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**PUBLIC CONSULTATION ON
ELIMINATING THE DEFICIT**

REPORT TO THE MINISTER OF FINANCE

**Government of the Northwest Territories
Department of Finance
Financial Management Board Secretariat
October 10, 1995**

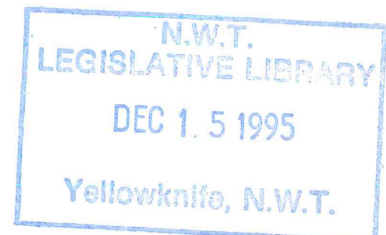


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I. Introduction

In March 1995 the Minister of Finance, the Honourable John Pollard, made a commitment in the Legislative Assembly to consult the public on how to balance the 1996-97 budget. The Minister directed the Department of Finance, in conjunction with the Financial Management Board Secretariat, to undertake this consultation and to report on their findings.

This consultation was conducted over the summer and early fall. All responses received to date, both written and verbal, are summarized in this report.

The report consists of four main sections. Section II explains the purpose and objectives of the consultation and briefly describes the process of the consultation. Section III describes the size of the response. Section IV summarizes the responses provided by the public to the questions posed. Section V attempts to draw some conclusions from the broad range of material received. Finally, appendices provide more detail both on the process of consultation and on the responses received.

II. Why Public Consultation on the Budget?

A. Fiscal Situation of the Government of the Northwest Territories

The Government of the Northwest Territories (GNWT) is facing a \$100 million deficit in 1996-97 if no changes are made to current expenditure patterns or revenue trends. The Government faces growing expenditure demands as a result of population growth, the growing demand for health care and other social

and economic pressures in the Northwest Territories. On the revenue side, however, rather than growing, the GNWT's revenues will fall in 1996-97. This is the result of cuts to the Formula Financing Grant announced by the federal Minister of Finance in his 1995 Budget.

The Government is therefore at a crossroads. If no action is taken to reduce the gap between revenues and expenditures, the GNWT's accumulated deficit could reach \$400 million by April 1, 1999. This would place the GNWT in a precarious financial position, since this Government has a very limited capacity to raise additional revenues to finance the interest costs on a large amount of debt.

The necessity to balance the budget was recognized by the NWT Legislative Assembly, which passed the *Deficit Elimination Act* in March 1995. This legislation compels the government to balance its budget starting in 1996-97.

The results of this consultation will form one part of the deficit reduction process. Other processes are also in place to identify ways the government can increase revenues or reduce spending. Departments have been directed to develop business plans. These plans will identify areas of savings and potential sources of revenue. They will be considered in relation to the findings of the public consultation before the 1996-97 budget is finalized.

B. Objectives and Structure of the Consultation

The consultation had two primary objectives - education and public input. The education objective was based on two premises. First, the public should be made aware of the fiscal situation of the government, and the need for action in the near future. Second, people need relevant and accessible background information in order to feel comfortable about participating in such a process.

After being provided with this information, the public would be invited to provide input into the deficit elimination process. This consultation would enable northern residents to voice their opinions and preferences about the tax and/or expenditure measures that they would prefer to see implemented. The consultation posed five principal questions to the public:

- 1. Should deficit reduction measures be focused more on cutting spending or on increasing taxes?*
- 2. What programs or expenditures should be cut or scaled back?*
- 3. What program areas should be cut less than others?*
- 4. What options should the GNWT follow to raise additional revenues?*
- 5. Which government services should people pay for directly, or share in the cost?*

The structure of the consultation was suggested by its two objectives: education and public input. In order to provide knowledgeable input, the public needed information about the government's fiscal situation and about how it currently raises and spends money. Therefore, the first part of the process involved providing this information to stakeholder groups and to the public at large. This was done primarily through the distribution of several publications, but also by means of presentations at public meetings.

The second objective, obtaining public input, was achieved in several ways: soliciting written submissions; providing a means for people to phone in concerns and suggestions; and holding public forums where people could express their opinions in person. Appendix I, starting on page 37, provides a detailed description of the consultation process. Finally, the responses generated from the consultation would be presented to the Minister of Finance in a report. This document constitutes that report.

III. Size and Representativeness of the Response

The response to the consultation included 71 written (both mailed and faxed) submissions and 13 telephoned submissions. A total of 46 telephone voice calls were received. Many callers only requested a copy of the discussion paper. Total attendance at the public meetings was almost 200, broken down as follows:

Norman Wells	3
Inuvik	23
Iqaluit	20
Rankin Inlet	20
Cambridge Bay	25
Yellowknife	56
Fort Simpson	8
Hay River	<u>40</u>
Total	195

In order to encourage openness, no attempt was made to identify respondents. Therefore, it is not possible to determine exactly how the respondents were representative of the residents of the NWT. However, some general statements can be made. Of the 84 written and phoned submissions:

- 3 were from municipal governments;
- 5 were from business or professional groups;
- 1 was from an individual company;
- 2 represented native organizations;
- 1 was from a political organization;
- 8 represented non-profit organizations; and
- 64 were from individuals¹.

¹In some cases it was not clear whether respondents were writing on behalf of an organization or themselves. In these cases it was assumed that their comments were their own, and not necessarily those of their organization.

The geographical breakdown of written and telephoned submissions was as follows:

Fort Smith Region	11
Inuvik Region	8
Keewatin Region	3
Kitikmeot Region	5
Baffin Region	12
Yellowknife	20
NWT-wide groups ²	10
Unknown	<u>15</u>
	84

The response to the consultation from small communities was relatively limited. Only 16 of the submissions were identified as coming from communities other than Yellowknife, Hay River or the five regional centres.

Given the size of the response, and the fact that respondents were "self-selected" (that is only those who were interested chose to respond) the response is not necessarily "representative" of the opinions of NWT residents. Just because 45 per cent of respondents might agree on a course of action, it does not follow that 45 per cent of NWT residents might approve.

The consultation was not meant to be an opinion poll or a survey of attitudes. It was designed to provide a forum for any member of the public who has concerns and suggestions about government expenditures and revenues.

²Organizations whose membership is spread across the NWT were not assigned to any one geographical area.

IV. Summary of Responses

This section of the report summarizes the responses provided by the public either to the Minister of Finance or to the consultation group. Comments have been organized by subject matter, so the responses of one individual or group, if touching on a number of issues, may appear in more than one section of the report. For the purposes of this section, comments have been summarized, with selected excerpts from written or verbal submissions. A complete overview of responses can be found in Appendix II, starting on page 41. Reading this Appendix will provide the full flavour of the public's responses.

Finally, responses are not identified as to their source, nor are they evaluated for relative "merit."

A. Comments on the Process

By and large, the response to the consultation was positive. Respondents generally welcomed the opportunity for input into the decision-making process:

The government should be commended for its approach in determining the priorities based on the people's wishes. Public consultations have proven to be an effective way to create an environment in which the public and government can show mutual respect while sharing the knowledge and experience that exists in the two groups.

Some, while welcoming the opportunity for comment, were more skeptical of either the process or the outcome. They either wondered how seriously the exercise would be taken, or doubted that the consultation would effect any change.

I like these reviews where you come to the communities. However, there have been many reviews, the SCONE Report, Strength at Two Levels, but nothing is ever done with the recommendations. There have to be more of these reviews, but the recommendations have to be seriously looked at and implemented.

Others were more critical of the consultation, or the approach taken:

Stop wasting money on public consultations. The NWT has a representative form of government. Let the representatives do their jobs and take the responsibility for their decisions. Consultation appears to be a way for politicians to avoid criticism. This deficit consultation is typical. The decisions have likely been made, but dollars are being wasted on writing, printing, and distributing the propaganda brochure, as well as on public meetings. And all this just so we will feel better about cuts to health services? It won't work.

Another respondent felt that the public did not have enough knowledge of the government to provide meaningful input.

It is unrealistic for you to expect us to react to the total picture, for us to tell you from our smaller perspective what we see the difficulties to be and things that could be made better and you guys take these little bits and put them together when you get back.

And others had specific advice for territorial decision makers. First, regional and community impacts must be very carefully considered when making decisions:

Cuts to programs have different impacts in different parts of the territories. How are the communities being included in this consultation? Whatever cuts are made, they must consider the community implications.

And secondly, the public expects to be able to comment on budget decisions before they are finalized:

No doubt every recommendation under the sun will be made to you through these consultations. These suggestions should not be considered a blank cheque for whatever measures the government wants to impose. It is reasonable to expect that the government will come back to the public with its draft plan for deficit reduction, with whatever measures it is going to propose. It is imperative that we get to comment on the plan before it is implemented.

B. Should deficit reduction measures be focused more on cutting spending or on increasing taxes?

1. No tax increases - cut spending only

Most of those who responded to this question (24 of 36) believe that there should be no tax increases, instead spending cuts are needed. The vehemence of many of the responses indicates that many feel very strongly about this issue. In general, those who answered in this way felt that the deficit problem is a

spending issue, which should be addressed through spending cuts. Increasing taxes only allows past spending habits to continue.

Raising additional revenues is an issue that makes me uncomfortable. The GNWT has a spending problem and we should not condition ourselves to simply throw more money at the problem. The solution is to become more efficient and utilize the resources available, rather than accept the status quo and remain inefficient.

Others were concerned about the effects of tax increases on the cost of living or on economic activity in the north.

Added and/or raised taxes must be the option of last resort. Increasing revenue in this manner not only will negatively affect the economy in general, but more importantly will feed the very attitude which in part caused our deficit position in the first place.

2. Combined Approach

However, there were those who felt that some tax increases could be justified, or could reasonably be managed by NWT residents.

Expectations in the north are extremely high compared with southern Canada. We have low tax rates, but are able to spend to a standard unheard of in southern Canada because of federal transfers.

Tax increases were seen by some as a way to spread the burden of deficit reduction more fairly, since spending cuts may impact more heavily on those dependent on government services.

The effort to reduce the annual operating deficit must, above all else, be fair. It should not become an excuse for shifting wealth from the poor to the wealthy. Decisions regarding what to do to address the need to balance the budget should be spread as broadly as possible among the populace, but, after the people have spoken, decisions regarding implementation should be made by professionals, under legislative and citizen review.

I don't mind paying higher taxes if we get value for our money and if those who have higher incomes pay proportionately more. We have an unfair tax system where some people are doing very well and others such as single parents, children, and youth unemployed are not doing well. When we talk about cuts to social programs, we are talking about cuts that will affect ordinary people. Canadians expect good public services and are willing to pay for them if the taxes are fair. Corporations are not paying their fair share of taxes. We shouldn't be talking about how to cut, we should be talking about how to develop a fair tax system.

3. Other Approaches

Finally, there were others who felt that the consultation exercise defined the options too narrowly as either spending cuts or tax increases. One respondent wanted more focus on changing the way government operates in the north, "reinventing government." Two felt that more emphasis should have been placed on job creation with its accompanying fiscal and economic benefits.³

C. What programs or expenditures should be cut or scaled back?

1. How Should Government Spending be Reduced?

The discussion paper and the presentation outlined a number of possible approaches to expenditure reduction, and discussed the relative merits of each approach. The approaches included: across-the-board cuts, program reviews and increased efficiency. In general, most respondents expressed their support for increasing government efficiency as well as for reviewing programs for effectiveness. However, many also referred to the political difficulties associated with cutting programs, and suggested that across-the-board cuts may be politically more realistic and therefore more workable.

a) *Across-the-Board cuts*

Those who supported across-the-board cuts generally recognized that this approach had shortcomings, but felt it was the quickest and most politically realistic method. However, most felt these cuts should be "stop gap" measures,

³As part of the information circulated, and in the presentation, it was pointed out that under the existing Formula Financing Agreement, job creation did not generate additional net revenues to the GNWT.

to control the deficit while programs are reviewed. Comments in support of across-the board cuts included:

Ideally, every department in the GNWT should be scrutinized and have their funds cut to appropriate efficiency levels. Priorities should then be set and funding reallocated. However, political realities dictate that this will not happen. In this event, across-the-board cuts should be made. These cuts should not only be deep enough to eliminate the annual deficit but also to eliminate any accumulated debt. Once these cuts have been made, departments should evaluate their operations for efficiency and effectiveness. Reallocations or adjustments could then be made where required.

b) Program Reviews

Others, however, wanted to see the emphasis placed on program review from the beginning.

The only way to reduce spending is not to do something. Across-the-board cuts do not work. The spending always comes back. All programs must be identified in detail. The discussion book provides no useful information. Program costs must be identified. The new MLAs must sit down and prioritize these programs. Then they must draw a line. Anything above the line stays, anything below the line gets cut or deferred. The list should be identified to the public for comment. Do you want it or not? What priority does it have? All programs above the line would be evaluated for efficiency and effectiveness. If efficiencies can be achieved, maybe some programs below the line can be put back.

c) Increased Efficiency

Still others felt that the GNWT should approach deficit reduction by reducing the inefficiency in government operations. This was an area which provoked a great deal of comment. It is widely felt that there are considerable savings to be realized by reducing the administration component of government. In addition, numerous other methods of increasing efficiency were suggested.

(1) *Structure of government*

One of the most frequently cited areas of government inefficiency is the existence of "too many layers" of administration. The GNWT is structured as a central Headquarters, with five regional administrations, augmented by a number of boards and agencies, such as regional health boards and education boards, which have responsibility for delivery of certain programs. Forty per cent of the GNWT's budget is delivered by boards and agencies or other levels of government. Many respondents found this structure confusing, costly and inefficient.

Following the release of the report "Strength at Two Levels" in 1991, the GNWT has undergone a number of organizational changes, including consolidation of 16 departments into 12 and privatization of some government functions. The recommendations of "Strength at Two Levels" have led to discussions on the transfer of GNWT responsibilities to the communities (Community Transfer). In addition, since 1991 some government functions have been decentralized from Headquarters to other communities. Finally, the prospect of Division of the NWT and the settlement of land claims and creation of aboriginal self-governments have raised important issues for the reorganization of the GNWT.

However, respondents provided no clear recipe for reform. There are those who believe that boards should be eliminated or reduced in number. Others feel that departmental headquarters administration should be reduced, either by giving more authority to boards, or by further consolidation of departments. There was one note of dissent on this issue.

Stop reorganizing the GNWT. For four years we have been shuffling departments and employees around. The sole result is confusion and bad morale. A simple moratorium on office renovations could save you a million.

Some feel the regions should be strengthened at the expense of headquarters and others the opposite. Many (16) feel that there are too many boards and agencies, resulting in far too much duplication of administrative services. Some board representatives feel that duplication can be reduced by targeting administration in headquarters, departments and by giving more authority to the boards.

There appears, however, to be virtual unanimity that the GNWT cannot afford to continue to operate with its present administrative structures. Readers are referred to Appendix II, pages 48 to 55 for the full flavour of the comments on government organization.

(2) *Other Efficiency Measures*

A number of suggestions were offered on other ways the government could become more efficient. Eight respondents felt that managers need to be given more flexibility to manage their budgets. In return, they should be held accountable for their decisions.

Reduce the restrictions on budgets. Allow managers more flexibility in spending. Restrictions only serve as a disincentive to find efficiencies. Get managers managing.

Respondents also had specific suggestions for making government more efficient. Please see Appendix II, pages 55 to 58, for a list.

2. Where Should the Cuts be Made?

a) *Areas of Expenditure*

(1) *General Comments*

The GNWT spends more than \$1.2 billion to provide programs and services to residents of the NWT. More than 60 per cent of this money is allocated toward social programs: social assistance, housing, education, corrections & justice, and health care. Understandably, this area was the major focus of respondents' comments.

The GNWT should be providing only those programs that are essential for the continued well-being of its citizens. Those programs that are not essential should be either eliminated or provided by other resources. Programs should provide incentives for individuals to improve themselves and become less dependent on a program. At present, some of the major expenditure programs act as a disincentive, e.g. social housing.

(2) *Social Assistance*

The GNWT spends about \$30 million for social assistance payments, not including amounts spent on social housing. Respondents' comments reflected concerns that welfare programs discourage people from becoming more independent.

Young people who are able to work should not be paid more social assistance than the equivalent of a minimum wage job, preferably less.

Reduce benefits, thereby inducing the incentive to work. In lieu of cash benefits, offer training program grants for jobs in which there is a shortage of personnel.

Others offered some specific suggestions for reducing social assistance payments. (See Appendix II, page 60).

(3) *Housing*

The GNWT's 1995-96 budget for social housing totals \$111 million. This includes \$49 million for the construction of new housing or repair of existing units, and \$62 million for utilities, maintenance and other ongoing expenditures. Respondents expressed concern over the amount spent on social housing and the incentives created by the existing methods of providing social housing.

All programs should be looked at, especially housing. The programs of the Housing Corporation are far too generous. Too much of the budget goes to too few people. The government ends up providing all the services to the people who live in these houses, including heat, and power and maintenance. Seniors get a house for practically nothing. This is a ludicrous situation which we cannot afford. People should be doing things for themselves. People should look after the houses themselves. In some communities we do not need these programs. There are many options which need to be looked at. Rents could be increased.

Means testing for persons over the age of 60 years who are applying for public housing should include assets. At this time they are income tested which does not include assets.

(4) *Education*

Education is the government's largest single expenditure item, more than \$272 million in 1995-96. More than half of this goes toward delivery of elementary and secondary education in the NWT. No concerns were raised about this part of the education budget. By far the greatest concern is in the area of adult education and post-secondary education (colleges, student financial assistance and training). About \$60 million is allocated to these areas.

Why is so much being spent on adult education? Is this not a form of duplication of services since students have the opportunity to receive K-12 education here in the NWT? Making high school available in the larger settlements was a good move and whatever further measures can be taken to ensure students get their basic education the first time should be taken. Policies and rules on student financial assistance must be tightened to eliminate waste. Some people abuse the system by using Student Financial Assistance as a form of income.

Set a four year maximum for student grant and loans. Some people are going to college and university for 6, 8 or 10 years at taxpayers expense. Also make the continuation of funding based on successful performance in school.

(5) *Health Care*

Providing health care services to NWT residents costs the GNWT about \$175 million per year. Many respondents feel that this amount could be reduced by encouraging "wellness" rather than treating sickness. In addition, the use of less expensive alternatives to doctors and hospitals was encouraged.

Health care now means waiting until someone gets sick, and then we put them in a hospital or when they get old we put them in a nursing home. This is all very costly to provide. There are better ways of providing health care. We too quickly force people into nursing homes, when home care is more cost effective. We need more programs to maintain health care and more preventative measures. The bulk of the health care budget goes into acute care. Home care is just a token gesture. Home care programs are underfunded, so we continue to put people in hospital.

Birthing should take place in communities wherever possible. While there are costs attached to setting up birthing projects initially, in the long run it will be much cheaper and healthier for everyone concerned.

Others had concerns about the level of benefits or made specific recommendations. (See Appendix II, pages 63 and 64.)

(6) *Corrections and Justice*

The GNWT spends approximately \$28 million on law enforcement and an additional \$22 million on corrections. Respondents expressed concern over the amount spent on corrections and offered suggestions for reducing these costs.

There is something fundamentally wrong with a system which has no money to help young people stay out of prison, but will spend thousands on them once they break the law. Conditions in some communities are such that going to Yellowknife Correctional Institute is considered a reward, rather than a punishment.

People should not go to jail if they did not commit a very dangerous crime. Healing circles should be used for sentencing. Offenders could be kept out on the land where they could feed and be responsible for themselves and provide meat and fish for their communities.

(7) *Economic Programs*

Programs related to economic development and tourism will cost the GNWT about \$40 million in 1995-96. Respondents' concerns centred on the effectiveness of the programs. Is the money being spent on these programs achieving their objectives? There were also concerns that grants, as opposed to loans, diminished the accountability for business assistance. Respondents also offered a number of suggestions. (See page 65)

Change business grants to business loans.

Economic Development & Tourism is one area that should be looked into. What do we have to show for these programs?

(8) *Sport and Recreation*

Sport and recreation programs have been allocated \$9 million in O&M funding and \$8 million in capital funding in 1995-96. In addition, all government-run lottery revenues raised in the NWT go to support Sport North. Some respondents feel that sport and recreation programs should have a lower priority.

Redirect some of the lottery money going to Sport North toward other programs. The money can be used more wisely than it is currently being used.

Subsidies to sports programs could be eliminated. They simply pale in comparison to the necessity of health, education, transportation.

(9) *Other Programs*

Finally, respondents had a number of suggestions regarding other government programs. These are itemized in Appendix II, pages 66 and 67.

b) Type of Expenditure

(1) Salaries and Benefits

(a) General Comments

The GNWT funds about 7,000 positions and spends approximately \$455 million on salaries and benefits annually. These amounts include the employees of boards and agencies funded by the GNWT, such as regional health boards and boards of education.

Respondents had a great deal to say on the issue of salary costs. Many expressed concerns about the size of the public service as well as the cost.

The civil service should be reduced by as many as 1000 Person Years. The public service has grown from about 5300 in 1990 to 6300 in 1994. Why has this growth taken place? This would save the government a minimum of \$70 million. A major part of the problem gets back to expectations. For too long too many people have viewed the government as a giant job creation machine. Government should be in the opportunity business, not the employment business. It should hire only those people it needs, station them where it makes economic sense, and where there is a bona fide need.

Others cautioned against large-scale lay-offs of government employees:

Any threat of lay-offs or disguised lay-offs will damage the NWT economy.

There were also concerns expressed that the level of compensation in government is too high compared with the private and non-profit sectors, thereby making it difficult for employers in those sectors to attract and retain staff. Given the GNWT's objective of hiring from within the NWT, attracting people from southern Canada should not be an issue in setting compensation levels. Wages, and especially benefits, which were originally structured with southern hiring in mind, should be reviewed.

Government wages and benefits are too generous. The private sector cannot compete with the GNWT on benefits. The private sector hires people with less experience, who leave for government jobs as soon as they are trained. The high wages are meant to attract southern workers.

Some respondents cautioned that, although the public service cannot, nor does it expect to, escape the effects of deficit reduction, the measures taken must be fair and reasonable.

Any cuts to salaries must consider the different impact in the communities versus headquarters. Protect the lower end of the salary scale.

We need to increase efficiency in administration. To achieve this there needs to be a cut, but it must be done with compassion. Labour relations are going to be poor. Increased efficiency could lead to a reduction in staff. You have to consider the productivity losses that can arise from layoffs, in terms of stress, sick leave, etc.

(b) Wages and Salaries

Respondents offered numerous suggestions on how wages and salaries could be reduced. Many suggested wage freezes or reductions in lieu of layoffs.

Put a freeze on all wages for government employees, including MLAs.

I prefer the "diet" approach to the "amputation" approach.

Still others suggested that the wage bill could be reduced by reducing the amount of time employees work, with a corresponding reduction in salary.

Make employees take 10 days without pay.

Unpaid holidays, e.g. over Christmas, would reduce personnel costs.

Three respondents suggested that staff be reduced by offering early retirement incentives.

Still others singled out MLA salaries and benefits for review:

MLAs should not be paid extra to sit on committees. This should be part of their jobs.

Lower MLA pensions. They are much too high.

Other suggestions for reducing salary costs included eliminating honoraria for members of boards and reducing the amount of overtime paid to staff.

(c) *Vacation Travel Assistance*

Currently, the GNWT provides all employees with a "Vacation Travel Allowance" (VTA) at a cost of \$19 million per year. The amounts received, up to a maximum of two VTAs per year, are deductible for Income Tax purposes if the employee incurs actual travel expenses. It is necessary that an employee be paid an explicit travel allowance in order to claim the deduction.

Ten respondents feel that the VTA is a luxury the GNWT can no longer afford, and should be either reduced or eliminated. There were three respondents, however, who feel that, given the income tax treatment of VTAs, it would make more sense to leave the VTA as it is, and perhaps instead reduce salaries or other benefits.

(d) *Accommodation Allowance*

The GNWT pays to every employee an accommodation allowance of \$450 per month provided the employee is not residing in staff housing and paying below market rent. The purpose of the allowance is to offset the high cost of housing in the NWT. The total cost to the government of this benefit is \$30 million. Under the *Income Tax Act*, this benefit is at least partly deductible from income. It is not necessary that an actual housing benefit be paid in order for NWT residents to claim the housing deduction.

Five respondents feel that the housing allowance as it is currently paid is too generous. Most concerns arose from the fact that it is paid to each employee,

rather than on the basis of one per household. There were also concerns about paying housing allowance to employees living in low-cost housing.

Finally, two respondents felt that employees in remote communities would be better off under the income tax system if staff housing rents were lowered and the housing allowance discontinued.

(2) *Grants and Contributions*

The GNWT spends about \$455 million, or 40 per cent of its budget, on grants and contributions to other organizations. The main recipients are municipalities, health boards, boards of education and the NWT Housing Corporation. Respondents had a number of comments specifically related to the funding received by these organizations, in addition to the comments on the general structure of government administration, noted earlier.

Grants and contributions need to be reviewed. These represent \$450 million of the government's budget. A lot of these are handouts and freebies which have to stop. In a lot of cases these are luxuries the government cannot afford. Let's keep the service programs intact, but get rid of a lot of these grant programs. (referred to pages 52 and 53 of discussion paper).

In the last two years we have raised over half a million dollars over and above our core funding. Non-Governmental Organizations can access many sources unavailable to government. Government should get wise to that fact.

However, one respondent expressed concern about lack of certainty of funding and the implications for initiatives such as community transfer.

There are no guarantees of funding down the road if an organization takes over a service. What incentive is there for a community to even look at taking over a service?

Finally, there were some specific suggestions for saving money in specific program areas. These are listed in Appendix II, page 73.

(3) *Capital Spending*

Capital spending is money used to build schools, hospitals, community centres, roads, airports, etc. and to purchase equipment such as vehicles. The GNWT expects to spend \$195 million on capital in 1995-96, or about 16 per cent of the total budget. Thirteen respondents feel that capital expenditures should be reduced, whether by delaying or canceling projects, or reducing capital standards. For some, it is a matter of saving money.

In most communities we have the basics in place. We have water, sewage, schools, good recreation facilities. Where we have the basic needs met we have to take a real look at cutting back our capital budget dramatically and I think that we are pretty well equipped with capital facilities. There is room to cut the capital budget in half. Maybe we can make our buildings last longer. We need to look at our standards. We're still exceeding the standards that the private sector can afford. We need to save money on energy consumption.

Others advocate the delay of projects so that more training can take place in communities to enable them to supply more local labour on these contracts or to prolong the amount of work available in a community.

Money for capital should not be spent in the north unless northern people can use it and build the infrastructure that they want. This would mean that we could reduce the capital that we spend in a year by a third, that would go a long way toward eliminating your debt. The savings should go toward training local people.

Others had specific suggestions for changing the capital tendering, design and construction process. These are listed in Appendix II, page 75.

(4) *Other "O&M"*

About 30 per cent of the GNWT's budget goes to pay for 'Other Operations & Maintenance' (O&M) expenditures. This category includes a wide variety of services for general items such as office accommodation and supplies, consulting services, travel and utilities.

(a) *Travel*

The GNWT spends approximately \$50 million annually on travel. About 60 per cent of this goes toward medical travel, providing transportation to patients so they can receive medical or dental treatment not available in their home communities. A further \$20 million is spent on general government business travel.

Respondents expressed concerns over the amount of medical travel that is taking place, as well as the perceived abuse of some medical travel.

There has been a marked increase in the number of medical evacuations in the last 10 years. That, during a period when health centres have improved greatly, health boards established and supposedly health information improved. A careful review and some policy changes could save real dollars.

One particular area of medical travel came in for criticism from across the NWT. This is the case where children and escorts are flown monthly to another centre for orthodontic services. Six respondents feel that there must be a more cost effective way of providing orthodontic services.

I have a child that is sent to the orthodontist once a month and they spend \$3000 per trip for me to take them down. I know there is a proposal for an orthodontist to come into the community. I know 20 children that go every single month to the orthodontist.

There were also other specific suggestions for saving money on medical travel. Please refer to Appendix II, page 76.

Government business travel also came in for criticism. Respondents feel that the amount of travel can be reduced, either by eliminating unnecessary travel, or by making better use of alternatives, especially teleconferencing or videoconferencing. Others had specific suggestions for reducing travel costs which are listed in Appendix II, pages 76 to 78.

(b) Government Purchasing

Government purchasing policies are a major area of concern to respondents. The GNWT's Business Incentive Policy (BIP) came under frequent criticism as a source of higher costs to the government without sufficient benefit. The policy provides a preference for northern businesses. Twelve respondents suggested eliminating the policy, or retaining the policy but making it less generous. There were also other suggestions for reducing purchasing costs which are listed in Appendix II, pages 79 and 80.

(c) Government Vehicles

The GNWT will spend about \$5 million on vehicle acquisition in 1995-96 and \$3.5 million on maintenance of vehicles. Comments from respondents included suggestions on how to reduce expenditures on vehicles. These can be found in Appendix II, pages 78 and 79. Respondents also had concerns about the use of government vehicles for non-work related purposes.

Abuse of government vehicles should be stopped. Vehicles are being used for non-work related purposes. The use of vehicles for personal purposes represents a taxable benefit to the employee.

D. What program areas should be cut less than others?

When asked whether there were any areas of government spending which should not be affected, or not affected to the same degree as other areas, the fifteen who did respond quite clearly singled out social programs.

We would urge the government to continue to look at literacy, education and training as an investment. The statistics quoted in the discussion paper about the vast increases in student enrollment, both at the secondary and post-secondary levels is surely a good thing. Increased costs now, to be sure, but immense savings in the future.

Do not cut social assistance.

Health and education should not be cut to the point that the level of health care and education drop. We need a healthy and well-educated workforce to survive into the future.

Some other areas were also noted: the environment, economic development, policing and programs directed at native people.

E. What options should the GNWT follow to raise additional revenue?

1. General Comments

The GNWT will collect about \$1.2 billion in revenues in 1995-96. Most of this (72 per cent) comes from the federal government in the form of the Formula Financing Grant. A further 11 per cent is derived from other federal transfer payments. Only \$200 million is raised by the GNWT from its own sources. The government's ability to generate new revenues is therefore somewhat limited.

Furthermore, until recently, the Formula Agreement has been structured in such a way that revenue increases due to economic growth or greater economic activity did not benefit the GNWT, but simply reduced the amount of the Grant from Canada. In some cases, higher tax revenues could actually lower total GNWT revenues since the Grant would decline by an amount greater than the revenue increase.⁴ However, tax *rate* increases do result in higher revenues for the GNWT.

The discussion paper outlined the revenue options available to the GNWT and the potential income associated with each option. As part of the consultation process, the public was asked which revenue measures, if any, the GNWT should take. Many said that there should be no tax increases, but a number

⁴On October 4, 1995, the federal Minister of Finance announced that he and the NWT and Yukon Ministers of Finance had reached an agreement on amendments to the Formula Financing Agreement that would eliminate the disincentive for economic growth and development incorporated in the Formula.

stated that some increases were possible. However, some respondents commented that the Formula Financing Agreement should be reexamined to eliminate the current disincentives to economic growth and development.

Formula Financing has to be rectified. Otherwise the GNWT has no incentive to increase revenues.

Others noted that there were other areas of revenue which need to be pursued.

Get a Northern Accord. Priority One. Must happen. We need it!

Finally, many of those who supported some form of tax increase stipulated the principles which should apply to tax decisions:

If the government plans on introducing more taxes upon us, they will have to take into account the cost of living in the north. If you are planning to impose more taxes there will have to be more serious consideration on the implications that this tax will have on the future generations.

If you are going to do something on taxes, whether on taxes or liquor or payroll, it has to apply to everyone across the board. Anyone who takes money out of the system should be prepared to put it back in.

2. Tax Options

a) Sales Tax

Currently the GNWT does not levy a sales tax. It is one of only three jurisdictions in Canada without such a tax. The Department of Finance has estimated that the government would collect about \$6 million for every one per cent in the tax rate. This is before the cost of administration or any low income tax credit which might also be introduced. Four respondents were in favour of implementing a sales tax, usually in conjunction with the federal GST in order to save administration costs. Six strongly opposed such a measure. Finally, one respondent suggested that a sales tax on "junk food" be considered.

b) Payroll tax

The GNWT levies a one per cent payroll tax on the salaries and benefits received by employees working in the NWT. The tax is deducted from employees' salaries by employers and remitted to the GNWT. The tax differs from provincial payroll taxes which are levied on employers as a percentage of their total payroll. The GNWT expects to collect \$12 million from this tax in 1995-96. Five respondents supported an increase in the tax and two did not.

c) Personal Income Tax

The GNWT levies a tax on personal income at a rate of 45 per cent of Basic Federal Tax. This is the lowest provincial or territorial rate in Canada. The average provincial rate is 55 per cent. In addition, the GNWT offers a refundable Cost of Living Tax Credit to all residents of the NWT. The Personal Income Tax will generate \$63 million in revenues in 1995-96. It is estimated that a one percentage point increase in the tax rate would bring in about \$1.6 million. Five respondents favoured increasing the tax, while three did not.

d) Corporate Income Tax and Corporate Capital Tax

The current NWT Corporate Income Tax (CIT) rate is 14 per cent of corporate taxable income. Small businesses pay a lower rate of 5 per cent on the first \$200,000 of taxable income. The GNWT does not levy a corporate capital tax.

The average provincial CIT rate is 14.1 per cent. Most provinces levy a capital tax, on financial institutions at least, if not on all corporations. It is estimated that a one percentage point increase in the CIT rate would generate about \$2.25 million. A capital tax of 0.3 per cent of paid-up capital would raise approximately \$6 million.

Five respondents felt that corporate taxes should be increased. One respondent suggested lowering the rate to encourage corporations to file in the NWT and therefore increase NWT tax revenues.

e) Liquor and Tobacco Revenues

The GNWT raises about \$12 million from tobacco taxes and \$16 million from the sale of alcoholic beverages in the NWT. The tobacco tax rate of \$24.80 per carton is the highest in Canada. One respondent opposed any increases. However, five favoured higher taxes, mostly in order to discourage consumption.

f) Property Taxes

The GNWT levies property and school taxes outside the tax-based communities and school taxes in all communities except Yellowknife. These taxes generate about \$5 million annually. There were only two comments on the issue of property taxation.

Hamlet residents should pay their fair share of property taxes and they should be paid directly to the hamlet.

Property taxes should be based entirely on land value. Our current tax system discourages home improvements/renovations.

F. Which government services should people pay for directly, or share in the cost?

One way for governments to raise additional revenues to offset the cost of providing services to the public is to charge a "user fee." The consultation asked the public which services should be considered for such fees.

This concept was supported in general by at least four respondents, and by many more who offered their suggestions.

We are living in a false economy in the NWT and a lot of people don't realize what it costs to live in the north. I like the principle of letting people know what things cost. We have to take a radical look at the hidden subsidies. Nobody knows what it costs to flush a toilet, make a pot of tea. People will use less if they realize the true cost.

However, one respondent raised a concern:

Get rid of fees that cost more to administer than the cost of the fee. Or increase the fees to at least pay for the administration of the fee program.

a) *Medical and Hospital Fees*

By far the most frequently (15 respondents) cited area of potential revenue was that of user fees or premiums for health care. In addition to raising revenues, it is also felt that these fees could discourage frivolous use of services and therefore decrease costs. It is apparent that many respondents feel that this is an area subject to overuse.

User fees are different from premiums. The latter are levied on all residents of a jurisdiction at a fixed monthly amount and entitle residents to universal health care. The GNWT does not levy health insurance premiums to fund medical services. Currently, only two provinces still charge premiums, Alberta and British Columbia. Other provinces which once charged them have either eliminated them or replaced them with a payroll tax on employers.

User fees are extra charges paid either to physicians or hospitals for specific services. Under the *Canada Health Act*, the federal government prohibits user fees in the provision of medical or hospital care. Any province which does so is subject to financial penalties in terms of reduced funding from the federal government. Therefore any fee of this nature may result in a loss of other revenue. However, there may be savings if use is reduced.

b) Other Suggestions

Respondents had other suggestions for cost recovery or user fees in the areas of student financial assistance, housing and other services. These are listed in Appendix II, pages 88 and 89.

V. Conclusions

The consultation received many responses covering a wide range of issues. Many respondents voiced opposing views on a number of topics. There are few areas of unanimity, but this is hardly surprising.

It should be stressed that this consultation was not a survey or opinion poll. Not every respondent commented on every area. The responses cannot simply be “added up” and conclusions drawn that “30 per cent of respondents support an income tax increase over a payroll tax increase” for example. The responses were qualitative, and therefore conclusions must be drawn carefully.

This is what was said, in answer to the questions posed:

1. *Should deficit reduction measures be focused more on cutting spending or on increasing taxes?*

By far the majority of those who answered this question opposed tax increases as the solution to the deficit problem. Even among those who would support some tax initiatives, the feeling is that these should be kept to a minimum. While the GNWT’s deficit problem results from cuts to federal transfers as well as

forced" expenditure growth in areas such as education and health, the problem must be addressed primarily on the spending side.

2. *What programs or expenditures should be cut or scaled back?*

a) How should spending be reduced?

The public is very concerned about the size of government in the NWT, and the number of layers of administration in the GNWT and its related agencies. They feel that this results in significant inefficiency and unnecessary expenditure. Considerable savings could be achieved through rationalization of administration.

Although there is no unanimity regarding solutions, it is clear that, from the public's perspective, the structure issue must be addressed if the GNWT is to make inroads on its deficit problem. Whatever the final structure, overall administration costs must be reduced.

A second theme related to government efficiency is that of greater managerial authority. Managers should have greater flexibility to allocate their budgets in the most efficient way. In return, there should be more accountability for how the money is spent and for the results that are achieved.

A number of respondents believe that in the short term, the GNWT should make across-the-board cuts to all departments and agencies, to buy time while programs are reviewed and areas of greater and lesser priority are identified. However, there is broad consensus that this type of review must take place over the medium term.

b) Where should the cuts be made?

Almost all of the many responses to this question targeted social programs: social assistance, housing, education (adult and post-secondary), health care and corrections. Economic and sport programs were also identified, but to a lesser extent. This response may seem contradictory, given the response to question 3 below but, given that social programs make up more than 60 per cent of the GNWT's budget, it is perhaps not surprising that these programs were identified for cuts.

Based on the responses, it is apparent that the public, while defending the necessity of essential social programs, wants:

- programs to be targeted at those who truly need them;
- to ensure that results are being achieved; and
- to be sure that programs are not being abused and government money wasted.

Even those who might benefit from government inefficiency and waste are saying that there is overspending in some areas. Programs should be designed with the right incentives, to encourage people to decrease their dependency on government, rather than to increase it.

The responses overwhelmingly cited the cost of the public service as an area to be addressed. Although there is not unanimity on the approach to be taken, it is clear that the public expects government employees to bear part of the burden of deficit reduction. Employees themselves, for the most part, agreed with this. However, there were concerns about job security and fairness.

There was also support for a reduction in capital spending.

The government's Business Incentive Plan came in for criticism from several respondents who feel that it is costing the GNWT a significant amount with limited benefits. The policy should be reviewed for effectiveness and either eliminated or amended to reduce the incentive provided to northern businesses.

Travel costs were also a concern. People feel that there are ways to reduce these costs, through the use of technology and through a more rational approach to travel, especially with regard to medical travel.

3. *What program areas should be cut less than others?*

Not surprisingly, those who answered this question targeted social programs as being a priority area. As mentioned, this seems to contradict the responses given in answer to question 2. There are respondents who feel that no cuts should be made to health programs, education or social assistance, although some who defended education, for instance, saw health care as an area for potential savings. Similarly, others who supported social assistance saw room for cuts to other social programs.

Perhaps the only conclusion that can be drawn from this is that respondents are concerned about reductions in services or reductions in areas which could cost the government more in the long run.

Certainly, many of the respondents who support reductions in social programs feel that if inefficiency and waste were reduced, program costs could be brought down while essential services maintained.

4. *What options should the GNWT follow to raise additional revenues?*

As noted already, many respondents would not agree to any tax rate increases. Revenue increases should come from economic growth, and therefore the Formula Financing Agreement should be changed to allow the GNWT to benefit from growth.

Among those who support some tax rate increases, there was no unanimity on where these increases should occur. Support can be found for the introduction of a sales tax and for income tax (personal and corporate), payroll tax and tobacco and liquor tax increases. Opposition can also be found to each of these measures as well.

In general, those who support tax increases feel that the impact of these increases should be spread equitably.

5. *Which government services should people pay for directly, or share in the cost?*

The concept of cost recovery is generally supported, both as a method of generating revenues and as a way to discourage unnecessary use of services. There is strong support for the idea that people should know what it costs to provide services in the north. "People will use less if they know what it costs."

There was support expressed for some form of health care fees.

In conclusion, those who responded to the consultation expressed serious concerns about the level of government spending as well as specific aspects of spending, and about the way the government does business. There are

perceptions of waste and abuse which make people question the value and effectiveness of government programs. Many respondents believe that these issues of inefficiency and waste should be addressed before cuts are made to levels of service, especially to those affecting persons most in need.

In addition, there are strong feelings that until these issues are addressed, the government should not be looking at the revenue side of the budget to solve the deficit problem.

VI. APPENDIX I - THE CONSULTATION PROCESS

A. Publications

1. Discussion Paper - "Eliminating the Deficit"

A detailed discussion paper was distributed to stakeholder groups and to individuals requesting it. This discussion paper, entitled "Eliminating the Deficit: Establishing a Sound Financial Framework for the Northwest Territories," was a major part of the consultation process. It provided detailed background on the facts, issues and options associated with eliminating the GNWT deficit, including:

- the current fiscal position of the GNWT, as well as some projections for the next three years;
- where the GNWT currently spends its money and the nature of the spending pressures facing the GNWT;
- various approaches to reducing expenditures as well as an assessment of their potential effectiveness; and
- the sources of the GNWT's tax revenues and options for increasing these revenues.

The paper solicited views from individuals and organizations on deficit reduction approaches.

The discussion paper was distributed in the western NWT during last week in July and in the eastern NWT during the first week in August, along with an executive summary translated into Inuktitut. An Inuktitut translation of the full document was distributed in early September.

The mailing list included 550 organizations: municipalities, bands, chambers of commerce, non-profit organizations, professional bodies, labour organizations

and other groups. Copies were made available to anyone else on request. They were also distributed at the public meetings. A total of 1200 English copies and 150 Inuktitut copies of this paper were distributed across the NWT.

2. Flier - "Finding Deficit Solutions"

In order to make the information about the government's budgetary position as widely available as possible, a plain language flier was prepared for distribution as a "household mailer." This publication, "Seeking Deficit Solutions," consisted of a four page newsletter which provided a summary of the information in the discussion paper. It also solicited responses from the public and provided information on how to respond. It was mailed to all households in western NWT communities on August 4 and to the NWT communities, along with an Inuktitut version, the week of August 7. The flier was also made available at the public meetings. A total of 20,000 English and 4,500 Inuktitut fliers were distributed.

3. Payroll Insert

On August 11, 1995, all GNWT employees were provided with a two-page notice included with their paycheque. The insert gave a brief summary of the purpose of the consultation and the questions that were being asked. It also provided information on how to respond with suggestions.

It was considered particularly important that GNWT employees be made aware of the nature and purpose of the consultation, for two reasons. First, to keep staff informed of both the government's fiscal position and of the possible budgetary choices that could affect them, and second, to solicit ideas from a group of NWT residents which is particularly knowledgeable about GNWT operations.

B. Public Meetings/Presentations

Once the background publications had been distributed, public meetings were held across the NWT, including at least one in each region. Staff from the Department of Finance and the Financial Management Board Secretariat attended. The meetings were held as follows:

Norman Wells	August 14
Inuvik	August 15
Iqaluit	August 22
Rankin Inlet	August 24
Cambridge Bay	August 28
Yellowknife	August 31
Fort Simpson	September 6
Hay River	September 7

The purpose of the meetings was two-fold: first, to provide information about the government's budgetary situation, and second, to solicit input from the public on deficit reduction. Therefore, each meeting began with a 40 minute slide presentation, punctuated with opportunities for questions. The presentation was followed by general discussion. The discussion was a combination of answering questions and soliciting suggestions. All suggestions and recommendations made during the discussions were noted.

In addition, two sessions were held with GNWT senior management in Iqaluit and Rankin Inlet at the request of regional staff. The comments from these meetings are included in this report.

C. Toll-Free Fax/Phone Line

In order to make responding to the Minister's request for comments as straightforward as possible, a toll-free telephone number was made available to the public. This toll-free number accepted both voice and fax messages.

Those responding with voice messages were greeted by a recorded message in both English and Inuktitut asking callers to provide comments or recommendations, and offering more information or documents on request.

D. Advertising the Consultation

The release of the discussion paper "Eliminating the Deficit" on July 27, 1995, marked the beginning of the consultation process. A press release was issued on this date to all media organizations in the NWT.

In addition, the dates, times and locations of public meetings were advertised in local newspapers and through notices placed on the radio shortly before the meetings were to be held. The newspaper advertisements also provided information on how to request copies of the discussion paper and listed the toll-free number, inviting comments and suggestions for deficit reduction.

In response to concerns expressed after the first few meetings that people were not aware of the consultation, on August 25 notices were mailed to all addresses on the discussion paper mailing list in the regions where meetings had yet to be held. In addition, a notice was sent by electronic mail to all GNWT employees in these regions advising them of meeting locations, dates and times.

It should also be noted that the consultation received media coverage, both print and radio, while it was in progress. This served to make the public more aware of the purpose of the consultation as well as the process.

VII. APPENDIX II - THE RESPONSES

This section provides a summary of each submission¹ made as part of the consultation, either in written form, as a telephoned message or during a public meeting. Comments have been organized by subject matter, so the recommendations of one individual or group, if touching on a number of issues, may appear in more than one section of the Appendix. These summaries are not necessarily direct quotations. Some editing has been done to reduce length.

A. Comments on the Process

** The government should be commended for its approach in determining the priorities based on the people's wishes. Public consultations have proven to be an effective way to create an environment in which the public and government can show mutual respect while sharing the knowledge and experience that exists in the two groups.

** I feel it is very important that the government is involving everyone in this process of deficit elimination. The deficit affects everyone living in the north and it is good to see the government asking for opinions and views on the various government issues.

** I don't believe the people of the NWT are ready for the difficult decisions that have to be made. I think it is partly the government's fault in that it has avoided this kind of serious planning about fiscal management for some time. Just as we saw with the public housing rent and the staff housing rent issue in the last four years, suddenly drastic changes had to be made in a hurry. Probably they were changes that were necessary. Everyone would agree that they were long overdue in that rents hadn't been revised in years. But suddenly all at once changes needed to be made and you got resistance because people are not ready for rapid change. So that is going to be a very challenging part of this exercise - to manage the change so that people understand the reasons, and feel a part of the solutions and have some notice, even though there isn't much time.

** I like these forums and reviews where you come to the communities. However, there have been many reviews, the SCONE Report, Strength at Two Levels, but nothing is ever done with the recommendations. There have to be more of these reviews, but the recommendations have to be seriously looked at and implemented. That is the bottom line.

** We believe the territorial government must include public consultation and input if they are going to properly represent the constituents of our territory. We are disturbed, however, about the way this consultation process has taken place. Even though the information was made available in plenty of time, the announcements of the community meetings were either

¹ This Appendix includes responses received prior to October 6, 1995. Although every effort has been made to include all comments and recommendations, some may inadvertently have been missed.

done with short notice or had a perception of being “done in secret.” That leads people to the conclusion that you’ve invited them, but you don’t really want them to show up.

** I appreciate the “democratic” step the government is taking by soliciting input from the public but I must question its sincerity given the fact that this same government has chosen to take such inefficient and uneconomic steps as the division and removal from Yellowknife of the Health Insurance Services and Petroleum Products divisions and the planned removal of the Mackenzie Regional Health Board.

** Stop wasting money on public consultations. The NWT has a representative form of government. Let the representatives do their jobs and take the responsibility for their decisions. \$1 million was spent to consult on the *Education Act*. How much better is the *Act* as a result? Consultation appears to be a way for politicians to avoid criticism. This deficit consultation is typical. The decisions have likely been made, but dollars are being wasted on writing, printing, and distributing the propaganda brochure, as well as on public meetings. And all this just so we will feel better about cuts to health services? It won’t work.

** True consultation is not what is taking place here. The GNWT has put forward the fact that the deficit has become a problem. Other than that, all that is offered is a choice of disastrous budget cuts. The GNWT has shown by its actions (the *Deficit Elimination Act*) that it is not only NOT interested, but will oppose any proposals but its own.

** It is unrealistic for you to expect us to react to the total picture, for us to tell you from our smaller perspective what we see the difficulties to be and things that could be made better and you guys take these little bits and put them together when you get back.

** The consultation process would be more effective if you used local groups to do the consultation. Public forums are intimidating.

** Cuts to programs have different impacts in different parts of the territories. How are the communities being included in this consultation? Whatever cuts are made, they must consider the community implications.

** No doubt every recommendation under the sun will be made to you through these consultations. These suggestions should not be considered a blank cheque for whatever measures the government wants to impose. It is reasonable to expect that the government will come back to the public with its draft plan for deficit reduction, with whatever measures it is going to propose. It is imperative that we get to comment on the plan before it is implemented.

** We expect to be able to comment on the draft budget and effect changes.

** There is a requirement for the government to include the public in the ongoing evaluation and assessment of its programs and initiatives from a financial perspective.

B. *Should deficit reduction measures be focused more on cutting spending or increase taxes?*

1. No tax increases

** No tax increases. The negative impact of additional tax increases on our presently slow economy would be very detrimental to our economic recovery. Before any tax increases are contemplated, we have to know that our operation is running at "maximum" efficiency. Only then will we know how much new revenue is necessary and how much we can afford.

** I must strongly advise against any tax increase before all other avenues are exhausted. The NWT hardly needs any more bad press.

** I feel the GNWT should concentrate on decreasing spending as opposed to increasing taxes. As a whole, we must learn how to "live within our means." This includes making sure people use the GNWT's services appropriately - especially health and social services.

** It is just not reasonable to increase taxes. Many of us are already suffering from the constantly increasing costs of living in the north, earning salaries that have fallen further and further behind those in the south during the past ten years. The tax-based population is just too small. The only way to proceed is to cut unnecessary spending.

** We do not need increases in taxes. It is bad enough as it is that we pay GST and federal and territorial taxes. Since it is so expensive to live in the NWT, it would be impossible to make a living.

** No more taxes please. Reduce expenditures and programs.

** There must be no new tax increases to eliminate the deficit. Any new measure will only eliminate the north's already sensitive competitiveness. In fact, eliminate the job-destroying payroll tax once the GNWT's budget is balanced.

** Leave tax revenues for now...let's address spending first.

** No tax increases. Cut social programs, there are a lot of jobs out there if people look for them.

** With the relatively small number of taxpayers extant, it would require massive increases in tax rates to solve the deficit problem. Therefore, tax increases are not the answer. Our position is that if there is a revenue problem, it cannot be solved using tax increases. We further believe that any new taxes would be counter-productive and harmful to the economy, forcing northern companies and businesses to be less competitive with their southern counterparts by increasing the tax burden unfairly.

** Increases in taxation need to be discussed further. For those people who are underemployed, this would be an additional burden and a strong disincentive. We must find a way to increase access to the resources by a larger portion of the population. This increases the revenue base in itself. Introducing further taxes is a short term solution that may look attractive initially but taxes are seldom lifted or reversed once they are levied. Those in

disadvantaged situations will require more care at all levels to offset the additional burdens which taxes will cause.

** Taxation rates should not be raised, nor should new methods of taxation be introduced. The GNWT should reduce overall spending, providing this can be achieved without reducing the delivery of essential services to unacceptable levels.

** We do not want to see any more tax increases. Deficit reduction should not be in the form of tax increases.

** Spending cuts should be made in one hit, and be over with. If you increase taxes, you are perpetuating government inefficiencies.

** As a business person faced with a similar problem, I would have three choices, raise revenues, cut costs or go bankrupt. 83 per cent of our revenues are beyond our control, and in fact are falling, not rising. We would have to double out tax rates to eliminate the deficit. This would have a very negative impact on the NWT economy. If taxes created jobs, there would be no unemployment in Canada today. Across the board cuts are the only realistic approach. Program reviews and efficiencies better, but who decides what gets cut.

** We are adamantly opposed to any tax increases. We must balance the budget through expenditure cuts. We should also eliminate any accumulated deficits. There should be no debt to squabble over when Division takes place. The government should, in fact, run surpluses to allow us to establish reserves for things like forest fire fighting.

** How can the government spend \$1.2 billion on 60,000 people and still come up short. The government can't say no. The politicians are addicted to spending. The problem is due to spending, it will not be solved by raising taxes. Attention must be placed on the expenditure side. The word no must be used more often. Don't increase taxes on the ordinary resident. There should be no new taxes until the government demonstrates improvements in efficiency.

** Tax increases will make the NWT uncompetitive and drive away business. This will make us even more dependent on the federal government.

** Definitely no tax increases. We are already paying 50 per cent of our earnings in taxes.

** If we increase taxes, people's expectations are still there. We have to get the message across that expectations need to be reduced. We cannot continue to offer the same kinds of services to everyone and every program. We have to look at ways to cut services.

** It is inevitable that programs will have to be cut. The GNWT does not have the tax base to balance the budget on tax increases.

** Raising taxes is a no-no.

** Raising additional revenues is an issue that makes me uncomfortable. The GNWT has a spending problem and we should not condition ourselves to simply throw more money at the problem. The solution is to become more efficient and utilize the resources available, rather than accept the status quo and remain inefficient. However, due to forced growth it is

recognized that an additional lottery could be used for the NWT Contingency Fund - money to be used in times of emergency (e.g. floods, fires).

** Added and/or raised taxes must be the option of last resort. Increasing revenue in this manner not only will negatively affect the economy in general, but more importantly will feed the very attitude which in part caused our deficit position in the first place.

2. Combined Approach

** All programs and entities which receive government funding should be reduced equally by the amount required to account for the revenue shortfall. Any additional funds needed for new programs should be financed from a tax increase on northern workers and companies, resource royalties, and southern companies working in the north. Further revenue savings can then be acquired by rationalization of government inefficiencies and duplications. "People don't work harder if they are taxed more or paid less, people work harder if they are asked to and see senior managers seriously working toward a better service oriented system."

** The effort to reduce the annual operating deficit must, above all else, be fair. It should not become an excuse, as it has in southern jurisdictions, such as Alberta and Ontario and nationally, for shifting wealth from the poor to the wealthy. Decisions regarding what to do to address the need to balance the budget should be spread as broadly as possible among the populace, but, after the people have spoken, decisions regarding implementation should be made by professionals, under legislative and citizen review.

** Expectations in the north are extremely high compared with southern Canada. We have low tax rates, but are able to spend to a standard unheard of in southern Canada because of federal transfers.

** The big issues must be debated. A combination of reasonable cuts and the acceleration of revenues. If you change the formula and there is significant mineral development there are significant revenues that will result. Look at how to do government differently. Where are we going to get the big hit which is going to have the least impact on those who we all represent. Those who have the least must get paid attention to.

** Other jurisdictions have a real deficit problem. We are fortunate not to be in this situation. We should not accumulate debt. Our options are to increase revenues or decrease expenditures. I would prefer to see expenditures cut. I would like to see the people affected able to make the choices. \$100 million is not an outrageous amount. A 6 per cent sales tax would bring in \$35-40 million, and a 3 per cent payroll tax \$24 million. I support deficit reduction on both sides, revenues and expenditures. I would like to see an increase in taxes, payroll and sales. Set goals for agencies, don't tell them how to cut. I would like to see cuts in the area of 3 to 5 per cent. The cuts should be time limited.

** Deficit reduction should start with more education about personal finances. Smaller communities need to hear about this issue. As long as we keep building 400 houses a year the expectations will be there. People have to experience a reduction in funding.

** Maybe there is room for some tax increases, but very little room. If you don't have enough income, you have to cut back spending.

** I don't mind paying higher taxes if we get value for our money and if those who have higher incomes pay proportionately more. We have an unfair tax system where some people are doing very well and others such as single parents, children, and youth unemployed are not doing well. When we talk about cuts to social programs, we are talking about cuts that will affect ordinary people. Canadians expect good public services and are willing to pay for them if the taxes are fair. Corporations are not paying their fair share of taxes. We shouldn't be talking about how to cut, we should be talking about how to develop a fair tax system.

** It is no surprise that there were no respondents to our survey that saw increased revenues as the only way to fight the deficit. There is a perception among the business community that there is still fat to be trimmed in the existing government structure and operations. It is quite possible that the attitude of the business community toward increased revenue through tax increases would change if the efficiencies of the private market were exhibited by the government. Without giving us the tools to determine if government is efficiently run, it is futile to ask that we choose either increased revenues or decreased expenditures as the two methods to fight the deficit. By analogy, we may be able to get through another winter without burning more fuel or turning down the thermostat. It may be necessary to have the furnace cleaned so that it will run more efficiently.

3. Other Approaches

** We are defining the problem as an economic problem, so by definition, and almost necessity, we are trying to find an economic answer. Given that it is an economic problem, you can increase revenues or you can decrease your expenditures. There is a third option, and that is to change your lifestyle. We are trying to answer the wrong questions. We should be trying to reinvent government.

** The government has framed the discussion for us and provided a limited number of options. Where was the option of job creation? There is nothing here about the government representing us to Ottawa, instead of Ottawa to us. What about what we want as a territory. MLAs are here to represent us, not represent Ottawa. This thing is backwards. I would like to know more about other options than what has been given: lower interest rates, job creation, redistribution of wealth and changes to the Bank of Canada Act. Addressing these issues would make a big difference here. I feel as though I'm on a sinking ship and have been asked: Do you want to drown, do you want to die of hypothermia, or would you like to be burned on deck. No other options are being provided. I see the typical right wing agenda. We have been given the opportunity to choose among a very limited number of options.

** No tax increases, no cuts. Increase jobs in the NWT. That is what we should focus on.

** Government has presented its own point of view even before it has consulted the public.

** The GNWT is not prepared to consider long range deficit reduction by the creation of new wealth. It offers only the same tired and failed ideas of the past fifteen years. More government spending cuts, more layoffs, more taxes on working people regardless of the burden already carried by us, as well as blaming us for our "expectations."

C. What programs or expenditures should be cut or scaled back?

1. How should spending be cut?

a) *Across-the-Board Cuts*

** Ideally, every department in the GNWT should be scrutinized and have their funds cut to appropriate efficiency levels. Priorities should then be set and funding reallocated. However, political realities dictate that this will not happen. In this event, across-the-board cuts should be made. These cuts should not only be deep enough to eliminate the annual deficit but also to eliminate any accumulated debt. Once these cuts have been made, departments should evaluate their operations for efficiency and effectiveness. Reallocations or adjustments could then be made where required.

** Reduce funding to all departments straight across the board by 10 per cent.

** Across the board cuts of 5 per cent over the next three years.

** We need a strategy. Start with across-the-board cuts. Then people will look within their departments to be more efficient and then look at cutting programs through program reviews.

** Government moves awfully slowly. Across-the-board cuts may be the fastest way to get the government's house in order, and at the same time start the process of evaluating government programs.

** The best way to increase government efficiency quickly is to implement across-the-board cuts. They make people think about how they spend money.

** Across-the-board cuts are more realistic since they avoid politics.

** Cut 5 per cent across-the-board with the exception of Social Assistance. Make every department prepare a corporate plan such as the Housing Corporations has done, with a 5 per cent reduction in mind, and with the exception of Social Assistance.

b) *Program Reviews*

** The only way to reduce spending is not to do something. Across-the-board cuts do not work. The spending always comes back. All programs must be identified in detail. The discussion book provides no useful information. Program costs must be identified. The new MLAs must sit down and prioritize these programs. Then they must draw a line. Anything above the line stays, anything below the line gets cut or deferred. The list should be identified to the public for comment. Do you want it or not? What priority does it have? All programs above the line would be evaluated for efficiency and effectiveness. If efficiencies can be achieved, maybe some programs below the line can be put back.

** Corporate spending reductions always utilize program review. At a managers meeting above the departmental level it is agreed that low priority programs are eliminated and the money is redirected to higher priority areas. There is politics in the boardroom as well, but almost always decisions are made by a strong executive after hearing the debate.

** Divide departments and programs into three groups: core government services (education, health, social services, social housing in remote communities, and transportation infrastructure); necessary services (DPW, FMBS, SAPS, Renewable Resources, MACA, Justice); and finally ED&T, Housing and Culture. The first group should be cut mainly in the administrative area. In the second, programs could be eliminated and user fees increased. In the third, major changes could be made. This approach is similar to the "envelope" system the government currently uses.

** Probably the best approach to spending reductions is through program reviews. This has already begun through the Special Committee on Health and Social Services and the Minister's Forum on Income Support Reform. Through program reviews ways can be found of making the work of government departments more efficient and effective. Methods can be found of eliminating duplication of effort and increasing co-operation within departments and between departments.

** Outside partnerships should be used to assist with internal evaluations and downsizing.

** Programs should be evaluated by comparing per capita cost of delivery with that of the Yukon or smaller provinces. For those programs where the measurable cost per unit is significantly higher than comparable programs, the programs should be examined and total program expenditure cut.

** We need a program review to see which ones we have to have in support of the public and which ones we could get rid of. That could probably be an external review.

** A task force, made up of government officials, ordinary taxpayers, and business people should be established to review programs, identify areas of waste and potential for increased efficiency.

** The process of evaluation needs to include a public component. The public of the NWT need to be involved in the evaluation so that we can either be assured of the efficiency of the programs or we can participate in their restructuring or elimination.

c) Increased Efficiency

(1) Structure of government

(a) General comments

** Across-the-board cuts are not acceptable. They will have drastic implications. Cut the duplication of services between the GNWT and boards and agencies, inappropriate services. Give people hands on control.

** We support the principles put forward in the document calling for a review of service delivery models for improved efficiency and the removal of unnecessary layers of bureaucracy.

** Reduce the duplication of services between the GNWT and boards and agencies, such as purchasing and administration.

** Look at government efficiency. Where there used to be one person there are now five doing the same job. No tax increases. Look at the programs at an individual basis. We are too top heavy.

** The GNWT spends too much money to operate with their multi-layer management organizations that are very inefficient.

** In 1975 there was one superintendent of schools. Now I think we have three or four who travel around. I haven't seen the superintendent in our school in two years. I think there's a lot of top heavy staff that are redundant and I don't think they are fulfilling any particular use that I can see.

** The government has an organizational structure that is ridiculous. The whole organizational structure should become flatter and a number of departments and agencies should be cut.

** One Deputy Minister and one Assistant Deputy Minister per Department. That's all.

** The Strength at Two Levels review of the government stated that the GNWT was overmanaged and top heavy. The situation does not seem to have changed. Managers who lost their management status now seem to hold positions in "Special Projects" etc. It appears that no meaningful reorganization of GNWT departments has taken place.

** In the past the government was eager to appoint Deputy Ministers and/or Assistant Deputy Ministers to the smallest section or a particular job created. This does not happen in the private sector. What ever the reason, it does not make sense in some cases.

** The public should be provided with a "report card" of the territorial government's past attempts at increased efficiency, including its response to the recommendations given in Strength at Two Levels.

** The government cannot run a deficit. The GNWT has to adopt a philosophy to operate and run programs in the north. There are interests and demands for services the GNWT may feel obligated to answer. Where government wants to be should set the tone for its future decisions.

** Legislation should be introduced limiting the percentage of the budget that can be spent on government administration.

** In the past few years many concerns have been expressed by individuals and organizations regarding the territorial administration of public services. Without efficient and effective administration, the government would have financial difficulty and the residents of the NWT would be seriously disadvantaged. Poor quality of public services would particularly affect social assistance recipients, victims of violence, children, elders, single parents, and native women. Public service programs need to be delivered in an efficient and effective manner. All cutting and downsizing of the government must begin from the top, not the service delivery at the community level.

(b) *More Regional Authority*

** The GNWT has been improving in the area of bringing more responsibility to the regions. However, it must continue to reduce the number of positions in middle and upper management.

** Regional empowerment should be real and include fiscal power.

** There is a lack of authority for managers because of the centralization of power. Let the managers deliver the programs.

** The government has grown dramatically over the last decade in terms of the numbers of employees, but is it accomplishing anything more? There used to be a trust a number of years ago that made it possible for the local people to be handling their own affairs with a much lighter touch. You've put a lot of bureaucrats into position, and the people in the communities are doing nothing. There's a area here where real efficiencies can be achieved if only we would take seriously the local communities and take the regions seriously.

** One third of the government labour force is in Yellowknife. Those of us in the regions would like to know what reviews are underway to reduce the work force. We're not really sure what those people do and how it directly relates to program delivery in the communities. There's a perception that there is a lot of people in those offices and how does it relate to the delivery of programs in the communities.

** Give the people the freedom to manage, empower people in the regions. Give the people in the regions the ability to be flexible. Division is going to force an analysis of what size of government you want, how do you want it to operate, shrink current central bureaucracy.

** No one knows what HQ PYs do. They don't serve the regions. It is not clear how they help the public.

** The government is top heavy. There are too many departments in YK with too many managers.

** Some years ago the government introduced decentralization. Some communities welcomed those initiatives, thinking they would be able to participate in and have some control of resources and jobs directly affecting them. Since then, the opposite seemed obvious and centralization continued in the Capital, to the detriment of the communities.

** Accountability and effectiveness must be the first priorities when allocating resources to the regional and community level.

(c) *Less Regional Authority*

** Reduce the amount of administration in government. One central department, instead of regional departments. One administration for education and health.

** Get rid of Regional Directors. What do they do? They cost \$100,000 each. Save \$500,000 by getting rid of them.

- ** Stop decentralization until the policy has been reviewed for effectiveness.
- ** Decentralization is very costly and has not worked well.
- ** Although community control is important, centralization makes sense in some areas. We must look at the cost-effect ratio when decentralizing. Every community simply cannot deliver every service needed; it just doesn't make sense.
- ** Decentralization - while it is good to have more local autonomy, is it cost-effective at present? After all, government functions are also being devolved to communities, and distance problems won't be as severe after division. Some economies of scale can be retained through remaining centralized.
- ** This deficit reduction exercise must not be at the expense of Yellowknifers. Yellowknife has been fair game over the last four years. It will continue to experience serious job losses due to decentralization, consolidation, downsizing and division. Higher taxes will hit our economy even harder. The NWT needs a strong economic engine to attract new businesses and industry to the north. YK is that engine.

(d) *More power for boards*

- ** Board employees are caught between the boards and the GNWT. We need more flexibility.
- ** Transfer the maintenance and utility services back to the health and school boards to manage. The current management of DPW is slow, inefficient and expensive without any financial accountability. Prior to the transfer, the board hired local firms to do maintenance. Now DPW decides whether or not the work will be done, pre-empting the decision of the board.

(e) *Fewer Boards*

- ** Eliminate the many health boards and education boards that exist in the NWT. Establish just one territorial board for each or just consolidate their operations into the department responsible for the service.
- ** Grants should be drastically reduced, as should the number of boards in the NWT.
- ** Reduce the number of boards, agencies and commissions operating in the NWT.
- ** Consolidate boards and agencies to reduce their number.
- ** There are boards and agencies for everything. They duplicate what GNWT employees do. We should eliminate one of these levels to avoid this duplication.
- ** Take steps to reduce the number of boards and agencies. These are costly.
- ** What is the status of the *Strength at Two Levels* report? Which of its recommendations are still to be implemented? What has been done about reducing the number of boards?

- ** Review boards and agencies, as to their use and benefit. We make board members' names public, why not their remuneration.
- ** Are we spending too much on boards and agencies? We have a phenomenal number of boards and agencies. The population they serve is very small. this level of government could be cut.
- ** There are a number of things that communities could do without, there are too many boards and agencies. Many of these could be eliminated.
- ** Eliminate regional organizations. The NWT has a proliferation of regional organizations from regional councils, HTAs, social services, housing, etc. In Nunavut, many of these regional bodies are now being duplicated by the native organizations. With the small population in the NWT we simply do not need nor can we afford three levels of government. Particularly with community transfers coming up the individual communities are perfectly capable of dealing directly with the GNWT.
- ** Amalgamate education boards to reduce the need for duplicate infrastructure and administrative staff. Regional needs and preferences could still be considered by having regional representation on an NWT wide board.
- ** There is a massive duplication of responsibility and effort between the government and the boards, e.g. hiring.
- ** Consolidate boards & agencies to increase efficiency.
- ** Amalgamate boards and agencies to reduce administration costs.
- ** There is considerable duplication of services. It may be that I do not have a clear understanding of their functions, but it appears to me that by amalgamating the responsibilities and thus the funding of the Regional Councils and Inuit Associations (in the east) and the Tribal Councils (in the west) perhaps additional expenses could also be cut.

(f) Community Transfer

- ** Reduce administrative bureaucracy by 3-5 per cent by devolving these authorities and responsibilities to the communities.
- ** The Community Transfer Initiative has failed. A few communities have accepted responsibilities but it was badly designed. It didn't build up the trust of communities and we have to try another approach. Hamlets and municipalities should deliver most government services that people depend on because they are closer to home and they're more accountable to the people they serve. Loosen up strings on the delivery of programs, make money more easily transferred so that communities can meet the priorities they have planned for.
- ** Block funding - what are we waiting for?
- ** There needs to be more accountability for spending. Programs should be devolved to the community level so there is better accountability for how the money is spent. (e.g. transferring the hospital to the Town of Hay River)

** Eliminate the NWTHC and housing associations. Make the corporation a division of government as it used to be. This housing division should be a procurement agency only. The community housing associations should likewise be eliminated. Management of public housing stocks, administration of ownership programs and allocation of housing should be transferred to community governments. Maintenance could either be privatized or go to those community governments which wished to take it over.

** Transfer of programs to communities: the reality of self-government is that it is in fact, self-administration. Under the guise of "self-government" administration will fall to the various aboriginal governments with the administrative dollars being controlled and most likely reduced by non-aboriginal governments.

(g) More use of non-profit organizations

** Direct government departments to enter into real partnerships with NGO's. That would mean all dollars for education and promotion on social issues would be available to non-profits who have a specific mandate. Marry program dollars with staff dollars. For example, the GNWT has a consultant on AIDS and STDs, on FAS/FAE, one on alcohol and so on. NGOs can get program dollars but cannot hire staff. Create a Special Advisor on Social Issues, give her/him a budget one half of what is now being spent. NGOs will do the rest.

** Although we do not intend to compete with private enterprises, we have specific mandates for program development and delivery. Funding should be transferred from the government to the non-profit organizations so that we could deliver efficient and effective programs to build healthy and safe communities.

(h) Consolidation of GNWT Departments

** Further consolidation of government departments. MACA and ED&T, DPW and NWTHC.

** Departments with a common mandate such as the Departments of Transportation and Public Works & Services (particularly Arctic Airports) could be amalgamated, thus capitalizing on parallel project expertise such as architects and engineers already employed by the GNWT.

** Continue the amalgamation of departments. Amalgamate EMPR, Renewable Resources and ED&T.

** Eliminate Personnel. Departments should be responsible for their own hiring.

** There seems to be so many little departments attached to the government. Could some of these be privatized or amalgamated?

** Evaluation of services, with a view to reducing duplication and an amalgamation of services where appropriate.

(i) *More Privatization*

** The entire process of government in the NWT needs to be overhauled. We cannot afford a southern style bureaucracy with multiple layers of responsibility and huge staff levels. Redundancy and waste are rampant and should be eliminated. We should examine options to privatize non-essential services, including the Power Corporation. We need to examine what government does and ask why we are doing it and if others couldn't do the same job more efficiently. DPW, Transportation, ED&T, MACA and Renewable Resources are some of the departments where privatization may generate increased efficiency and lower cost. The challenge for the government is to find ways to cut expenditures by attacking its administrative costs, without affecting the delivery of essential services and programs.

** There should be more privatization. If we were to tender the whole POL operation with careful conditions requiring local labour, lease facilities from local entrepreneurs, requiring local benefits, we could eliminate a department of the government that is still quite centralized and translate those jobs into community jobs.

** Privatize where you can, e.g. DPW.

** Privatize Government Services.

** Privatize the department of Public Works. This will result in better service.

** Public Works should be privatized or made to compete with the private sector.

** Privatize POL. Turn water over to the hamlets.

** There should be privatization of a lot of services run by the government.

** When the GNWT turns over a project to the private sector, they should actually make it private. They should not support it for five years and if it doesn't work turn around and buy it back. This defeats the whole purpose of privatization.

** Public Works has a vast architecture empire that should be trimmed or maybe done away with. Is there a need for such a huge architecture division? Has it ever been seen if the private sector could do the majority of this work by contract as needed, probably for less money in many cases?

** There should be privatization of selected government services.

** Privatize community/HTA freezers in Baffin with delining subsidy over 5 years. Currently the freezers cost in excess of \$500,000 per year for O&M and are very inefficiently managed and maintained. Also privatize the freezer repair position in Iqaluit.

(j) *Less Privatization*

** The disadvantages of privatization include a profit factor for the contractor over and above the cost to the government to provide the function using its own staff, as well as the fact that the contractor may hurt the economy by paying lower wages and benefits.

** Make use of government-owned facilities. Highway shops should be doing maintenance on government vehicles, rather than using private garages. The government should not be responsible for businesses surviving or not.

** Privatizing government services is a contradiction in terms. It merely copies an experiment being tried in some of the provinces. Privatizing government services merely increases the cost of access to the people because their taxes have not been reduced to reflect the cost of the service that formerly their taxes paid for in full. Privatization also removes most or all accountability to the public.

(k) Division

** One has to look at options in terms of how they will impact on the various regions, communities and municipalities. When it comes to the drivers of expenditure growth, to what degree do those drivers balance between east and west.

** Review Nunavut. This is something we cannot afford.

(l) Land Claims, Self Government

** The Deh Cho First Nations are pursuing a number of things and seem to be in confrontation with the GNWT. The GNWT is supposed to be providing services to people. The territorial administration should assist the people. The First Nations are in dispute with the municipality. Conflicts should be resolved, duplication of programs and services eliminated.

** Land claims, self government need to be resolved. There seems to be two political fronts which are creating a lot of uncertainty. First Nations in the Deh Cho trying to resolve the impasse.

(m) Devolution from the federal government

** Get rid of federal/territorial overlap. In the north, DIAND, ED&T, Renewable Resources and Energy, Mines & Petroleum Resources (EMPR) are doing the same things. Let's get our act together with the federal government and give one government the responsibility and it should be the northern government.

** The GNWT has received, over the last twenty years, more and more authority from the federal government. One possible answer to the present dilemma, rather than cutting programs already cut to the bone, it to revert those programs that the GNWT cannot afford back to the federal government.

(2) Other Efficiency Measures

(a) More accountability for managers

** There needs to be a greater accountability at all levels, MLAs and managers, for their spending decisions.

** Managers need more flexibility to be efficient.

** There should be a process in place that rewards people for diligence and exceptional work standards, as well as a process that will remove or replace people for incompetence. Many government employees have expressed a desire to be able to use their initiative but are often prevented from doing so. In business, we have found that some of the best ideas for improving efficiency come from the front line workers.

** Reduce the restrictions on budgets. Allow managers more flexibility in spending. Restrictions only serve as a disincentive to find efficiencies. Get managers managing.

** Government would improve by leaps and bounds if it did not budget with the "use it or lose it" mentality. Cost savings should be rewarded and incentives to perform under budget should be offered. Improving efficiency should not be viewed only in times of deficit spending but as normal operating procedure.

** There should be a dollar incentive for any manager to save money in his area instead of incentives to spend more.

** Program delivery can be made more efficient if programs are handled by the groups most affected by the program and the government commits to ensuring that the delivery organizations have the capacity to deliver as opposed to individual program funding.

** Organizations carrying out programs for the GNWT should have incentives to improve service and be more efficient in the delivery of services. When an organization operates a program under a contribution agreement with the GNWT, once a budget is agreed, there is no incentive for the organization to reduce its costs because any cost saving achieved has to be repaid to the GNWT.

** Create more flexible budgets with rapid built-in opportunities to decrease funding or move money around and place the money in interest bearing instruments while awaiting disbursement.

(b) Specific Suggestions

** There should be more efficient planning for accessing program dollars, especially federal money. (Rism)

** Look for efficiencies, even in little things, like photocopying on both sides.

** Cut down on paper. At the moment, any type of leave form needs four signatures in order to be properly processed. By cutting out even one of these steps, the process would become more efficient.

** There is room for increased efficiency in the processing of forms and production of reports in the department of Health. The current process is very cumbersome and time consuming. There is duplication of effort.

** Reduce duplication of paper work. For example, sending lot lease payment to FMBS in Iqaluit and property taxes to Finance department in Yellowknife.

- ** Stop sending out renewal reminders for vehicle registrations. It is vehicle owners' responsibility to renew licenses.
- ** The GNWT's Suggestion Award Program is not working. It should be changed to make it work or it should be abandoned.
- ** Subcontract the collection of the payroll tax to Revenue Canada. Alternately, redesign the payroll tax so that it targets only southern employees who work temporarily in the NWT.
- ** Many contractors use heating oil instead of diesel to avoid the road taxes. Could you not control this in some manner?
- ** Hire detectives to investigate WCB fraud.
- ** Why recycle paper at government offices if the costs exceed the salvage value?
- ** The government's energy management group should be evaluated. There appears to be duplication of energy advice between this group and the Power Corporation.
- ** More efficient GNWT mail delivery to regions and communities. Instead of sending small amounts, it should be consolidated and sent as a package.
- ** The Teacher Education Program has paid for itself in reduced staffing costs.
- ** More recycling, and send the stuff out on empty barges that go out on resupply every year.
- ** Examine the Departments of Health and Education for non-essential items such as Health Promotions, which could be done by non-profits at half the cost.
- ** Reduce, reduce, reduce administration and paperwork. This was one of the promises made by Ministers and Deputy Ministers during the development of the Community Wellness Strategy, but we have not seen any move towards this. For example, batching in Social Services. If a batch is out 5 cents, the whole thing is sent back to the place of origin to be redone.
- ** Government employees should spend less time on personal phone calls. Long-distance faxes should be sent only when necessary.
- ** A government-administered environmental cleanup fund should be established in much the same way as the WCB. Polluting companies in the north must be forced to pay to clean up their own messes.
- ** Enact iron clad whistle blowing protection. There is no one better placed than the workers actually involved to see if the programs they are charged with delivering are beginning to become wasteful, or to see that a program was ill designed to begin with. Such workers seldom speak up for fear of losing their jobs or suffering harassment or discrimination.
- ** Cabinet portfolios should be realigned to reduce the number of Ministers and support staff.

** There is no need for an Executive Assistant and a Secretary, as they are just repeating the same duties. A good secretary in a higher level position can fulfil any requirement needed.

** Start using schools and other public buildings for more workshops and other events instead of renting space or putting up new buildings.

2. Where Should the Cuts be Made?

a) *Areas of Expenditure*

(1) *General Comments*

** The GNWT should be providing only those programs that are essential for the continued well-being of its citizens. Those programs that are not essential and should be either eliminated or provided by other resources. Programs should provide incentives for individuals to improve themselves and become less dependent on a program. At present, some of the major expenditure programs act as a disincentive, e.g. social housing.

** The government has been very generous, almost too generous, in providing for its residents. There is no reason for such extensive use of the social welfare system when education is so accessible and when there are so many jobs that could be filled by northerners. The debt will be reduced when residents learn to rely less on social services and more on their own abilities to care and provide for themselves.

** Reduce funding for social programs.

** Community wellness is the way to go on social issues. Stop wasting money with well-educated professionals with no knowledge of the people they are working with. Give communities resources to care for themselves. Find a way to give concerned citizens/communities the authority and the money to tackle the problems themselves and to care for themselves. If we can successfully carry that off we can make progress with social issues. The expertise is there.

** The large health and education costs incurred by the GNWT are associated with social problems in the north. More money will not solve these problems, and cuts in some of these areas will not have a major effect either. Addressing social issues will affect health costs.

** The government spends \$750 million on social programs. The ratio between program dollars and administration dollars seems to favour administration. There seems to be an awful lot of fat.

(2) *Social Assistance*

** Welfare costs should be reduced. We must look at encouraging people to go where the jobs are, even if this means they must temporarily leave their own communities. We must also look at reducing welfare fraud.

** Able bodied social assistance recipients should have welfare replaced with "workfare." This would not only provide a greater return to the government but would also provide the individuals with work experience and reduce other social programs.

** Reduce social services income support for able bodied adults to New Brunswick's level. All welfare payments must be tied to the people either attending training programs or working on community work projects. The present welfare rates in the NWT are the highest in Canada and they have resulted in people simply opting out of working and making no attempt to obtain gainful employment.

** Social assistance payments are higher than what can be earned at minimum wage. These should be equalized. A family of four receives approximately \$1600 every three months for clothes. This should be eliminated completely.

** Cuts should be made in social programs such a social assistance. In some regions, clients are better off than government employees.

** Welfare recipients of all ages should be put into work-for-welfare or educational programs and their welfare check should be based on attendance, grades, etc. Parents should have their income tied to their children's attendance, performance at school. Welfare recipients should be provided with vouchers, not cash. Food vouchers should not include junk food.

** The social assistance budget should be cut by 50 per cent. Social assistance should be reserved for extreme cases.

** Reduce benefits, thereby inducing the incentive to work. In lieu of cash benefits, offer training program grants for jobs in which there is a shortage of personnel.

** Young people who are able to work should not be paid more social assistance than the equivalent of a minimum wage job, preferably less.

** Although some people do not like the idea of workfare, the time has come where it must be mandatory. Everyone must contribute in this new society or we will lose the programs that make this the best country in the world.

** All income support programs should be consolidated and beneficiaries provide mandatory service to offset expenditures.

** Make it mandatory for a mother to name the child's father in order to be eligible for assistance where the father is capable of providing support.

Specific suggestions:

- ** The practice of paying for people to attend funerals should be stopped.
- ** Government assistance for unpaid rent, fuel and power bills should cease.
- ** Cut back on programs for hunters and trappers. With Nunavut a reality and the amount of money being given to local government and for land claims, there is duplication in the funding being spent on hunter/trapper support.
- ** Welfare cheques should not be paid out in cash. This encourages gambling.
- ** Maybe the government should be buying food in bulk quantities and issuing food to clients instead of cash.
- ** In some communities family members are paid by Social Services to care for another family member or for another adult community member. There do not seem to be guidelines by which equitable rates are established. This leads to inequality between communities and in addition, to expenses for the government which are excessive.
- ** Home support services in communities without co-ordinated Home Care programs consist in many cases of simple housekeeping. Housekeeping should not be a government funded program when there are able-bodied family members around who could provide this support to their family elders.

(3) *Housing*

- ** Get out of the social housing business in those communities where a viable private market exists (all the larger western communities as well as some of the larger eastern communities). All government assistance for housing in these communities should be eliminated and replaced by shelter allowances to those in need. All assistance to seniors would be eliminated as well and substituted by the same shelter allowance system. This would result in the available dollars being spent more efficiently and benefits being distributed more equitably.
- ** Many tenants in social housing are abusing the system by either under reporting their incomes or allowing rental arrears to accumulate. Why not evict these tenants and free up some housing for some of those in need?
- ** Cut out free housing to seniors and others. The GNWT cannot afford the high cost of free or heavily subsidized housing. Housing units should be turned over to the tenants on the condition that the NWTHC no longer be responsible for taxes, utilities and maintenance.
- ** All programs should be looked at, especially housing. The programs of the Housing Corporation are far too generous. Too much of the budget goes to too few people. The government ends up providing all the services to the people who live in these houses, including heat, and power and maintenance. Seniors get a house for practically nothing. This is a ludicrous situation which we cannot afford. People should be doing things for themselves.

People should look after the houses themselves. In some communities we do not need these programs. There are many options which need to be looked at. Rents could be increased.

** The government must take a harder stand and state that they simply cannot afford to build more and more public housing units and pass out more and more social assistance.

** Reductions should be made in the area of social housing.

** Impose housing term limits of 3 to 5 years with new tenants informed of GNWT job training opportunities.

** All housing should be privatized. Government's role should be to provide incentives for social housing construction. Innovative housing development models should be examined.

** Have incentive programs by the Housing Associations to cut down the use of water, garbage and heating costs. The rent rates are tied to income of the people and they get a flat rate and all costs are covered by the rent.

** Although Housing is doing much needed work, maybe their focus needs to change. What about condominiums instead of single family dwellings. People would still get in on the same criteria, and would still pay for the units, but the cost may be cheaper to the government and the tenant.

** Means testing for persons over the age of 60 years who are applying for public housing should include assets. At this time they are income tested which does not include assets. Persons who are 60 and over and in public housing pay \$0 rent. This was introduced by the Housing Corporation in April 1995. This makes it possible for persons with assets of some significance to live rent free.

(4) *Education*

** Why is so much being spent on adult education? Is this not a form of duplication of services since students have the opportunity to receive K-12 education here in the NWT? Making high school available in the larger settlements was a good move and whatever further measures can be taken to ensure students get their basic education the first time should be taken. Policies and rules on student financial assistance must be tightened to eliminate waste. Some people abuse the system by using SFA as a form of income.

** Student Financial Assistance is too generous. Students should pay for their own air fares.

** Revamp the current government grant system to NWT post secondary students by having students pay for their education and then having the GNWT reimburse them once they return and work in the north.

** Education as a right carries with it performance responsibilities. A shift in funding policy emphasizing the support of trade education as opposed to academics. End "perpetual student syndrome" with tighter access to education dollars by linking payments to results both individually and institutionally. Encouraging people to stay in school without defined timelines and goals is a "doomsday policy."

** Those who do not finish a training program do to substance abuse should be billed for the cost. Maybe we need people who are entering training programs to sign a contract which lists the terms and conditions and if they violate the Agreement they must pay back the costs.

** Make Aurora College more responsive to the public. For example, train people where they live, instead of building costly infrastructure in locations where they have to transport the students at enormous cost. We have the technology today to provide education to people where they live.

** Make Arctic College campuses fully accountable. Who graduates, how many, from what programs? Who gets jobs?

** Set a four year maximum for student grant and loans. Some people are going to college and university for 6, 8 or 10 years at taxpayers expense. Also make the continuation of funding based on successful performance in school.

** There needs to be more accountability with student financial assistance.

** What is the government's vision for education. Our children are getting educated, going to university, and what is there for them? There should be greater co-ordination between students and job openings in the region. Instead of competitions being territory-wide, there should be co-ordination in the region. This would give students more incentive.

** Get rid of GNWT and departmental education leave (for full-time, one year or more course of studies). If people want to go to school, they should be able to do it without a major supplement from the government. This may require that we allow all employees access to a deferred salary plan, not just those in management positions. I understand that it is in the best interests of the organization to have qualified, competent employees, but I think Education is sometimes used to reward employees who want a change or to get rid of people for a while.

** Language courses are non-existent, there are linguists occupying offices and doing little in their field of training. There are demands for literacy study in the communities and no resources. Why are these people retained, why are they not utilized in education and or in the communities where they can assist with providing literacy to aboriginal people by way of Arctic College or the Community Learning Centres.

(5) *Health Care*

** Address keeping people well and healthy instead of treating illness. This could include diet, nutrition, attitudes and expectations of the population with respect to maintaining good health.

** Health care now means waiting until someone gets sick, and then we put them in a hospital or when they get old we put them in a nursing home. This is all very costly to provide. There are better ways of providing health care. We too quickly force people into nursing homes, when home care is more cost effective. We need more programs to maintain health care and more preventative measures. The bulk of the health care budget goes into acute care. Home care is just a token gesture. Home care programs are underfunded, so we continue to put people in hospital.

** Unnecessary hospitalization should be avoided. More use should be made of alternative care providers.

** Birthing should take place in communities wherever possible. While there are costs attached to setting up birthing projects initially, in the long run it will be much cheaper and healthier for everyone concerned.

** The use of alternative health care approaches should be examined. Particularly, alternatives such as chiropractic services should be included as insured medical services. This would result in major savings to the health care system as treatments are much less expensive.

** Government spending policies should facilitate a shift of focus toward maintaining "wellness" away from "illness"; support co-operative efforts toward appropriate placement in the care system, recognize cost-effective contributions of community-based long term care organizations, grant authority to providers to set resident charges, and avoid the over-subsidization of public housing programs.

** Health care spending must be evaluated. What kind of a bang are we getting for our buck? It is time to look for a tangible improvement in the well-being of residents.

** People should not be going to doctors for minor things, such as colds. Also, doctors should not prescribe pills or medication too easily.

** Can we really afford the luxury of five hospitals in the west and one in the east?

** Expectations in Nunavut are growing but the reality is that funding is decreasing. For those of us in Nunavut, that's a real issue. Health care is on the top of the list on all those items, the federal government has given us warning that non-insured services are going to evaporate and yet the government now has Metis benefits. When the federal government cut back on non-insured services, is the territorial government going to take that on and thereby increase the debt?

** We need a narrower definition of health care. Anything outside essential health care would be individually billed by the government, rather than by doctors.

Specific recommendations:

** Scrap Metis health care benefits.

** All persons including Inuit, Dene and Metis should pay for their own prescription drugs, eye glasses and dental treatments, just like everyone else.

** The use of medical escorts must be better controlled.

** Disallow payment for over the counter drugs when prescribed by a physician. This will cut down on visits to doctors for these prescriptions, since they are only done to ensure the drugs are paid for by someone else.

** Bring nurses' salaries to a competitive level. We are losing nurse practitioners to the south. Recruiting costs would be reduced.

** Subsidize smokers "patches" to enable people to quit smoking. This would reduce the costs for treatment of cancer and other illnesses related to smoking.

(6) *Corrections and Justice*

** There is something fundamentally wrong with a system which has no money to help young people stay out of prison, but will spend thousands on them once they break the law. Conditions in some communities are such that going to YCI is considered a reward, rather than a punishment.

** Our correctional system is costly and is not working very well to rehabilitate people. We're talking about building more and more expensive institutions for solving the social problems. Our people think that throwing people in jail will solve our problems, but it doesn't, it only postpones the problem. There has got to be a different, cheaper approach. We have to be innovative with the justice approach, it is a sinkhole for money. We have to tackle those issues, especially the accelerating cost. People who are in trouble with the law and have to be incarcerated could do some useful work for society. Useful labour that will be beneficial to society.

** Prison inmates should perform more public service such as building roads.

** Prisoners should be required to attend school and/or other educational programs. Correctional facilities should use more northern meat and fish. Prisoners should grow some of their own vegetables.

** People should not go to jail if they did not commit a very dangerous crime. Healing circles should be used for sentencing. Offenders could be kept out on the land where they could feed and be responsible for themselves and provide meat and fish for their communities.

** Correctional facilities are very costly. Maybe we should look at Outpost Camps for minor offences. Offenders could learn traditional lifestyles and can contribute to feeding their communities.

** Most young offenders do not need to be locked up. Most could be placed under house arrest. The high cost of travel and living means that youth should stay in their home communities. Correctional facilities spend too much on food, sporting events, and other recreational events. These people should be doing community service, not being a further burden to the public purse.

** Drug and alcohol addiction is high in the north. Are we seriously getting down to the root of the problem - traffickers and bootleggers? There is only one road into Yellowknife and most communities are only accessible by plane. Why can't the police have equipment or animals who can trace illegal contraband.

** If people have chronic problems with alcohol why not have something put on their driver's licence to say whether they can drink?

(7) *Economic Programs*

- ** Eliminate ED&T projects/grants where individuals get the money and the goods (boats, etc.) and after a year, there are no more public trips and they use the equipment for their own personal use. Grants should be replaced by loans to ensure accountability.
- ** Reduce the number of consulting studies done by ED&T. Hire staff that have the ability to assess project viability. In addition, economic development money should be allocated to where it has the most chance of success, rather than based on political factors. Consideration should be given to diverting welfare money to projects which will create jobs.
- ** Gut Economic Development & Tourism. Much of what they do is disguised welfare to businesses that are not viable or unnecessary subsidies to successful businesses.
- ** Change business grants to business loans.
- ** Economic Development - cut in half. Give loans only to businesses that can demonstrate a knowledge of "how to make a buck turn into a buck and a half."
- ** ED&T is one area that should be looked into. What do we have to show for these programs?
- ** There is too much administration and paper work in economic development programs. Too many approvals are required for a project before funding can be obtained.
- ** Why were tourist facilities built in communities like Arviat, Inuvik, Cambridge Bay, Lake Harbour and the facility planned for Pond Inlet. Once tourists are in the north, they are committed to being here. The point is to attract tourists to these communities. If you insist on building tourist centres, the money would be better spent on building facilities in Berlin, Tokyo or New York. Tourist who come to the north, come to observe wildlife and Inuit/Dene culture, not to visit a GNWT facility.

(8) *Sport and Recreation*

- ** Redirect some of the lottery money going to Sport North toward other programs. The money can be used more wisely than it is currently being used.
- ** Fifty per cent of lottery revenues should go to reduce the deficit.
- ** Sport North should concentrate even more on obtaining private sponsors for their events instead of government funds.
- ** In previous years, too much has been spent on Arctic Winter Games - too much flying people who do not or should not be there.
- ** Subsidies to sports programs could be eliminated. They simply pale in comparison to the necessity of health, education, transportation.

** Eliminate all contributions to sports and recreation. It is our experience that sports and recreation do not lessen social ills such as suicide, and those wishing to participate find their own ways of raising money such as bingos, etc. Further, all moneys fundraised in the Territories should stay in the Territories.

(9) *Other Programs*

** Cut spending on language and cultural programs.

** Close the museum in Yellowknife, or devolve its operation to the City of Yellowknife.

** Is the Ottawa office really necessary?

** Abolish the Commissioner's office.

** Do not support outpost camps with government money.

** Get rid of EMPR until a Northern Accord is finalized.

** Fort Smith should not be the regional centre. Logistically it does not make sense for Fort Smith to have this responsibility since it costs more to operate out of a regional HQ so far removed from the rest of the communities in the region.

** Cut airport maintainers jobs to half time in all small communities.

** Why is the FMBS so big?

** Remove the watering trucks from the highways in all but the extremely dry/dusty periods. The trucks are out during periods of rain and heavy overcast periods when dust is not a problem. I understand this happens because the contracts require the trucks to water a minimum number of hours each month. These contracts should be restructured.

** Decrease the use of outside "experts" and consultants to give advice on restructuring.

** Get rid of Language Commissioner's Office.

** Can we afford the luxury of setting up an ombudsman and a freedom of information/privacy commissioner and a language commissioner. MLAs are well paid to take care of those jobs.

** What is the Language Commissioner in place for? This duplication can be erased. The work should be controlled by the communities through the Department of Education. the funds can be provided to the communities on a yearly basis for language/traditional programs which are now almost non-existent.

** Do not fight forest fires unless there is a threat to human life. Let nature work.

** Review the fire fighting policy. Has the \$58 million we spent in the last three years really made a difference?

** Why does the Executive have a \$43.7 million budget?

** Why do we need a Deputy Minister for the Department of Intergovernmental and Aboriginal Affairs?

b) Expenditure Reductions by Type of Expenditure

(1) Salaries and Benefits

(a) General Comments

(i) Cost of the public service is too high

** Salaries and wages cost the GNWT almost \$500 million. They must be reduced.

** Wages, salaries and benefits need to be reduced.

** The number of government employees is increasing far too fast. A potential solution is a freeze of all future hiring, if not a roll-back to bring the number of employees down to 5000.

** The size of the civil service be reduced by 5 per cent over the next three years.

** The civil service should be reduced by as many as 1000 PYs. The public service has grown from about 5300 in 1990 to 6300 in 1994. Why has this growth taken place? This would save the government a minimum of \$70 million. A major part of the problem gets back to expectations. For too long too many people have viewed the government as a giant job creation machine. Government should be in the opportunity business, not the employment business. It should hire only those people it needs, station them where it makes economic sense, and where there is a bona fide need.

** There are too many employees not doing anything. These are "cushion" jobs.

** There should be more control over how employees spend their time, to reduce waste.

** Change hiring policies to hire people based on economic need.

(ii) No layoffs

** Government has to renegotiate contracts with the union that they can actually afford to pay for with benefits that they can afford to deliver. Limit the wage growth but not the people.

** Freeze new hiring. Reduce jobs through attrition.

** Start looking at grants and give-aways before hitting employees.

** Any threat of lay-offs or disguised lay-offs will damage the NWT economy.

** Given that the primary aim of the government is to reduce the deficit, the secondary aim must be to maintain as many "person years" as possible. Downsizing could place pressure on social assistance budgets, cause social stress, and reduce consumer spending, with a negative effect on the NWT economy.

** People should be placed in different positions when jobs are phased out. Laying people off does not solve problems. It just shows up in another part of the equation: welfare.

** Another false assumption is that layoffs, while they are hurtful to people, are in any way beneficial to deficit reduction. Layoffs require other government services to support those who are laid off. The taxable income of every laid off worker is lost to the economy and will therefore actually increase the deficit.

(iii) Private sector wages uncompetitive

** Government wages and benefits are too generous. The private sector cannot compete with the GNWT on benefits. The private sector hires people with less experience, who leave for government jobs as soon as they are trained. The high wages are meant to attract southern workers.

** There was a particular thinking when the GNWT was established about how the administration would be set up. In the case of staffing, the attitude was to bring southern people to the NWT, on the assumption that there were not enough qualified people up here. To get rid of the deficit we have to get rid of that mindframe. There are a lot of qualified people up here. A lot of the benefits, the VTAs, MTAs were all designed to attract people from the south. Employees are taking advantage of these benefits. The system is being abused. The benefits need to be more realistic. Salaries represent 38 per cent of the budget. They need to be addressed. GNWT salaries and benefits are too high. Private sector employers cannot compete with the GNWT.

** Public service salaries should be reduced. The private sector cannot match these yet their employees survive.

** The most effective policy the government could adopt is a cut in salaries/wages of all government workers in equal proportion. This policy will only work if MLAs set the example.

** Reduce the work force and reduce government benefits. Government compensation is too high compared to the private sector. Small businesses find it hard to compete with government when looking for employees because of the excellent pay and benefits the government offers. The perks are too generous.

** We need to look at the benefits that government employees receive compared to the private sector. Salaries and benefits are well beyond what most people can expect to receive outside of government. Many of those benefits are being abused and that has got to stop. The Assembly should look at legislating the contracts and removing some of these benefits. People feel entitled to medical benefits and use these as a holiday.

** The government should undertake a proper study of its compensation plan with a view to bringing the compensation of its various types of employees in line with what any specific position would pay in the private sector.

** Government salaries and wages are too high. They make non-government agencies uncompetitive.

(iv) Importance of fairness

** Between now and when the next budget is introduced, the government should make its intentions regarding the civil service known as far as the longer term is concerned. Many of us may have to rethink our long term plans.

** We need to increase efficiency in administration. To achieve this there needs to be a cut, but it must be done with compassion. Labour relations are going to be poor. Increased efficiency could lead to a reduction in staff. You have to consider the productivity losses that can arise from layoffs, in terms of stress, sick leave, etc. You need a peace offering to the union. Cut capital for two or three years to allow the work force to decrease from attrition.

** Any cuts to salaries must consider the different impact in the communities versus headquarters. Protect the lower end of the salary scale.

** Are the cuts going to be from the DM level down or from the politician level down? Senior level officials should take the lead and set an example. We should also look at these astronomical pension plans that the MLAs receive.

** Civil servants are already working large amounts of overtime and not getting paid for it. This cannot continue indefinitely. People will burn out or programs will suffer.

** When you are making changes affecting your employees you must be careful never to break promises that were made to people when they were hired.

** We have to be creative and innovative with our labour management relations in the NWT as we may not have been up to now, and try to develop a non-prejudicial forum where union leaders can explore creative solutions in an atmosphere that is free of confrontation. Enlightened jurisdictions and business do manage to succeed in agreeing on difficult solutions to a problem that may make it easier to preserve jobs or to give employees more flexibility. For example, give those people who are not in essential services the summer off if they want. There could be creative approaches such as a deferred leave plan. I hope this crisis we are facing will promote leadership among management and labour and that means a change in attitude.

(b) *Wages and Salaries*

(i) Wage freeze or rollback

** Put a freeze on all wages for government employees, including MLAs.

** There should be a freeze or roll back of all GNWT wages. I would be willing to accept a 5 per cent wage cut if I was assured that the money would go directly to reducing the deficit.

** Look at the possibility of a three-year wage freeze or limit any increases to 1 per cent.

- ** I prefer the "diet" approach to the "amputation" approach.
- ** Implement a 10 per cent rollback on all government wages.
- ** Stop attacking pay equity. Again, the more workers there are in the north making a good living the better off we all will be. The assumption that forcing down wages and increasing taxes could ever pay down the deficit is wrong and has been proven wrong in every part of Canada. The money paid to GNWT workers is mostly spent here in the north, thereby improving rather than hurting the northern economy.

(ii) Unpaid days off

- ** Unpaid holidays, e.g. over Christmas, would reduce personnel costs.
- ** Government working hours for each employee could be reduced from a five day work week to a four day work week either by rotating staff to be open to the public for five days or to close the offices for a three day weekend.
- ** Make employees take 10 days without pay.
- ** Establish a system where GNWT employees can elect to work fewer hours and be paid proportionately less.
- ** Mandatory time off for all GNWT employees over the Christmas period. This would apply to all GNWT staff except emergency personnel and minimal receptionist/receiving services in each department. Salaries should be adjusted over the entire work year so that employees don't see a significant decrease in their pay in December.
- ** Optional four day work week for employees. This could be on a voluntary basis and might result in some savings.
- ** Consider instituting one Friday per month of unpaid leave, mandatory for all employees.
- ** Implement shorter work week to allow job sharing. The result would be more people working, more taxes and less UI and social assistance.

(iii) Early retirement

- ** The GNWT should consider providing all employees aged 50 and over and eligible for pension vesting, a one time 3-4 month window in early 1996 to retire without any pension reduction penalty. This would be similar to what is offered by other public and private sector employers faced with lay-offs.
- ** We should use an early retirement incentive and not replace that position with another person.
- ** Mandatory early retirement.

** There should be more stringent surveillance of government funded contracts to ensure that persons retiring or taking work force adjustment do not benefit from termination packages as well as have access to sole source contracts.

(iv) MLAs compensation

** MLAs should not be paid extra to sit on committees. This should be part of their jobs.

** Review MLAs salaries, reduce pensions and tax free allowances. Even our most senior civil servants, after 25 years service, aren't receiving anywhere near what MLAs are receiving in pensions.

** Lower MLA pensions. They are much too high.

(v) Other issues

** Try to reduce the amount of overtime. Pay a flat rate for travel.

** Eliminate honoraria for boards and agencies.

** Eliminate honoraria unless someone can demonstrate that they will not be paid for their time away from work or for their child care needs. This should include MLAs. Develop an averaging formula for MLAs based on, for instance, what a Deputy Minister earns.

(c) *Vacation Travel Assistance*

(i) Reduce or eliminate VTAs

** Pay air VTA only to those employees actually travelling by air. Pay VTA only to the employee and not to dependants.

** The VTA system could be changed to give reimbursements for those people who actually travel. There should be more accountability to receive this benefit. It also should not be more than one per year.

** Why do we have a VTA?

** VTA should be based on excursion airfare, not full fare. The administration of VTAs should be simplified.

** The vacation travel benefit paid to employees should be reduced to the employee only and each employee should receive only one VTA per year in the same amount regardless of where you're living or what position you hold.

** Remove the VTA benefit. If people want to go on a holiday, they should save for it.

** Two VTAs is too generous.

** VTA should be paid to the employee only, or only a smaller percentage should be paid for spouse and children.

** The VTA is an incredible indulgence and should be eliminated.

** End all non-essential government perks, e.g. VTAs.

(ii) Reduce salaries rather than VTAs

** It is absurd that the territorial government is trying to cut back on VTAs when the federal government lets the employee have the money tax free if you keep your receipts. Why wouldn't we let our employees get something tax free?

** Why did you reduce the VTA rather than reduce the salary portion of public service compensation? The basic northern residents deduction is still not adequate, particularly for those taxpayers in the more isolated communities.

(d) *Accommodation Allowance*

(i) Reduce housing allowances

** Accommodation allowance to couples who are both GNWT employees living in staff housing should be reduced. The allowance should be paid only to the employee who pays the rent.

** Only one housing allowance should be paid per family. This includes federal employees.

** Employees living on the highway system should have their housing allowance pro-rated e.g. Hay River residents would receive \$4000 accommodation allowance instead of \$5400.

** It is totally ridiculous that the government pays \$450 per month housing allowance and you have three employees in a house, each collecting housing allowance. There should be one housing allowance per household, not per employee.

** The housing allowance should just go to each household.

** Government employees who are living in low cost housing or subsidized housing should not receive full benefits of the accommodation allowance. This should also include those people who have received HAP housing.

(ii) Reduce housing allowances and rents

** The housing allowance should be used to offset the rent paid by employees.

** Drop salaries, but also decrease staff housing rents. This will put employees in a lower tax bracket.

(2) *Grants and Contributions*

- ** Reduce funding to municipalities. Users should pay a greater share of the cost of providing facilities such as curling rinks, hockey arenas and swimming pools.
- ** Take a hard look at funding to organizations which pay their Board members or directors hundreds of dollars a day to sit on their boards. Funding to these agencies should provide a cap of \$100 maximum for directors.
- ** Reduce funding transferred to local governments.
- ** Municipal governments need closer supervision.
- ** Grants and contributions need to be reviewed. These represent \$450 million of the government's budget. A lot of these are handouts and freebies which have to stop. In a lot of cases these are luxuries the government cannot afford. Let's keep the service programs intact, but get rid of a lot of these grant programs. (referred to pages 52 and 53 of discussion paper)
- ** Review grants and contributions. \$455 million is a very large amount of money.
- ** Grants to advocacy groups need to stop today. If they are worthwhile, then the supporters will continue the cause.
- ** In the last two years we have raised over half a million dollars over and above our core funding. NGOs can access many sources unavailable to government. Government should get wise to that fact.
- ** All special interest groups should have funding tied to a sunset clause stipulating timeframe for and degree of self-sufficiency instead of funding new purchases.
- ** There should be more devolution of responsibility for municipal functions. The block funding initiative should be accelerated.
- ** All special interest groups (i.e. societies, associations, etc.) should have funding tied to a "sunset clause" stipulating a timeframe for and degree of self-sufficiency based on a strategic plan and resources committed to support the plan.
- ** There are no guarantees of funding down the road if an organization takes over a service. What incentive is there for a community to even look at taking over a service?
- ** Combine sports and recreation grants and contributions to save administrative costs. Combine the money, lower the total amount, and open up the application guidelines so that communities may apply for funding and disperse the money to suit their needs.
- ** Grants and contributions for economic development should be analyzed carefully. If they are not generating self-supporting revenues, they should be eliminated.
- ** We should look at the contribution programs to businesses, individuals, etc. Use more non-interest bearing recoverable loans.

(3) *Capital Spending*

(i) *Reduce Capital spending*

** No new capital spending for three years.

** Cease all capital projects/construction until the implementation of Nunavut in 1999.

** A major expenditure is in the capital area. We know that in the capital area we have a problem, in that despite large expenditures, our people are not building up the infrastructure. We are paying outsiders to build it. We should begin to look at the way we spend capital and maybe we should spend less capital and wait until the people who are here can use those capital dollars for construction. Money for capital should not be spent in the north unless northern people can use it and build the infrastructure that they want. This would mean that we could reduce the capital that we spend in a year by a third, that would go a long way toward eliminating your debt. The savings should go toward training local people.

** In most communities we have the basics in place. We have water, sewage, schools, good recreation facilities. Where we have the basic needs met we have to take a real look at cutting back our capital budget dramatically and I think that we are pretty well equipped with capital facilities. There is room to cut the capital budget in half. Maybe we can make our buildings last longer. We need to look at our standards. We're still exceeding the standards that the private sector can afford. We need to save money on energy consumption.

** Reduce capital spending. This will also save on future O&M costs. Build only what needs to be replaced. Reduce capital standards.

** There is a lack of co-ordination between capital programs and social programs. We need more pre-employment programs.

** Capital spending does not create long-term jobs. There should be more use of local employment, spread out over time.

** Stop building \$6 million seniors homes, tourist facilities, interpretative centres, etc. These buildings don't need especially milled wood, light fixtures and imported tiles. The GNWT has spent extravagantly on such buildings throughout the north, when an ordinary, average priced building would be just fine.

** Cut capital in all departments.

** No more capital projects for the next three years no matter what the need or political pressure. We have too many arenas, office buildings, etc., and groups who truly want to make a difference still have a hard time finding a place to meet.

** Priorities should be re-evaluated. Not so much on luxuries like swimming pools and more for health and social service facilities.

** We must look at reducing expectations. Is it realistic to have three gyms in Fort Simpson, a village of 1200 people? Are we oversupplying or over-equipping communities? Everyone in the north wants everything to be like the south. Capital spending must be reduced.

** Establish a system of public approval for Capital projects over a specified value, possibly by referendum vote.

(ii) Specific suggestions

** In GNWT capital development projects, negotiate the supply of electrical power directly with NTPC, rather than requesting that private contractors supply it, along with their customary contractor's markup.

** In the use of negotiated construction contracts, contractors should be willing to open their books to the GNWT. Markups, labour rates, management costs, as well as unit costs for all work items must be out on the table in negotiation for both parties to work with to arrive at reasonable costs for the GNWT. The removal of competitive bidding requires other means to create good value for the purchaser.

** Local development efforts, such as negotiated contracts, which may well cost the GNWT more than a tendered contract for the same work, should have binding clauses to ensure that the distribution of GNWT funds benefits broad sectors of the population.

** The private sector should be allowed to bid on rent-supplement housing on minimum five-year contracts based on five-year needs projections. This would allow developers to better hire locals by not having the existing tight deadlines and would also allow them to build in training and apprenticeship programs which could be partially assisted by government education and training programs. It is critical for the NWT to eliminate the tremendous leakage of money which happens every year when southern labour is imported by contractors, often to ensure that they meet completion deadlines.

(4) *Other "O&M"*

(a) *Travel Expenditures*

(i) Medical Travel

** There has been a marked increase in the number of medical evacuations in the last 10 years. That, during a period when health centres have improved greatly, health boards established and supposedly health information improved. A careful review and some policy changes could save real dollars.

** The government is spending a lot of money on patient transportation. We could save by bringing in specialists to the communities.

** The government should not be responsible for return airfare when a patient does not show up for the appointment he/she was sent to.

** Medical travel is misused when patients get intoxicated and overstay. In addition, people purchase alcohol when they are out and bring it back to their communities. Those who misuse medical travel should get billed for the cost.

** There is abuse of the medical travel system, as well as of VTAs and government housing. It is frustrating for people on the outside.

** Why do doctors not stay in the north? Can we not have some extra compensation to keep them here? By doing this we may be able to have our hospitals upgraded so that more operations and procedures can be done in the north instead of transporting patients south.

There were also other specific suggestions for saving money on medical travel:

** Bring the orthodontist to the communities and save thousands every month, rather than send all the kids and escorts and pay hotels, airfare and meals for all of them.

** Patients from Coppermine are sent to Hay River on a monthly basis to have their braces adjusted, along with an escort for each patient. Surely with the number of people going it would be cheaper to send the dentist here to do the job.

** Bring in an orthodontist instead of sending out a child and escort. This will save money.

** I have a child that is sent to the orthodontist once a month and they spend \$3000 per trip for me to take them down. I know there is a proposal for an orthodontist to come into the community. I know 20 children that go every single month to the orthodontist. I understand there is some problem between the FMBS and the hospital. There is some house cleaning that needs to be done.

** Situations like the case of the orthodontist in Iqaluit should not be allowed to happen.

** We fly people to the orthodontist in Yellowknife every single month. We fly people from Rankin to Winnipeg at a cost of \$600,000. You can pay two or three doctors for this cost.

** Medical travel expenses should be reimbursed at actual costs. There is no need for a baby to claim \$55/day.

** Patients travelling on medical travel should not be able to accumulate air miles. They should go into a pool for others to use.

** Eliminate the variations between medical plans. Negotiate with the airlines on fares.

(ii) Government Business Travel

** Solve more problems by phone or other methods instead of travel.

** There should be more conference calls used rather than flying to meetings.

** There should be more use made of teleconferencing and video conferencing to reduce travel costs.

** Is all the travel required for conferences, meetings, etc.? Wouldn't conference calls or faxes work?

** Look for a reduction in travel and instead use conference calls or video conferencing.

- ** Less travel for meetings, use video conferencing. More use of excursion fares.
- ** Reduce the amount of government travel. Make more use of the electronic highway.
- ** Travel south and out of Canada must be kept to a bare minimum.
- ** The practice of having a Minister and staff travel to communities simply to dedicate/open a new building is a luxury we cannot afford.
- ** Air mile points should be used to transport individuals on government business and not only personal trips. Is it not possible to book only through the airlines so that the points are given to a government account and those points can then be used for government trips? Is it something to look at or to negotiate now that the airlines are becoming more privatized?
- ** When working for the government down south, our finance and administration department were able to buy books of open-ended tickets from Edmonton to Calgary. There was a discount of several hundreds of dollars by buying 10 return trips at a time. The administration of the tickets was through Finance and Admin. who were accountable for the tickets. Bookings were done through the ticket desk at the airline counter. Individuals go to several of the major centres in the north on a regular basis. Can we not get this type of arrangement with the airlines here?
- ** If people cannot plan trips to make use of excursion fares then the trip should not be approved. It is poor management of their schedules and time if plans can not be made in advance.
- ** Change the policy that requires departments to hold meetings outside of Yellowknife. Departments are required to do more with less and having some flexibility in meeting locations allows the department/division to spend what little money they have more effectively. Perhaps the requirement could be that every other meeting must be held outside of Yellowknife.
- ** Drastically reduce the number of international "fact finding" expeditions by senior government officials.
- ** Reduce international travel to conferences unless there is a clear measurable benefit. It's ironic that we have one government department asking how we can save money while others are paying for trips to China.
- ** Decrease the per diem rate for GNWT travel. \$55 dollars is an excessive amount of money for meals even for NWT standards. I would suggest that employees keep their receipts and be reimbursed for what they spend.
- ** Travel points awarded for GNWT employees on duty travel should be pooled together to purchase more GNWT duty travel tickets.
- ** Government employees should use scheduled flights as much as possible instead of charters.
- ** Airline points for duty travel should go back into a pool for office use.

** Travel points should not be allowed for GNWT employees. Points should be used for government travel.

** An air miles points policy should and must be put in place where all these points are banked for government employee duty travel only.

** Require travelling GNWT employees of the same Department/sex to share the same room when "double" rates are offered.

** Encourage bed and breakfast accommodations in communities. This will lower government travel costs. No funding would be required but persons owning homes should be allowed to expand and should be rewarded with business from government employees so inclined.

(b) *Government Purchasing*

(i) *Business Incentive Policy*

** Curtail the Business Incentive Policy. Millions of dollars are unnecessarily given to expediter operators who add nothing to the product, do not stock the product, and merely launder the purchase orders so that there is a territorial address.

** Get rid of BIP.

** BIP is needed but it is too lucrative. The margin is too large. The criteria for eligibility should be tightened.

** We need internal analysis of policies that may be driving up costs, such as the Business Incentive Policy.

** Working through the government purchasing system is not easy, efficient or cost effective. BIP is costing us money. If we have to be tied to government systems, if the government can be more flexible in the way it asks people to do things, then maybe we can have cost savings as well. There's such rigidity that it eliminates a lot of possibilities for savings.

** Dissolve the Business Incentive Plan. This policy costs the government 55-60 per cent more than it needs to pay. Most businesses are only middlemen.

** The Business Incentive Policy is nothing but a subsidy to northern businesses and another part of the "government should be a job" machine mentality. Every dollar used to subsidize business is one less dollar available for health care and education. Southern businesses support the GNWT through their tax dollars and should not be barred from northern contracts.

** Northern preference on contracts are not needed. The inherent lower accommodation for a northern based firm should be sufficient.

** Do a complete review of the government's tendering process with the goals of saving money.

** We need to take a serious look at the government's purchasing program. We need to take a further look at BIP to see how much it is costing the government. I am not against it in principle, I just think it is too generous.

** "Buy North." Should this be done when it costs "twice the price." It is wasteful if the government pays more than necessary for some of its purchases. Unfortunately the profits earned by local businesses from selling to the government do not necessarily have to be reinvested in the NWT economy.

(ii) Specific suggestions

** More efficient purchasing through pooling of purchases.

** Better use of office supplies and furniture. Secretaries should be given lessons in purchasing so they learn how to comparison shop. Items should be purchased on sale. Departments should be rewarded for saving money and not penalized by having money lapse. Furniture should be repaired instead of being replaced. Encourage people to reuse scrap paper.

** Many changes can be made in the way offices are run which may require a little effort and responsibility but will save money in the long run. These changes do require a certain mind-set and a change in some expectations - they also require a bit of a morale boost as this is a team effort - saving money over the long run. I believe that people would accept the changes if they see that these long-term things save jobs and save money.

** Quit producing glossy multi- coloured government publications and annual reports. Keep the Explorers' Guide, it is excellent for tourists.

** Eliminate an estimated 70-80 per cent of the Government's Purchasing Services. They are inefficient, taking 6-12 weeks to obtain supplies. This could be accompanied by decentralizing spending authority for purchases of supplies and services up to \$3000 down to the on-site supervisors and managers.

(c) *Government Vehicles*

** Get rid of the government car pool. If a vehicle is needed it should be rented.

** Fish and Wildlife officers should not be provided with equipment such as boats, outboard and skidoos unless they are taught how to use them.

** Reduce the GNWT vehicle fleet in the regions to save capital on vehicle repairs and new vehicles. Use private vehicles and pay for kilometres.

** Extend the life of government vehicles. Reduce the number of vehicles.

** Abuse of government vehicles should be stopped. Vehicles are being used for non-work related purposes. The use of vehicles for personal purposes represents a taxable benefit to the employee.

** Stop personal use of equipment. Some employees use GNWT trucks and boats to go on weekend trips at government expense.

** There should be stricter controls on vehicle use by GNWT employees, especially DPW and Housing employees.

(d) Office & Staff Accommodation

** The GNWT is overpaying for office space. Office space rates should be aggressively negotiated. This could be achieved by cutting this part of the budget by 20 per cent immediately.

** Cut down on renovation expenses, such as those in the Stuart Hodgson Building. How are we supposed to save when we keep spending?

** There is still a great waste of power, water and fuel by government employees in government institutions.

** Could we sell off more houses? Are we saving money by renting buildings or could we own them as a government. How about looking at leasing versus buying.

** There was no consultation on staff housing sales regarding the impact on communities. The result is short term gain for long term pain. The policy works in the larger communities but not in the small ones.

D. What program areas should be cut less than others?

1. Social programs

** Do not cut social assistance.

** Leave social program budgets as they are.

** Our organization and its efforts are integral to the Community Wellness Strategy as developed by the Department of Health and Social Services. We further contend that our programs and the end results of our efforts can and do lead to reduced costs in social programs.

** We would urge the government to continue to look at literacy, education and training as an investment. The statistics quoted in the discussion paper about the vast increases in student enrolment, both at the secondary and post-secondary levels is surely a good thing. Increased costs now, to be sure, but immense savings in the future.

** Health and education should not be cut to the point that the level of health care and education drop. We need a healthy and well-educated workforce to survive into the future.

** Instead of aiming at decreasing the funding for social programs, the government should critically assess its efficiency.

** Spending on health care is very high. The way you increase the health of a population is to increase their standard of living. Increase expenditures on social housing, education, economic development, social assistance, training, corrections, children and families, environment, and you will decrease health costs. Provision of adequate housing with a high standard of sanitation and elimination of over-crowding would reduce the occurrences of infectious diseases such as tuberculosis and bacillary dysentery. Development and enforcement of clean air and clean water standards would help to reduce allergies, respiratory disease, cancer and infectious diseases. Rehabilitation programs provided within correctional institutions and the availability of mental health services would reduce the social and medical costs of crime.

** Health care is costing more and more. Putting money into early childhood education, similar programs, will pay dividends in lower health costs.

** It seems to be the joy of the government to cut education and health, the two programs we cannot do without. I would be prepared to pay an education tax and a health tax. The government is the custodian of our tax dollars. These two programs should not be touched but should be enhanced.

** Cutting education would be wrong. Our children are our future.

** Programs which should be cut the least are: O&M for RCMP, grants to hospitals and education funding.

** A commitment to "Community Wellness" may cost additional dollars now but save in the long run. What we are offering now is band-aids and placebos as opposed to actual treatment. Under utilization of existing resources results in higher costs.

** With the increase of private housing the Access program is doing quite well and if it is cut back housing shortages will worsen and will continue into the future.

2. Other Programs

** I am totally opposed to any cuts to environmental and safety enforcement. Enforcement is inadequate at present and needs upgrading, not down-grading.

** We need to spend to rethink how we do business. There needs to be more directed to economic development. We need to invest in the north to create wealth.

** Programs provided to native people such as education, housing, health services and social development are the responsibility of the federal government, which channels the funding through the GNWT. These programs should not be reduced. The government should try to eliminate waste, rather than make cuts to these programs. It should also review its internal structure and the number of staff.

** We are concerned about treaty obligations. Government has an obligation for housing, health, education, etc. There is a money problem. In the mid 80s the Dene Nation and the GNWT had a tripartite committee to look at government administration. The committee requested information from the GNWT to clarify where the money is spent. That was ten years ago. Only now is something done about the deficit.

E. What options should the GNWT follow to raise additional revenues?

1. Alternatives to taxation

- ** Need to negotiate a new formula with the federal government to eliminate perversity.
- ** Formula Financing has to be rectified. Otherwise the GNWT has no incentive to increase revenues.
- ** The federal government is treating the GNWT like welfare departments treat recipients - if you earn any more money we will cut you back.
- ** The current Formula Financing Agreement is a disincentive to be constructive. Doesn't the federal government feel that a healthy NWT economy is to the benefit of the rest of Canada.
- ** The chilling effect of economic prosperity caused by the perversity factor within the Formula Financing Agreement must be removed. It is time that the territorial government made the federal government aware of its requirements regarding the Northern Accord and Formula Financing rather than having the "federal tail wag the territorial dog."
- ** Get a Northern Accord. Priority One. Must happen. We need it!
- ** Revenues could be created if the government would settle land claims issues and then open up some of the vacant land for commercial and recreational use.
- ** We must utilize our natural resources now, while we can, not wait until it is too late.
- ** Promote more exploration and development in the north to create jobs for everyone. The more jobs there are the more taxes the government will collect and the fewer people will be on welfare and other GNWT or federal programs. Land claims are settled, therefore, let's not dwell on the past, and get development going in the north. Our graduates could start training for better opportunities in the work force, such as mining, oil and gas exploration which would raise revenue for the GNWT. But do not increase taxes, as northerners are already taxed with the high cost of living and transportation.
- ** We need to encourage development of our resources in the NWT. Oil and gas companies should be allowed to develop and produce. We should treat our entrepreneurs fairly, not discourage them. There is currently too much political interference and red tape hindering development.
- ** Waiting for private enterprise alone to sufficiently develop the northern economy enough to create general prosperity has clearly failed. What development has gone on has proven to be a very inefficient use of the north's vast mineral reserves. And very little benefit has accrued to most northerners. The GNWT could establish, in co-operation with the various northern peoples, its own Crown Corporations to develop northern resources.

2. Principles for Taxation

** If the government plans on introducing more taxes upon us, they will have to take into account the cost of living in the north. If you are planning to impose more taxes there will have to be more serious consideration on the implications that this tax will have on the future generations.

** I don't mind paying taxes if we get what we pay for. There are more services in the south to compare with the higher taxes they pay - paved streets and sidewalks. Native people don't understand why they are paying taxes.

** Taxation should be progressive.

** If you are going to do something on taxes, whether on taxes or liquor or payroll, it has to apply to everyone across the board. Anyone who takes money out of the system should be prepared to put it back in.

** Taxes should be fair and apply to everybody across the NWT.

3. Tax Options

a) *Sales Tax*

(1) *Implement a sales tax*

** Look at implementing a sales tax of 3 per cent.

** When the federal government reforms the GST we could implement a sales tax of 4 or 5 per cent. This would be less than virtually all other jurisdictions in Canada.

** If you need to raise taxes, a tax on consumption such as a GST-type tax is preferable to other forms of tax hikes. Why could not all of Canada pay a 10 per cent GST shared by provinces and the federal government?

** GNWT employees are scared for their jobs and may be willing to pay higher taxes.

** We should have another look at taxing bad food and encouraging people to eat good food.

(2) *Do not implement a sales tax*

** Sales taxes are regressive and put too much burden on the poor. If you have to raise a tax, put it on individual income or on business.

** A sales tax would be extremely regressive. It would hit the poor harder.

** Sales tax would hit lower income people harder. Income tax increases should be considered as an alternative. Businesses would need some kind of start up assistance to administer a sales tax.

- ** We cannot afford a sales tax in the NWT.
- ** We recommend no sales tax. It only drives people south to buy.
- ** We are opposed to the federal government's proposal for a harmonized sales tax. We already have the highest cost of living in Canada and by increasing the cost of living we would be adding a strain to an already fragile economy.

b) Payroll tax

(1) Increase the payroll tax

- ** Increase the payroll tax closer to 2 per cent.
- ** The payroll tax should be increased to 3 per cent.
- ** Increase the tax on out-of-province workers that are working in places like Polaris where average income is \$50,000 per year and who pay taxes in another province.
- ** The major impact of an increase in the payroll tax would be felt at the lower income levels. Any increase should be graduated.
- ** Double the payroll tax or implement a health care premium.

(2) Do not increase the payroll tax

- ** The payroll tax should not be increased, since it penalizes those who work.
- ** No change to the payroll tax.

c) Personal Income Tax

(1) Increase the Personal Income Tax

- ** The PIT rate should be increased to the national average.
- ** The PIT rate could be increased one percentage point.
- ** Implement a surtax of 5 per cent on any income over \$75,000.
- ** The PIT rate could be raised to 50 per cent and still be less than virtually all other jurisdictions in Canada.
- ** If we must increase taxes, it should be on the income tax side. There is room for a couple of points increase. We're still the lowest in the country. If taxes must be imposed, it should hit those who are making more.

(2) *No change to the personal income tax*

** The problem with raising the territorial tax as a percentage of basic federal tax is that the cost of living is higher than anywhere else in Canada and the living conditions more harsh. This higher cost of living artificially forces NWT taxpayers in the higher (over \$29,590) tax brackets. The Yukon rate of 50 per cent is the upper limit of any increases in our rate.

** Increasing personal income taxes should not be considered as it reduces disposable income and adds to the contribution already being made by individual contributors. Resistance to taxation has contributed to the "underground economy."

** No change to the PIT rate.

d) Corporate Income Tax and Corporate Capital Tax

(1) *Increase corporate taxes*

** Corporate income taxes should be brought in line with those of other provinces.

** Increase the corporate income tax.

** Increase the corporate tax rate.

** Legislation should be introduced to raise \$18 million from a corporate capital tax.

** Corporate taxes are too low.

(2) *No change or lower corporate taxes*

** Resource access fees should be used rather than increasing corporate income taxes dramatically.

** Consider decreasing corporate tax rates to encourage corporations to file in the NWT.

e) Liquor and Tobacco Revenues

(1) *No change*

** These are too high already.

(2) *Increase taxes*

** Tobacco taxes should be increased by 5 per cent.

** Tobacco taxes should be increased to discourage consumption.

** A small increase in "luxury taxes" in the north would not result in a marked increase in smuggling because isolation and transportation costs dictate volume that would be easily detectable and hence easy to control.

- ** Should increase the tobacco tax and increase charges to smoking related hospital cases.
- ** There is still room to tax luxuries in a way that will be of social benefit, and I talking about booze and cigarettes. I know that once you increase the tax to a certain point that smuggling starts and you draw people into alternatives, but we know smoking is bad for you, we know the social costs of liquor consumption, we know taxes slow people's rates of smoking. There is still room to raise taxes on liquor and tobacco.
- ** Raise the cost of drinking and smoking to be directly proportional to the cost to the taxpayer for the services incurred for their use and abuse.

f) Property Taxes

- ** Hamlet residents should pay their fair share of property taxes and they should be paid directly to the hamlet.
- ** Property taxes should be based entirely on land value. Our current tax system discourages home improvements/renovations.

g) Other Taxes

- ** Insurance tax increases are a definite option provided that insurance companies pay the tax on policies and do not pass those costs on to the consumer.

F. Which government services should people pay for directly, or share in the cost?

- ** The GNWT should consider the practicality of imposing or increasing user fees for programs presently offered free of charge, providing these are applied across the board without exemption for particular classes of individuals.
- ** There should be more cost recovery.
- ** I would rather pay for my own power, my own water and the delivery cost than to see money disappear into nebulous taxation initiatives which ultimately sustains the level of services we've got which are not comprehensible to us and which ultimately leads to increased problems.
- ** We are living in a false economy in the NWT and a lot of people don't realize what is costs to live in the north. I like the principle of letting people know what things cost. We have to take a radical look at the hidden subsidies. Nobody knows what it costs to flush a toilet, make a pot of tea. People will use less if they realize the true cost.
- ** Get rid of fees that cost more to administer than the cost of the fee. Or increase the fees to at least pay for the administration of the fee program.

a) Medical and Hospital Fees

- ** I have often wondered if it isn't time to collect some minimum user fees for those services such as medical, which are often times abused due to the complete freedom to do so.
- ** A nominal fee of \$10 might generate a modest revenue and reduce demand during off peak hours when the provision of medical services is expensive.
- ** Why is the NWT the only province that does not charge medical insurance fees?
- ** It is time to have health care premiums like the provinces.
- ** Residents should pay some of the cost of health care.
- ** A user fee should be charged for doctors' visits, to discourage frivolous visits.
- ** There should be a user fee for the health care system, provided everybody paid.
- ** Impose a limit of 3 visits to medical services per annum (terminal afflictions exempt or waived by doctor) with user fee of \$15 for each visit thereafter.
- ** Patients should be made to pay 10 per cent for each doctor's visit.
- ** Hospitals should charge \$25 for non-emergency use of emergency services.
- ** Make the residents of the territories pay for health care premiums.
- ** Northerners with incomes over \$50,000 should pay for part of education and medical services received.
- ** Implement a yearly deductible for seniors over age 60 on Extended Health Care Benefits. Saskatchewan has a deductible of \$200-250 per year.
- ** Introduce a Health Care Premium that would be payable by those who are employed. Those who are unemployed would receive a corresponding credit when they file their tax returns for every month they were unemployed during the year.
- ** Increase user fees for health and education.

b) Education

- ** All student financial assistance should be recoverable. No grants should be made, just loans.
- ** Post-secondary students should be required to contribute up to 10-20 per cent of their education costs. Assistance for continued education should be rigorously controlled to reduce the incidence that the current system is being abused.

c) Housing

- ** Recipients of housing benefits should contribute a reasonable part of their housing costs. GNWT should complete its housing privatization program.
- ** Charge social housing tenants the normal rates for electricity to encourage conservation.
- ** Implement rental fees for seniors and others in public housing where free housing is now being provided.
- ** I think the new GNWT housing policy is heading in the right direction. Seniors should not be exempted. Seniors receive \$800 to \$1200 per month in pension and would be able to pay \$50-\$100 per month rent.
- ** Rents for seniors housing can be increased. Charging residents in seniors facilities a fair rate will reduce the cost to the GNWT treasury of providing seniors care.
- ** Create a climate where people can fix and/or build their own homes instead of relying on government.

d) Other Suggestions

- ** Our present correctional facilities are full, and these individuals should be used to subsidize the cost of their keep. Wood for the parks could be cut and distributed. Park maintenance could also be handled by these individuals.
- ** Action should be taken against those who have outstanding accounts with the GNWT. This includes students, people in low-cost housing, medical and other debts owing.
- ** Non-reimbursable fees in the order of \$200 to \$300 should be charged for land applications. Currently the fee goes toward the first year's rent.
- ** The rent payable for leasing a Commissioner's residential lot is currently \$250. This could be raised substantially, to \$500 or \$750 per year.
- ** Increase the cost of fees and licenses.
- ** Market government services to private industry. Begin charging nominal fees for some services. I recommend \$3.00.
- ** There should be an "Access to Resource Assessment" where companies pay a percentage of resource revenues to a "resource depletion fund" earmarked for resource emergencies and livelihood replacement.
- ** Has the government looked at selling any of its services, e.g. engineering services?
- ** Land is so cheap in the NWT maybe a percentage of land sales should be made into a profit to help fund GNWT programs.

- ** The GNWT should look at alternative means to raise additional revenue besides taxes. One suggestion is to charge a toll fee for large semi trucks running on the NWT highway system. The revenue generated could be put back into the transportation budget for highway maintenance.
- ** The GNWT should establish a recycling program and use the money made from this to help with funding their programs.
- ** The WCB should charge premium rates to companies coming in from out of town to have their employees work here. We are paying for some individuals whose residence has never been in the NWT but who have accidents here and therefore the money comes from our funds. Our own northern companies would benefit from this for they would get the jobs over some of the southern companies who wouldn't pay the extra costs to work within the NWT.
- ** All quarries should have royalties come back into the GNWT funds not the federal.
- ** The government should try to raise revenues from gambling.
- ** Start and actively promote a real NWT lottery corporation separate from Sport North to capture the tremendous dollars leaking to southern lotteries (eg Lotto 649). If there is a problem with people on social assistance buying too many tickets, impose a limit or ban on individuals consistently showing a lack of self discipline. Revenues should be used not only for sport but for social benefits in general.
- ** We strongly recommend, based on the views of our members, that any future government not consider any revenue generating option derived from licensed casino gambling.

