

NORTHWEST TERRITORIES

BUDGET ADDRESS

1998-1999





Budget Address

**The Honourable John Todd
Minister of Finance**

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

January 22, 1998

**Government of the
Northwest Territories**

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Mr. Speaker, it is with a certain sense of nostalgia that I rise before the House to present the last budget of the 13th Legislative Assembly of the Northwest Territories. With the tabling of this document, we will be putting the finishing touches on the fiscal history of the Government of the Northwest Territories.

At the same time, however, this budget looks ahead -- not just for the next fiscal year, but the next century. The new policies and programs I am announcing today will help establish two strong and stable governments in Canada's North as we move into the new millennium.

As we stand on the threshold of a new era, each and every Member of this Legislature can look back with pride on our collective accomplishments.

Together, we made the difficult but necessary choices that have enabled us to regain control of our government's finances. We must now forge a future filled with promise for our children.

Mr. Speaker, I want to assure the Members of this Assembly -- and the people of the Northwest Territories -- that the future has never looked better than it does today. There is every reason to believe that the North will achieve its tremendous potential in the 21st century.

For the first time in generations, events are taking shape that will allow Northerners to assume their rightful place in Confederation.

First, there are the gains we have made since this government came to power that have created a climate of opportunity and optimism in the North. Not only have we balanced our budget, but we anticipate a small surplus -- proving we are capable of prudently managing our fiscal affairs. This kind of achievement instils investors with confidence that the North is a good place to do business.

As well, our business investment strategy has sent a clear signal to investors that they are welcome in the North. We are reviewing a number of initiatives to foster trade and investment that will bring new money and jobs into our region.

The settlement of land claims -- and most important, the creation of Nunavut and the new Western Territory -- will create both certainty and opportunity. Collectively, these efforts spell better days ahead for the young people of the North.

Fiscal Overview

Mr. Speaker, the 1998-99 budget is designed to build on this progress. It is both responsible and compassionate -- striking the right balance between responding to needs and seizing opportunities.

The Government of the Northwest Territories has worked hard to balance its books and achieve a stable financial base from which it can pro-actively deal with the needs of Northwest Territories residents. On a non-consolidated basis, the Government finished the 1996-97 fiscal year with a \$12 million deficit which kept the accumulated deficit to \$41 million. To put this in perspective, \$41 million represents approximately 3 per cent of our annual spending, or about two weeks of operating costs.

In 1997-98, the Government anticipates a small surplus and a reduction in the accumulated deficit. For fiscal year 1998-99, we will bring in our second consecutive balanced budget, with spending estimated at \$1.161 billion and revenues forecast at \$1.163 billion.

It is important to emphasize, however, that our net fiscal position could be impacted by the results of the current negotiations with the Union of Northern Workers regarding pay equity. As I have stated on a number of occasions, while the Government would prefer a negotiated settlement to this issue, the outcome of the negotiations must be affordable to the people of the Northwest Territories. We cannot agree to a settlement that forces further job loss or program and service reduction to our people.

Mr. Speaker, this budget represents the prudent management of the financial resources of the Government of the Northwest Territories. It reflects the collective will of the Members of this Legislative Assembly to ensure that we live within our financial means. Most importantly, it enables us to put the two new territories on stable footing in their first few years of existence.

Division

We are at a pivotal stage in the North's development. A little over a year from now, the East and West will go their separate ways. While we will remain tied by our history, our heritage and our geography, each new territory will follow an independent path.

In the short-term, however, it will be critical that we work in close co-operation. In bringing the promise of two new territories to realization, we must ensure that:

- services to our residents are not reduced or interrupted;
- assets and liabilities are fairly divided;
- commitments and contracts are honoured;
- staff are treated fairly; and
- the business of government continues without disruption.

We have achieved a great deal in this regard.

Of particular importance is the assurance of adequate funding for the two new territories. Our Government has made it clear to the Special Committee on Financial Arrangements for Nunavut and the Western Territory that we believe the expenditure base of each territory should be determined separately, based on each region's requirements. These negotiations are not merely an exercise in dividing the funding currently provided to the Government of the Northwest Territories.

This Government has completed extensive work as part of the discussions on financing arrangements after 1999. The Special Committee now has most of the information it requires to establish funding levels and financing mechanisms for Nunavut and the Western Territory. We expect to finalize the work of the Special Committee by early March to enable a federal decision to be made by April. It is crucial that funding levels be determined early so that work can begin on the preparation of budgets for the two new territories for fiscal year 1999-2000.

I am confident, Mr. Speaker, based on the discussions to date with the other northern parties and the federal government, including my conversations with the federal Finance Minister, the Honourable Paul Martin, that adequate funding will be available for the two new governments in Nunavut and the Western Territory. Overall, the creation of two new territories should have a very positive economic impact on the North.

Significant progress has also been made on the equitable division of assets and liabilities between the two new territories. A framework agreement laying out the principles to be applied and the methods to be used in this process has reached the final draft stage. We expect it will be finalized in early February and submitted for approval to the Interim Commissioner for Nunavut and the Government of the Northwest Territories. Discussions are also progressing on the treatment of the Northwest Territories Power Corporation and the Workers' Compensation Board post-April 1, 1999.

Mr. Speaker, I am pleased to advise that we are close to concluding several important protocol agreements with the Interim Commissioner. One agreement establishes how existing and new contract commitments made prior to April 1, 1999, will be reviewed by the Interim Commissioner and assigned to the new Nunavut Government. This protocol is important to give businesses and financiers comfort that multi-year commitments can continue to be made and honoured. My honourable colleagues can appreciate that this agreement is of critical importance. It will ensure that there is no interruption in services to Nunavut residents given that many services are currently being delivered through contractual arrangements with third parties.

The second protocol agreement nearing completion concerns the transfer of existing staff to the new Nunavut Government. As the House will be aware, the Deputy Premier, the Honourable Goo Arlooktoo, was able to reach general agreement with the other parties at the recent Nunavut Leaders Meeting that this transfer will be as seamless as possible.

Our staff represent our most valuable resource. It is only with their continuing commitment that we will be able to ensure that the creation of two new territories is a success. Both the Western Territory and Nunavut will be exciting and challenging places to work, offering many opportunities for career and personal development. Our staff and new leaders need to understand this and focus on forging new relationships based on mutual trust and respect.

Mr. Speaker, I am also pleased to confirm that we have reached agreement with the Interim Commissioner to implement a \$4.24 million human resource computer system. The Office of the Interim Commissioner has agreed to pay 50 per cent of the total implementation cost as well as its 40 per cent proportion of the software licence fees. This leading edge, integrated system will reduce unnecessary duplication and overlap, both during transition and post-division, and will benefit both new territories.

In summary, I am convinced that we are on the road to ensuring that the creation of two new territories is a success and that we meet Premier Morin's objective of ensuring that April 1, 1999, is a day of celebration for both new territories.

Economic Climate

Mr. Speaker, economic growth is critical to the long-term fiscal health of both new governments. A stronger economy will provide new sources of revenue to support much-needed housing, food allowances, health care and other social programs for our rapidly-growing population. Just as important, a growing economy will provide jobs for our young people and unemployed.

The small business sector is increasingly playing a larger role in the national economy. Long-term growth in the North will also depend on incentives and investments to encourage the start-up or expansion of small and medium-sized northern businesses.

Investment in northern business is key to the long-term growth of our economy. Traditionally, small firms have had difficulty in accessing equity capital. This was examined in 1996 by the Investment Sub-Committee of the Standing Committee on Government Operations, which recommended that the Government consider investment tax credits as a means of encouraging investment in the North.

I am pleased to announce, Mr. Speaker, that this Government intends to introduce the **Northwest Territories Investment Tax Credit Program**, which will encourage the private sector to market shares of Northwest Territories businesses to northern taxpayers and encourage northern investors to purchase shares in up-and-coming northern businesses.

Under the program, investors will be able to choose from a menu of investment vehicles: *labour-sponsored venture capital funds; employee/labour-sponsored venture capital funds; community endorsed venture capital funds; and private new common share sales.*

Eligible investors will receive a credit against Northwest Territories income tax payable, of up to 30 per cent, for a maximum of \$100,000 of eligible shares in any tax year. As well, northern investors may be eligible for Registered Retirement Savings Plan (RRSP) tax deductions.

For example, an investment of \$10,000 would result in a Northwest Territories tax credit of \$3,000. In addition, if the investment is made through an RRSP, a further deduction worth up to \$4,400 would be available. RRSP eligibility is, of course, dependent on the taxpayer's available federal RRSP room.

All funds raised will be used to assist in financing the start-up or expansion of Northwest Territories businesses. This program will allow for a maximum of \$1 million in tax credits to be granted in 1998, rising to \$5 million in the year 2000. If fully taken up, \$5 million in tax credits would generate approximately \$35 million in equity and debt financing in Northwest Territories businesses.

Mr. Speaker, in addition to the new Northwest Territories Investment Tax Credit Program, business development and job creation will be further supported by a \$16 million infusion through the second year of the **Northern Employment Strategy**.

Through the combined initiative of the Minister of Resources, Wildlife and Economic Development, the Honourable Stephen Kakfwi; the Minister of Education, Culture and Employment, the Honourable Charles Dent; and the Minister of Municipal and Community Affairs, the Honourable Manito Thompson, funding for this program has been strategically placed to ensure a broad but balanced approach between short-term job creation and longer-term sustainable economic growth.

Since this program was initiated in June of last year, we have seen a number of measurable results:

- The Department of Education, Culture and Employment has provided support to the private sector and municipal employers to hire 863 unemployed students and youth.
- In the year-to-date, the Department of Resources, Wildlife and Economic Development has directly invested \$9.5 million in economic development partnerships that resulted in cost-shared projects with a total value of \$34 million. These projects stimulated 48,000 part and full-time work weeks of employment, or the equivalent of 1,200 full-time jobs.
- The Department Municipal and Community Affairs has invested over \$3 million in initiatives designed to prepare communities to take responsibility for their own governance and for the transfer of programs from the Government of the Northwest Territories.

Mr. Speaker, detailed reports showing the impacts of investment by program are currently being developed and will be provided to Members of this House for review. However, the results to date give a positive indication that we are meeting our intended goal of developing the economy and providing positive alternatives to income support through the creation of jobs and economic opportunity.

Resource Development

While we are committed to encouraging the small business sector, no sector of the economy holds more promise than the mining industry. Diamonds have, quite literally, become the jewel in the North's crown. For all our vast wealth in renewable and non-renewable resources, nothing rivals the enormous job-creation and economic-growth potential of diamond development.

Mr. Speaker, this government is committed to ensuring that the North receives a fairer share of royalties generated by resource development. As things now stand, the federal government may earn up to \$4.4 billion in royalties and tax revenues over the 25-year life of the first diamond mine while the territorial government will collect approximately \$400 million. This ratio is clearly unacceptable.

At the same time, Mr. Speaker, we are committed to ensuring that northerners realize the benefits of secondary and value-added industries resulting from the mining of diamonds. Key issues related to the development of these industries include ensuring firstly, that a diamond sorting and valuation facility is established in a Northwest Territories community away from the mine site and, secondly, that northerners have preferred access to a secure and affordable supply of diamond rough.

It is for these reasons that the Minister of Resources, Wildlife and Economic Development, the Honourable Stephen Kakfwi, and I met with the federal Ministers of Finance and Indian and Northern Affairs last fall to lobby for the establishment of the **Task Force on the Canadian Diamond Industry**.

Working in partnership with the Government of Canada, we will develop a strategic framework to maximize the long-term benefits of the diamond industry for the North. We are particularly keen to explore opportunities for secondary and value-added industries that create new jobs for the people of our communities.

Mr. Speaker, also key to a greater share of resource revenues is the devolution of mineral, oil and gas responsibilities and royalties from Canada to the territorial government -- a goal we are determined to realize over the long term.

As well, we are dedicated to achieving the decentralization of the Northern Affairs program of the Department of Indian and Northern Affairs. Our government will continue to seek the transfer of federal employees from Ottawa to the Northwest Territories to ensure federal programs better reflect, and respond to, Northerners' needs.

This initiative is being led by Premier Morin, who has met on several occasions with the federal Minister of Indian and Northern Affairs to press this issue.

Mr. Speaker, as much promise as the diamond industry holds for the North, we also recognize the difficulties currently being experienced in the gold industry and the tremendous effect this has had on many of our residents employed in this sector. Falling gold prices have resulted in the shut-down of the Colomac and Lupin mines and the lay-off of a significant number of people from the two gold mines in Yellowknife.

We all recognize there is little Northerners can do to influence world gold prices. However, this Government is working with both the federal and municipal governments to assist workers and their families who have been affected by these events.

In addition, we are working in partnership with the Government of Canada, the City of Yellowknife, mine management and labour to examine options that support the commitment demonstrated by Miramar to keep the Con Mine operating and contributing to the northern economy.

Mr. Speaker, it is also important to note the impact on these events on government revenues. Although we expect government's tax revenues to be negatively affected in 1998-99, our current Formula Financing Agreement with Canada ensures that approximately 80 per cent of these revenue declines will be off-set by increased funding through the Grant from Canada. The fiscal stability that this provides will help us weather the current downturn in world gold prices.

Public Infrastructure

Mr. Speaker, every bit as important as the economy, is our investment in the North's social and political future. We know now that we must address the root cause of economic and social conditions if we are to improve life for our residents. As my grandmother always used to say, "penny wise, pound foolish".

If we are to successfully address many of the current economic and social conditions that prevent improvements in health, community well-being, educational attainment and economic self-sufficiency, we must invest in areas such housing, hospitals, health centres and new roads.

Our attention to balancing our budget during the past two years has now enabled us to deal with the larger social and economic challenges facing the Northwest Territories. Although we must remain vigilant to avoid spending beyond our means, we now have some limited fiscal flexibility. By using our limited dollars to lever investments by others, we can achieve significant results.

Mr. Speaker, there are few areas where the need for strategic investments is more acute than in the area of public infrastructure. Federal funding cuts have forced us to reduce spending on infrastructure, from \$200 million annually to the current level of \$140 million. An addition \$40 million has been lost through the reduction in federal social housing funding from the Canada Mortgage and Housing Corporation.

In response to this situation, the Government recently commissioned a report to examine ways that funding could be levered to increase the amount invested in public infrastructure. Specifically, the report considered the potential for **Public/Private Partnerships (P3)** to be applied in the Northwest Territories. These partnerships have been widely used by over one hundred countries to capture the best of both public and private sector capabilities.

Mr. Speaker, Public/Private Partnerships and other innovative financing approaches are not magic. They are simply a better way to finance investments critical to the enhancement of public infrastructure. We intend to learn from the lessons learned in other jurisdictions and ensure that these types of partnerships proceed in an affordable and transparent manner.

I am pleased to announce that this Government intends to increase its current \$140 million annual investment in vital public infrastructure by up to \$100 million in each of the next two years. These additional projects are currently being identified and will be brought forward to the Legislative Assembly for consideration in March. By applying P3 approaches to public infrastructure investment, this additional investment should be possible without increasing our overall annual spending levels.

Mr. Speaker, this increased investment will not only help address many of our critical social needs and lay the foundation for future economic growth but will provide badly needed construction jobs in our communities over the next two years.

One specific area of infrastructure development of great importance to the people of the Northwest Territories is our health care facilities. 1998-99 will be an intensive planning year for both the Department of Health and Social Services and the Regional Boards as they prepare to replace and enhance territorial hospitals in several communities.

Mr. Speaker, not only will we invest in infrastructure, we are committed to investing in Northern people. We are determined that each and every citizen North of 60 will have the same standard of living and quality of life enjoyed by other Canadians.

At the top of the priority list is adequate housing. Research shows that overcrowded, overly expensive housing is a root cause of many of the Northwest Territories' health, social and educational problems. These problems have been compounded by the withdrawal of federal funding for new social housing.

It is with great pride that I announce this government's **Accelerated Home Ownership Program Delivery** which will help address the North's current housing shortfall.

As part of its increased infrastructure investment, the Government of the Northwest Territories is proposing to apply an additional \$40 million to \$50 million over the next two years to meet the immediate demands for home ownership assistance. This will allow the Minister Responsible for the Northwest Territories Housing Corporation, the Honourable Goo Arlooktoo, to accelerate home ownership program delivery to help more Northerners, particularly in smaller communities with a heavier reliance on public housing.

We are optimistic that this new program will result in upwards of 1000 new housing units being constructed across the Northwest Territories over the next two years.

In this way, existing social housing units will be freed up for those families with the lowest incomes while more people who qualify under the Corporation's Expanded Down Payment Assistance Program and Independent Housing Programs will be able to know the satisfaction of home ownership.

The benefits do not end there. New housing means new jobs in construction and manufacturing, and all the spin-off benefits those sectors create. It also means that any government housing made surplus through new home ownership can be turned over to the Housing Corporation for public housing -- making more housing available to those facing the greatest hardship.

In Nunavut, we will be seeking the endorsement of the Interim Commissioner for these infrastructure initiatives.

Social Program Spending

Mr. Speaker, perhaps the most crucial area for investment is our children -- the North's future. Each of us is only too aware of the damaging, long-term effects of child poverty.

I am particularly pleased to announce, in co-operation with the Minister of Education, Culture and Employment, a new **Northwest Territories Child Benefit**, that will put more money into the hands of low income families across the Northwest Territories.

As part of the National Child Benefit Program, announced by the federal government last year, the Government of the Northwest Territories has agreed to re-invest income support payments offset by the federal portion of the program and to supplement this with \$2 million in additional funding.

Starting in July of this year, the Northwest Territories Child Benefit Program will provide a minimum of \$330 per child to all families with net incomes less than \$20,921. Families with at least \$10,000 in earned income will receive \$605 per year for the first child, \$405 for the second child, and \$330 for each subsequent child. The benefit will be phased out as income increases, but all families with less than \$42,000 in net income will receive some benefit. In our estimate, almost sixty per cent of the children in the Northwest Territories will benefit from this program.

A related, and equally important, initiative is the enhancement of **Income Support Food Allowance**. Nutritional food is critical to disease prevention, healthy development and children's school performance.

The food allowance rates have not changed since 1992, despite changes to the road or food supply services in many communities over the years. This government will make \$1 million available to adjust the rates paid for food within the Income Support program and to ensure that communities are placed within the proper food cost zones. These funds will ensure that additional financial support is available to purchase food for Northern families.

Conclusion

Mr. Speaker, this budget represents a fresh start for the Northwest Territories. It makes clear that the painful cuts and period of restraint are behind us. The stage is set for economic growth and prosperity.

The fiscal framework we table today will create the foundation on which to build two viable, financially sound territories. With these measures, we will ensure that businesses - large and small - can be confident that their investments will yield long-term returns.

We will ensure that the North is a place where young people can find meaningful and rewarding work. Where families are assured they can meet the basic needs of their children. Where there is hope and opportunity for future generations.

Mr. Speaker, the future will be what we make it. I have every confidence that, as we turn the page on both this century and this government's brief history, we will see a new North that flourishes in the new millennium.

Critical challenges still confront us. Yet, we have never been better positioned to overcome them. Now, let's work together and get on with the job.

Appendix A

Fiscal and Economic Review

FISCAL POSITION
(Thousands of Dollars)

	1994-95	1995-96	1996-97	1997-98	1998-99
	ACTUALS	ACTUALS	ACTUALS	REVISED	MAIN
				ESTIMATES	ESTIMATES
Budgetary Revenues	1,211,060	1,255,695	1,179,156	1,176,630	1,158,033
Recoveries of Prior Years'					
Expenditures	6,919	4,722	2,787	5,000	5,000
TOTAL REVENUES	1,217,979	1,260,417	1,181,943	1,181,630	1,163,033
O&M Expenditures	1,052,846	1,076,245	1,023,236	1,025,346	1,027,808
Capital Expenditures	191,537	205,757	170,860	175,321	141,808
Estimated Supplementary					
Requirements less Lapses	0	0	0	(31,000)	(9,000)
Adjustment to Ultimate					
Removal Liability	0	(5,982)	0	0	0
TOTAL EXPENDITURES	1,244,383	1,276,020	1,194,096	1,169,667	1,160,616
SURPLUS (DEFICIT)	(26,404)	(15,603)	(12,153)	11,963	2,417
Allocation to Student Loans Fund	(5,000)	0	(2,000)	(1,000)	0
CLOSING BALANCE					
SURPLUS (DEFICIT)	(11,571)	(27,174)	(41,327)	(30,364)	(27,947)

Source: 1998-99 Main Estimates
Public Accounts

REVENUE SUMMARY BY SOURCE
(Thousands of Dollars)

	1994-95 ACTUALS	1995-96 ACTUALS	1996-97 ACTUALS	1997-98 REVISED ESTIMATES	1998-99 MAIN ESTIMATES
GRANT FROM CANADA	888,739	904,743	855,012	839,371	826,315
OTHER TRANSFER PAYMENTS	115,300	120,774	107,553	98,101	99,806
TAXATION REVENUE					
Personal Income Tax	61,103	65,549	60,782	66,082	69,647
Corporate Income Tax	23,408	27,521	24,996	35,762	40,541
Tobacco Tax	16,737	18,036	16,525	16,528	16,626
Fuel Tax	12,230	15,176	14,281	16,220	15,677
Payroll Tax	11,770	12,088	11,833	12,098	12,570
Property Tax and School Levies	5,605	6,760	6,862	7,027	7,276
Insurance Taxes	1,530	1,600	1,678	1,600	1,735
	132,383	146,730	136,957	155,317	164,072
GENERAL REVENUES					
Liquor Control System	15,036	15,905	15,755	16,000	16,178
Licenses, Fees, and Permits	8,088	7,848	10,476	12,467	12,098
Interest Income	7,576	9,143	7,017	4,044	3,926
Other	96	3,530	1,673	796	596
	30,796	36,426	34,921	33,307	32,798
RECOVERIES	43,842	47,022	44,713	50,534	35,042
TOTAL BUDGETARY REVENUES	1,211,060	1,255,695	1,179,156	1,176,630	1,158,033
RECOVERIES OF PRIOR YEARS' EXPENDITURES	6,919	4,722	2,787	5,000	5,000
TOTAL REVENUES	1,217,979	1,260,417	1,181,943	1,181,630	1,163,033

Source: 1998-99 Main Estimates
Public Accounts

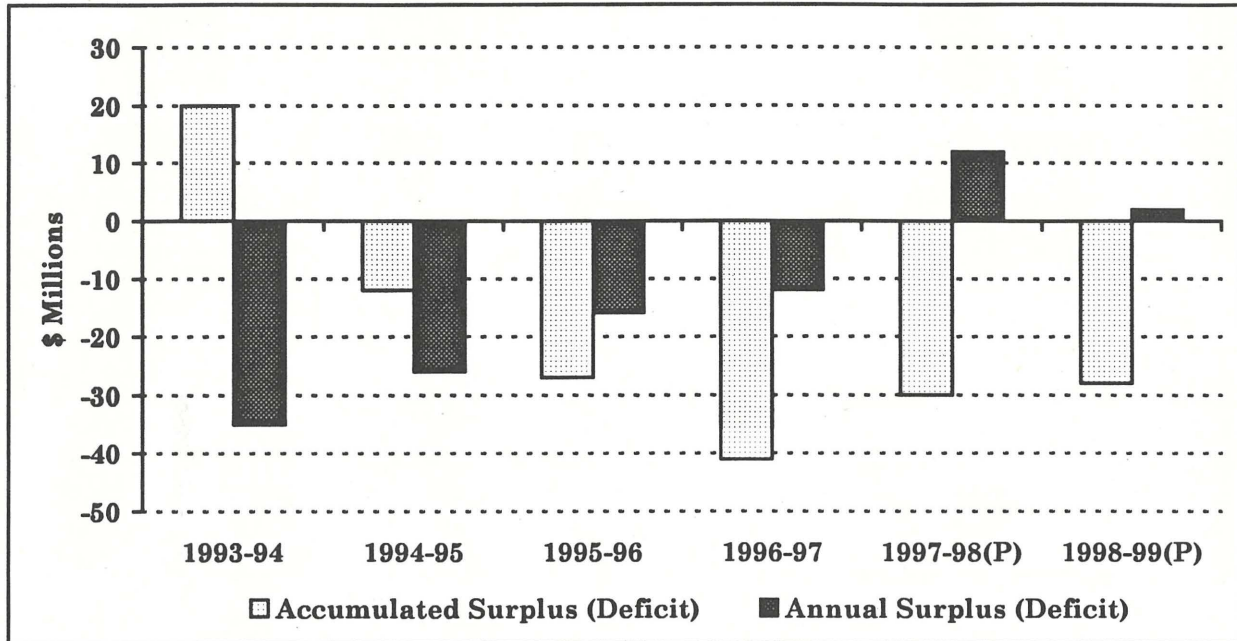
EXPENDITURE SUMMARY BY PROGRAM
(Thousands of Dollars)

	1994-95 ACTUALS	1995-96 ACTUALS	1996-97 ACTUALS	1997-98 REVISED ESTIMATES	1998-99 MAIN ESTIMATES
Legislative Assembly	11,738	12,963	10,303	13,212	12,797
Executive	91,093	76,979	61,609	55,370	55,551
Finance	8,349	9,136	8,476	9,484	8,898
Municipal and					
Community Affairs	102,195	116,933	108,614	109,567	106,138
Public Works and Services	115,932	105,201	69,789	62,029	61,352
Health and Social Services	238,635	254,567	252,356	265,051	261,366
Justice	69,372	71,517	73,924	76,579	74,735
NWT Housing Corporation	101,313	108,058	105,217	98,359	98,782
Education, Culture and					
Employment	296,955	312,289	299,358	313,219	303,567
Transportation	84,294	101,740	97,289	90,695	86,019
Resources, Wildlife					
and Economic Development	123,414	110,963	105,762	107,102	100,411
Safety and Public Services					
(Prior year actuals not					
allocated to other Departments)	1,093	1,656	1,399	0	0
TOTAL O&M AND CAPITAL	1,244,383	1,282,002	1,194,096	1,200,667	1,169,616
Adjustment for Ultimate Removal	0	(5,982)	0		
Estimated Supplementary					
Requirements Less					
Estimated Lapses				(31,000)	(9,000)
TOTAL EXPENDITURES	1,244,383	1,276,020	1,194,096	1,169,667	1,160,616

Source: 1998-99 Main Estimates
Public Accounts

Note: The Department of Safety and Public Services was eliminated in 1996-97 as part of the GNWT's restructuring. Its tasks have been assumed by other departments. Wherever possible, these expenditures have been allocated to the departments which assumed the tasks. Unallocated costs have been shown separately.

BUDGETARY BALANCES

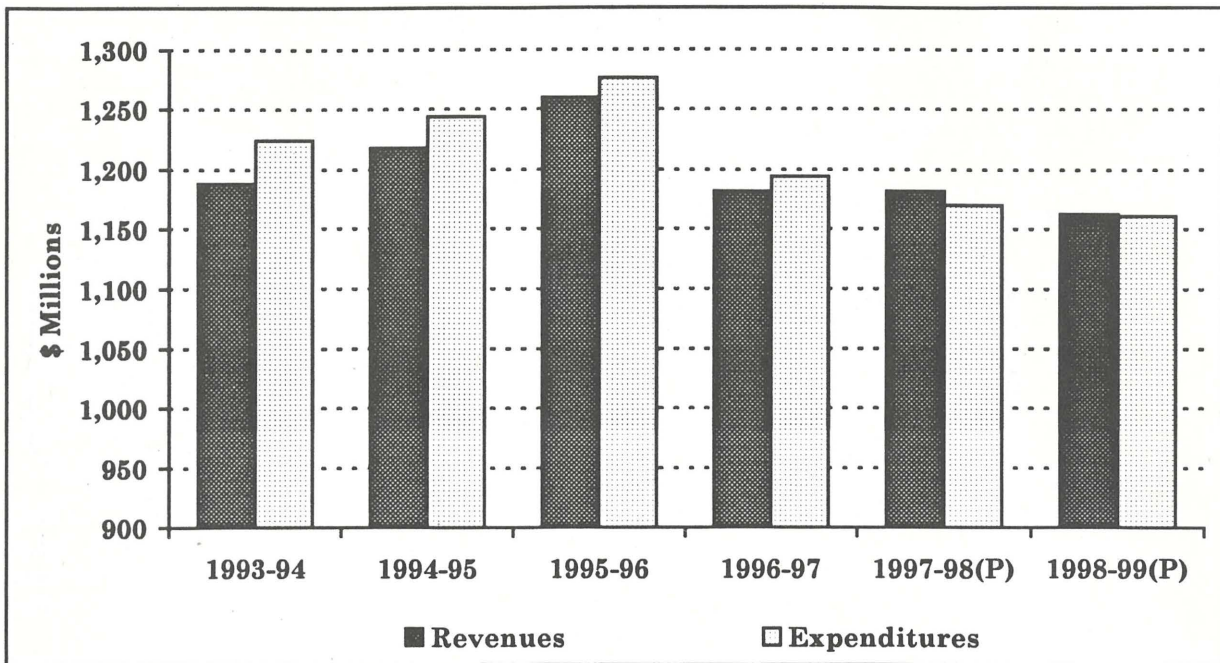


(P) Projected

Source: 1998-99 Main Estimates
Public Accounts

- The Government of the Northwest Territories is budgeting an annual surplus for the second consecutive year. The *Deficit Elimination Act* requires a balanced budget by 1998-99.
- The 1998 budget forecasts an accumulated deficit of \$30 million by the end of 1997-98. This is an improvement of \$26 million over the previous forecast.
- In 1998-99 the accumulated deficit is forecast to decrease by a further \$2 million.

GOVERNMENT REVENUES AND EXPENDITURES

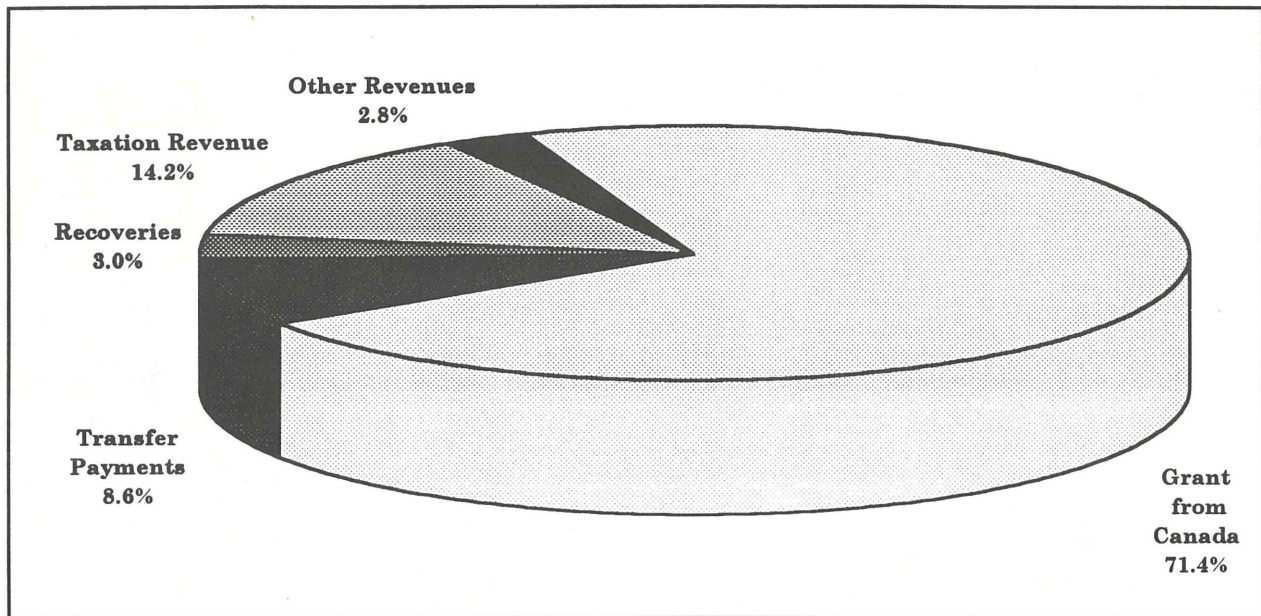


(P) Projected

Source: 1998-99 Main Estimates
Public Accounts

- Government expenditures exceeded revenues from 1993-94 to 1996-97. Revenues are projected to exceed expenditures by \$12 million and \$2 million in 1997-98 and 1998-99 respectively.
- Revenues declined in 1996-97, due mainly to the 5 per cent cut to the Formula Financing Agreement's Gross Expenditure Base, as announced in the 1995 federal budget.
- Because the growth of the Gross Expenditure Base is tied to the growth in provincial and local government spending, the Grant is expected to decline in 1997-98 and beyond. However, the reductions will be partially offset by increases in the Grant due to faster population growth in the NWT relative to the rest of Canada.
- The *Deficit Elimination Act* stipulates that in 1997-98, government expenditures may not exceed revenues by more than 2 per cent of revenues and requires a balanced budget in 1998-99.

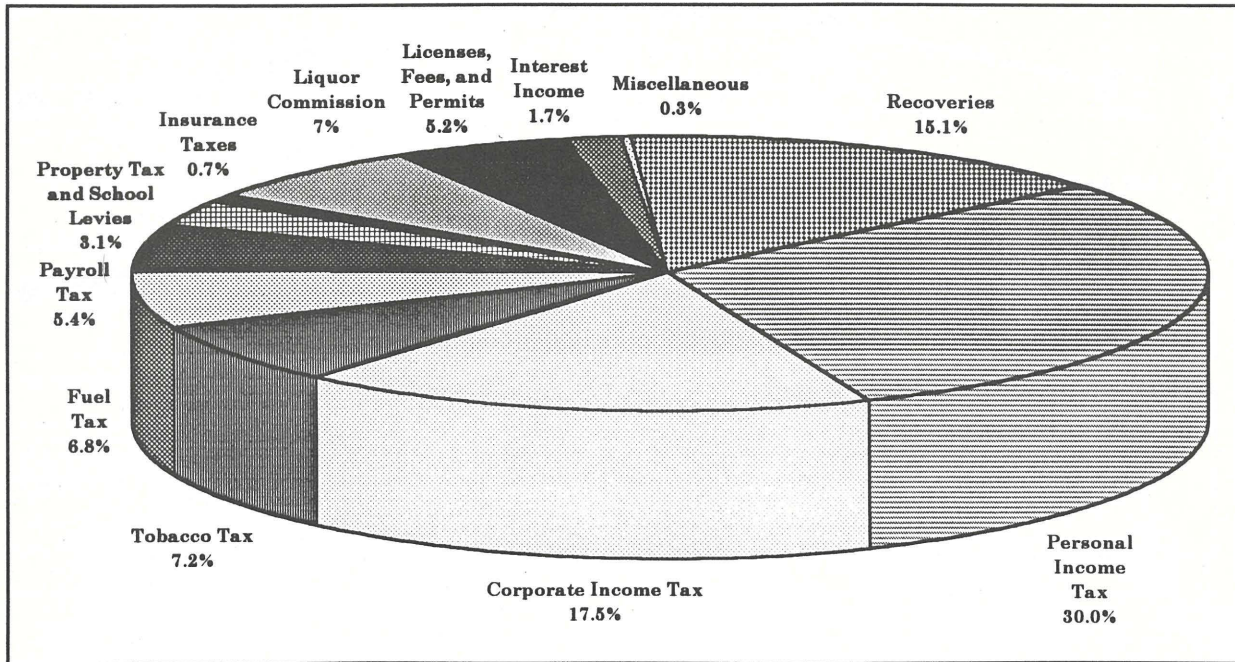
GOVERNMENT REVENUES BY SOURCE 1998-99



Source: 1998-99 Main Estimates

- The Grant from Canada under the Formula Financing Agreement constitutes the single largest source of revenue available to the Government of the Northwest Territories.
- In 1998-99, the Grant is forecast to be about \$826 million or 71 per cent of total revenues.
- Between the Grant from Canada and other transfer payments, the Government of the Northwest Territories will receive 80 per cent of its revenues in 1998-99 from the Government of Canada.
- Because territorial own-source revenues represent only 20 percent of total revenues, the Government of the Northwest Territories has a limited ability to balance its budget through revenue measures.

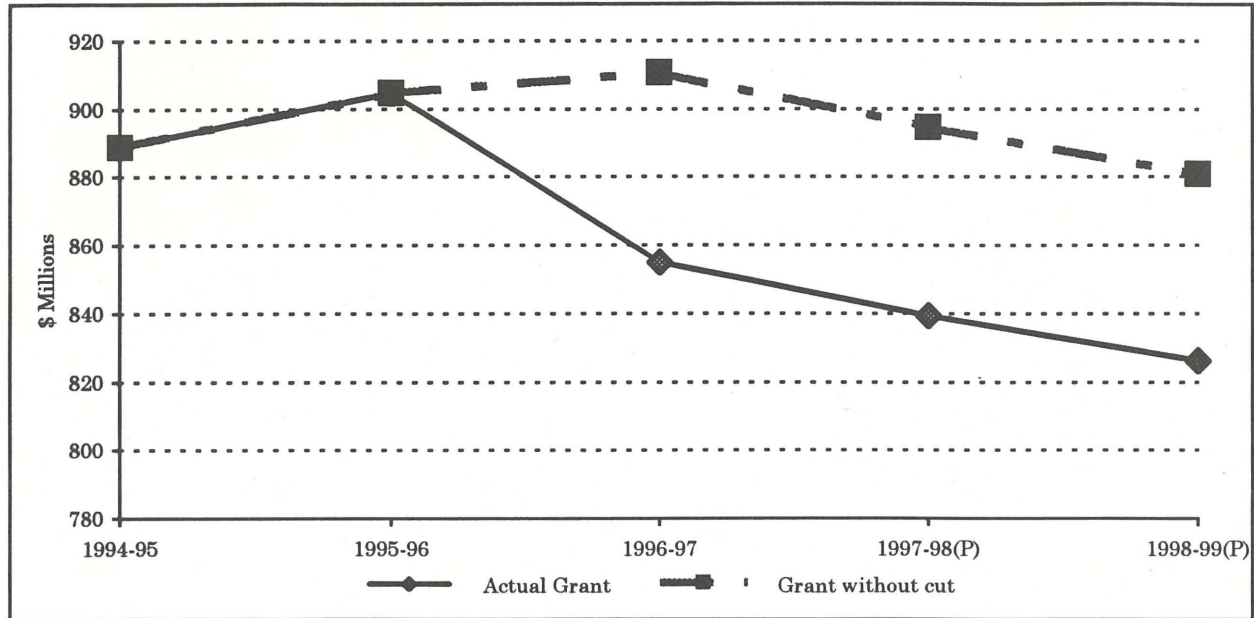
GOVERNMENT OWN-SOURCE REVENUES 1998-99



Source: 1998-99 Main Estimates

- Total own-source revenues in 1998-99 are expected to be about \$232 million.
- Personal Income Tax is expected to comprise 30 per cent of own-source revenues in 1998-99, an increase of 2.4 percentage points over the 1997-98 proportion.
- Corporate Income Tax revenues in 1998-99 are expected to increase by 14 per cent over the amounts forecast for 1997-98. This revenue source is very volatile because a large portion is paid by a few players in the resource sector.
- Recoveries include mainly rental income, sales of government assets, and sales of goods and services. In 1998-99 they are expected contribute 15.1 per cent of own-source revenues.

EFFECT OF FEDERAL CUT ON FORMULA FINANCING GRANT

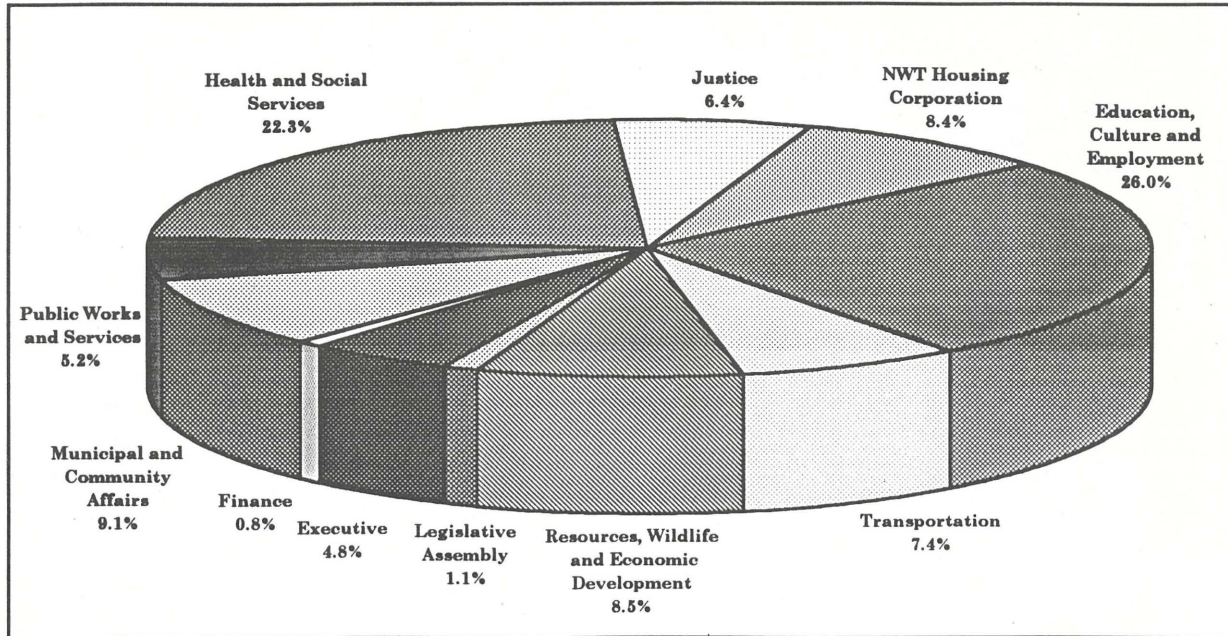


(P) Projected

Source: Department of Finance

- In its 1995 budget, the federal government announced that the 1995-96 Formula Financing Grant would be frozen at its 1994-95 level and a cut of 5 per cent would be applied to the Formula's Gross Expenditure Base in 1996-97.
- The effect of this cut was to reduce the Grant by about \$56 million in 1996-97.
- Because it is applied to the Gross Expenditure Base, the effects of this cut will carry forward into future years. Over the three years from 1996-97 to 1998-99, this measure will cost the GNWT \$165 million.
- The growth in the Gross Expenditure Base is tied to the level of provincial and local government spending. Therefore, the Grant would have declined from 1995-96 through 1998-99 even in the absence of a federal cut.
- The increase in the Grant between 1994-95 and 1995-96 is due mainly to the transfer of responsibility for Arctic 'A' Airports from the federal government to the GNWT. In the absence of this program transfer, the federally imposed freeze would have kept the Grant at a constant level.

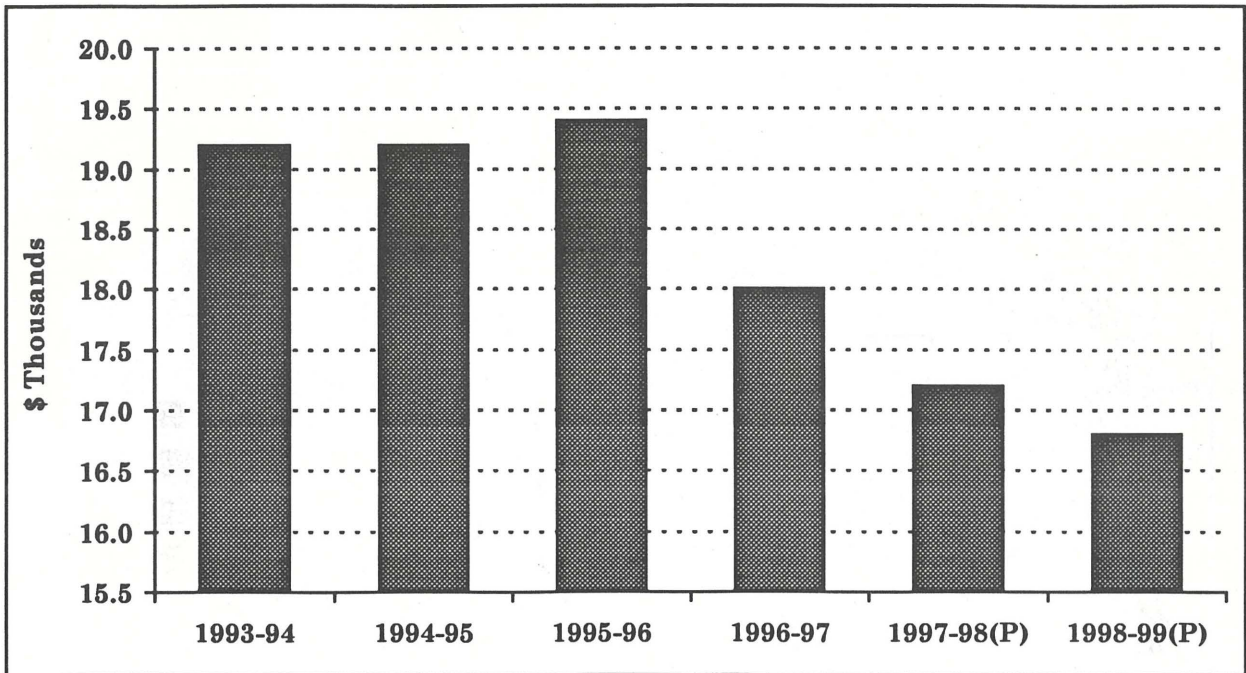
GOVERNMENT EXPENDITURES BY DEPARTMENT 1998-99



Source: 1998-99 Main Estimates

- Most territorial spending is in the area of social programs: education, health and social services, justice and housing. These programs represent 63 per cent of the Government of the Northwest Territories' 1998-99 budget.

GOVERNMENT EXPENDITURES PER CAPITA

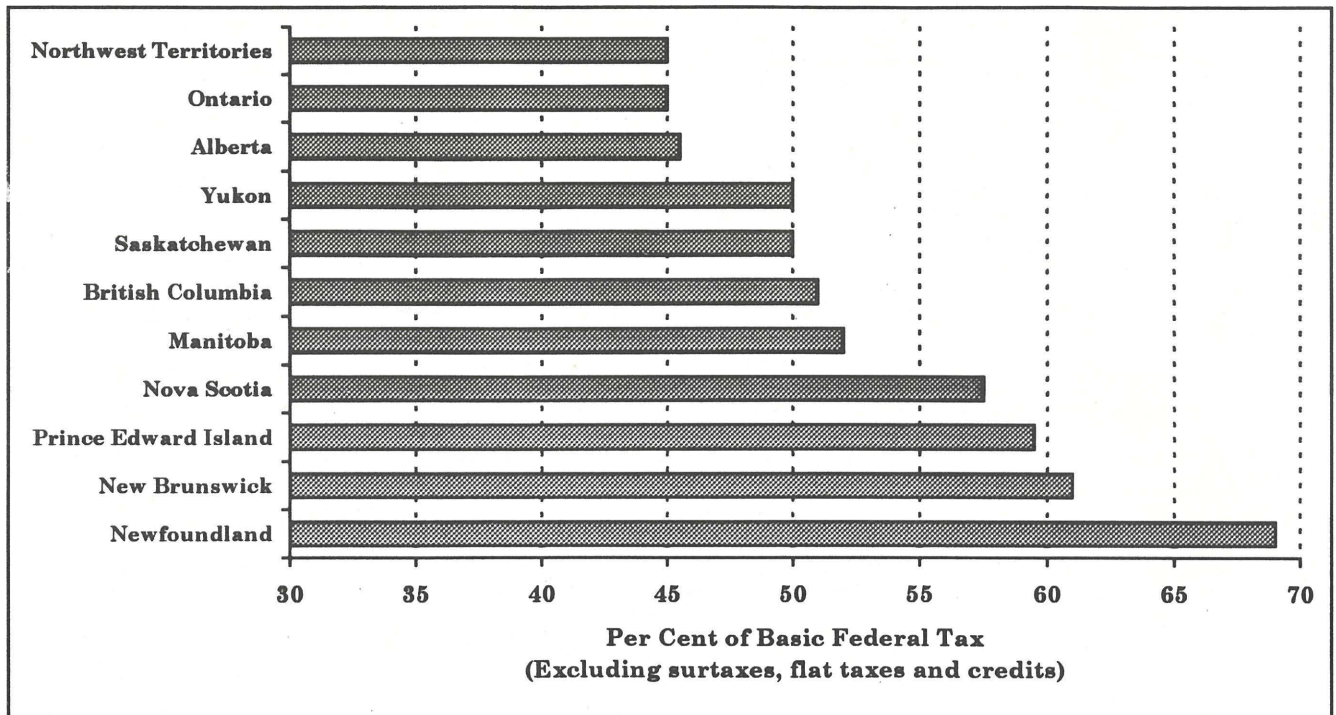


(P) Projected

Source: Department of Finance

- Expenditures per capita have declined 15 per cent over the last three years, from a high in 1995-96 of \$19,400 to a forecast \$16,800 in 1998-99.
- The decrease is due to the combination of an expenditure reduction of 8.9 per cent and population growth of 4.7 per cent over this period.

PERSONAL INCOME TAX RATES, JANUARY 1998

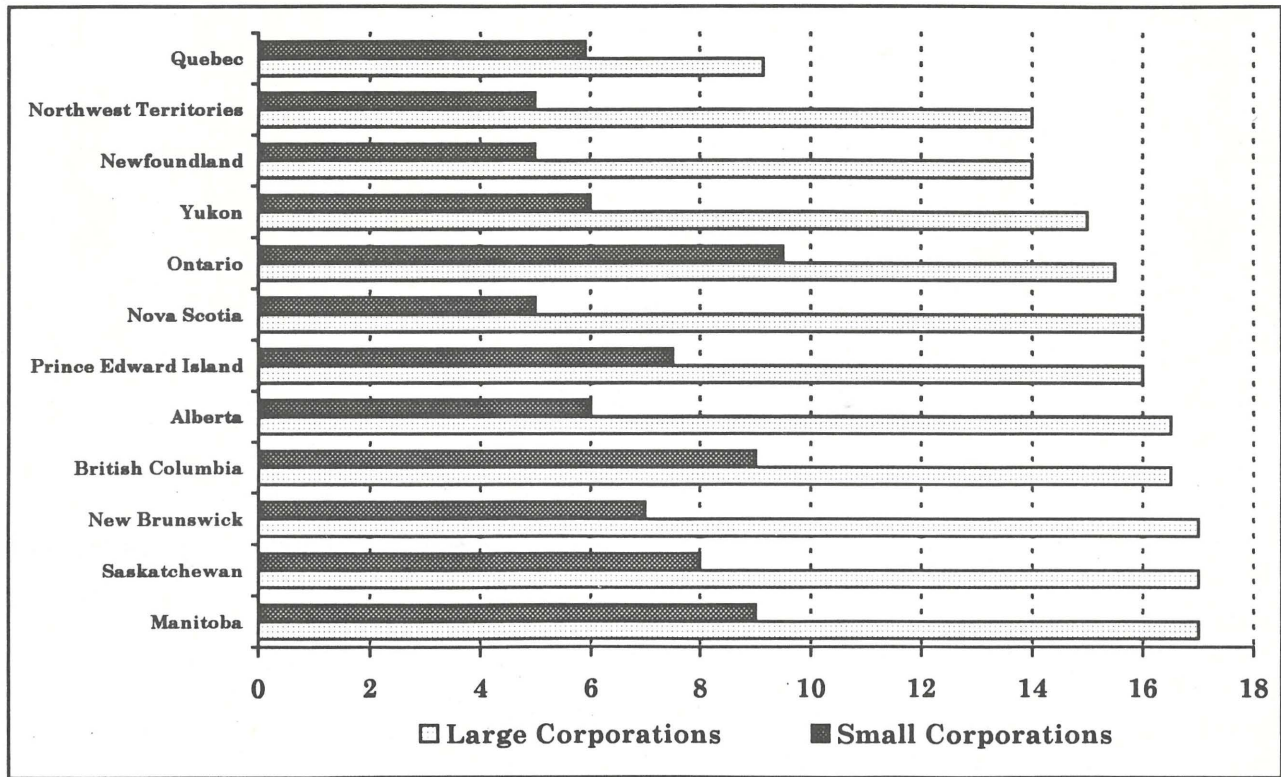


Source: Department of Finance

Note: Quebec does not levy its personal income tax as a per cent of federal tax.

- The Northwest Territories has a personal income tax rate that is among the lowest in Canada. In addition, it does not impose any flat taxes or surtaxes.
- Despite lower tax rates, Northwest Territories residents pay about the same percentage of their income in income taxes as other Canadians. Higher incomes are required in the north in order to compensate for the higher cost of living. These higher incomes, combined with the progressive income tax structure, mean taxpayers pay a higher amount and a higher percentage of income in income tax.
- The Northwest Territories is one of three jurisdictions in Canada without a provincial/territorial sales tax.

CORPORATE INCOME TAX RATES, JANUARY 1998



Source: Department of Finance

- The Northwest Territories continues to maintain a low and predictable taxation regime for corporations.
- The Northwest Territories' corporate income tax rates are among the lowest in Canada.
- The Northwest Territories has no corporate capital tax.

PROVINCIAL AND TERRITORIAL TAX RATES
as of January 1, 1998

	Personal Income Tax	Retail Sales Tax	Fuel Tax			Tobacco Tax		Annual Health Care (r) \$	Payroll Tax (s) (%)	Corporate Income Tax		Capital Tax (t) (%)
			Gasoline	Diesel	Aviation	Cigarettes	Tobacco			Small	Large	
			Unleaded							(%)	(%)	
	% of federal tax	%	¢/litre	¢/litre	¢/litre	\$/carton	¢/gram					
Northwest Territories	45.0		10.7 (n)	9.1	1.0	25.20	8.60		1.00	5.00	14.00	
Yukon	50.0 (b)		6.2	7.2	1.1	16.40	2.92			6.00	15.00	
British Columbia	51.0 (c)	7.0	11.0	11.5	3.0	22.00	11.00	432/864		9.00	16.50	0.3/3.0
Alberta	45.5 (d)		9.0	9.0	1.5	14.00	4.00	408/816		6.00	15.50	0.0/2.0
Saskatchewan	50.0 (e)	7.0	15.0	15.0	3.5	16.80	5.50			8.00	17.00	0.6/3.25
Manitoba	52.0 (f)	7.0	11.5	10.9	4.2	16.00	5.30		2.25	9.00	17.00	0.3/3.0
Ontario	45.0 (g)	8.0	14.7	14.3	2.7	4.70	2.05		1.95	9.50	15.50	0.3/1.12
Quebec	N/A (h)	7.5	15.2 (o)	16.2	3.0	5.34	1.04		4.26	5.91	9.15	0.64/1.12
New Brunswick	61.0 (i)	8.0	10.7	13.7	2.5	7.30	2.74			7.00	17.00	0.3/3.0
Nova Scotia	57.5 (j)	8.0	13.5	15.4	0.8	8.44	3.35			5.00	16.00	0.25/3.0
Prince Edward Island	59.5 (k)	10.0	13.0	12.5	0.7	12.05	3.55			7.50	16.00	0.0/3.0
Newfoundland	69.0 (l)	8.0	16.5 (o)	16.5	0.7	22.00	6.85		2.00	5.00	14.00	0.0/4.0
Canadian Average (a)	48.4 (m)	6.9	13.6	13.8	2.7	9.41	3.56		1.90	7.80	14.20	0.4/1.8
Average incl. sales tax			14.7 (p)	14.9		11.00 (q)	4.15 (q)					

- (a) Average of all provincial and territorial rates, weighted by population.
- (b) In addition, Yukon imposes a surtax of 5% of provincial tax over \$6,000.
- (c) In addition, B.C. imposes a surtax of 30% of provincial tax between \$5,300 and \$8,745 and 54.5% of tax over \$8,745, reduced by a credit of \$50 per dependant.
- (d) In addition, Alberta imposes a flat tax of 0.25% of taxable income and a surtax of 8% of provincial tax over \$3,500.
- (e) In addition, Saskatchewan imposes a flat tax of 2% of net income and a surtax of 15% of provincial tax over \$4,000. An additional 10% surtax is applied to the aggregate of an individual's basic Saskatchewan tax and flat tax. The surtax is reduced by \$150 for single taxpayers and \$300 for those with dependants.
- (f) In addition, Manitoba imposes a flat tax of 2% of net income and a surtax of 2% of net income over \$30,000 with additional offsets for the taxpayer and dependants.
- (g) In addition, Ontario imposes a surtax of 20% of provincial tax between \$4,270 and \$5,635, and 30% of tax over \$5,635.
- (h) Quebec levies a personal income tax directly against taxable income.
- (i) New Brunswick imposes a surtax of 8% of provincial tax over \$13,500.
- (j) Nova Scotia imposes a surtax of 10% of provincial tax over \$10,000.
- (k) Prince Edward Island imposes a surtax of 10% of provincial tax over \$5,200.
- (l) Newfoundland imposes a surtax of 10% of provincial tax over \$7,900.
- (m) 48.4% is the weighted average of the basic rate in the nine provinces and two territories which have tax collection agreements with the federal government. The average effective rate (total provincial/territorial tax, including surtaxes, flat taxes, and credits, as a percentage of basic federal tax) for all twelve jurisdictions is 52.0%.
- (n) A lower rate of 6.4 cents applies to communities not served by the highway system in the Northwest Territories.
- (o) Lower rates apply to some areas of the province: Quebec - border areas; Newfoundland - remote areas.
- (p) Quebec, New Brunswick, Nova Scotia and Newfoundland apply sales tax to fuel.
- (q) Average includes provincial sales taxes of Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia and Newfoundland applicable to sales of tobacco.
- (r) Rates shown for health care premiums are for single individuals and families of three or more.
- (s) Other than for NWT, rates shown are for payrolls over \$400,000. The NWT Payroll Tax is levied on employees.
- (t) Rates shown for capital tax are for large corporations and for financial institutions in the order shown. The bases are different for different type of companies.

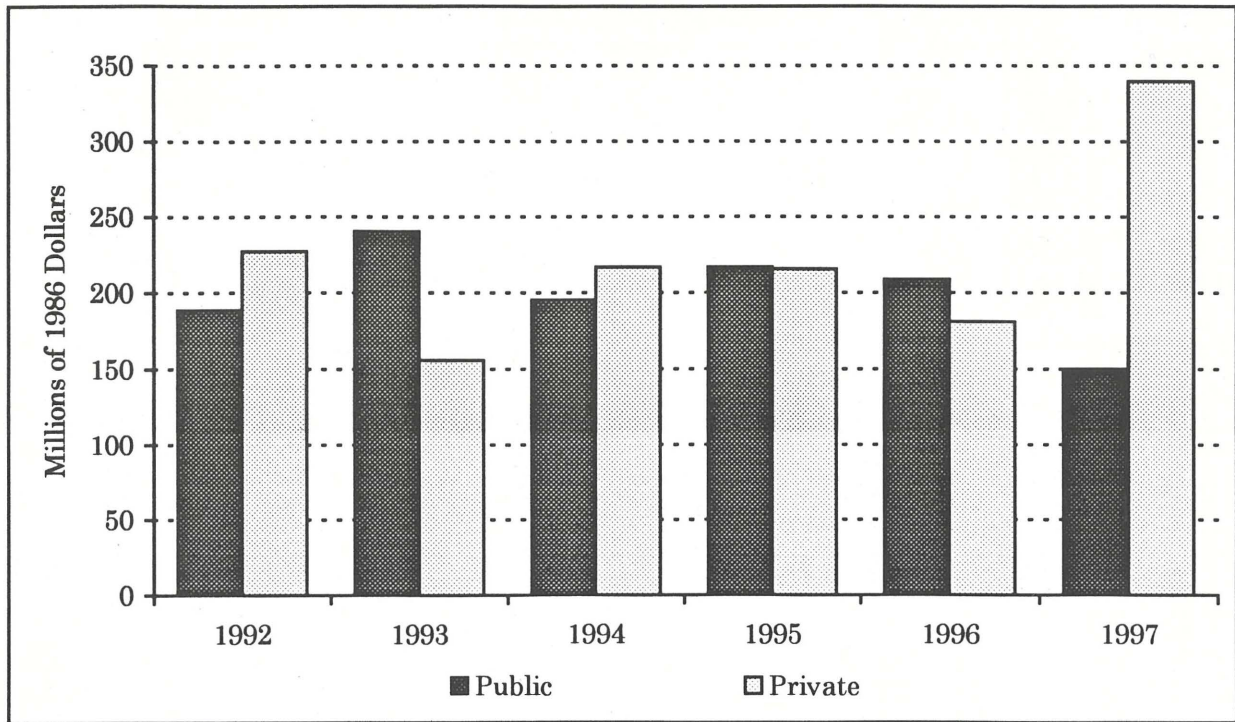
NORTHWEST TERRITORIES ECONOMIC INDICATORS: 1992-1997

INDICATOR	1992	1993	1994	1995	1996	1997(E)
Final Domestic Demand (Mil. of 1986 \$)	2,031	2,068	2,124	2,156	2,203	2,280
(% Change)	2.7	1.8	2.7	1.5	2.2	3.5
Total Investment (Mil. of 1986 \$)	379	405	446	460	490	540
(% Change)	(6.7)	6.9	10.1	3.1	6.5	10.2
Consumer Expenditures (Mil. of 1986 \$)	644	657	678	710	722	750
(% Change)	1.6	2.0	3.2	4.7	1.7	3.8
Government Expenditures (Mil. of 1986 \$)	1,008	1,006	1000	986	991	990
(% Change)	7.5	(0.2)	(0.6)	(1.4)	0.5	(0.1)
Employment (000's)	20.9	21.5	22.4	23.6	25.0	25.3
(% Change)	0.8	2.9	4.2	5.4	5.9	1.2
Avg. Weekly Earnings (\$)	713	703	704	710	721	727
(% Change)	1.3	(1.4)	0.1	0.9	1.6	0.9
CPI (Yellowknife)	124.5	126.6	128.9	132.6	134.7	135.0
(% Change)	1.1	1.7	1.8	2.9	1.6	0.2

(E) Estimate by Department of Finance

Source: Statistics Canada
Department of Finance

PUBLIC AND PRIVATE INVESTMENT, NWT

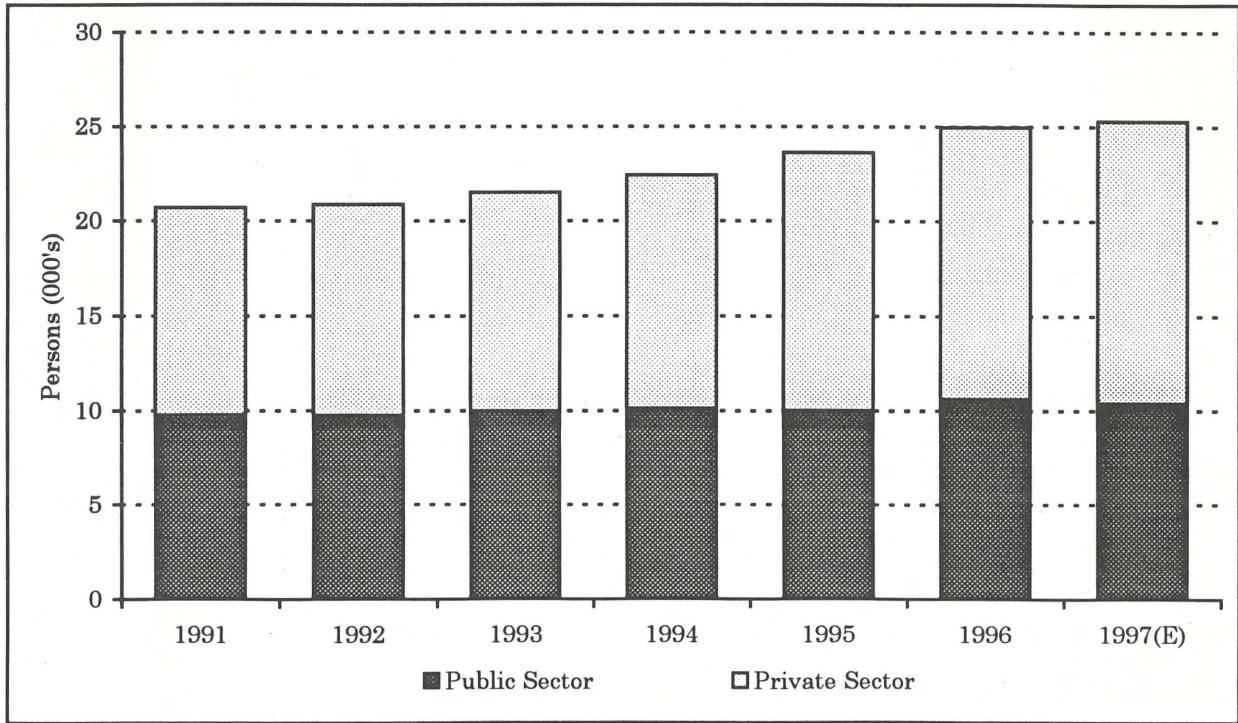


Source: Statistics Canada

Note: 1991 to 1995 figures are actual, 1996 figures are preliminary actual, 1997 intentions are revised.

- Reduced public sector construction is responsible for the decline in public sector investment in 1996 and 1997.
- Private sector investment declined in 1996 but is expected to grow significantly in 1997, primarily due to capital investment in the diamond industry.
- Compared with Canada as a whole, government in the NWT historically contributes proportionately more to total investment. This reflects the large demand for infrastructure in areas such as education, health, transportation and communications.

EMPLOYMENT – PUBLIC AND PRIVATE SECTORS, NWT

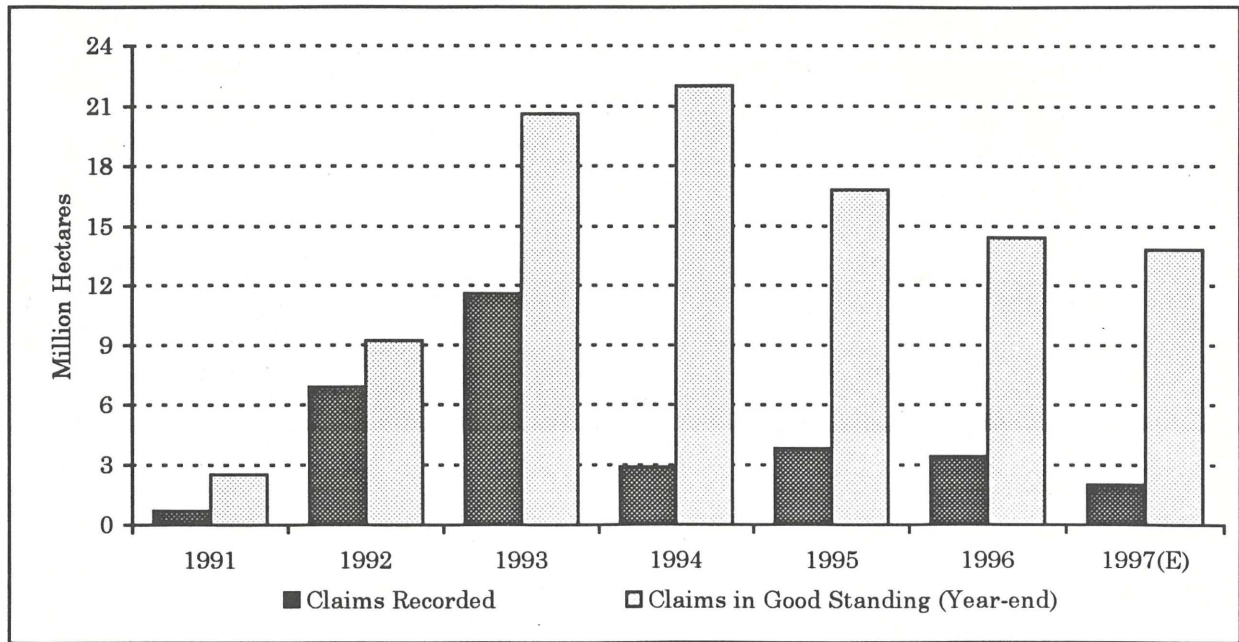


(E) Estimated

Sources: Statistics Canada, Survey of Employment, Payroll and Hours
Public Sector: Public Administration, Education and Related Services, Health and Social Services

- Most of the employment growth in the last five years has come from the private sector. Since 1992, an estimated 3,400 jobs have been created in the Northwest Territories.
- Construction of the Lac de Gras diamond mine is estimated to have created an additional 900 private sector jobs in 1997 and to create a further 100 jobs in 1998.

MINING EXPLORATION, NWT

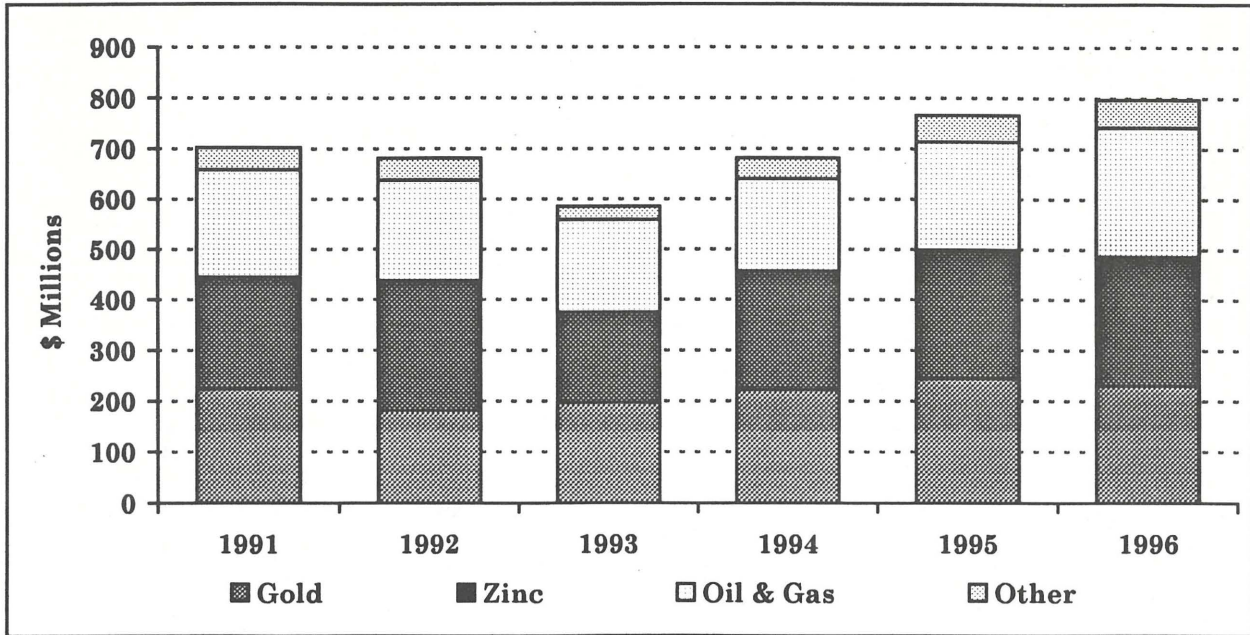


(E) Estimated

Sources: Statistics Canada
GNWT, Department of Finance Estimate

- Claims recorded increased to 3.9 million hectares in 1995. Claims in good standing were 16.8 million hectares. Most of the increase was spurred by the potential for diamonds.
- Claims recorded are estimated to decline in 1997 to 2 million hectares. The fallout after the Bre-X mineral scandal and the sale of bullion by central banks negatively affected the ability to raise capital for exploration purposes.
- Estimated exploration expenditures in the Northwest Territories for 1996 amounted to \$183 million - higher than in any other Canadian province or territory. Natural Resources Canada expects 1997 expenditures to decline slightly to \$178 million.
- With the approval of the BHP diamond project at Lac de Gras, an estimated 72 per cent of exploration activity in 1996 was focused on diamonds. There are a number of other promising diamond projects in an advanced stage of exploration.

VALUE OF MINERAL PRODUCTION, NWT



Source: Statistics Canada

- Recent increases in the value of mineral production are mainly due to higher world prices for metals and oil and gas.
- Production levels for gold remained fairly stable until 1996. Since then decreases in the price of gold have resulted in decreased production and are threatening the economic viability of gold mines in the NWT.
- The value of zinc shipments has increased since 1993 reflecting a substantial increase in price.
- Most existing NWT mines are in their mature phase of operation. If increases in Northwest Territories mineral production are to be sustained, new mines will have to be developed.
- The construction phase of the Lac de Gras diamond mine began in 1997, with production beginning in 1998 and operation at full capacity by 2002. At full capacity, production at the Lac de Gras mine is projected to reach \$500 million per year.

Appendix B

NWT Tax Initiatives

NWT CHILD BENEFIT

The federal and NWT governments have agreed to a joint National Child Benefit Program (NCB) that will become effective in July 1998. Under this agreement, the federal government will establish a National Child Benefit. The resulting savings in NWT social assistance payments will be invested by the NWT in a territorial Child Benefit. The NWT has allocated an additional \$2 million in new money for the NWT Child Benefit.

The following is a description of the NWT program:

- All families with net incomes of \$20,921 or less will receive an annual benefit of at least \$330 per child.
- Families with working income of \$3,750 or more would be entitled to an additional Territorial Workers' Supplement (TWS). It would be phased in so that the maximum benefit becomes available when working income reaches \$10,000.

**MAXIMUM¹ FEDERAL-TERRITORIAL BENEFITS UNDER PROPOSED NCB
SCHEME**
(Annual Dollars Paid to Family)

	FEDERAL	TERRITORIAL	TOTAL
1 Child	1,625	605	2,230
2 Children	3,050	1,010	4,060
3 Children	4,475	1,340	5,815
4 Children	5,900	1,670	7,570

- The benefit will begin to be phased out when family net income reaches \$20,921. The level at which it would be eliminated would vary according to family size. For a one-child family, the benefit would be reduced at a rate of 3 per cent of net income in excess of \$20,921; it would reach zero when net income is \$42,000. For families with two or more children, the benefit would be reduced at a rate of 5 per cent of net income in excess of \$20,921; it would reach zero at different levels, depending on family size. A three-child family, for example, would receive no benefit when net income reaches \$48,000.
- The benefit will be administered by Revenue Canada and delivered monthly together with the federal Child Tax Benefit.
- The benefit will become available in July 1998.

¹ The maximum amount is payable to families with over \$10,000 in Working Income and less than \$20,921 in Net Income.

- The benefit will be paid to the children's primary caregiver, the same parent receiving the federal Child Tax Benefit. In most cases this is the mother.

It is estimated that about 14,300 NWT children, or 59 per cent, would receive some benefits under the program. The remaining 9,900 children would not receive benefits because their parents' income is too high.

Including a Territorial Workers' Supplement in the benefit will help address the fact that low-income parents who enter the work force face increased expenses. For example, social assistance recipients who enter the work force will incur work-related expenses, but may lose a number of cash benefits and benefits-in-kind when they start earning income and this may make them worse off. A Territorial Workers' Supplement helps offset some of these costs.

Formula for Proposed NWT Child Benefit

$$\text{Benefit} = B + (C \times \frac{(D - \$3,750)}{\$6,250}) - (G \times H)$$

where:

B = \$330 per child

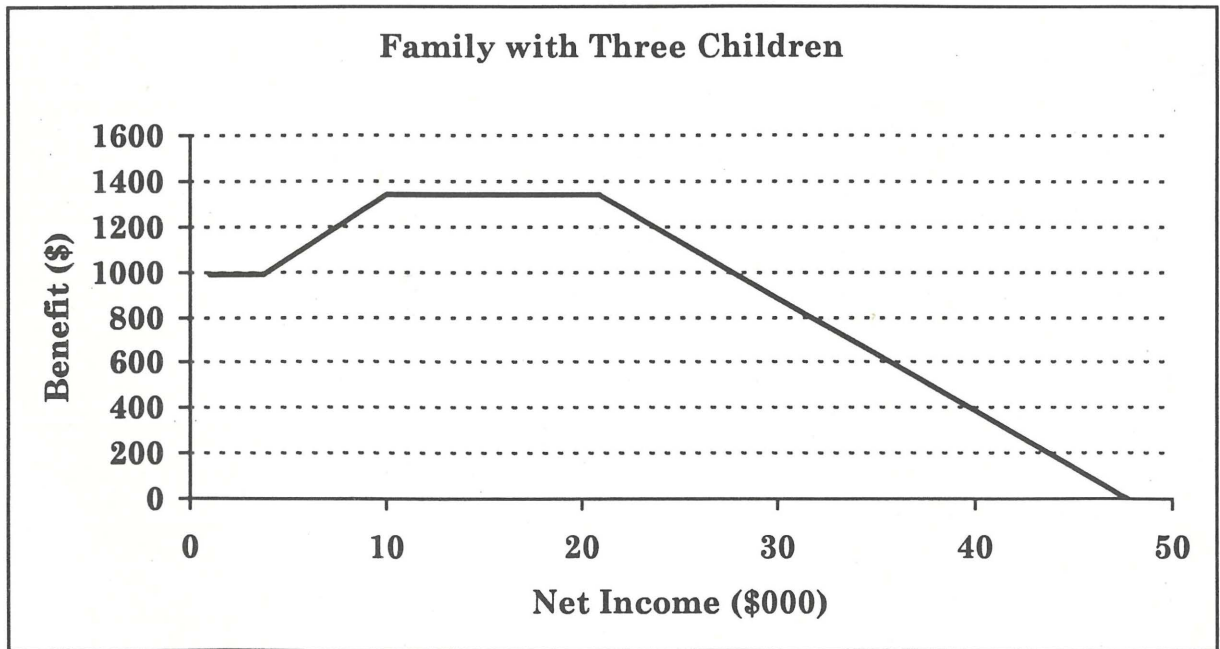
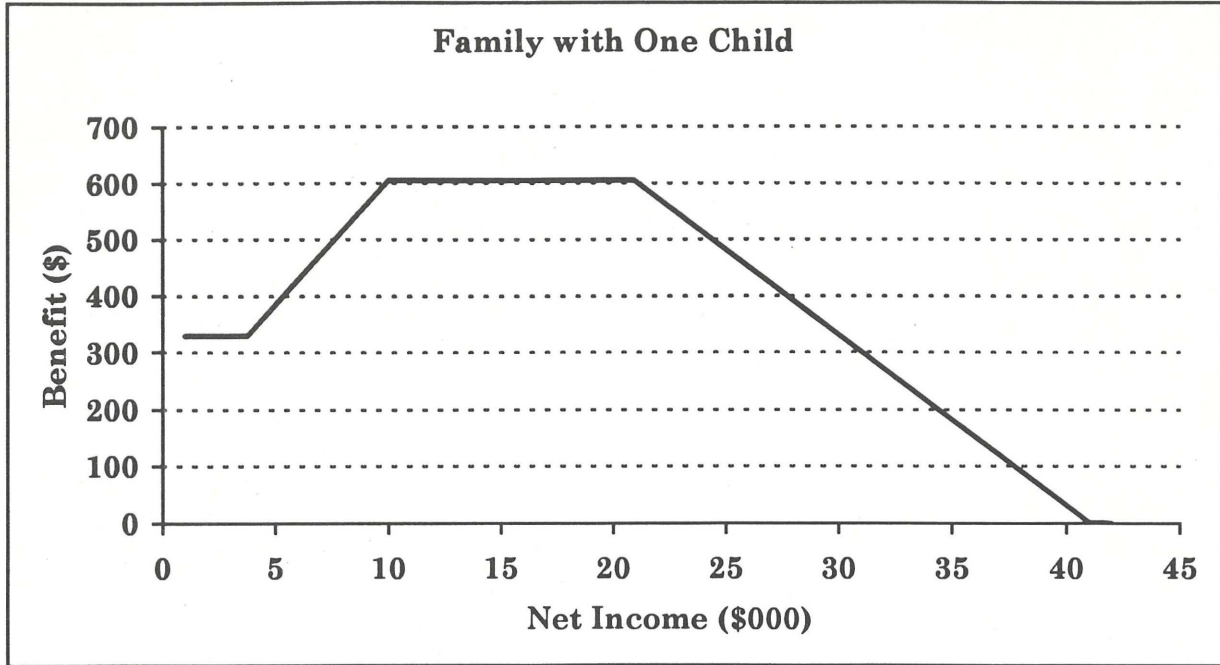
C = total of \$275 for the first child
 + \$75 for the second child
 (no extra amounts for additional children)

D = the lesser of \$10,000 and family earned income, but no less than \$3,750.

G = family net income minus \$20,921

H = 3 per cent where there is one child
 5 per cent where there are two or more children.

**PROPOSED TERRITORIAL CHILD BENEFIT
AND WORKERS' SUPPLEMENT
EXAMPLES OF BENEFIT LEVELS**



NWT EQUITY INVESTMENTS TAX PROGRAM

The start-up or expansion of small and medium-sized NWT businesses is restricted due to current difficulties in accessing equity capital. The existing tax system does not encourage NWT taxpayers to invest in NWT businesses. Limited familiarity with investment opportunities in the NWT also impedes investment.

The budget proposes a new NWT Investment Tax Credit Program. The purpose of this tax credit program is to encourage:

- the NWT private sector to market newly issued shares of NWT businesses for sale to NWT taxpayers; and
- NWT investors to purchase shares of NWT businesses that are planning start-ups or expansions.

Under the proposed legislation, there would be four investment vehicles: **labour sponsored funds** (encouraging unions and employee associations to sponsor mutual funds that in turn would invest in new/expanding NWT businesses); **employee sponsored venture capital funds** (encouraging employees to purchase shares in their employing business); **community endorsed venture capital funds** (encouraging the private sector to establish small mutual funds that in turn would invest in new or expanding NWT businesses); and, **private new common shares sales** (encouraging the direct sale of shares in new or expanding NWT businesses to NWT taxpayers).

Investors in labour sponsored funds would be eligible for credits of 15 per cent of investments, to a maximum credit of \$525 a year. Investments to such funds are already eligible for a 15 per cent federal credit.

Investments in other funds would receive a credit of 30 per cent of investments, to a maximum credit of \$30,000 a year. NWT income tax credits earned but unused in any one year, could be carried backward for three years, or forward for seven years.

All funds raised through the program could only be used to assist in financing the start-ups or expansions of NWT businesses. Investments in businesses with publicly traded shares, or with the majority of their activities or employees outside of the NWT, would not be eligible for a tax credit.

The legislation would allow for identical but separate approval processes for Nunavut and the Western Territory.

Individuals and corporations paying NWT income taxes would be eligible investors under the program. However, individuals or corporations could not be related or associated (as defined under the *Income Tax Act*) to the business in which they are

investing. Individuals or corporations could not acquire control through the purchase of shares under the program.

It is proposed that the legislation contain a five-year "sunset clause". The maximum NWT equity tax credits available in any tax year would be set through regulation. The following maximum tax credits are proposed:

- \$1 million in 1998;
- \$2.5 million for 1999,
- \$5 million per annum until 2003; and
- over the period from 1998-99 to 2003-04, the total cost of the program would be at most \$23.5 million.

How Will the Program Work?

The GNWT will appoint two program administrators, one for the Western Arctic and one for Nunavut.

Groups wishing to sponsor a venture Capital Corporation, or companies wishing to use the program to issue new shares, would apply to the administrator for approval. Once approval has been obtained, the Venture Capital Corporation or private company would issue receipts to investors.

The programs will be administered on behalf of the NWT by Revenue Canada. Investors will submit receipts with their tax returns; receiving tax credits to a maximum of \$30,000 or their NWT income tax payable.

Four mechanisms are proposed to facilitate the purchase of "eligible shares" in "eligible businesses":

NWT Labour Sponsored Venture Capital Corporations (LSVCC)

Any NWT trade union, employee association, co-operative or professional association can sponsor an LSVCC. Shares purchased in an LSVCC are RSPP eligible, eligible for the federal LSVCC tax credit, and be eligible for a 15 per cent NWT equity tax credit.

NWT Employee/Labour Sponsored Venture Capital Corporations (E/LSVCC)

Any "eligible business", or any employee group or association of an "eligible business" can sponsor an E/LSVCC. Through the VCC, employees could purchase shares in the business in which they are employed. Shares purchased in an E/LSVCC would likely be eligible for inclusion in an RSPP, and would be eligible for the 30 per cent NWT equity tax credit.

NWT Community Endorsed Venture Capital Corporations (CEVCC)

Any “community endorsed” for profit corporation may sponsor a CEVCC. Shares purchased in a CEVCC would be eligible for inclusion in an RSPP, and would be eligible for the 30 per cent NWT equity tax credit.

NWT Private New Common Shares Sales (PNCSS)

Any “eligible business” can sponsor NWTPNCSS. These share issues are eligible for inclusion in an RSPP, and would be eligible for the 30 per cent NWT equity tax credit.

ELIGIBLE BUSINESS

An Eligible Business is a Canadian joint venture, co-operative or corporation incorporated and employer in the NWT and:

- Where the investment is made in an E/LSVCC or LSVCC, and the employee has with affiliates, less than \$50 million of assets and less than 500 employees (a federal requirement to be eligible for the federal LSVCC tax credit), plus pays at least 50 per cent of its total wages to NWT residents and has at least 50 per cent of its work force in the NWT.
- Where the investment is made in a CEVCC or PNCSS, and has with its affiliates less than \$100 million of assets and less than 500 employees, plus has at least 75 per cent of its employees in the NWT and pays at least 75 per cent of wages to NWT residents.
- The business has a permanent place of business in the NWT.
- The business has at least 80 per cent of its assets located in the NWT.
- The business does not have publicly traded shares at the time of the investment.

ELIGIBLE SHARES

Eligible Shares are common shares of “eligible businesses” that are newly issued, and paid for in full in cash by an eligible investor, and:

- The shares must have full voting rights, be eligible to receive dividends, permit attending and voting at AGM’s, and receive a share of assets on the dissolution of the corporation (shares in a co-op must provide full “membership” benefits); and,
- An “eligible business” cannot provide any financial assistance to an investor to assist in the purchase of “eligible shares”.

ELIGIBLE INVESTMENTS

Eligible Investments are restricted to the purchase of common shares in “eligible businesses” and subordinated debt to a maximum of 100 per cent of the value of the eligible shares purchased. The investment proceeds (i.e., sale of shares and subordinated debt) may be used for business start-ups, expansions, and restructuring.

With respect to LSVCC’s and CEVCC’s, within 12 months of the end of the fiscal year:

- One-quarter of the equity raised must be invested in eligible businesses that have less than \$4 million of assets at the time of the investment.
- No more than 25 per cent may be held as “reserves.”
- The balance may be invested in eligible businesses with less than 500 employees.

With respect to E/LSVCC’s, within 12 months of the end of the fiscal year end, a minimum of 75 per cent of equity raised must be invested in the business employing the investors, and the balance may be held as “reserves”. With respect to PNCSS, 100 per cent of the equity raised is to be invested in the sponsoring business.

EXCLUDED INVESTMENTS

Excluded Investments include:

- Acquiring control of a company, except for restructurings as may be approved by the Minister.
- Paying dividends or partner draws.
- Paying shareholder/director/officer liabilities (except for E/LSVCC’s).
- Reinvestment outside of the NWT.
- Non-arms length transactions, unless specifically approved by the Minister.
- Purchase of anything at above market costs.
- Purchase of securities from an individual.
- Purchase of land, unless incidental to the prime purpose of the business.
- Payment of liabilities to any corporation registered under the Act.

PROGRAM ADMINISTRATION

A Program Administrator would be appointed in Nunavut and another for the Western Territory. The Program Administration will be an arm's length organization. Administrators would not be full time positions, and will not be members of the Public Service. This may facilitate the appointment of Administrators with experience, knowledge and skills of NWT business.

Tax credits are only available against the purchase of shares in registered businesses.

A business would apply to the Program Administrator on a prescribed form, and on the recommendation of the Program Administrator, the Minister may approve the application for registration under the program.

Applications could be rejected because they were deemed to not conform to the spirit and intent of the legislation (this is a common element of provincial programs), and/or for not meeting the program criteria as set out in the legislation and regulations, and/or because there were no remaining tax credits. The Program Administrator would not be responsible for judging the quality or risk of the investment - the assessment of the quality/risk of the investment would remain a matter for consideration by the Investor.

The key roles of the Program Administrators would include:

- Receiving applications for registration from firms/venture capital funds wishing to sell shares eligible for an equity tax credit.
- Recommending the approval/rejection of the application for registration to the Minister responsible.
- Receiving annual performance reports from firms wishing to remain registered under the program.
- Issuing an annual public report setting out a listing of currently "registered firms", and costs/benefits of the program.
- Setting a fee schedule to recover most/all of the cost of registering firms under the program.

