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REPLY TO BUDGET ADDRESS

February 11, 2019

MR. O'REILLY: Merci, Monsieur le President. This will be my last reply to the budget addressed for the 18th Assembly, and I look forward to thunderous applause from my colleagues across the way. I have organized my reply in the following manner, with some general comments that review the process revenues and departmental highlights. I conclude with some advice to future assemblies.

General Comments

Cabinet's cuts to programs and services appear to have come to an end except for one department, and that's Environment and Natural Resources, and I will have more to say on that issue a little later. We continue to run up a debt as a result of large infrastructure projects. The debt is now \$1.1 billion, only \$200 million away from the debt wall. A large infrastructure project for 2019-2020 will be the Tliche All-Season Road at \$46.6 million.

We have a cabinet that is adrift in a maze of mandate commitments that it cannot possibly hope to complete. A lot of funding is finally flowing from the federal government, but this is now shaping our direction and investments. This is not necessarily a bad thing. This Cabinet is stuck in the roads-to-resources paradigm, and the federal funding has at least forced us to look beyond this approach. It is a sad comment that we have to look to the federal government for improved action on housing for our citizens or applying carbon pricing to combat climate change.

Process

For the fourth year in a row, no public consultation was carried out with regard to the budget. I contrast this with the last several finance ministers who would carry out pre and post budget meetings. In addition to the lack of public consultation and despite my previous recommendations, there was no consultation with Regular MLAs to help set priorities and develop the business plans. Again, the quality and inconsistency of the departmental budgets or business plans varied widely. Some contained very little detail on activities for 2019-2020. We are using output-based performance indicators rather than tracking outcomes, and there are questionable risk profiles. As I said last year, Cabinet Ministers need to pay much more close attention to their business plans, appropriate to the investment of \$1.9 billion in public funds. We are still waiting for responses from Cabinet on the very modest budget requests from Regular MLAs, which will come to light as the process rolls out through the House.

Cabinet dropped in very significant changes from the business plans to the Main Estimates, in the order of more than \$20 million, with no explanation. We had to ferret out these changes and seek information. Some of the responses are yet to arrive.

Revenues

We will raise almost as much money from tobacco taxes, \$15 million, and liquor

revenues, \$25 million, as we get from resource royalties, at \$47 million. Very little, if anything, has been accomplished in terms of increasing or even stabilizing own-source revenues. Reviews of resource royalties have been pushed off to the 19th Assembly with no guarantee this will be public, while literally tens of millions of dollars of potential revenues flow out of the Northwest Territories, as shown by ITI's own consultants. Changes to the territorial formula arrangement would also be helpful in ensuring that we get to keep more of our own-source revenues, but little progress, if any, has been made by our Cabinet on this matter.

One Member in this House referred to the consultation process underway on the sugar-sweetened beverage tax as a cynical effort to check off a box. I would liken it to a lead zeppelin that was never intended to get off the ground.

I have already described in this House how the carbon pricing system developed by Cabinet is not fair and that it is doubtful whether it will really help us achieve our climate-change commitments. While \$16.2 million will be raised, large emitters will get all of the money back that they pay, and only \$3.7 million will be re-invested. It will be individuals, families, and small businesses that are subsidizing the limited re-investment in renewables, not industry. There has been no income tax reform during this Assembly. Cabinet refuses to add a high-earner tax bracket, unlike the federal government and other jurisdictions.

Lastly, despite my continuing to raise these issues year after year, there does not appear to be any progress on indexing the northern resident tax deduction or setting a publicly available rate for travel to southern locations to avoid the plethora of audits that plague Northerners.

Departmental Highlights

There has been no visible progress on reviewing the Heritage Fund Act as laid out in the mandate. The fund continues to lose money against inflation, has no defined revenue stream, and no role for the public in its management. A very large information systems shared services unit of 71 staff is being created with many transfers from other departments. From what I can tell, the purpose is not to deliver improved service to the public but to centralize power within the Department of Finance. We can expect to hear more about the unfair carbon tax developed by Cabinet, but I will say that the federal backstop is looking a lot better.

Health and Social Services

There are definitely some good initiatives here from one of the few departments and Ministers who is not afraid to go and get additional resources. I want to commend the Minister for that. This includes over \$3.3 million for child and family services, a territorial midwifery program, I am still waiting to see the plan, and increased resources for autism. Some of the money for the new initiatives are being taken from some other programs, and we have yet to get an adequate explanation. Most troubling is the \$600,000 cut to homecare services to fund child and family services improvements.

Co-payments of medical travel are set to increase by \$240,000, but the process and way of increasing revenues has not been explained. I have asked the Minister several

times for a clear plan with timeline for the old Stanton Hospital services, and I am still waiting.

Audiology wait times are clearly unacceptable, and it is not clear whether this budget will improve this situation. Benchmarking and public reporting of wait times is needed for a variety of medical and allied health services. It is hard to tell whether we are making any progress on pharmacare, recovering Metis benefits payments from the federal government, and improving the Non-Insured Health Benefits Program.

Lastly, there is no overall plan for dealing with family violence, from our government. Health and Social Services can and should play a central role in this initiative, but it is not clear what is happening.

Industry, Tourism and Investment

Macro-economic analysis does not appear to play any role in how funding is invested. Diversification takes a back seat to the department's promotion of non-renewable resource development. It is good to see some limited new funding for development of a knowledge economy strategy and development of wind power in Inuvik.

There is a need for an agricultural pathfinder, just as there is such a function for the mining sector within ITI.

No reasonable rationale has been provided for an additional deputy mining recorder, as the workload is steady or even declining.

Lastly, there does not appear to be any additional funds for new investments in the Yellowknife tourism sector that is still without a proper visitor centre.

NWT Housing Corporation

Expenditures at the corporation will be over \$100 million for 2019-2020, which includes some new federal funding. The corporation should report on how this spending will work towards reducing core need and how it will work with other agencies, such as the co-investment fund in the National Housing Strategy. Client-centred performance measures would also help.

I have encouraged improvements to the corporation's website for some time, to make its programs and services more accessible, especially in light of the refocused initiatives within the corporation.

The corporation also needs to get very creative and get more of the federal infrastructure funding that requires Cabinet to let it get to the table. For example, Nunavut is using \$12 million for housing retrofits under the Low Carbon Economy Fund where we are only using \$4 million from that fund for housing improvements.

Environment and Natural Resources

This is the only department that is continuing to take cuts in 2019-2020 by another \$1.675 million. During the term of this Assembly, funding for the department has been slashed by about 10 percent. If there was ever any doubt that the environment is not a priority with Cabinet or the Minister, this is the evidence.

Very significant delays have been experienced in getting mandate and other commitments completed. This is not because of a lack of dedication by the hard-working staff, but a lack of resources and leadership. While responsibilities have increased (for example, the climate change audit, Pan-Canadian Framework tracking and reporting, the caribou crisis, new legislation developed without additional resources), funds continue to shrink for this department. The ENR Minister has not been able to protect this department or secure additional resources, despite his twin, the Minister of Finance.

I was very disappointed to see that there is no new funding to address the caribou crisis. There are legal requirements for recovery strategies for both boreal and barren-ground caribou, as these are now classified as species at risk. There is also no new funding for the Bathurst Caribou Range Plan with its specific habitat protection recommendations.

Justice

Earlier I mentioned the lack of a government-wide approach or initiatives on family violence. Justice needs to play a central role with Health and Social Services in these efforts.

I am thankful for a commitment by the Minister to review Victims Services. I look forward to the release of that report as soon as possible and to additional resources to serve this important function.

Municipal and Community Services

There has been some small progress on increasing community government funding by \$1.8 million in 2019-2020, but we still need the plan to close the gap in the 2015 Municipal Funding Review. Back then, it was a \$33-million shortfall so this needs to be updated based on our current needs. 911 is still proceeding, and that is a good thing. However, there is a need for much better communications if implementation to be achieved by July 1, 2019.

Regular MLAs have urged increased investment in the NGO Stabilization Fund, so it is good to see that it is going to be doubled in 2019-2020. The fund should still be moved over to the Executive.

The department still has a very large legislative backlog, including consumer protection, municipal government, and more. It would be helpful to have a sense of priorities and to pass this on to the next Assembly.

Infrastructure

The department has huge carryovers, sometimes almost 50 percent of its capital projects. The cause is not clear, and it is not being tracked. It may be related to the lack of capacity to get contracts out due to staff cuts in previous budgets, contractor capacity, federal funding delays, or because of payment schedules and cutoffs. At the same time, projects contracted through the department by other government agencies should not be penalized as a result of delays that are within the control of the Department of Infrastructure. Tracking and reporting on carryovers is required.

There does not appear to be any systematic way of evaluating projects for submission to federal infrastructure programs or criteria for doing so, such as the number of jobs created, contribution towards greenhouse gas reductions, and so on. This analysis needs to take place, and in consultation with Regular MLAs.

Given the large infrastructure projects managed by this department, poor planning often causes forced growth or actions in other departments. For example, another \$381,000 is required in 2019-2020 for ENR for additional monitoring of the Inuvik to Tuktoyaktuk Highway. Reporting and proactive disclosure of Marine Transportation Services is needed in light of the failure to ship goods to coastal communities.

Executive and Intergovernmental Affairs

There is still no plan for having government service officers in all of our communities. The Minister has resisted calls for such services in regional centres and Yellowknife despite collaborative opportunities with Service Canada.

Good work has been done to achieve gender balance with GNWT board appointments, and I want to commend the Minister for that.

There is a significant increase in Ministerial travel in the Executive, of \$153,000 or about 30 percent.

A Northwest Territories Economic Development Summit has been established. Unfortunately, it appears to be a parallel system of priority setting with Regular MLAs kept on the outside. Even its agendas are confidential.

Little to no progress on land rights negotiations has taken place during the 18th Assembly. The only completion has been the Agreement-in-Principle for Norman Wells Self-Government. I will be watching closely to see whether Cabinet has implemented the United Nations Declaration on the Rights of Indigenous Peoples in the forthcoming resource management legislation. The recent NICO Socio-Economic Agreement is clearly at odds with the stated approach from the Executive.

It is not clear whether any additional resources are needed or have been secured for offshore petroleum negotiations. The role for Regular MLAs has not been clarified.

NWT Power Corporation

Regular MLAs have traditionally had very little oversight of this body. With this Assembly, we have started to include the corporation as part of our budget process, but it is on a different fiscal year. We still need to watch it very carefully, especially with Cabinet going down a billion-dollar road of Taltson expansion. The corporation's renewable energy projects appear to be funded through the federal government and by individuals, families and small businesses once the carbon tax is put in place.

Education, Culture and Employment

Large changes in staffing levels in the district education authorities are due to declines in enrollment. I am disappointed that it looks like there is no new funding for post-secondary education renewal. I am pleased to note the increased funding to family violence shelters.

Further staffing cuts at the NWT Archives appear in this budget.

Income support and income assistance changes are good, but we need to find a way to index these programs against inflation. The same applies for childcare supports. We cannot continue to assume the lowest income families can get by on the same amount of funding despite higher cost of living.

Lands

Land use planning is what brought me to the Northwest Territories in 1985, and I continue to support it. However, MLAs are being asked to approve \$753,000 for land use planning in the Wek'eezhii management area without any details or overall strategy, which should include federal funding. We have been asking for this information for months.

As important as land use planning is, the Minister has decided to cut land use planning contribution funding to make up for the department's share of its transfers to Finance for the ISSS. This cut of \$60,000 should simply be absorbed by Finance, or Lands should find somewhere else to cut.

Little to no progress on contaminated sites management and prevention of public liabilities has occurred, and that was a mandate requirement. Most of that work should be done by Lands. Some sort of tracking system has yet to be completed, and a manual on contaminated sites management has been in preparation for what seems like years. There are no policy changes, regulations, or legislative change to ensure that we reduce the risk of taking on new public liabilities.

I look forward to the lessons learned from the Tlicho All-Season Road environmental assessment, where the Project Assessment Policy was applied. It seems to have failed. Lands did not do very well with its coordination of GNWT participation as a result of that Policy. Departments were not allowed to freely participate in that environmental assessment.

Conclusions

I have offered some thoughts on how to improve the budget process, including early and meaningful consultation with Regular MLAs and the public. I have also recommended a more balanced approach that includes more revenues and a stronger focus on diversifying our economy.

The federal government has new and different priorities for infrastructure to build a cleaner economy, a more inclusive society, a low-carbon economy, and transformative change. Our government has finally started to get on board but keeps the old blinders of infrastructure to facilitate more non-renewable resource development rather than building sustainable, energy self-sufficient communities. Transformative change can come through the emerging knowledge economy and opportunities such as the conservation economy with Thaidene Nene.

As I said last year, we need plans and strategies for adequate housing and universal childcare so our residents can engage in the economy. We need to get our housing out of core need while creating local jobs, provide stronger support for the arts, tourism,

agriculture and the fishing industry, reduce greenhouse gas emissions, lower the cost of living, and develop a real post-secondary education system. These sectors also create more local jobs than non-renewable resource development per dollar of investment. This is the kind of leadership I still hope for in our budgets.

There are some exciting initiatives in this budget and I sincerely thank my Cabinet colleagues and their staff and my Committee colleagues for much hard work in getting us to this point. I look forward to the debate as we move forward in our review of the 2019-2020 budget. Mahsi, Mr. Speaker.