



CANADIAN FEDERATION OF
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February 20, 1997

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Hon. John Todd
Minister of Finance
Government of Northwest Territories
P.O. Box 1320
Yellowknife NT X1A 2L9

Re: Budget 1997-98

Dear Minister Todd:

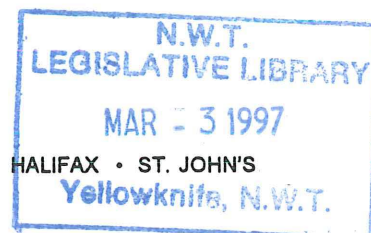
Having reviewed the recent Budget tabled in the Territorial Legislature, the Territorial Interim Financial Reports from 1995-96 and the recent Federal Budget, I would like to offer comments on behalf of the over 270 CFIB members within the Northwest Territories.

You and your colleagues are to be congratulated for the Government's accomplishments to date with the 1996-97 Budget, and for the Budget tabled on January 27. Two years ago the financial plight of the territory was severe; a condition that was intensified by a government unwilling to face up to fiscal reality and the nature of change facing the national and territorial economy. While the Territory is still not out of the woods yet with its fiscal situation and dealing with the constant influence of change, the steps implemented will certainly improve the mid-term climate for the independent business owner, and the long term prospects for future generations of Northerners. The Budget has shown that the Government is firmly committed to deficit elimination despite pressures to change direction. On this basis alone, the Budget is a major achievement.

In relation to the other themes dealt with during your Address and contained in the Main Estimates, we have the following points for your consideration.

FISCAL/SPENDING COMMENT

Your assumptions pertaining to declining revenues from the federal government are appropriate; excluding the jurisdictions that have already erased deficits, combined deficits will be reduced by 11% this year. Spending will be reduced by about 2% and, for the first time in four years, is the predominant reason for this deficit decline. This trend will continue well into the next decade as governments start to attack their debt.



Economic growth within the Territory will not occur at a rate sufficient to increase the Territories own source revenues, in order to cover reductions from the federal government. Hence, the pressure on spending will continue for the foreseeable future. In order to assist with the management of this future predicament we suggest that the GNWT establish a reserve that could be drawn upon in the event of severe unforeseen cuts to Federal revenues. The reserve could be launched with a portion of the surplus, forecast in this budget. When division occurs, this fund could be split based on a prearranged formula.

Our members are disappointed that the GNWT payroll tax was retained. When first conceived the logic motivating the tax was flawed, and now four years later, the logic behind retention continues to be flawed. The tax currently extracts over \$12M from the productive economy and, after returning over \$11M back to taxpayers combined with administration costs, nets the government between \$300K - \$400K, or under 1% of total tax revenue. The benefits to the economy and to the positive image of the NWT that would be gleaned from a tax cut, would exceed the relatively minor impact following the removal of the tax - especially with a planned budgetary surplus.

REORGANIZATION

Restructuring and reorganizing government operations is not simply cutting staff and dollars; it appears that the government has recognized this point. The combination of consolidations, human resource planning, privatization/contracting out, among the other strategies adopted, have obviously strengthened the government's initiatives in this area.

Regulatory reform is an essential ingredient of reorganization hence we share your disappointment with the slow pace of reform in the NWT. Our members in the Territory continue to identify regulatory compliance and paper burden, as a major negative influence on their business.

It is unfortunate that the GNWT has chosen not to take advantage of our many offers to assist with any regulatory reform undertaking. Our experience gleaned from co-chairing the National Paper Burden Committee and extensive work designing regulatory reform criteria, delivery structures, and legislation in Alberta and other provinces, would have complemented the planned work referred to in your speech. In any event, we will continue to track whatever progress is made by the government in this area over the short term.

ECONOMIC DEVELOPMENT

When economic development languishes, economic development strategies flourish. This is a basic axiom to many engaged in the economic development contest exploding around Canada and North America. The result is the usual plethora of "strategic initiatives", promotional cliches, and various lures designed to attract investment. Consistent with our original evaluation of the initiatives announced last year, we remain sceptical of the strategy restated in the Budget Speech.

All of the essential ingredients to economic development and growth are fundamental, and centre on the needs of the creative independent business that exist within a region, that have a stake in their community. Research shows that by freeing markets, facilitating access to new markets, maintaining an environment that delivers the lowest possible input costs, and the existence of a flexible supply of a skilled/motivated labour force within an environment that encourages and fosters an entrepreneurial approach, are far more conducive to sustainable development, than are the myriad of attraction gimmicks so prevalent today. It is positive that some of the tactical elements of the strategy address these areas.

In the event you wish to discuss any aspect of the comments contained within, or other matters of general interest to the SME sector, please don't hesitate to call. I would appreciate an opportunity to meet with you personally, over the next month or so, during my next trip to Yellowknife.

Yours truly,

A handwritten signature in black ink, appearing to read "B. Wright". The signature is stylized and written in a cursive-like font.

Brad Wright
Canadian Federation of Independent Business
Northwest Territories/Alberta

cc Premier Don Morin
Cabinet Members
Government MLA's