

BUDGET ADDRESS

2007-2008

TABLED IN THE LEGISLATIVE ASSEMBLY
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Introduction

Mr. Speaker, the rest of Canada is coming to discover what Nunavummiut already know: our territory is the place to be in the 21st Century. Thanks to the current 'Look Up North' TV advertising campaign, Canadians are finding out that Nunavut is a place of incredible opportunity. A place where the possibilities are as limitless as our beautiful land.

Nunavut is increasingly a part of Canadians' consciousness – whether because of last week's launch of International Polar Year, growing recognition of our territory's important role in asserting Canada's sovereignty in the Arctic, or because of the excitement over burgeoning economic opportunities in mining, tourism and the commercial fishery.

Nunavut is experiencing unprecedented economic activity that is attracting savvy investors and creating new opportunities and well-paying jobs for Nunavummiut. More Nunavummiut today are working than in previous years. Our population is healthier and achieving higher levels of education. Our communities are becoming stronger as we begin to fulfill our territory's vast potential.

Mr. Speaker, as a result of the 2007 Canada Winter Games, Canadians also recognize that Nunavummiut have tremendous talent. I recently returned from Whitehorse, along with the Premier and Minister of Culture, Language, Elders and Youth, where we had a chance to showcase our exceptional athletes and unique Nunavut culture. Congratulations to Team Nunavut for their fine performances and thank you for making us all so proud.

With this winning combination of accomplished people and Nunavut's wealth of natural resources, it is clear that we are on the path to a promising future.

As bright as that future may be, however, we cannot be blind to the challenges that face our territory as we work our way toward a better tomorrow. Members of this Assembly are fully aware that our government faces enormous difficulty in meeting the day-to-day needs of Nunavummiut.

Main Estimates

Mr. Speaker, we are confronted by a range of difficult challenges that require equally difficult decisions by a responsive and responsible government.

It is in this spirit that I present to you the 2007/08 Main Estimates.

While our government's focus is on achieving a bright and promising future, this year's Budget is firmly grounded in ensuring we make responsible decisions today that will make it possible to achieve our dreams for tomorrow. And that means we must continue to live within our means.

As I explained in my Economic Statement last November, our government's pattern of overspending is not sustainable. The growing gap between our revenues and expenditures leads to deficits, which will eventually limit our ability to deliver the services and programs that Nunavummiut need. To continue along this track would be irresponsible.

We need to break out of this vicious cycle to ensure we can continue to provide the government services Nunavummiut deserve. That is why this Budget will build on our earlier efforts to secure and strengthen the financial health of Nunavut. In the coming fiscal year, we will improve our internal management practices to make sure we eliminate any unnecessary spending and free up all available funds to deliver essential programs and benefits to our constituents.

While this may be a tough message for many to hear, it is vitally important that our government be open and honest with the citizens we serve. We are determined to be transparent and accountable to Nunavummiut, to the Legislative Assembly and to the Government of Canada that provides us with over 90% of all our income.

The Auditor General of Canada has made it clear to us that this is what she expects. With the new financial management practices contained in this Budget, we are sending a strong signal to Ottawa that we are making every effort to comply.

Expenditure Plans

Mr. Speaker, before I describe these new measures, let me first outline our spending plans for the coming year.

In 2007/08, our government will spend \$895m to deliver programs and services that are a priority to Nunavut. We will also invest \$92m on capital projects right across our territory.

We are projecting to spend approximately \$22m more on operations and maintenance expenditures than we forecast in last year's Budget. While on the surface this is a large amount, it does not adequately meet the expenditure needs of our territory. Because of this, we are projecting a shortfall of \$6.6m for 2007/08.

Although we are expecting a deficit, we can take comfort from the knowledge that we are at least moving in the right direction. When I tabled our government's November Economic Statement, we forecast a deficit of \$8.7 million for the current fiscal year. Even though the anticipated deficit for 2007/08 is still high, we are clearly making headway in reducing the gap between our income and expenditures. This reinforces the benefits of earlier restraint measures.

On another encouraging note, I am pleased that my federal colleague, Minister Flaherty, has guaranteed Nunavut the maximum transfer payment under current federal legislation. Of course, while this will help, it is simply not enough to meet our needs.

Strengthening Financial Management

For this reason, we will take more aggressive steps to strengthen financial management across government. One of the key ways we will do this is by acting on the Auditor General's recommendations to strengthen the accountability and transparency of the budget development process.

In the past, the Government of Nunavut's budget development process was mainly prepared using the cash-based budgeting method. Under this system, income and expenses are recognized only when cash is received or paid out.

The 2007/08 Budget marks a fundamental change in the way this reporting is done. Effective this year we are introducing an accrual-based budget. Under this method, receivables and payables are recognized when a sale is agreed to, even though, as yet, no cash may have been received or paid out. The advantage to the accrual-based method is that it provides us with an accurate picture of our government's finances, making it easier to stay on top of spending. With the funds committed for bills we will need to pay eventually, we will be less likely to spend beyond our means.

This is the first time that our budget is presented to the Assembly using generally accepted accounting principles that are widely used in financial reporting. This change will make it easy to compare our budget to our Public Accounts, which already use accrual accounting. As well, it will allow for more accurate comparisons with other governments, since this practice is becoming the standard throughout the public sector.

Another first for this year's Budget is that it starts to integrate the estimates for our territorial corporations and statutory bodies, making it the most transparent and open Budget that has ever been presented to this Assembly. We'll go even further with next year's Main Estimates, when we will consolidate *all* government spending in one budget – including each of our public agencies.

Accountability

Mr. Speaker, just as important as knowing where we stand financially is knowing how well our money is being spent. And this is another area where we will make improvements.

In any organization, the ability to measure the outcomes of programs is an important tool in the budget planning process. We need to know if we are getting value for money. Are our programs effective? Are we getting the results we desire? These are questions that we need to ask ourselves on an ongoing basis. This is the only way we can be sure we are maximizing our investments and actually meeting Nunavummiut's needs.

With this in mind, starting this year, the Government of Nunavut will begin developing performance measurement standards so that program operations can be assessed in terms of their efficiency, effectiveness and economy. This will form the basis for ongoing program review to ensure that Nunavut's scarce financial resources are spent efficiently.

But we won't stop there. To further strengthen financial management, our government will be announcing during this session additional measures to start reorganizing financial processes across government departments and public agencies. We are serious about achieving efficiencies across government and our need for clearer lines of reporting.

New Fiscal Arrangements

Having said that, we all know that these improvements are only part of the solution. While we can, and will, do our part to ensure we stretch each dollar as far as possible, the fact remains that there simply are not enough dollars to go around.

It is common knowledge in Nunavut that our government has been working from a position of disadvantage since its creation. The initial grant to establish our territory was completely inadequate to meet the most basic needs of the citizens of Nunavut in areas such as housing, health, education and infrastructure.

Over the last year, our government has made a strong and consistent case for an increase to our Territorial Formula Financing Agreement (TFF). Helping us a great deal last year was the release of two reports on TFF that support our case and call on Ottawa to reform the TFF.

As of today, the Government of Canada has not announced its plans to act on the recommendations put forward by either the Council of the Federation Advisory Panel or the Government of Canada's own Expert Panel. I was pleased that the federal Minister of Finance assured Finance Ministers in our December meeting that a return to a principle-based TFF arrangement will be announced in the federal budget on March 19.

In line with the federal Expert Panel, we believe the Gross Expenditure Base for the territory needs to be increased as part of a catch-up effort and to enable us to make strategic investments to further develop Nunavut's economic potential. We are optimistic this matter will be resolved within the federal government's commitment to restoring fiscal balance. We are encouraged that the federal government acknowledges the problem.

We remain hopeful that additional monies will flow to the territory under an improved transfer agreement. However, we must remain practical, particularly given the enormous pressures that face our government.

Members of the Legislative Assembly know that Nunavut is heavily reliant on the Government of Canada for the bulk of our revenues for everything our government does. Our annual grant from Ottawa is the backbone of this Budget, accounting for over 80% of all of our revenues.

It would not be responsible to spend beyond these current levels – and we will not.

Maintaining a Steady Course

Mr. Speaker, keeping a steady hand on government expenditures is a priority for our government. Because we know it produces results.

Just look at our recent progress. In last year's budget, our government charted a new course for our territory. We set out to invest in Nunavummiut, in growing our economy, in building healthy communities, in meeting our infrastructure needs and protecting our culture.

And look at what we have achieved by working together. In terms of growing the economy, the recent signing of a Development Partnership Agreement with Cumberland Resources is a clear example of how the initiatives we brought forward last year are benefiting Nunavut. Another of those initiatives was the off-road fuel tax rebate program. We are confident that this incentive will bring many more Development Partnership Agreements.

We remain committed to building healthy communities. The construction of continuing care facilities in the communities of Igloolik and Gjoa Haven will enter its second year of construction. The completion of these facilities will provide care that is more culturally relevant to our Elders.

In addition, the Qikiqtani General Hospital will be opening in the upcoming year. The completion of this hospital is the result of a partnership between industry and government, which provided opportunities for Nunavummiut to learn new skills – an investment in people.

Graduates of our Nursing Program will be employed at the Qikiqtani General Hospital, which is a clear demonstration that investing in people has now moved beyond traditional tradespeople.

We also have succeeded in creating new housing and, in the process, training opportunities for our people as we implement the Northern Housing Trust. With the support of the federal government's \$200 million investment, we are building 725 affordable housing units across the territory over the next three years. Not only will these new homes help to address serious overcrowding problems and housing shortages, this massive construction project is also creating opportunities for local employment, training, apprenticeship and business development. This valuable initiative will advance our government's long-term goals of securing healthy communities, building self-reliance and continuing learning.

To further secure these goals, we are making important progress in creating a trade school in Rankin Inlet that will serve as the primary location for trades training in Nunavut. As well, we have set aside funding to renovate and expand our existing training facilities in Cambridge Bay and Iqaluit.

Mr. Speaker, these are just a few examples of our investments in infrastructure that are creating the positive conditions for economic growth and social progress. Working in partnership with the federal government through the Municipal Rural Infrastructure Fund, as well as the Nunavut Association of Municipalities, we have been able to allocate more than \$130 million over the next five years for community infrastructure projects.

These funds will be put to work to construct projects such as community centres and sports arenas.

While our government is firmly focused on growing the economy, we are also committed to protecting our culture. The building of Piqqusilirivvik, Nunavut's cultural school, in Clyde River will ensure the continued preservation of Inuit culture and knowledge. With satellite campuses in Baker Lake and Igloolik, we will create a greater diversity of programming and access for Nunavummiut. In fact, it will provide the opportunity for Inuit culture and knowledge to grow and prosper.

Equally important to Members of the Legislative Assembly and the constituents we represent, we will continue to live up to our commitments to give a helping hand to those in society who need a hand up. We will table legislation during this sitting of the Assembly to provide tax relief to single parents across Nunavut who shoulder an overwhelming tax burden as they provide for their families.

Restraint

As impressive as this list may be, I am not in a position today to stand before you to promise new and exciting investments in the days ahead.

Finance Ministers relish the opportunity each year to announce new initiatives on behalf of the government. Unfortunately that is not the situation we are in this year, as our budget for 2007/08 remains largely unchanged.

We certainly anticipate that our financial situation will improve through the year, when our TFF has been finalized. Once our new grant receives federal approval, and provided there is a sufficient increase, we will present supplementary appropriations during 2007/08 to address growth pressures as well as new initiatives. In the meantime, however, we are doing the only responsible thing: living within our means.

Conclusion

Mr. Speaker, the Main Estimates I am tabling today underscore that our government is both accountable and prudent. We are spending only what we can reasonably afford while still providing necessary services to Nunavummiut. In doing so, we are strengthening the foundations for economic growth and creating a platform for continued social progress.

This approach is in keeping with *Pinasuaqtavut* and reflects strongly Nunavummiut's values of self-reliance.

Just as previous generations of Inuit have weathered challenging times, we too will overcome the obstacles we face today as we work collectively to secure a brighter future. That future is already unfolding before us; in the way of new homes and schools, new businesses and jobs, and new hope in our communities.

In the same way that our parents and grandparents struggled to see Nunavut become a reality, we must also make sacrifices today to set the stage for a better tomorrow. We need to examine what each of us can do to ensure we continue to build a stronger territory for our children and generations to follow.

I am confident that, with the understanding and support of all Nunavummiut, we will succeed. Indeed, I have no doubt that Canadians from coast to coast to coast will continue to admire our steady progress in developing our young territory. I firmly believe the 21st century will see our highest hopes realized and that we have every reason to face the future with confidence.

Thank you.