

**KEVIN O'REILLY—MLA FRAME LAKE**  
**Committee of the Whole—2021-2022 Capital Budget Review**  
**October 20, 2020**

**MR. O'REILLY:** Thanks, Madam Chair. I have a number of comments that are similar to what my colleague before just mentioned. This is the largest ever capital project at \$451 million. I don't think it's quite correct to say that, anyway, there is a relationship between what we spend in O and M and what we spend on capital. It's something called the Fiscal Responsibility Policy that requires an operating surplus on our O and M side. Programs and services, we have to have money left over from that to allow us to spend up to 50 percent of that on capital projects, so there is a relationship. Quite frankly, I think it's out of whack right now. We're spending too much on capital. Some of my reasons are the large carryovers that have increased significantly over time, and as I understand it, about 50 percent of this capital budget is carryovers. That means we can't spend the money. Something is happening that is preventing us from spending that money.

In the fiscal update that was delivered by the Finance Minister on Friday, the operating surplus, which is what we can spend on capital, saw, and the Minister said, a catastrophic decline because of COVID from \$203 million to \$60 million. That means \$30 million is supposed to go for capital spending. Yes, I guess we have some matching federal dollars in here somehow, but how do we make up the \$140 million drop in the operating surplus, and still have a \$451 million capital estimates before us? I just don't get it. How do we make up that loss? We're going to have to go into debt. I just don't understand it.

What we have seen in the five years that I have been here is an increase in our debt as a government. We see an increase in our borrowing limit with the federal government. The Minister said on Friday that the borrowing limit, even though we just got it increased to \$1.8 billion, there's only \$538 million left in the borrowing limit. How could we ever possibly hope to do the large infrastructure projects, whether it's the Mackenzie Valley Highway, the Slave Geological Province, the Taltson expansion, when all we have left is \$538 million? I just don't get it.

My colleague mentioned the growing carryovers. I asked in the last Assembly for that to be tracked carefully so that we actually understand the reasons for that. I'm not sure that a system is yet in place to do that. Is it because we've maxed out our contractor capacity; the ability for our economy to do the work that the government intends to do? Is it cash flow issues? Problems with our capacity to actually get out the door? We have no reason, no understanding of that. If you don't track it and understand the reason, we can't work on how to fix it.

The other thing that is starting to happen is that these federal infrastructure programs are starting to drive what we're doing with our capital budget. It's not just driven by our needs anymore. It's driven by federal dollars being dangled in front of us that are being used, in many cases, for large infrastructure projects.

I think all of this really points to me to overspending on our capital budget, particularly

on the large capital projects. My colleague also mentioned our inability to actually show that there's real benefits to some of the large infrastructure projects in my view. You don't have to look any further than the five years' worth of contracts that I asked the infrastructure Minister to put together. Those have now been tabled in the House. Slave Geological Province work over the last five years and Taltson hydro expansion. less than 10 percent of that money actually stayed in the North. Why are we doing these projects if only 10 percent of the money is staying in the North? I just don't get it. Even if we want to continue to spend, the large amount of money in the capital estimates, how do we make sure the money actually stays in the North? While a procurement review is going on, we have contracts; the work on these two big projects shows that the money is not sticking here, and all of this during a pandemic? How can we actually get the money out the door and spend the money? I just don't get it. It just doesn't seem to make any sense to me.

This overspending on capital, it does come at a cost. There is a relationship. I talked about it at the beginning, how we have to run a surplus in O and M. In programs and services, we have to keep that under control to spend money on capital. While we're now overspending on capital, that means we're not spending money on programs and services. The kinds of programs and services I want to see our money spent on are things like childcare, education, addictions, income assistance, getting our people out of poverty. That's the kind of spending that our government can and should be doing, not overspending on capital projects. Cutting back on spending in those key areas so we can spend more money on projects that don't actually benefit the North. There's something wrong with this picture.

There are a couple of things, specific things that I want to say. Look, there is good spending in here, but there's not enough in some areas. The one area, in particular, that I don't believe that there's enough spending on is housing. We have a \$60 million co-investment fund that our government could access, but we expect NGOs to go out and have bake sales and raise money to match that money or for the housing corporation to make internal cuts to its programs and services and scrimp and save to come up with money to help fund our access, that co-investment fund? That's wrong. We approve money at the drop of a hat for the big infrastructure projects for the 75 percent matching dollars. No questions asked. Where is the Housing Corporation trying to get money to match the money that's in the co-investment fund? It's not in here.

The other area that I think needs to be a big infrastructure project, if we are to pursue one, is making sure that we have affordable and accessible Internet and telecommunications for all of our residents. That's not found in the budget. There is some money, perhaps, for extending the Mackenzie Valley fibre line to Tuktoyaktuk. That's great, but at the end of the day, there's no distribution system in Tuktoyaktuk. People can't take advantage of it. We already have a \$90 million Mackenzie Valley fibre link that does not allow for high speed access in all the communities that it passes by. We need a lot of work done on that, and we've seen the results of that with the pandemic and trying to do distance education. That project can and should be in here, but it's not.

All of that to say, Madam Chair, that I have a lot of difficulty supporting this capital

estimates. If there's not more money put in here for housing, I will be voting against it. Thanks, Madam Chair.

**CHAIRPERSON (Ms. Semmler):** Thank you, Member for Frame Lake. Minister of Finance, would you like to respond?

**HON. CAROLINE WAWZONEK:** Thank you, Madam Chair. I am not going to try and go through it line by line. There is obviously quite a lot in the Member's comments, but just to touch on a couple of items if I might, Madam Chair. Importantly, with respect to housing, the housing infrastructure budget isn't in this budget at all. The housing infrastructure budget is in the operations and maintenance budget in the form of a transfer that they get through the Department of Finance, so this just simply is not the occasion when anyone is going to be able to review the Northwest Territories Housing Corporation's operations or their capital budget. I can't put more housing infrastructure money in here because it's a different budget, which I recognize is a bit difficult, maybe, to then sort of scope out as we do this, but this is currently the way our system has been designed and structured.

With respect to Internet, Madam Chair, similarly, there is money in here for some of the infrastructure projects surrounding broadband and broadband expansion. There is more money that, again, comes in through operations and maintenance, but to ask for the Government of the Northwest Territories to become an Internet service provider is quite a different thing altogether. That, again, is not necessarily something that is going to be contemplated in an infrastructure budget, right now or on the fly.

Then, with respect, Madam Chair, to just why we're doing some of the big projects and the balance that is there and to what extent it is federally driven, we are so far behind. We are, if I recall correctly, the farthest behind out of every jurisdiction in terms of both the amount of infrastructure we have and in terms of the age of the infrastructure that we have, and that applies to the schools and to the health centres. It applies to our housing. It applies to our roads. Yes, these are large projects, and yes, some of that is federally driven, but I don't think it's for lack of need. Obviously, each department will have to go through what their contribution is to making up that need, but I wouldn't want to let it be any mistake. Every single project in here, there is some departmental need that is being met, and very often with federal dollars. Thank you, Madam Chair.