

KEVIN O'REILLY—MLA FRAME LAKE
Fiscal Responsibility Policy
Committee of the Whole—2018-2019 Operating Budget Review
Dept. of Finance—February 8, 2021

MR. O'REILLY: Thanks, Madam Chair, and thanks for the response. I, too, want to speak to the Fiscal Responsibility Policy. I'm not sure that it really captures what happens with P3s in an adequate way because, as I am starting to understand a bit better, a lot of the P3 expenses and really long-term debt are being sort of taken out of the long-term borrowing plan and put in as operational expenses through the annual payments we have to make for the operation of the facility that are going to go on for 33 or 35 years, or whatever is left in the contract. I'm not trying to ascribe motives or blame or anything, but it just seems to be a way of changing long-term debt into ongoing operational expenses, which eats into our ability to spend money as part of our O and M budget. How does the Fiscal Responsibility Policy really account for P3s, and is it time that we really looked at the Fiscal Responsibility Policy to make sure that it includes this diminished capacity to spend money on O and M? Thanks, Madam Chair.

CHAIRPERSON (Ms. Semmler): Thank you, Member. Minister.

HON. CAROLINE WAWZONEK: Thank you, Madam Chair. The Fiscal Responsibility Policy really doesn't speak to operations and maintenance budgets of any of the infrastructure projects that are at issue. It speaks to the funding of the infrastructure project itself, so it wouldn't be reflected in the operation of the asset, whether that is a P3 asset or otherwise. Obviously, it seems that perhaps there needs to be a further briefing or discussion around the Fiscal Responsibility Policy and what it includes, but the fact that it doesn't include the operations of an asset that happens to be a P3 is not, I would suggest, the area of issue or the area of concern to be focused on because that is not its intention. Thank you, Madam Chair.

CHAIRPERSON (Ms. Semmler): Thank you, Minister. Member for Frame Lake.

MR. O'REILLY: Thanks, Madam Chair. Like my colleague from Yellowknife North, I believe that the potential for P3s is starting to create an incentive to do large infrastructure projects in that way so that we take some of the long-term debt off the books, so to speak, and put it into long-term contracts that affect our capacity for O and M spending. I do think it's starting to create an incentive to do that, and I'm not sure, with all of the criticism that there has been in the past in other jurisdictions about P3s, that that's a great way to proceed.

I do think I want to take the Minister up on that opportunity to have a briefing on the Fiscal Responsibility Policy and look at it more closely, but I want to go to the total consolidated borrowing. It looks like it's \$1.59 billion at the end of this upcoming year, and that is getting, to me, pretty close to the debt limit of \$1.8 billion. We're going to exceed that in a future year if we stay on this track. I guess I'm worried about what would happen if we had unforeseen circumstances around forest fires or something. We're going to exceed this long-term borrowing debt perhaps as early as this year or maybe next year if there were some unforeseen circumstances. Do we actually have a

longer-term plan to not exceed the debt limit, and if so, what is it? Thanks, Madam Chair.

MR. SPEAKER: Thank you, Member. Minister of Finance.

HON. CAROLINE WAWZONEK: Thank you, Madam Chair. No, we're not projecting to hit the borrowing limit this year or next year, and the reality is that there is a lot of projections in here that continue to be fairly conservative, not the least of which is the revenue projections. For example, the performance of our corporate sector or our industry sector, whether it's royalties or whether it's corporate taxes, we do tend to take a fairly conservative approach in terms of the projections. I am not concerned about hitting the borrowing limit here. The other side is, of course, there are contingencies built in both to the borrowing limit and contingencies built into, if I'm not mistaken, the Department of ENR, for example, around better ways to protect the ability to protect forest fires and other potential natural disasters. No one could have expected COVID-19, for instance, and that certainly has had an impact, and yet, especially with support from the federal government, the overall spending on COVID-19 has been one that has been manageable. It's my expectation that that approach will continue, that the contingencies built in and the approach built into making estimates and projections is conservative enough that we will not be hitting that borrowing limit this year or next. Thank you, Madam Chair.