

BUDGET ADDRESS

2006 - 2007

GOVERNMENT OF NUNAVUT

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Minister of Finance

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Introduction

Mr. Speaker, it is my honour and privilege to rise today to present the 2006-07 Budget for the Government of Nunavut.

If there is one word I could use to describe this year's budget it is **hope**. Hope that significant economic growth will bring jobs and opportunities to Nunavummiut. Hope that, with the right investments, we can create a better future for the people of Nunavut. And hope that we can achieve our vision for the future of our territory and for Nunavummiut.

Mr. Speaker, Budget 2006 is designed to turn those hopes into reality. To capitalize on the opportunities ahead. And to set a bold agenda for Nunavut's future.

Specifically, Budget 2006 promotes economic growth and positions Nunavut for investment, jobs and opportunities. It invests in people and healthy communities – making sure Nunavummiut can participate fully in the potential that lies ahead for our territory. It protects our culture and our precious environment. It strengthens our commitment to sound financial management and responsible government. And it calls on the new federal government to take immediate action to address longstanding issues related to Territorial Formula Financing, devolution and new arrangements for sharing revenues from Nunavut's resources.

Mr. Speaker, like all Northerners, I listened carefully to Prime Minister Harper's comments on the eve of his election. He spoke directly about the potential in the North and his commitment to help us achieve our dreams. That's a sign of hope for all of us in Nunavut and for people across Canada's North.

Along with Premier Okalik, Members of this Legislative Assembly, and Nunavummiut in communities across our territory, I am pleased to add my congratulations to Prime Minister Harper and his new government. And now I call on him and key members of his Cabinet to begin immediately to follow through on his commitment ... to work with us ... and to help us achieve our dreams.

Under Premier Okalik's leadership, we are determined to do our part to capitalize on the opportunities ahead. We are determined to meet the goals and priorities of Pinasuaqtavut, fulfill the hopes and dreams of Nunavummiut, and position our territory for success in the future. And we are determined to pursue our goal of building a strong and self-reliant territory.

Work on fulfilling those dreams – on fulfilling our hopes for the future – moves forward with Budget 2006.

Exercising Fiscal Responsibility

Mr. Speaker, Budget 2006 confirms our commitment to fiscal responsibility and to investing our resources in critical areas that will create the best long term benefits for people across our territory.

With Budget 2006, we will:

- Spend \$873 million on delivering essential programs and services for Nunavummiut, an increase of 3.4 percent over 2005-06.
- We will invest \$103.5 million in key capital projects.
- And we expect to take in just over a billion dollars in total revenues, an increase of only 2.5 percent.

As a result, Budget 2006 forecasts an operating deficit of \$7.6 million for 2006-07.

Mr. Speaker, Nunavut faces a number of significant challenges. Addressing those challenges while, at the same time, maintaining our commitment to fiscal responsibility is a difficult balance. Tough choices have to be made. As it stands today, close to 82 percent of our revenues come from the federal government through Territorial Formula Financing. As Members of this Assembly understand only too well, in spite of pressing and growing needs in Nunavut, the federal government imposed an arbitrary fixed limit of 3.5 percent growth in our funding. As a result, we simply cannot afford to spend more without running an even larger deficit and putting our financial and economic future at risk.

Mr. Speaker, that's a risk we simply cannot afford to take.

Budget 2006 reflects the need to make wise choices – choices that will promote economic development, increase our investment in people, in healthy communities, and in essential infrastructure. And investment that will preserve our culture and position our territory for the future.

Our commitment to fiscal responsibility also extends to the operation of our Government.

Nunavummiut expect their government to be efficient. They expect us to manage programs effectively, to be open and accountable, and to make the best use of all our available resources. As a government, we're determined to meet those expectations.

This year, we will follow through on a series of initiatives designed to modernize our management practices, strengthen the *Financial Administration Act*, better define responsibilities and accountability for Ministers and senior public servants, improve the governance and transparency of Crown corporations, and ensure

that essential information about the work of our government and the Legislative Assembly is available on a timely basis.

Growing the Nunavut Economy

Mr. Speaker, maintaining a strong commitment to fiscal responsibility is the first step to a more independent and sustainable future. But in order to capitalize on the opportunities ahead, our government needs to do its part to create a competitive business environment and encourage investment in our territory.

For too long, Nunavut's economy has been driven primarily by government spending. We see the impact of that in this year's budget. Unless we take steps to reduce our dependence on government spending, we will forever be in a position where our future is in the hands of the federal government, not our own. That's not the kind of future we want for our territory and for future generations of Nunavummiut.

Nunavut's future lies in a more diversified economy, in developing long-term security, and in creating a positive environment where business and industry see Nunavut as a good place to invest and do business.

For that reason, our government will launch several important initiatives this year.

First, our government will take critical steps to ensure a competitive tax environment and promote economic development in Nunavut.

I am pleased to announce today that, effective April 1, 2006, our government will establish a new off-road fuel tax rebate program for the tourism, hunting and outfitting, fishing, and mining sectors.

The off-road fuel tax rebate will directly benefit our hunters and trappers. Small seasonal fishermen and hunters will be able to see a direct impact to their bottom line.

Mr. Speaker, this initiative is essential to ensure that companies active in the exploration and development business see Nunavut as a sound business choice. We know that many parts of Canada are rich in both renewable and non-renewable natural resources. Without a competitive tax environment and a rebate program like this, exploration and development companies can and will choose other places to invest.

We cannot and we will not let that happen. We're determined to be competitive. We're determined to capitalize on the opportunities for economic growth in key sectors of our economy – not only exploration and development but tourism, hunting and outfitting, fishing and mining. And we're determined to support economic growth that will benefit communities all across the territory.

Mr. Speaker, the fuel tax rebate is positive news for key sectors of our economy. But the good news doesn't extend just to business and industry. Our government understands that high energy costs affect not only business and the potential for investment and growth in our economy. They also affect individual Nunavummiut. One of the key ways of keeping our economy moving in the right direction, and making sure we can attract and keep people in key jobs and professions, is to leave more money in the pockets of Nunavummiut.

That's why I'm pleased to announce today that the Nunavut Electricity Subsidy Program will be continued. This program offsets the cost of electricity for consumers and operators of small businesses. And it's a visible sign of our commitment to ensure that affordable electricity is available to all Nunavummiut.

On top of that, Mr. Speaker, Budget 2006 contains no increases in our current taxes.

Taken together, these measures not only bring Nunavut in line with many other jurisdictions in Canada, they help solidify our position as one of the most progressive taxation regimes in the country.

The second step, Mr. Speaker, is to remove obstacles to business growth. That's an important strategic priority in the Nunavut Economic Development Strategy and Pinasuaqtavut. And key steps will be taken this year to follow through on that commitment.

Consistent with the Inuit Qaujimajatuqangit principle of Qanuqtuurniq, our government will work with the business community, with Inuit organizations and other stakeholders to continually seek new ways to thrive. That includes identifying and removing barriers to business, removing unnecessary regulations, and enhancing business development programs.

Third, Mr. Speaker, our government will take steps to capitalize on the enormous potential for mining in Nunavut.

Mining and exploration hold tremendous potential and are vitally important to Nunavut's economic future. We are at an all-time high for mineral exploration. Early this year we saw the opening of Nunavut's first diamond mine owned by the Tahera Corporation. Just a few short weeks ago, the Jericho Diamond Mine began official production of Nunavut diamonds. On top of that, I look forward to the day when other potential mining projects like Hope Bay, Meadowbank, and High Lake can begin operation.

To support increased mining activity, the Department of Economic Development and Transportation will complete the development of a Nunavut Mineral and

Mining Strategy. This new strategy will not only help build a strong and sustainable mining industry but also ensure that our environment is protected.

Fourth, as part of the Northern Strategy, we are committed to opening up economic development opportunities in smaller, non-decentralized communities. This year, we will invest \$5 million from the Northern Strategy Trust Fund to develop and expand our economy, particularly in smaller communities. Our \$4 million investment in the Strategic Investments Program will be maintained, allowing us to continue partnerships with federal funding programs, particularly the Strategic Investments in Northern Economic Development Program. In addition, close to \$200,000 will also be provided this year to the Nunavut Regional Chambers of Commerce to promote business opportunities throughout the territory.

Fifth, Mr. Speaker, we will continue to move ahead on important initiatives to strengthen key sectors of our economy. Our goal is to build a strong and sustainable economy reflecting not only our natural strengths and traditions as a society but also preserving our environment for future generations. We share the increasing concerns about the impact of global warming on the Arctic and will continue to take steps to address these issues in the longer term.

Led by Minister Akesuk, the Department of the Environment, will continue to implement the Nunavut Fisheries Strategy, build a sustainable fishery, and take full advantage of the opportunities for a significant expansion of our offshore shrimp and turbot fisheries. We'll also promote tourism in Nunavut and launch a review of the Travel and Tourism Act. The Department of Economic Development and Transportation will proceed with implementation of the Nunavut Arts and Crafts Strategy designed to improve access to materials and markets, expand education and training, and develop a Nunavut brand.

Investing in People

Make no mistake, Mr. Speaker, this government will do its part to promote economic development and secure a stronger economic future for our territory.

But just as important, Budget 2006 invests in Nunavummiut and in making sure future generations can benefit fully from the opportunities ahead.

That investment begins with our children. A good education is the greatest gift we can offer the young people of today. Not only do our children carry with them their own hopes and dreams, but the very future of Nunavut is in their hands. We owe it to our children to ensure that they have the education, the skills and abilities to prepare them for whatever their futures, and the future of our territory, might hold.

Mr. Speaker, I'm proud to announce that this year's budget marks our largest ever investment in educating our people.

Funding for the Department of Education will increase to over \$204 million this year. That money will allow us to enhance programs for our youngest children, through early learning and child care programs. We will proceed with a new strategy for teacher education. New graduation options will provide more flexibility for students, especially those looking to careers in the trades. We'll investigate the development of more programs offered through distance education. We'll launch a review of our student financial assistance legislation. And we'll move ahead with recommendations in the Adult Learning Strategy, particularly community-based initiatives and the development of a comprehensive literacy framework to meet the needs of Nunavummiut.

In 2006-07, we also will complete public consultations and move ahead with a new Nunavut Education Act – an Act that will reflect the needs and aspirations of Nunavut's people and Nunavut's vision for the future.

Mr. Speaker, our commitment to education doesn't end with a high school education. A well-trained labour force is critical to Nunavut's future, giving Nunavummiut the opportunities they need to build their futures right here in our territory. That's where the Nunavut Trade School will have such an important role to play. Just this past Friday, we announced that the new Trade School will be located in Rankin Inlet. Working with our partners in industry and training, we are examining the appropriate mix of programs and facilities that will be needed to make this School a boon for all of Nunavut. Our government has committed \$5.5 million to the development of the Trade School and we expect it to be open in 2009. Minister Picco will also take steps this year to enhance pre-trades programs and increase our investment in Nunavut Arctic College.

Work will also proceed this year on the Inuit Employment Plan. We're determined to meet the target of having at least 56 percent Inuit employment by 2009-10. When new jobs and new opportunities are created in Nunavut, we're going to make sure our own people have the skills they need to fill those positions and benefit from Nunavut's future growth.

A comprehensive human resource planning framework will be developed this year to help us meet the need for qualified people in a wide range of careers and professions. That includes planned recruitment as well as comprehensive training and development programs to be piloted in decentralized communities. New leadership and management programs will be developed and the Sivuliqtiksatsat Internship program will be broadened to include paraprofessional and professional positions.

Taken together, these initiatives will give new hope to children, to families and to future generations of Nunavummiut – hope that they can build their futures right here in Nunavut.

Building Healthy Communities

Mr. Speaker, we can't invest in people without also investing in their communities – making sure they have adequate housing, health and social service programs.

In health care, we'll improve access to essential services by following through on our "Closer to Home" strategy to strengthen community capacity, expand home care and continuing care programs, and expand the scope of services available in communities across the territory. We'll step up our commitment to train Nunavummiut for a wide range of health care positions. And a new "Return of Service" program will subsidize the tuition for Nunavummiut physiotherapists, social workers, dentists and other health providers who return to Nunavut following graduation.

Combined with our investment in health professionals, we'll build on investments in newly opened health centres in Cambridge Bay and Rankin Inlet and phase in new facilities in the near future.

Minister Aglukkaq will also take steps this year to develop a public health care strategy and step up our efforts to protect health and not just treat people when they're injured or ill. That includes a new initiative to support the Isaksimagit Inuusirmi Katujjiqatigiit Embrace Life Council in their efforts to reduce suicide in Nunavut. As well, the Department of Culture, Language, Elders and Youth has launched two pilot projects focused on Inuit Societal Values in Clyde River and Cambridge Bay with the support of the Inullariit Society in Igloolik.

In social services, we will provide an additional \$2.2 million in Budget 2006 to provide financial security to people in need and to those who need help to become more self reliant.

Of all the challenges we face, make no mistake, solving problems related to our current housing shortage is at the top of our list. We can't build healthy communities unless Nunavummiut have access to adequate, suitable and affordable housing. We can't attract professionals and businesses if there's no where for them to live. And we can't have healthy families and healthy individuals unless people can live in decent housing where they're not sharing substandard space with far too many family members.

We're determined to address this problem head on.

Last fall, Premier Okalik worked with his fellow First Ministers to reach an important agreement designed to address serious housing needs in Nunavut and

other parts of the country. With financial support from the federal government and close cooperation from Nunavut Tunngavik Incorporated, we will be able to move forward on the Ten-Year Inuit Housing Action Plan. I can assure Members of this Legislative Assembly that Premier Okalik and our government will continue to make a strong case to the new federal government to encourage them to make the Kelowna commitment a reality.

During 2006, the Nunavut Housing Corporation will also continue its efforts to create more affordable housing for Nunavummiut. Ten communities will receive a new duplex including Pond Inlet, Kimmirut, Gjoa Haven, Taloyoak, Cape Dorset, Coral Harbour, Qikiqtarjuaq, Baker Lake, and Rankin Inlet. Two other communities – Resolute Bay and Kugaaruk – will see the final twenty units built under the Infrastructure Canada Initiative. Incremental staff housing units will be built in Whale Cove and Chesterfield Inlet.

Home ownership will continue to be a priority in 2006 with a special focus on new home owners. Increased assistance with down payments will be available in most communities and a new Material Assistance program will be introduced to support new homeowners in building new homes.

Meeting Infrastructure Needs

Mr. Speaker, Minister Brown is committed to building strong communities and supporting economic growth. She is working hard to ensure that the necessary infrastructure is in place.

Highlights of this year's commitment to communities and infrastructure initiatives include:

- Continuing additional funding to municipalities to offset increased energy and utilities costs
- Continued implementation of the Fire Protection Strategy to increase training and equipment and support community-based Search and Rescue Organizations
- Increased investment in the Community Access Road Program
- Completion of negotiations with the federal government for a Safe Harbours Program
- Upgrades to Nunavut airports
- Major water and sewage treatment projects in Cape Dorset, Qikiqtarjuaq, Resolute Bay, Rankin Inlet, Kugaaruk, and Kugluktuk
- Work on new community halls in Pond Inlet and Gjoa Haven; and
- Public consultation to help select a route for the Manitoba-Nunavut Highway.

Thanks to the federal government's Municipal Rural Infrastructure Program and the Gas Tax Program agreements reached last summer, we'll invest an

additional \$53.5 million in municipal infrastructure programs over the next five years.

Protecting Our Culture

Mr. Speaker, as we seize the opportunities ahead, strengthen Nunavut's economy and communities, and invest in Nunavummiut, we cannot and will not compromise Nunavut's culture, heritage and languages. It's what defines us as Nunavummiut. And it's not only part of our past, it's key to our future.

This year, the Department of Culture, Language, Elders and Youth will invest over \$19 million to conserve and develop Nunavut's culture, heritage and languages. Minister Tapardjuk will expand programs for both Sport Nunavut and Community Programs. This year's budget will provide close to \$5.5 million in grants and support to community-based initiatives. And it will support the development of new language legislation and strengthen Inuktitut and Inuinnaqtun language programs and training.

In addition, our government will invest \$10 million from the Northern Strategy Trust Fund in the development of a new Nunavut Heritage Centre. The Heritage Centre moved one important step closer to reality with the announcement last Friday that it will be built in Iqaluit. With the help of a Trilateral Working Group, work will proceed this year on plans for this new Centre to house Nunavut's invaluable artifacts and archives.

And Mr. Speaker, we'll continue to work with our Elders to strengthen their role in preserving Inuit values and using those values to address some of the pressing problems in our society.

Seeking New Fiscal Arrangements

Mr. Speaker, up to this point my focus has been on what we will do, as a government, to build a better future for Nunavut and for people in communities across this territory.

But let me turn my attention now to our partnership with the federal government.

We cannot escape the reality that the vast majority of our resources come from the federal government. We rely on them for Territorial Formula Financing. We rely on them to support essential housing programs, build the necessary infrastructure in our communities, support healthy communities, and provide good education for our children.

Mr. Speaker, that reliance is inevitable in the short term. We're a young territory faced with the enormous challenge of providing essential public services in spite of high costs, a vast expanse of territory with small, remote communities, the

lowest real incomes in Canada, and the highest unemployment levels in the country. No one can or should expect us to solve those challenges overnight.

But continuing to tie our future to the generosity of the federal government is not in the long term best interests of our territory or Nunavummiut. We need to seize control of our own future and turn our attention to the longer term future, a future where we're self reliant and able to take control of our own destiny.

Today, Premier Okalik and our government are calling on Prime Minister Harper to work with us on three critical issues that will help set us on a path to greater independence. On an immediate basis, that means putting in place new Territorial Formula Financing arrangements and moving ahead on an urgent basis to reach a new agreement on devolution of responsibilities to our territory.

Let me address Territorial Formula Financing first. This is by far our largest source of revenue. And along with the other two territories, we watched in dismay as the previous government introduced a New Framework that totally failed to acknowledge or respond to the needs in our territory. During the election campaign, Prime Minister Harper agreed that the current arrangements need to be reviewed. As I mentioned at the outset, we take this as a sign of hope that our views are being heard and our needs will be addressed.

In the simplest terms, we're looking for a new deal with the federal government. That deal must include:

- Separate agreements for each territory
- No fixed envelope
- Consideration of Nunavut's population growth rate
- An adequate Gross Expenditure Base reflecting our unique needs and challenges
- And assurance that increases in our own sources of revenue will not have a negative impact on our entitlements under Territorial Formula Financing.

In the past year, we have worked with the Advisory Panel established by the Council of the Federation. We have worked with the Expert Panel established by the former government. We're optimistic that our concerns have been heard. Now we're eager and ready to work with the new federal government to put new arrangements in place.

We urge the Prime Minister and Finance Minister Flaherty to make new Territorial Formula Financing arrangements a top priority as they develop their agenda for 2006. We urge them to release the report of the Expert Panel as soon as it is ready. We urge them to consider proposals in the report from the Council of the Federation. And we urge them not to wait while larger and more complex issues related to the fiscal imbalance and Canada's Equalization program are addressed. Territorial Formula Financing is unique to the territories. The needs in

the north, and especially in Nunavut, are vastly different from the provinces. And we urgently need new arrangements that acknowledge and address the serious challenges in Nunavut.

In the days and weeks ahead, I intend to take our case directly to Minister Flaherty and I'm optimistic we will be able to negotiate new arrangements before decisions are made about Territorial Formula Financing for 2007-08.

The second issue is just as pressing but certainly more complex.

As I said at the outset, this budget is about hope. And the best hope for our future lies in being able to capitalize and see the benefits of resource developments in our territory.

In today's environment, the federal government is the prime beneficiary of resource development in Nunavut. That has to change. Inuit have used this land for centuries and will continue to use the land and assert Arctic sovereignty. Nunavummiut should be the principal beneficiaries of Nunavut's natural resources. That's the position we start from. The next step is to begin negotiations with the new federal government on devolution agreements that will make that principle a reality.

Prime Minister Harper has said his party believes that Northerners should control their own future. He expressed his commitment to the orderly devolution of decision making away from Ottawa. That commitment was echoed in even stronger words by Minister Jim Prentice, the new Minister of Indian Affairs and Northern Development.

We take those words as a positive sign that devolution is a real commitment and not just an idle promise.

Because for us, Mr. Speaker, there is nothing more important than achieving a devolution agreement that allows Nunavut to benefit from the tremendous economic opportunities ahead. We're not talking about a simple administrative transfer. We're talking about strengthening our territory. We're talking about giving us more responsibility for our resources and allowing us to keep the revenues from resource developments right here in Nunavut. We're talking about giving us the opportunity to invest those resources in building a better future for our territory. And we're talking about creating the best hope our territory has for a more self reliant, independent and prosperous future.

Mr. Speaker, I want to make a strong point that achieving devolution agreements for Nunavut is not only good for our territory – it's good for Canada because Canada can only be a strong country if each of its provinces and territories are able to develop their full capacity and diminish their reliance on federal transfers.

That's the case Newfoundland and Labrador made to the federal government. It's the case Nova Scotia made and Saskatchewan is now pursuing. In Nunavut, we expect nothing less than the ability to capitalize on our own potential for economic growth and realize the full benefits of resource developments within our own territory.

We are ready to begin negotiations immediately. Nunavut Tunngavik will be actively engaged throughout the process. Our government has created a new Devolution Branch, appointed a Chief Negotiator, and approved a negotiation mandate. We're calling on the federal government to take similar steps so negotiations can begin with a clear understanding of our respective goals and expectations.

Mr. Speaker, we know this will take time. But I've repeatedly talked about hope, and our hope is that devolution negotiations will begin this spring and be concluded by the end of 2008. Our goal, and our dream for Nunavummiut, is that by April 2011 we will be able to assume the responsibilities and the powers we need to take control of our own destiny.

The third issue involves reaching an agreement with the federal Department of Indian and Northern Affairs on an implementation contract for the Nunavut Land Claims Agreement. The lack of an implementation contract has had a negative affect on Inuit training, institutions of public government and Inuit organizations. In May 2005, former Supreme Court of British Columbia Justice Thomas Berger was appointed as conciliator for the implementation contract negotiations. Our government looks forward to his final report and his advice on how to resolve outstanding issues.

Concluding Comments

Mr. Speaker and members of this Legislative Assembly, we have our work cut out for us. There is no doubt that we face difficult challenges in achieving the goals of Pinasuaqtavut. With your help, and with the help of Inuit birthright organizations, business and industry leaders, volunteer groups, our Elders, the federal government, and our own dedicated public services, I have every confidence that we will tackle those challenges head on and build a better future for Nunavut and Nunavummiut across this territory.

On a personal basis, I would like to thank Premier Okalik for his confidence in me and for giving me the opportunity to present this budget and help shape the future for our territory.

I want to leave all of you with my message of hope. I believe that hope is what the future of Nunavut is all about. Hope that the potential for economic growth will create new opportunities for Nunavummiut and our communities. Hope that our investment in people will pay off for future generations of Nunavummiut. Hope

that, together, we'll build stronger and healthier communities and overcome some of the serious challenges we face today. And hope that this budget will help turn our dreams into a positive and prosperous future for our territory and for Nunavummiut.

Thank you, Mr. Speaker.