



Alternatives North

November 15, 2013

Hon. J. Michael Miltenberger
Government of the NWT
P.O. Box 1320
Yellowknife NT X1A 2L9

Dear Minister Miltenberger

Re: Resourcing Our Future Submission

Please consider the following as our submission on Resourcing our Legacy: Engaging Northerners in Managing Resource Revenues.

Consultation Process

- Alternatives North commends the Minister of Finance for personally attending the public sessions in Yellowknife and the other communities.
- We look forward to seeing how the input received through the consultations is taken into account.

Need for More Information and Debate

- Like the Minister of Finance, AN uses the term “windfall” to describe the new revenue source. These are public funds that need to be treated with the same probity, accountability and transparency as other government revenues. They are not akin to a lottery win. Moreover, they are not a reliable source of on-going funding, being derived solely from one-time natural capital. The consultations in support of the Resourcing Our Legacy are a good measure and we call on the Finance Minister to continue this practice.
- Additional information is also required regarding the savings or investment vehicle in which funds will be placed. Fund use, oversight, and management rules will have a significant impact on the Fund’s growth. While a Heritage Fund Act is in place, the amount of funds should be considered alongside the method of its management.

- AN recognizes that this windfall of devolution resources revenues raises complex and difficult choices. There is a need for much better information on the available options for the projected revenues and uses of these funds to make better informed decisions. It would be helpful to provide projected revenues under a few scenarios including continued diamond mine production without new mining, the approved projects go into production and a high growth scenario showing development of the Mackenzie Gas Project and/or shale oil in the Sahtu. We need to publicly and actively acknowledge and understand that the MGP and shale oil commit us to a fossil fuel future rather than to exploring alternatives that move us to do our part to fight climate change.
- While the effort to consult the public over the next few weeks regarding the use of the devolution windfall is commendable, there needs to be a much broader public debate. This is not a one-time decision in the context of an annual budget, but sets the broad direction for future financial sustainability. Other jurisdictions such as Alaska, owing to the long-term significance of their Permanent Fund establishment, provided residents with a referendum vote on the matter.

Current Spending Priorities

- Clearly very serious issues are being raised about the priorities for existing government expenditures, including those around early childhood education and care, addictions treatment, and public infrastructure. While the business community and some others are advocating for investment in roads to facilitate further resource development, there are dire needs in many of the smaller communities for basic programs and services. One conclusion that can be drawn from this discussion is the need for more spending on such needs and thus the need to revisit the revenue side of the equation. We acknowledge that there were some efforts to examine revenue options in 2008-10 but it is time to revisit this discussion.

Examination of Revenue Options

- Alternatives North strongly advocates for a renewed dialogue and examination of revenue options including resource taxes, increased property taxes in areas outside of municipal boundaries, a capital tax, or other options. AN has advocated for years with successive Finance Ministers that GNWT should exercise its authority to levy a resource tax in lieu of devolution. It is well known that we have low economic rents gathered from non-renewable resources extracted in the NWT. With devolution around the corner, it is time again to conduct a careful and thoughtful public review of resource royalties and fees. For example, water use fees are as low as \$1 per 100 cubic metres, not a fair value for a resource held in common by and for all NWT residents. a resource that will become increasingly relied upon owing to the NWT's determination to embrace

hydraulic fracturing. Mining and hydrocarbon royalty and taxation for the NWT are low in comparison to most parts of Canada and the world. We suggest a representative and experienced panel of experts be appointed to conduct a public review.

Investment in Infrastructure and Ongoing Operations and Maintenance

- With increased expenditures on public infrastructure, particularly roads, there is a relatively large amount of funding required for ongoing operations and maintenance that is often not considered. We believe these costs need to be considered at the time such decisions are made to spend in this way. Spending on infrastructure is tantamount to a resource subsidy and should be balanced by increased resource rents.

Adequacy of the NWT Heritage Fund

- Many of the issues raised at the Yellowknife public session around the adequacy of the Heritage Fund were identified by Alternatives North in its May 2011 submission on the Bill. There are very serious issues around identification of a regular funding stream, public governance, investment strategies and eventual use of the funds. There are numerous other examples around the world as shown in a review done by the Pembina Institute for AN in 2006 (see <http://www.alternativesnorth.ca/Portals/0/Documents/Mining%20Oil%20and%20Gas/Mackenzie%20Gas%20Project/2006%2006%2030%20Revenue%20from%20Non-Renewable%20Resources%20Review.pdf>). We believe it is time to conduct a public review of the NWT Heritage Fund while learning from the experience in other jurisdictions. GNWT could appoint a blue-ribbon panel to review the Act and commission independent research that will lead to a more transparent and accountable NWT Heritage Fund.
- Another significant issue is that the heritage Fund must actually be intended to provide a significant quantum of the replacement value of the non-renewable resources being depleted. Non-renewable resources are taken from future generations. A Heritage Fund must not be used to save a token amount for the future. It must be a sincere effort to ensure that future generations have a substantial amount of capital to use to secure their own economic future once the resources are no longer as plentiful, accessible or easily extracted.

- AN is of the view that a very significant portion of resource revenues should be directed into the NWT Heritage Fund. A minimum of 50% of resource revenues should flow directly into the Fund.

We would be pleased to discuss this with you or your staff at your convenience.

Yours truly,

A handwritten signature in black ink, appearing to read "K. O'Reilly". The signature is written in a cursive, flowing style with a large initial "K" and "O".

Kevin O'Reilly

cc. NWT MLAs