

Questions and Responses to Questions Posed by the NWT Chamber of Commerce
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DEVOLUTION

What is your position on the proposed devolution agreement? What do you see as the greatest benefits and greatest obstacles associated with devolution?

Response: I support a Devolution Agreement because it will make Government extend our planning horizon for fiscal and tax planning. Since the current funding formula is based on historical municipal-provincial expenditures and population numbers we are forced to base our assumptions by looking in the rear view mirror. A devolution agreement will force us to be more visionary to look past current circumstances.

There are some risks, but I believe Northerners are ready. We don't need Ottawa bureaucrats to decide on fiscal priorities or how our resources are developed. Admittedly, devolution is only one tool. We also need parallel strategies to address other federally imposed constraints, like the federal cap on borrowings, and limitations in accessing a full slate of federal/provincial industrial programs. We need only think forward 10-15 years and ask ourselves what our economy will look like without diamonds. We need to invest in the infrastructure needed by industry to ensure that we are an attractive place to invest. We will need to build a future in which we are less reliant on oil; in which we all have equal access to telecommunications infrastructure; and in which we have accessible, modern road and marine infrastructure. On the research front we need to engage our circumpolar partners so that we all benefit.

I see a Devolution agreement as "nation building" towards a period when northerners share the same rights and obligations as other Canadians.

In preparing for devolution we need to make sure we have the proper capacity and skills to handle this new responsibility. The responsibility that will come with devolution means that we have the ability to improve our fortunes but also squander them. We need a Legislative Assembly that demonstrates leadership as we take over these responsibilities.

REGULATION

The NWT's regulatory regime is seen to be a deterrent to resource investment. What will you do to overhaul the regulatory regime in the NWT?

Response: One of the more important issues raised 2007 Neil McCrank report "Road to Improvement" in the regulatory environment in the NWT is the need to build a plan for the use of resources. The government has invested heavily in gathering and promulgating geoscience information to the resource industry. The geoscience resource maps provide the opportunity to provide an overlay to look at the industrial infrastructure investments need to attract and sustain industry.

I believe uncertain outcomes more than the time it takes to through the regulatory process is the primary issue on why Nunavut and the Yukon are seen as more attractive than the NWT. We can improve certainty by having a vision and creating policies and legislation to designate resource development zones for processing minerals, etc. We need to be prepared to partner with industry to build sustaining industrial infrastructure. This takes us back to the need to address the debt ceiling, and the need to greater authorities to negotiate industrial benefit agreements that will provide lasting benefit and legacy infrastructure.

We can't keep going to the Federal Government and asking for them to fix our regulatory process without taking a leadership role. The NWT needs to approach Canada with a model and process in mind that we can ask the Federal Government to implement rather than just asking them to solve our problems.

CORPORATE TAXES

Corporate Income Tax rates in the NWT were once among the lowest in the country. The rate was recently raised and now other jurisdictions look much more favourable. Do you support a Corporate Income Tax rate that positions the NWT as a favored jurisdiction for investment? If yes, what will you do about it?

Response: Corporate taxes are an important source of funds for the NWT. It must be recognized that most of the corporate revenues come from multi-national corporations taking resources from the NWT. Rather than reduce corporate taxes across the board I believe the government needs to look at a full spectrum of fiscal and tax tools to regulate industry to ensure that northerners benefit and that companies get credit for investment in infrastructure that benefits NWT residents. While corporate tax rates need to be competitive with other Canadian jurisdictions we also need to make sure that the NWT is getting our fair share.

RESOURCE TAXES

Do you support the implementation of a Resource Tax during the life of this Assembly? Why?

Response: No, a resource tax is a form of a royalty. Having a resource tax on top of royalties is piling on and redundant. Rather than simply piling on tax after tax we need to find a way to ensure that royalties recognize the true value of resources and that the royalties benefit Northerners.

CARBON TAX

Do you support the implementation of a Carbon Tax? Why?

Response: Quebec was the first province to introduce a carbon tax in 2007 followed by British Columbia in 2008. The British Columbia's carbon tax is revenue neutral.

Northern residents pay more for energy (mostly to heat homes) on a per household basis (and on a percentage of household income) because of high transportation costs and climate. A carbon tax on residents and small businesses would directly affect the cost of living and put pressure on the profitability of small businesses. In 2005 NWT households spent \$4,700 on fuel. This is 93% higher than the Canadian average. For that reason I would not support a consumption based carbon tax on residents and small businesses even if it were revenue neutral.

The situation with large industrial carbon emitters is different. Industry produces 59% of the carbon emissions (Source: 2007-2011 Green House Gas Strategy - ENR). Mining companies have a choice. The first hydroelectric plant in the NWT (Bluefish) was constructed in 1938 by the Cominco mine. In fact, most of our current hydro capacity was built by, or for, the mining industry. With this in mind, I would support a large emitter's carbon tax as a way of making sure our large emitters get off of fossil fuels. At the same time I would suggest research be conducted on an offsetting tax credit program which would give mines tax credits for switching to hydro or other forms of renewable energy

DEBT

The GNWT has hit the debt ceiling, even with the Federal Government's recently adjusted cap. How will you find the capital necessary to continue investing in infrastructure? And what will your capital priorities be: transportation, schools, or hospitals?

Response: The current federal position on the debt ceiling signals a lack of confidence in the GNWT to manage our own affairs and make wise investments to maintain publically owned capital assets. We need to make increasing the value of our capital spending a priority. At the same time we need to ensure greater transparency in negotiated contracts, utilize standardize designs for public buildings, and incorporate modern communication technology to improve local maintenance and repair capacity.

There needs to be more attention given to examining the types of debt that we have. Currently, debt incurred to construct something of broad societal need such as a road, or hospital is counted together with self-financing debt such as industrial infrastructure for which we are able to recover costs on. Lumping these two separate types of debt together is unreasonable and punitive. If we separate out the two types of debt levels would be more reflective of the debt that the GNWT is truly "on the hook" for.

My immediate priority would be the Stanton Hospital, connecting our communities via roads and telecommunications infrastructure. and industrial infrastructure where there is a net benefit to the economy and where the costs can be recovered.

YOUTH

What specific initiatives will you implement to aggressively engage our youth in contributing to the NWT economy either as skilled workers or professionals?

Response: I would press the legislature to undertake a complete review of investment in technical and trades programs in light of current and future needs. Once we are sure that we have the right programs and that they are working to meet desired outcomes I would push for an expansion of Government support for training positions leading to certification. We also need consider community based pre-qualification programs to qualify more people for certifiable careers in technology and the trades.

As part of this review we need to set Key Performance Indicators to measure our success so that we can identify and correct issues that impair successful training outcomes.

For promoting careers in the trades I think priority should be given to working with organizations like Skills Canada who promote careers in the trades to extend their reach outside the regional centres.

ENERGY

What are you going to do to harness our hydro potential in a meaningful way?

We need to address “debt caps” and regulatory constraints so that we can strengthen leverage in negotiating or incentivizing mines to work in partnership with the GNWT in expanding our hydro grid. We need to do more to recognize the value and importance of legacy industrial infrastructure.

At the same time we need to develop a plan for connecting the Snare and Taltson hydro systems to the Alberta grid so that we can better manage our supply system to avoid possibilities of power surplus or shortages as industrial developments grow. Additionally, with the proper expansion and build out our hydro potential could be turned into a revenue generating tool.

COST OF LIVING

What are your ideas for lowering operating costs?

Response: The cost of living differences between the North and the South are due to lack of population densities, distances from suppliers and the high cost of energy.

Population growth and the high costs of living are linked. If we are able to lower costs we can attract new population which will enable greater economies of scale which should reduce costs.

To protect ourselves long term, I believe the most effective thing we can do is to reduce our dependence on fossil fuels and to invest in the expansion of our hydro resources to produce electricity for heat and power. Petroleum costs will only continue to rise in future years. Once hydro infrastructure is in place we will have stable energy prices almost to the end of the century which would change the entire cost of living equation.

In the shorter term, part of the solution may be to change NWT building standards and community plans to promote conservation and to focus more on higher density accommodation designs to eliminate kilometers of water and sewer lines, and allowing for the use of large scale, cost effective energy solutions. Providing appropriate tax incentives for developers may also encourage them to build more units in the North.