to affirmative action are important to the people of the North and therefore voting against the bill would prevent the Minister from carrying on the necessary education program.

Mr. Speaker, I think we should not be going blindfolded right now without listening to the details of the budget which will be passed into the committee of the whole in a short time if the Members support this bill as presented. I just want to indicate to my colleagues that we do have real economic problems, we do have housing problems, we have the maintenance requirements of our municipalities in the Northwest Territories, who have been calling for improved assistance to municipal financial assistance programs.

AN HON. MEMBER: Hear, hear!

HON. TAGAK CURLEY: Mr. Speaker, I think we should not be hesitating one bit to support the bill so that we can pass on to our communities those necessary services. That is what we are talking about. Mr. Speaker, I do not believe the government will be paying interest payments on the deficit, so-called of this territorial government. Our accounting -- is that a point of order?

Mr. Speaker, therefore I think we should not be sidetracked from the fact that the North requires the Members of this House to stand up for the people of the North, stand up to the business communities, stand up to all the messages we have heard throughout the economic conferences that we need to increase and improve services. Therefore, Mr. Speaker, I am urging my colleagues not to be timid and weak-kneed and to support the bill as presented. Thank you.

MR. SPEAKER: Thank you, Mr. Curley. Mr. Ballantyne.

Economic Tool To Address Downturn In Economy

HON. MICHAEL BALLANTYNE: Thank you, Mr. Speaker. First of all I would like to thank the standing committee on finance for presenting their side of the case. I think it is very important that we have a full and honest discussion on this issue. I think the concerns that have been raised are valid concerns. I think as a government we have a responsibility, as Mr. MacQuarrie said, to justify our actions.

After a lot of difficulty we came out with this budget and now as a Member of the Executive Council I fully and strongly support the budget. I think we have to realize that as a government and as a Legislature we are coming to a crossroads in our history and things are changing, and changing very, very quickly. I think we have to realize that in the Northwest Territories the government in many cases is the economy, so sometimes the analogies with southern provinces become difficult and become perhaps, not really valid. I know what a budget is supposed to do. The budget is an economic tool. There are many things that a budget is supposed to do and the Minister of Finance has outlined some of them. With this budget we tried to address the short-term impact of the downturn of the economy. When we talk about PYs, the concept of person years has a very different meaning in the Northwest Territories than it does for instance, in Ottawa. Here, that position that the government creates is oftentimes one of the few ways a person can gain employment in the Northwest Territories.

I was happy to hear that the standing committee agreed with the basic capital expenditure, generally, and I am also glad to hear that the standing committee agreed with spending the surplus. I think, with the committee's concurrence with those two expenditures, what we are really talking about here is a difference of opinion of \$15 million. I guess the fundamental question that Members have to ask is, in a budget of almost \$800 million, is a \$15 million difference of opinion large enough and important enough to consider the fall of the government? I think it is a valid question and, if it is, because of what happens in politics, I think everybody should consider really what we are talking about. We are talking about a difference of opinion of only some two per cent of a very large budget. I think Mr. Nerysoo, in his statement, also mentioned the fact that it was not so much the expenditure of the surplus that gave the committee a problem as how it was expended and whether or not we achieve what we wanted to achieve with our budget.

Then we get down to subjective value judgments. There are those who very legitimately can be concerned about the deficit for our government and the philosophy and the principle of the deficit. I think the Members that spoke today are sincerely concerned about that. There is also the danger that that concern can actually hide another reality. That, perhaps, some Members did not feel that they received enough during this particular budget exercise. I think that all Members have gone through the exercise every year where it is difficult at times to try to achieve some equity and some fairness throughout the Territories, so I think we have to be very careful that the debate on the principle of the deficit does not get, as Mr. T'Seleie indicated, to a dog-eat-dog debate where individual MLAs will fight the other MLAs for a piece of a limited pie.

I have heard it mentioned that it is an election budget, and I am not quite sure what that means. I think, when one examines the budget...

MR. SPEAKER: Excuse me, please, we are off the subject. We are not talking about election budgets. We are talking about Bill 1-87(1) and, if you do not stay with it, please sit down.

HON. MICHAEL BALLANTYNE: I apologize, Mr. Speaker. I was following the tradition of the House.

---Laughter

I think, Mr. Speaker, I have heard Members talk about the staggering magnitude of this particular budget. I would like to point out to Members the staggering problems that this budget is attempting to address. I think that we have only seen the tip of the iceberg in the last two or three years, with spousal assault, alcohol and drug-related problems. I know in housing I could easily use an extra \$10 million a year. There are a thousand units that should be replaced tomorrow, but we do not have the resources to do that.

Special Need Of North Should Be Recognized

I think that the federal government has to recognize that the reality of the North is very different than the reality of Ontario. Mr. Richard mentioned the concept of deficits in other provinces. I do not think anybody agrees that, if there are other alternatives, one should get into a deficit situation; but, in the rest of the country, with infrastructure that has been established for a hundred years, they do not find the means to raise money. Here, in the Northwest Territories, with an infrastructure that is so far behind in many communities, I think to limit our options is a little bit foolhardy. I think that, for once, we, in the Northwest Territories -- and I think that this debate will help it -- have to clearly state to the federal government, and this budget, I think, gives a very strong message to the federal government that we have here sixty-some communities, over a huge area. It is very, very expensive to administer in the Northwest Territories; \$800 million is what the federal government gave to one bank to bail it out. We are talking of a very special relationship; we, as managers of one third of the country. I think \$800 million for the federal government -- and the point and the message we are saying strongly -- is a very small price to pay for that special relationship.

When we go to the federal government, I think that, as a Legislative Assembly, no matter what we do in this particular debate, we have to recognize that we are not a department of the federal government. Obviously, in the future, we have got to talk about the big picture, as Mr. T'Seleie said. In the course of our discussions this year, and our actions, we are talking about the big picture. We are talking about the future of the possibility of resource-revenue sharing. We are talking about the possibility of being provinces. That is the principle of what we are trying to accomplish, Mr. Speaker.

Inherited Infrastructure Was Deficient

Mr. Speaker, I would like to say that, as a government, what we face and what we are trying to deal with is that, as a government that is very new and came north in 1967, we inherited programs that were deficient. We inherited infrastructure that was deficient. And, to this day, in many communities we have not brought that infrastructure up to the standards that one expects in southern communities. I think that this budget is an attempt to try to come to grips with these problems.

I am the first one and I am sure other Members of the Executive are the first ones to say, "Yes, your concerns are valid; yes, this government is going to have to look at ways to control expenditures." I think there is total agreement on our side. I think that the arguments put forward by the honourable Members are good arguments and are responsible arguments. They are arguments that should be debated here, in this particular House. From a government's point of view, as we looked at that, we found little option but to provide the budget that we have provided this year. There might be some argument from Members where money should be spent or where it should not be spent. I think those arguments, as we proceed through the budget, will be valuable. As a government, in the last year of our mandate, what we are also attempting to do is to complete many of the initiatives started by this Legislative Assembly over the last three years. This is not an election budget of eight people -- if it is an election budget. It is all 24 people going to the public and saying, "This has been our program over the last four years, judge us on that program; this has been our attempt to deal with your problems."

I think that this budget is a responsible budget. I hope that we have the opportunity, after this vote, to be able to go through the details of the budget. I think, as Mr. Nerysoo pointed out in his report, that Ministers have many questions that they should be required to answer and I know, as Minister responsible for two departments, I look forward to that opportunity. So I hope other Members get into this debate.

I think that it is a very important debate. I think it is probably for the first time that we are evolving into a real Legislative Assembly and we are dealing with problems we have not dealt with before and we are going to have to make tough decisions that, in the past, we have not had to make. I thank the Members who have already spoken their views and I have taken note of them and I appreciate those. I hope Members will take note of our views and will appreciate that we, also, are coming from a responsible position, we think. Hopefully, over the next two or three weeks, a lot of the questions will be answered and again, as a Legislative Assembly, we can come to some consensus about this budget. Thank you very much.

--- Applause.

MR. SPEAKER: Thank you, Mr. Ballantyne. To the motion, to the principle of the bill. Mr. McLaughlin.

HON. BRUCE McLAUGHLIN: Thank you, Mr. Speaker. I think a lot of what I intended to say has been covered by other Members, actually, on both sides because, I, too, when we initially proposed the idea of having a deficit budget, had my concerns which I expressed, to the Executive Council.

My experiences with deficit budgets have occurred at the municipal level where, parallel to what is going on here, taxes were collected during a given year and funds were acquired from different levels of government, including the federal and territorial governments, in order to extend a budget, like we are trying to do here. A lot of times, through good management, a project came in under budget so that contributed toward your surplus. A lot of other times, though, in fact, I would say in the majority of cases in my experience, the surplus resulted because of a new program being unable to be implemented for various reasons, or a new building not being constructed due to a community changing its mind about the project, or bad weather, or an early spring wiping out an ice road so that you could not get materials into a community.

So I would like to make the case, Mr. Speaker, that this accumulated surplus we have is a result of having collected funds over the years, some of it in the form of taxes, some through grants that we have saved up from other levels of government. What we are doing now is spending that accumulated surplus, which was originally intended to be spent on projects and programs in the Northwest Territories and I will agree with the Members who said it was prudent to build up that surplus. We now have an accumulated surplus which is the surpluses from several years.

Deficit Will Be Offset By Accumulated Surplus

Now we are in the situation that we have economic problems in the Northwest Territories and we are going to have a large deficit this year which is going to spend the accumulated surpluses we have. The deficit in this year's budget is going to be offset by all those accumulated surpluses and the deficit is going to be such that we will not have to go into debt, we are not going to have to borrow money. I have been convinced by my colleague and his officials that we are not going to be in a bad situation if we do this. So basically what I am saying is, in the years past we have collected taxes, we have accumulated a surplus and it was prudent to hold on to that surplus each year and build it up. But now we are at a time where there is a large economic problem in the Northwest Territories and I recommend to my colleagues in this Assembly that it is time to address those needs and to spend that accumulated surplus on projects that are now needed to create employment in the communities, some through projects and some through long-term jobs, through needed programs in the growth of government. I recommend that people vote in favour of the motion to move this into committee of the whole, where I am sure that myself and my colleagues will be able to capably explain to you the reasons why this budget will be good for the Northwest Territories. Thank you, Mr. Speaker.

MR. SPEAKER: Thank you, Mr. McLaughlin. I have a motion on the floor to the principle of the bill. Mr. Wray.

HON. GORDON WRAY: Thank you, Mr. Speaker. As an actual born Scotsman I can testify to our thrift in financial matters and I think that I, like everybody else, have a great deal of difficulty with

deficits and spending money that you do not have. One of the problems we face, and Mr. Ballantyne alluded to it, was that Mr. Richard may talk about the children of tomorrow and what they are going to do, and I suppose that if I represented a constituency like Mr. Richard's that was affluent, that was a community that had the second highest per capita income in the country, then I may feel that way. The unfortunate and sad reality that most of the MLAs around this table face is that we have communities with 60 and 70 and 80 per cent unemployment; we have communities that have no infrastructure. In the budget you will see there is major money to construct a new recreation facility in Yellowknife which they need and which they deserve and I have no problem with it. Well, this is to replace an existing structure that was built in, I believe the 1950s; most of us around here have not even got the basic structure yet. It is very nice to be able to stand up and say "Well, hold the line", but most of us come from communities that do not have water and sewer, do not have running water, do not have paved roads, do not have recreation facilities, do not have schools. We have none of that in our communities.

AN HON. MEMBER: Hospitals.

Basic Facilities Totally Lacking In Communities

HON. GORDON WRAY: How long must a government continually tell communities, "Well, you have got to wait five and 10 and 20 years before you can even get basic facilities"? Not enhanced facilities, not replacement facilities, but the very first facilities of this kind that you are going to get. In the last session there was laughter in this House when I said that with our present financing it is going to take to the year 2001 to pave the highway. That is how difficult a situation we are in. A paved highway -- is that something excessive, is that something that is laughable, is that something that we should be talking about? I think a paved highway is a pretty basic need and yet because of our financial position it is going to take us 20-odd years to do it.

We did an exercise and I will refer to my own department to show how bad the situation that exists in the Northwest Territories is right now and why we have to come forward with a bill like this. We went to every community in the Northwest Territories and we listed the needs of every community -- and we are talking basic needs. We are not talking about domes over communities. We are not talking about subway systems. We are not talking about anything like that. We are talking about giving people running water. We are talking about better than green bags to go to the toilet in. We are talking about providing water trucks. We are talking about providing basic recreation facilities. The present need in the Northwest Territories right now, today, is \$1.1 billion, that is how much we are short. From my own department, I need \$300 million just to put basic facilities into my communities. I have \$50 million.

MR. SPEAKER: Mr. Wray, would you get back on the principle, please?

HON. GORDON WRAY: Okay, Mr. Speaker, I will go back to the principle. Sorry, Mr. Speaker. The appropriation bill in front of us will show a deficit of \$15 million, that is less than two per cent of the total appropriations of this government. It will build perhaps -- \$15 million will give us two, maybe three schools at the most. That is all we are talking about. It does not even begin to address the real needs of our communities.

Government Limit On Borrowing Money

As a government we talk about borrowing money. This government is not borrowing any money and even if we wanted to borrow money we could not because the government is limited to \$10 lousy million; that is all we can borrow. The village of Fort Simpson or Iqaluit can borrow more money than the territorial government. What we are faced with is a situation where we must show the federal government how deep and serious our problems are in the NWT and that \$800 million does not even begin to address the basic needs of our communities.

If you look within the Education budget we are talking about putting basic teachers into the schools. There are no art teachers, no music teachers. There is nothing like that going in. We are talking about very basic facilities. We have deep problems in the NWT. I wish Mr. Richard would go and live in one of our small communities for one or two years and see what it is like to live out there.

AN HON. MEMBER: Hear, hear!

MR. RICHARD: If I could get out of this job I would go tomorrow.

HON. TAGAK CURLEY: Move to Ottawa.

HON. GORDON WRAY: I wish he would live in housing with eight or nine other people and have a 45 gallon drum of water for parents to wash their children with. I wish he would live in a community where maybe for three or four days he is not going to get any water.

MR. RICHARD: It's not my fault...

MR. McCALLUM: We agree, no cuts in capital, let's talk O and M.

HON. GORDON WRAY: So, sure I have problems coming forward with a deficit budget, but I do not see any other alternative that is available to us. I just do not see it.

Negotiations With Federal Government Would Result In Cuts

Within the past 18 months the federal government, in the personage of Mr. Crombie, attempted to make a unilateral two per cent cut in our budget. The only thing that protected us was our formula financing. For us to walk into negotiations with the federal government having run a surplus for three years is sheer stupidity because two things will happen. The first thing they will say is you are not getting any more money because you obviously cannot spend what you have got. Secondly, because you have got a surplus we are going to take money away from you. We cannot continue to run our budgets as if we are still a subdepartment of the Department of Indian and Northern Affairs. This is a real Legislature; it is a real government attempting to deal with real problems and the sooner people realize the problems that we have to deal with, the easier it is going to be for all of us to make a real concerted effort to try to solve some of those problems. Thank you, Mr. Speaker.

---Applause

MR. SPEAKER: Thank you, Mr. Wray. I have a motion on the floor. To the principle of the bill. Mr. Paniloo.

MR. PANILOO: (Translation) Thank you Mr. Speaker. I would like to speak briefly to the bill. When I was a Member of the finance committee I had different points of view. At this time after reviewing the bill and listening to the Minister's speech I will be voting in favour of the motion. I have to apologize for that but...

---Applause

I have reasons for voting in favour of the motion as you all are aware. I always spoke on this matter in finance committee meetings. I asked if any funding is available. At this time I am going to ask for quite a lot of money but I know I'll be getting frustrated again as we go through capital funding clause by clause. I will be voting in favour of the motion at this time. Thank you, Mr. Speaker.

---Applause

MR. SPEAKER: Thank you, Mr. Paniloo. Mr. Sibbeston.

HON. NICK SIBBESTON: Mr. Speaker, I just want to say a few words. I think the government's position has been outlined in the budget speech. I think the government's position has been made very well. I hope Members do take time to read the budget speech because that really contains very exhaustively the position of the government and I believe that position can be supported by the majority of people of the North today.

Mr. Speaker, we are into responsible government. It is easy to play it safe. It would have been easy to have passed and come forward with a budget that was like that in past years but the government, in trying to react to the economic situation in the North today, came forward with what I feel are bold, new initiatives. It is a budget that is expansive, a budget that will spend more

money than ever, and we are being criticized in some quarters for going into deficit. But in considering the matter the government has deemed it expedient and wise to spend more money than it presently has in the interest of stimulating the economy and in the interest of creating employment and so forth in the North.

New Training Positions

Mr. Speaker, the government has responded to the situation and has responded in many cases to requests by Members of the Assembly. The government has not stood still. It is very easy to do nothing. It is very easy to simply go on with the same old programs that have always been in existence. The government in its budget has moneys for new programs. It is also a budget that contains many new training positions for our government. Affirmative action -- the government is acting boldly on affirmative action. Of course that requires money. A lot of the new PYs and increases to our budget are because of affirmative action.

You will note, as we go through the budget, that a lot of money is going to programs involved with the schools. Members have asked for programs to help get children to school -- attendance officers. There are 16 new positions in this year's budget for that. There are also positions to deal with local education authorities. People of the North want more control and more say in local education matters. So there are moneys and programs for that.

In the housing area, the money that is in the budget now is required for the new programs that we have in housing. People in all parts of the North have said that they do not benefit, they cannot take advantage of the moneys that go into housing. Well, the government is changing its tactics and is changing its programs to provide more opportunities for people to work on and build these houses. So there are moneys for that.

Everywhere that you look in the budget, it is really a response to the MLAs and a sincere attempt to respond to the general economic situation that we have on hand today. I urge Members to be bold, to step out and support the government in its budget. Today we have second reading and it is very important that we get support of the majority of the MLAs. If we do not get support of the majority of the MLAs, then it could mean that there is loss of confidence in the government and that is what is at issue today. So I urge Members to support the government in its second reading today.

---Applause

MR. SPEAKER: Thank you, Mr. Sibbeston. To the principle of the bill. Mr. Nerysoo.

MR. NERYSOO: Thank you, Mr. Speaker. Just firstly let me remind Members of the government that in my statement to this House, there was no attempt on our part to vote against capital expenditures with regard to this budget. We support the efforts of the government in taking the initiative, so I do not think you should threaten or confuse Members in this House that there is a reduction or an attempt on our part to reduce capital expenditures. There is no attempt on our part to do that.

Responsibility For Deficit Will Be Left To New Assembly

What is clear with regard to the bill, Mr. Speaker, is that we question the principle of getting into a deficit because as Mr. Ballantyne has said, "It is the tip of the iceberg." Not only taking the initiative to expend our money but a tip of the iceberg as to the consequences of this government or any government assuming some responsibility for a deficit. At the moment, Mr. Speaker, this government has not introduced any mechanisms, any new revenue sources which can offset this deficit and offset the increased expenditures that they are making. Instead, they ignore their responsibility and suggest that it should be left up to a new Assembly to assume the responsibility of this government taking them into a deficit position. I think that that is the principle we are trying to deal with. We do not, Mr. Speaker, argue with the expenditure of the surplus of money. And in our statement today, there was no attempt on our part to suggest that we disagreed with it.

Further, Mr. Speaker, during our discussions in the standing committee on finance, we made them very clear, ways in which the Executive could make cuts without necessarily reducing the expenditure or the accumulated surplus of government. None whatsoever. Today's statement clearly

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Further, Mr. Speaker, during our discussions in the standing committee on finance, we made them very clear, ways in which the Executive could make cuts without necessarily reducing the expenditure or the accumulated surplus of government. None whatsoever. Today's statement clearly

indicated that there are still ways in which we gave the opportunity at the Executive Council level to come back with suggested ways of reduction of that deficit. So, Mr. Speaker, there is no attempt on our part, the standing committee, to make any recommendations, firstly, to vote against second reading of this bill. We recognize the importance and the significance of voting against a financial bill. But I can assure you, Mr. Speaker, and through you to the government, that the standing committee on finance will be making suggestions of where we can reduce this budget to fit within the direction that it has laid out before this House, and yet be financially responsible and take into consideration some of the very serious financial responsibilities that this House has to the people of the Northwest Territories. Thank you, Mr. Speaker.

MR. SPEAKER: Thank you, Mr. Nerysoo. Is there anyone that has not spoken to this motion who wishes to speak? Mr. Appaqaq.

MR. APPAQAQ: (Translation) Thank you, Mr. Speaker. I will be brief. I would like to say that I will be in support of the bill. There is a lot of work to be done in this land that we call our home. It seems like we are just visiting in our own land, but we have to have a government because we cannot go on our own at this time. We cannot yet operate and manage finances on our own.

I know, from what I have seen here in Yellowknife, if I was from Yellowknife I would not have to worry about anything any more, because to me the city of Yellowknife seems to have everything it needs to have. In our community we do not even have properly maintained roads. Not only can we not maintain the roads, we cannot even remove snow where it needs to be removed because we have no funding for it. I know I will have to keep bugging the government before I can possibly get the funding.

I have no choice but to vote in favour of the motion because there is no other source of funding available. So I will be supporting the motion. Thank you.

--- Applause

Second Reading Of Bill 1-87(1): Appropriation Act, 1987-88, Carried

MR. SPEAKER: Thank you, Mr. Appaqaq. Is there anyone else who has not spoken who wishes to speak? Question is being called. Question is being called. All those in favour of the second reading of Bill 1-87(1)? Opposed, if any? Bill 1-87(1) has had second reading.

---Carried

--- Applause

It has been a heavy day. I would like the direction of the House. Are you prepared to go into committee of the whole on this matter now, or would you prefer that we have the orders of the day? Progress?

CLERK OF THE HOUSE (Mr. Hamilton): You cannot report progress out of a formal session. You need a motion to adjourn the House for the day. You are in formal session. You cannot report progress out of a formal session. You need a motion to adjourn the House for the rest of the day.

MR. SPEAKER: Well, I am going to...

CLERK OF THE HOUSE (Mr. Hamilton): You need a mover and a seconder unless...

MR. SPEAKER: In view of the hour, do I have unanimous consent to proceed with adjournment of this House? Are there any nays? Mr. Clerk, announcements and orders of the day.

CLERK OF THE HOUSE (Mr. Hamilton): Caucus meeting at 9:30, tomorrow morning. Orders of the day for Tuesday, February 17th.

ITEM 19: ORDERS OF THE DAY

1. Prayer
2. Ministers' Statements

3. Members' Statements
 4. Returns to Oral Questions
 5. Oral Questions
 6. Written Questions
 7. Returns to Written Questions
 8. Replies to Opening Address
 9. Petitions
 10. Reports of Standing and Special Committees
 11. Tabling of Documents
 12. Notices of Motion
 13. Notices of Motion for First Reading of Bills
 14. Motions
 15. First Reading of Bills
 16. Second Reading of Bills
 17. Consideration in Committee of the Whole of Bills and Other Matters: Bill 1-87(1)
 18. Report of Committee of the Whole
 19. Orders of the Day
- MR. SPEAKER: Thank you, Mr. Clerk. This House stands adjourned until Tuesday, at 1:00 p.m., February 17th.

---ADJOURNMENT

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