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**3rd Assembly**

**HANSARD**

Official Report

**DAY 11**

**Wednesday, June 1, 2011**

**Pages 622 – 708**

**Iqaluit**

**Speaker: The Honourable Hunter Tootoo, M.L.A.**

## Legislative Assembly of Nunavut

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(Iqaluit East)

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Minister of Executive and  
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**Hon. Tagak Curley**

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*Minister of Health and Social  
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**Consideration in Committee of the Whole of Bills and Other Matters**

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**Iqaluit, Nunavut  
Wednesday, June 1, 2011**

**Members Present:**

Honourable Eva Aariak, Honourable James Arreak, Mr. Moses Aupaluktuq, Honourable Tagak Curley, Mr. Ron Elliott, Mr. John Ningark, Mr. Johnny Ningeongan, Honourable Keith Peterson, Mr. Allan Rumbolt, Mr. Fred Schell, Honourable Daniel Shewchuk, Mr. Louis Tapardjuk, Honourable Peter Taptuna, Honourable Hunter Tootoo, Ms. Jeannie Ugyuk.

**Item 1: Opening Prayer**

**Speaker** (Hon. Hunter Tootoo): Before we start, I would like to ask Mr. Ningark to lead us off with a prayer, please.

>>Prayer

**Speaker** (interpretation): Thank you, Mr. Ningark. (interpretation ends) Going to the orders of the day. Mr. Elliott.

**Mr. Elliott:** Thank you, Mr. Speaker. I seek unanimous consent to proceed directly to Item 19 in the *Orders of the Day*. Thank you.

**Speaker:** The member is seeking unanimous consent to go directly to Item 19, Consideration in Committee of the Whole. Are there any nays? There being none, we will proceed directly to Item 19. Item 19. Consideration in Committee of the Whole of Bills and Other Matters. Bills 6, 7, and 8, and Tabled Documents 248 – 3(2), 249 – 3(2), 251 – 3(2), 274 – 3(2), and 275 – 3(2) with Mr. Schell in the Chair.

In accordance with the authority provided to me by Motion 6 – 3(3), the Committee of the Whole shall stay in

session until it reports itself out. I would ask that all members remain in their seats and that we proceed directly to Committee of the Whole.

Sergeant-at-Arms.

**Item 19: Consideration in Committee  
of the Whole of Bills and Other  
Matters**

**Chairman** (Mr. Schell): Good afternoon. The Committee of the Whole will now come to order. In the Committee of the Whole, we have a number of items to deal with: Bill 6, Bill 7, Bill 8, five tabled documents, and witnesses appearing on the Nutrition North Canada Program. What is the wish of the committee? Mr. Elliott.

**Mr. Elliott:** Thank you, Mr. Chairman. We wish to invite Mr. Michael McMullen from the North West Company and Mr. Andy Morrison from the Arctic Co-operatives Limited into the Committee of the Whole. Thank you, Mr. Chairman.

**Chairman:** Thank you. Are we in agreement that we deal today with witnesses appearing on the Nutrition North Canada Program?

**Some Members:** Agreed.

**Witnesses Appearing on the Nutrition  
North Canada Program –  
Consideration in Committee**

**Chairman:** Do members agree to invite the witnesses to the table?

**Some Members:** Agreed.

**Chairman:** Sergeant-at-Arms, please escort the witnesses to the table.

Thank you. I would now ask our witnesses to introduce themselves.

**Mr. McMullen:** I'm Michael McMullen from the North West Company.

**Mr. Morrison:** I'm Andy Morrison from Arctic Co-operatives Limited.

**Chairman:** Thank you. I now wish to make an opening statement concerning these proceedings. As members are aware, the Committee of the Whole is considering the testimony this week of invited witnesses concerning the Nutrition North Canada Program.

I wish to take this opportunity to thank our guests today from the North West Company and Arctic Co-operatives Limited for taking the time to appear before the Committee of the Whole in response to invitations that were extended to them earlier this year.

As Mr. McMullen and Mr. Morrison are aware, the issue of accessibility to affordable and nutritious food for Nunavummiut is a major priority for all Members of the Legislative Assembly. I am confident that today's hearing will provide an opportunity for a productive dialogue to take place between Members of the Legislative Assembly and our witnesses.

As members are aware, our witnesses also appeared last fall before the House of Commons Standing Committee on Aboriginal Affairs and Northern Development on the occasion of its hearings on the Nutrition North Canada Program.

I anticipate that the testimony of witnesses this week will be of considerable interest to federal Members of Parliament and I understand that our staff will ensure that the appropriate officials in Ottawa receive copies of this week's *Hansard*.

I would also like to take this opportunity to thank the many residents of Nunavut who have taken the time over the last several months to share their concerns about this program with their elected Members of the Legislative Assembly.

I would like to now briefly review our order of proceedings for these hearings.

At the conclusion of my opening remarks, I will invite Mr. McMullen and Mr. Morrison to make their opening statements.

After the witnesses have made their opening statements, I will open the floor to general comments from members. I will first recognize the Member for Quttiktuq, who moved the motion to invite witnesses to appear before us. I will then recognize the seconder of the motion, the Hon. Member for Rankin Inlet North. I will then recognize other members according to our usual procedures.

In anticipation of all members wishing to participate in today's proceedings, I will be strictly enforcing our 10-minute rule. After a member has spoken for 10 minutes, I will then recognize other members on my list.

After all members wishing to make general comments have spoken, I will open the floor to questions.

Pursuant to the authority granted to the Speaker by yesterday's motion, the Committee of the Whole will remain in session today until it has reported itself out.

Recognizing that we have further hearings tomorrow, it would be my hope that we will conclude with Mr. McMullen and Mr. Morrison today.

I thank all members for their attention and I now invite Mr. McMullen to make his opening statements on behalf of the North West Company. Mr. McMullen, you may proceed.

**Mr. McMullen:** Thank you, Mr. Chairman. Thank you for the opportunity to discuss Nutrition North Canada (NNC). The North West Company (NWC) believes the program has delivered the intended goals within our stores in Nunavut. The average price reduction has been approximately 6 percent on the eligible products across Nunavut. All of the subsidy has and will be passed on to the consumer.

The primary objectives for the Nutrition North program, as understood by the North West Company, are:

1. Lower the average cost of a healthy basket of products to remote northern communities across Canada.
2. Make this healthy basket of products readily accessible to the majority of northern residents. (Food Security)
3. Make these cost savings transparent and clear to the end consumer.

4. Have a clear accountability and auditing process assuring the subsidy is passed on to the end consumer.

With those goals in mind, I will address the actions and results from the North West Company experience and perspective to date.

### **The Transition of Food Mail to Nutrition North Canada**

The primary changes in the Nutrition North Canada Program address the major concerns that existed in the food mail model. The food mail model was hindered by transparency and a lack of clear accountability. The most significant flaw in the food mail system was that the customer never knew if they were indeed benefiting from the subsidy. This, despite the fact that Canada Post executed the Food Mail Program as it was intended and structured. The food mail system was not an efficient supply chain as that model added expenses, time, and created quality concerns.

### **Nutrition North Canada Model**

The Nutrition North Canada model has four basic differences when compared to the food mail system.

1. ***Supply Chain Streamlining.*** The Nutrition North Canada model is a supply chain system for eligible food items that is both more efficient and cost effective. The streamlined distribution mechanics have limited the number of times the product is handled and the associated delays. In particular, the elimination of entry points, inspection procedures, and inefficient routes will lower costs to Nunavut communities. These changes should ensure a higher degree of food security on nutritious

items. A fundamental goal of the program is getting the right nutritious product to the right communities in a timely and efficient manner. The total annual cost savings to the consumers in Northern and NorthMart stores across Canada is estimated at over \$6 million and approximately \$2 million for consumers in Nunavut compared to the food mail system, and at North West, we believe that number can go higher.

2. **Consumer Transparency.** The communication sign package in our stores clearly identifies the subsidy level in each community, the eligible products list, the before and after prices for the high-profile Nutrition North Canada eligible products in the launch phase, and an ongoing system for identifying Nutrition North Canada eligible products. The communication process visibly demonstrates and substantiates the subsidy pass-through to the end consumer as intended. Examples of the sign package in the North West stores have been distributed and we welcome members of the legislature to tour our stores and see our program at work. I did submit a supplemental handout that is available to the members.
3. **The Subsidy Transparency.** An auditing process has been established that tracks the subsidy through to the consumer. The process that has been established is directly linked to the eligible products. The auditing process put in place by INAC is the basis for any retail or wholesale claim for reimbursement. The

subsidy program is traceable back to its roots to the end consumer.

4. **Health Focus.** To date, the North West Company stores that are eligible for level 1 subsidies have sales increases in the eligible nutritious and perishable products that are significantly higher than the growth in other food categories. The Nutrition North Canada eligible stores are also selling more of the nutritious product than the stores in our company that are not eligible for Nutrition North Canada. We will share this information with INAC and Health Canada for future eligibility decisions and changes. Initially it appears that Nutrition North Canada has had an impact on healthier eating choices. It is too early in the program, less than two months in, to determine if the positive trends will be sustained. The North West Company launched our own Healthy Eating program in October of 2010 to guide our customers in making healthier choices when shopping.

The Nutrition North Canada model is a competitive model. It's open to both the wholesalers and retailers in the north and south. Private individual orders from southern-based retailers and wholesalers are allowed. The Nutrition North Canada model encourages all retailers, whatever size they are, to execute to the best of their abilities and utilize their strengths to lower food costs for the people in their communities. The goal of the program is to make healthier food more accessible.

The northern-based retailers represent a strong local platform for ensuring food



security directly in the community and accessibility to this product for all people in Nunavut communities. The world around us is experiencing dramatic year-over-year price increases. A *Globe and Mail* article on April 19, 2011 reported price increases in potatoes of 20.7 percent, fresh and frozen beef of 6.5 percent, fresh vegetables of 18.6 percent, and other food increases varying from 5 to 66 percent. The World Bank reported in April skyrocketing commodity prices, including wheat at 82 percent, corn at 121 percent, and coffee at 80 percent. The north is not immune from these increases. With this background, the price decrease on a selected bundle of nutritious products identified by community members in Nunavut as important has decreased by 6.33 percent in Arctic Bay, 7.05 percent in Cambridge Bay, and 5.08 percent in Repulse Bay. That specific information is in the package that was distributed by the North West Company as a supplemental.

The North West Company is part of your Nunavut communities. Our stores employ over 670 people with an annual local payroll in excess of \$11 million in 2011. We are the largest private sector employer of Inuit and First Nation people in Canada. Annually our stores spend \$27.6 million in local goods and services in Nunavut. The combination of local payroll and purchases of goods and services amounts to \$38.6 million in Nunavut. The economic multiplier impact of this money spent in Nunavut by the North West Company is significant.

The North West Company capital investment in Nunavut is \$75 million, primarily in buildings, equipment, and

inventories. Additionally, and it was not part of my submitted notes, in 2011, we will invest another \$6.5 million. The budget I'm proposing to our board of directors next week in Winnipeg will have another \$10 million to \$12 million in capital expenditure intended for Nunavut. This investment is an economic asset that creates employment, contributes to community programs, builds the Nunavut tax base, and supports the development and growth of other local businesses, such as freight handlers, janitorial services, and other supply companies.

The North West Company has a committed presence and investment in Nunavut that helps create and sustain a stronger local economy. We have grown to our current size after 340 years. It has been a long road to get to where we are in today's economy. We are an integral community partner that contributes to many local organizations and charities, including Habitat for Humanities and the Canadian Diabetes Association.

The Nutrition North Canada Program is the creation of two federal departments aimed at increasing the accessibility for the majority of Nunavut residents to a healthy basket of nutritious products. Healthy communities are a goal we share and endeavour to support.

I thank you for your attention.

**Chairman:** Thank you, Mr. McMullen. We will now invite Mr. Morrison to make his opening statements on behalf of the Arctic Co-operatives Limited.

**Mr. Morrison:** Mr. Chairman, Members of the Legislative Assembly, thank you

for the opportunity to speak to you today on the Nutrition North Canada Program.

My name is Andy Morrison. I am the Chief Executive Officer of Arctic Co-operatives Limited. Arctic Co-ops is a service federation, owned and democratically controlled by 31 community-based Co-operatives located across Nunavut and the Northwest Territories. These 31 multi-purpose Co-operatives are also owned and controlled by more than 20,000 individual owner members in communities across the north.

The Co-operatives in the Arctic have participated in the previous Food Mail Program for many years. The original program was an essential tool for the delivery of perishable nutritious foods to the remote communities of the north.

The Food Mail Program, while essential to the communities of the Arctic, was mired in rules and regulations that greatly reduced the effectiveness of the program and resulted in increased transportation time, reduced product quality, and higher costs for the people of the north.

For almost three years, Co-ops participated with other stakeholders in the extensive review and consultation process undertaken by Indian and Northern Affairs Canada (INAC). Throughout this review, we have provided an honest assessment of the program and have consistently offered constructive suggestions to improve the program.

The new Nutrition North Canada Program was announced just over a year

ago. Our initial assessment of the new program was both positive and negative.

We were very pleased that the old Food Mail Program had been replaced. No middleman in Canada Post, the elimination of specific deposit days and designated entry points, and the ability to file claims for poor service will result in a much better consumer-based freight subsidy program.

We were very disappointed in the timing of the announcement of the new program. As you are all painfully aware, businesses in the Arctic cannot begin to place sealift orders late in May and June. Unfortunately that was the situation that Co-ops and other retailers were faced with last year. 2010 sealift orders had been completed and in some cases, product was on the way to the dock by the time the new NNC program was announced.

Retailers had to very quickly gain an understanding of the new program, review all sealift orders for 2010, and immediately order additional inventory to compensate for the many products no longer eligible under the new program. We were disappointed with the extensive changes made to the list of eligible products.

Co-ops in the Arctic utilize resupply to the greatest extent possible. However, more and more products have best-before dates. Resupply is not a transportation alternative for products with a short shelf life. Much of this problem has been temporally resolved when INAC expanded the list of eligible category 2 products earlier this spring. This reprieve will remain in place until October 2012.

We were also disappointed with the long delays before detailed information on the new program was released. It was impossible for retailers to design and implement new procedures for supply and logistics, as well as new tracking and reporting procedures when we had no idea what would be required by INAC.

The new Nutrition North program is not a retail support program; it is a consumer freight subsidy program. The new program does not provide any financial benefits to the retailers in the north. The freight subsidies in the new program are consumer subsidies. If anything, the new program will increase administration costs for retailers as we report to government and educate consumers on this important new program. The objective of the Nutrition North Canada Program is to provide improved access to healthy foods to consumers across the north.

Is this new Nutrition North Canada Program perfect? No, it is not perfect. Has the new program addressed some of the major deficiencies of the old program? Yes, it has. Is there more work required to ensure consumers receive the best value possible? Yes, there is a great deal of work needed to ensure the program is efficient and effective.

Please do not let the news reports and political grandstanding that has taken place over the last year fool you. The old Food Mail Program was not just flawed, it was broken. Major changes to the old program would not fix the problems. A major overhaul of the program was required. Problems were much worse the further north you went.

Also, please do not accept the reports that the freight subsidies in the new Nutrition North program will directly result in lower prices for perishable nutritious foods. In our opinion, the new program attempted to maintain the status quo for the price of the most perishable and nutritious food products. The new subsidy rates that are in place in some communities will accomplish that goal. Unfortunately, the subsidy rates in other communities have resulted in price increases. The potential for price improvement will result from improved supply change management by retailers.

We have recommended to both INAC and the Nutrition North Canada Advisory Board that subsidy rates be increased in locations where the new program has resulted in higher prices for healthy foods.

The Food Mail Program and the new Nutrition North Canada Program have a major impact on food prices in the north. However, there are many other factors affecting the price of food around the world and especially in Nunavut.

- As noted by Mr. McMullen, for months, economists have been predicting that food prices will continue to increase at an alarming rate. Economic instability, political instability, rising fuel prices, increased demand from emerging nations, increases in the number of major storms and natural disasters are all placing increased pressure on the price of food around the world. We are not immune to these increases in food prices.
- Transportation costs are another important component in the cost of

food. In the north, a very large percentage of the cost of food is freight. We have all seen the impact of higher fuel prices, and I expect that consumers and businesses will see further increases in the price of fuel following the 2011 sealift.

- These increases in fuel costs are further compounded because the new Nutrition North Canada Program does not adjust subsidy rates based on fuel price increases. Under the old Food Mail Program, consumers were shielded from fuel price increases because the program covered the cost of the increases. This is no longer the case under the new program.
- Another major impact on food prices is the cost of electricity. The recently announced electricity rate increase of almost 19 percent will have a major impact on food prices in Nunavut. Electricity costs are the second largest operating cost of the Co-operatives in Nunavut. This recently announced rate increase will result in a very dramatic increase in the operating costs of local Co-ops and other retailers. Businesses have no choice but to pass these cost increases on to consumers.

The Co-operatives in the Arctic are businesses operating in a very competitive marketplace. Our owner members are very proud of what they have achieved in the development of a competitive marketplace in the retail industry.

As part of the rhetoric surrounding the Nutrition North Canada Program, Co-operatives have been described as big

business with an unfair advantage compared to other businesses. Please allow me to set the record straight. The Co-operatives in the Arctic are not big business. The local Co-ops in the north are small, independent, community owned and community controlled business enterprises.

More than 50 years ago, ordinary people in the Arctic decided to work together through their local Co-ops to provide themselves with essential services and to build their communities. Forty years ago, local Co-ops made a conscious decision to retain their autonomy and independence, but improve their business operations by working together through jointly owned and democratically controlled Co-op federations. Today those federations in the Arctic are called Arctic Co-operatives Limited and Arctic Co-op Development Fund.

The Co-op system in the Arctic will not apologize to the independent businesses in the north because local Co-ops made smart business decisions to work together, develop much needed support services, and most importantly, to pool their buying power to offer local Co-op members with better value and better prices. Local Co-ops continue to develop their communities, build much needed community infrastructure, provide employment to people in the north, and retain local Co-op profits in the communities where they were earned.

I am very pleased to report that in 2010 alone, the community-based Co-ops in Nunavut returned \$7.4 million of Co-op profits, or net savings as we call it in the Co-op system, to individual Co-op members as patronage refunds. \$5

million of that patronage refund was returned to local Co-op members in cash.

Mr. Chairman, much has been accomplished in the last three years. As noted previously, the new Nutrition North Canada Program is not perfect. However, it is an important improvement over the old Food Mail Program.

The Co-ops in Nunavut and across the Arctic are committed to offering good value, competitive prices, and healthy food choices to consumers across the north. Co-operatives have always passed on to consumers the full value of the Food Mail Program subsidy and will continue to ensure consumers receive the full value of the Nutrition North Canada freight subsidy program.

I urge the Government of Nunavut and the Government of Canada to do everything possible to ensure that the new Nutrition North Canada Program provides good value and quality products to consumers and that the people of Nunavut have good access to healthy nutritious foods at reasonable prices. Thank you.

**Chairman:** Thank you, Mr. Morrison. I will now invite the mover of the motion of invitation to begin his 10 minutes of general comments. Mr. Elliott, the floor is yours.

**Mr. Elliott:** Thank you, Mr. Chairman. I would like to begin today by again thanking all of my colleagues for having supported the motion of invitation and I thank my colleague from Rankin Inlet North, who seconded the motion to invite the stakeholders to the Legislative

Assembly earlier this year. It has been very clear from listening to my colleagues that all of us in the Legislative Assembly are deeply committed to ensuring that our constituents have access to affordable food and essential non-food items.

It is also very clear to me that members have been receiving a number of questions and concerns from our constituents concerning the new Nutrition North Canada Program. Mr. Chairman, during our winter sitting, a number of members tabled documents concerning the Nutrition North Canada Program. These included correspondence from concerned constituents, information on local food prices, and letters to the chairperson of the Nutrition North Canada External Advisory Board.

Mr. Chairman, I hope that the questions and concerns that we raise this week with retailers will help them to work closely with the Department of Aboriginal and Northern Affairs, as well as the Nutrition North Canada External Advisory Board, to find ways of improving this important program.

Mr. Chairman, as you will recall, our Member of Parliament and the federal Minister of Aboriginal Affairs and Northern Development made a major announcement in Iqaluit on March 9 of this year. In their announcement, they stated that the federal government has, and I quote, “expanded the list of foods eligible for subsidy... to include all food, as well as most non food items until October 2012.”

The federal ministers also indicated that, and I quote, “The expanded list of items

will help ensure a smooth transition to *Nutrition North Canada* and allow for two more cycles of sea-lift to bring goods to Northern consumers. The Government of Canada is also continuing to explore additional options to assist retailers and suppliers in adjusting to the new program and will be announcing those shortly." I expect that the witnesses from retailers will be in a position to update us this week on what progress has been made with respect to these "additional options."

Mr. Chairman, we will be hearing today and tomorrow from representatives from the North West Company, Arctic Co-operatives Limited, and Arctic Ventures. The individuals representing these commercial retailers all appeared before a committee of the House of Commons last year on the occasion of its public hearings on the Nutrition North Canada Program.

It will be helpful to learn if their perspective on the program has changed since they provided their testimony to Members of Parliament in the fall of last year. It will also be useful to have a dialogue on their perspective on the challenges facing smaller retailers.

As many of my colleagues have noted, a number of retailers in the south which used to participate in the Food Mail Program have declined to participate in the Nutrition North Canada Program. I share my colleagues' concern regarding the impact that this will have on the choices available to our constituents.

Mr. Chairman, I would like to take this opportunity to acknowledge the effort that Mr. McMullen from the North West Company made to travel to Arctic Bay

in March of this year prior to the official start of the Nutrition North Canada Program on April 1. I had the opportunity to discuss the program while we were in Arctic Bay's Northern Store, and I am sure that the witnesses' testimony today will benefit our understanding of how retailers are working to help ensure that the products that their companies sell to our constituents are reasonably priced and affordable.

Mr. Chairman, in recent weeks, national attention has been paid to the issue of gasoline prices across the country. I was struck by the comments made by the federal Minister of Industry at the time, who stated that the way gas prices are set is not at all clear to Canadians.

He also announced that he would, and I quote, "be asking refiners, distributors and retailers to come to Ottawa to appear before a parliamentary committee and explain their pricing methods to Canadians. Members of Parliament will get the chance to ask them the common-sense questions we've been hearing from Canadians."

Mr. Chairman, Nunavummiut have exactly the same concerns when it comes to the price of food and I sincerely believe that it is our responsibility as their elected representatives to ask similar common sense questions to our witnesses this week.

As the witnesses today are well aware, many of our constituents believe that retailers in the north use their near-monopoly position in our small communities to charge unreasonable markups on the food that they sell.

It is not clear to my constituents exactly how the price of a bag of apples, a kilogram of meat, or a litre of milk is determined before it goes on sale on the shelves of stores in Grise Fiord, Resolute Bay, or Arctic Bay, and I have no idea if the markup that is charged on basic food commodities is reasonable or unreasonable.

Mr. Chairman, in its recent report on the Nutrition North Canada Program, the House of Commons Standing Committee on Aboriginal Affairs and Northern Development noted that “the formulas used by retailers to set retail prices under Nutrition North Canada (NNC) should not vary much from formulas they used under the Food Mail program. To determine the selling price of a food item, retailers usually add a margin to the landed cost of a given product, which is made up of wholesale cost of the product itself, transportation (e.g. ground, air marine), insurance, taxes and levies, etc. The difference between Food Mail and NNC will be related to how transportation costs are calculated:

- Under the NNC program, transportation costs will likely include the total of:
  - freight cost to bring product to the most efficient and cost-effective air staging point;
  - *plus* air shipping rate negotiated between retailer/wholesaler and air carrier;
  - *plus* ground transportation at destination;
  - *minus* program subsidy.”

I would like to suggest to our witnesses that these hearings provide a unique opportunity for them to be transparent with respect to how the prices of basic nutritious foods are set in Nunavut and to explain exactly how the subsidies that are being provided to them under the Nutrition North Canada Program are being used to reduce food prices.

I would also hope that the witnesses will respect the authority of this Legislative Assembly to request such information. I would also note that information on the federal government’s Nutrition North Canada Program website indicates that the external advisory board will, and I quote, “study the subsidy rates in May 2011 and may subsequently recommend that further adjustments be made.”

At a future meeting, I look forward to the chairperson of the Nutrition North Canada External Advisory Board updating us on her board’s work on this review given the concerns that have been expressed about the different subsidy rates for our communities. I am also hopeful that we will receive an update at a future meeting on how the advisory board is working with the Government of Nunavut’s Interdepartmental Nutrition North Canada Subsidy Program Monitoring Committee that our Premier established last year.

Mr. Chairman, that concludes my general comments. I again thank all of my colleagues for their support and I look forward to a productive set of hearings. Thank you, Mr. Chairman.

**Chairman:** Thank you, Mr. Elliott. I will now invite the seconder of the motion of the invitation to begin his 10

minutes of general comments. Mr. Curley, the floor is yours.

**Hon. Tagak Curley** (interpretation): Thank you, Mr. Chairman. Firstly, I want to start by thanking my colleagues. This Food Mail Program has been at the forefront of our discussions over the winter, especially with the proposed changes. As we started to hear the details and see the actual costs of the foodstuffs throughout Nunavut, it seemed to be occurring all at once. The federal government wanted to create a new program based on the Food Mail Program and it was at this time that the Members of this Legislative Assembly discussed the details of the program.

As Members of the Legislative Assembly, we have the authority to invite anyone to appear before the Committee of the Whole. I reminded and informed the members that we can invite the stakeholders first of all by inviting federal government representatives to speak to their views and perspectives on this new program.

With respect to this entire process, I would like to thank all members who voiced serious concerns about the benefits accruing to their constituents. They also wanted to know what kind of benefits the Nutrition North Canada Program would provide for the people of Nunavut. The federal government is charging ahead with the new program, although all of the details haven't been fleshed out or finalized, and this is occurring right up to today.

I will be alternating languages during my opening remarks.

(interpretation ends) Mr. Chairman, let me also thank the witnesses for appearing before the Committee of the Whole today to deal with a very important subject. We can lessen the impact by saying that this is related to the new federal Nutrition North idea of contributing to the northerners.

Let me explain how disappointed I am and regretful that the federal representatives who were first invited to appear before this Committee of the Whole by the motion of the Legislative Assembly and also a specific invitation issued by the Speaker of the House, of the legislature, has not been accepted. It is shameful and regrettable that they have not agreed to appear before the Committee of the Whole. It shows how respectful our federal government representatives are, specifically the directorate representatives who were asked to appear along with you. So I thank you for taking the courage and respecting the wishes of the Assembly for appearing here today.

Mr. Chairman, I think it is important to acknowledge the people of Nunavut for they have accepted the historic notion of free enterprise in Nunavut. We never had, like our Scandinavian countries, including Greenland, any connection with the Crown-operated retail stores. They have, I believe, for a number of years in isolated places. So in this part of the north in Canada, we are very much free enterprise oriented.

Having said that, Mr. Speaker, I think we should also note that Nunavutmiut are very concerned. The cost of living is the number one issue amongst the citizens and the constituents that we represent. It's getting staggeringly



important to note that the skyrocketing prices, not just the food prices but products that are important to survive, are becoming unaffordable. If I may give an example of the group of people, for instance, the hunters and people who depend on that livelihood to survive are really at the mercy of some subsidies from the government nowadays, whether to buy a major capital expenditure or some sort. So the cost of living is staggeringly frightening.

We see the subsidy programs, whether it be... . If I may speak about the Food Mail Program, we have a group of citizens in Nunavut who were able to use that program and directly open up their Internet, email, and purchase products and time it on the basis of when the number of products they ordered would arrive to their destination. So in some ways, it was a consumer direct benefit. At this moment, we're not sure exactly.

We can accept the retailers' offer. We can accept your word that the price benefit from the feds or the transportation benefit will be passed on to the consumer. I see that you will be obligated to represent that through the receipts at the counter. But let me say again, Mr. Chairman, the cost of living is somewhat still in the minds of the people. Our constituents are not 100 percent sure exactly how everyday purchasing choices will actually benefit them.

There were considerable examples made by the both of you, I believe, that the prices you incur will not be impacted so much because it mainly will go towards the transportation issue. But therefore, in my view, the prices will pretty much remain the same in Nunavut. The

transportation cost has increased. Prices for shipping will increase, no doubt, but whether or not the basic price at the wholesale price, however the margins are arrived at, that is something we will likely never understand or be given an opportunity to understand fully because I believe it's at your discretion.

The fact that we do have free enterprise retailers in Nunavut there must be something behind it. It is profitable, I believe, to have retail outlets in Nunavut. Otherwise, the private sector will raise their hands up and get out of it. It is a profitable business and therefore, I think we need to work together to try and provide some actual benefits to the consumers for the basic necessities of life in Nunavut. I'm not sure whether or not we would ever really create that because I believe that my interpretation of the federal contribution is really to try and improve profit margins for the existing transportation companies as well as the main suppliers.

Canadians down south, which I think was alluded to by Mr. Morrison, do have a choice to bargain prices. They can grow their products during the summer months and have that basic nutritious food that they can grow. They have that option. So thereby, they are subsidized. They can also have group buying opportunity with their neighbours around them and purchase certain products from various other retailers that are supplying food for their cities or communities.

We don't have that choice in Nunavut. We're pretty much dependent on you guys. I would like to see, Mr. Chairman, for instance, that we have more discount opportunities provided to our consumers.

I think that would be a real support to the business community.

I'll leave it at that and I will have specific questions when my time comes. Thank you.

**Chairman:** Thank you, Mr. Curley. Do any other members have general comments? Mr. Ningark.

**Mr. Ningark:** Thank you, Mr. Chairman. I would like to thank both Mr. Morrison and Mr. McMullen. As a public representative in this territory called Nunavut, my mandate is to do what I can for the consumer. Mr. Chairman, in Nunavut, we don't have too many choices of transportation to begin with. We don't have any highways; no railroads. Twelve months out of the year, between our communities, we depend highly on the major air carriers that we have. I will speak very briefly and subsequently I will have questions for both of you.

Mr. Chairman, I believe that both of you agree that the old Food Mail Program model didn't do the purpose that it was intended for. I believe that both of you also agree that this new Nutrition North Canada Program may be able to help your company to help the consumers in Nunavut. My question in that regard is: how would you account to pass on the savings to the consumer under this new Nutrition North Canada Program?

With your indulgence, Mr. Chairman, I would like to ask Mr. McMullen first and then subsequently Mr. Morrison. Thank you.

**Chairman:** Thank you, Mr. Ningark. We are on general comments. We're not

into questions yet. That will be coming later. This is just general comments. Thank you. Mr. Ningark.

**Mr. Ningark:** You are confusing me, Mr. Chairman.

**Chairman:** We are not into general questions yet, just general comments. If you want to make a statement about something and then general questions will come later.

**Mr. Ningark:** Somebody is playing with my light.

>> *Laughter*

Thank you, Mr. Chairman. Yes, I will reserve my questions for the question period. Thank you.

**Chairman:** Thank you. Mr. Tapardjuk.

**Mr. Tapardjuk** (interpretation): Thank you, Mr. Chairman. (interpretation ends) I would also like to thank Mr. McMullen and Mr. Morrison.

If there was no competition in the smaller communities like the Co-ops and Northern, I'm sure the prices would be a heck of a lot higher than it is at the moment. I'm pretty sure that competition is one way of ensuring that our consumers are getting the prices that they need.

I think there are only... I don't know how many communities. For one, I know that in Pelly Bay, they've got the Co-op and I don't know of other communities. There is only one retail outlet in the smaller communities and I'm just curious about the retail prices compared to the larger centres, where there is more

competition and so forth. So I might want to explore that when the question period comes.

Another area that I also might want to get some information is the direct charge Co-op in Yellowknife, for instance. My understanding is that the direct charge Co-op passes on their savings immediately to their members, without any due respect to any potential patronage dividends to its members. I stand to be corrected, but with the direct charge Co-op in Yellowknife, the consumers or the members are getting a lot better prices from their retail stores. I may want to ask Mr. Morrison when I get an opportunity to ask a question about the differences in direct charge Co-ops as the retail Co-ops and so forth, whether it would make any difference when it comes to consumer prices, particularly in the groceries or other areas.

I just wanted to welcome the two individuals. I think it's going to be very important for us to get the information so that we can pass it on to our constituents in our communities because they are somewhat concerned about the prices, particularly for those who don't have a regular income to depend on for their food. So those are the individuals that we are concerned about.

So with that, Mr. Chairman, I just wanted to make my opening comments. I might be seeking more information about the retail sector and so forth when the opportunity arises. Thank you, Mr. Chairman.

**Chairman:** Thank you. Do any other members have any general comments? Mr. Peterson.

**Hon. Keith Peterson:** Thank you, Mr. Chairman. I would like to thank Mr. Morrison and Mr. McMullen for appearing before us today. It's a very important issue for all of us here in the north and in Nunavut in particular. I would just like to make a few comments concerning my own riding of Cambridge Bay, which is way over in the western arctic.

About 12 years ago, my community and hamlet council identified food as a very serious issue in our community. People were going hungry. We established a food bank and at the time, it was almost unheard of to have food banks in communities because people looked after each other and by doing that, we were able to help many individuals and families in the community.

I am very happy and proud to say that the food bank is alive and well in Cambridge Bay and operating very strongly with the support of the entire community, but without that food bank, we would have probably 50 families or more struggling to put healthy food on their tables. There are many reasons why people can't afford food. It's not entirely their fault that the food is expensive and people don't have jobs or people have other personal situations that put them into those conditions.

Our government, with the support of all of the members, has made poverty reduction a priority for Nunavut. I am very happy that my colleague from Kugluktuk, Minister Taptuna, and the Department of Economic Development and Transportation have taken a lead on it and we're holding a series of regional Poverty Reduction Strategy workshops across Nunavut, leading up to a poverty

reduction summit meeting here in Iqaluit in November.

I was in Cambridge Bay a couple of weeks ago and I chaired our Kitikmeot regional Poverty Reduction Strategy and we had 30 to 35 people every day and into the evening come out to talk about poverty reduction. Food again was a high priority. People were very concerned that there are too many people in Nunavut going hungry and that we have to do something about it. They are calling upon all levels of government, other organizations, the private sector as well, to work together in partnership to find ways to address poverty in Nunavut, which would include affordable ways of feeding people and give them the opportunity to live healthy lives in their communities.

A few years ago in the Second Assembly, I raised the issue of poverty. I came across a report. It was estimated that as many as 16,000 people in Nunavut were at the poverty levels as identified in Canada. Indian and Northern Affairs Canada, at the time, had published some statistics that in Cambridge Bay, it cost \$384 per week for a family of four to put healthy, affordable food on their table and that was two times the cost of living required in a city like Edmonton. You could imagine the price.

Now a lot of people can afford food and many people are working in Nunavut at government jobs, private sector jobs, and they can afford to eat healthy foods to a large degree, but there are many people in Nunavut who simply cannot afford the food. Just the other day last week, I was leaving the Legislative Assembly here and an acquaintance of mine, I have met

him a few times, and he had a shopping bag, he didn't mention which store he came from, but he said that he just took out a bank loan to buy a small half bag of groceries. I said, "Well, that's not what we want to see in Nunavut, where you have to take bank loans to buy food." He was just kidding, but his point was well taken that it's very expensive to purchase food.

In my community of Cambridge Bay, we do have breakfast programs so that kids can go to school everyday at least with one good meal to start the day off and we're pushing for that in all of the schools across Nunavut, the government and MLAs. So we're working on that, but we need some help up here.

I know that my constituents are aware that we're having this Committee of the Whole meeting today and tomorrow. I have been inundated with emails from my constituents employing me to ask certain questions. I would have to censor or filter some of the questions because there are some upset people in Cambridge Bay. They simply think that the food prices are still too high. They don't see an improvement in the reduction of food prices. I'm not going to sit here and say that they fully understand how the Nutrition North Canada Program works. I'm not even sure if you could find a handful of people in this room today who fully and completely understand how it works.

I heard your opening comments and I appreciate what you said. I appreciate that you guys are in business to make money. I appreciate and respect that you do invest heavily in infrastructure in most of the communities in Nunavut and you do create employment, and that's

good. We do support business development in our communities and employment, but we also believe that people should be able to eat healthy and that's a fundamental issue in Nunavut. We want people to have food security, be able to eat healthy foods and be able to afford healthy foods.

The pressure is on our government and the Poverty Reduction Strategy. We have to continually increase funding for the Income Support Program for people to come to our Department of Education that oversees income support to get funding so that they can afford to buy food and clothing. So the pressure is on us as a government, and the people of Nunavut have asked us as the government and as MLAs to find ways to improve their lives.

When we all started off as MLAs and ministers, we did our vision of *Tamapta*. We want to improve the lives of our residents in our communities by 2013. People shouldn't have to worry about the fundamental, basic needs and necessities of life in a country like Canada or a territory like Nunavut.

With that, Mr. Chairman, I'll end my comments. Thank you.

**Chairman:** Thank you, Mr. Peterson. Are there any other general comments? Mr. Shewchuk.

**Hon. Daniel Shewchuk:** Thank you, Mr. Chairman. I, too, would just like to invite both of you here and thank you for being here and presenting to us. I think it's very important for all of Nunavut and for the community of Arviat that I represent.

Just a general comment, Mr. Chairman, and I'll get into questions later. I think there is concern out there from the community of Arviat in regard to the retailers and how you negotiate your terms and your rates with airlines and also what those rates may be. I know that when it comes to retailers, a lot of retailers have pulled out of this program because they don't deal in the bulk that you folks probably do. So it's maybe not affordable to them to do that. Also, my understanding with the amount of administration that needs to go along with this program, some are limited to doing that too.

I think also that there has been talk there, and this is just for comment for now, that in some of the communities, your negotiated rates with your airlines may be less than the freight subsidy you are receiving through the federal government towards this program. In fact, there might be a net gain in some instances in some communities. You can comment on that later too.

But anyways, thank you for being here and we will have further questions later. Thank you.

**Chairman:** Thank you, Mr. Shewchuk. Mr. Arreak.

**Hon. James Arreak** (interpretation): Thank you, Mr. Chairman. I wish to begin by thanking the representatives of the North West Company and Arctic Co-ops, who are presenting their views. In our community of Clyde River, this program is felt keenly. Although we do not have a Co-op, we do have a store run by the North West Company.

It is unfortunate that some of the people we have invited were unable to attend, especially the federal government representatives from INAC and other departments who could not make it in. This reminds me of how the gun registry was rammed through without any involvement of those most affected. When a program is rushed and not well thought out, it can lead to increased costs when it is being implemented. I foresee higher cost of living for people who are ostensibly the targets for this program here in Nunavut.

A number of residents spoke to me about how they utilize the Food Mail Program. These individuals could order food from retailers down south on their own initiative and their freezers would be full. Many of these people currently have empty freezers as a result of the windup of the Food Mail Program. We want nutritious food in all of our communities and for our people, and this is my belief. Unfortunately, the new Nutrition North program seems to be lacking in some areas as far as we can understand.

We have heard from the witnesses that this Nutrition North program will be more effective than the old program. I seem to understand that those individuals who used to order food items are now buying food from the recipients of this new program, namely, the Northwest Company and the Arctic Co-operatives.

Based on the concerns voiced to us, at least to me, people have noted that the cost of living and prices increase on a daily basis. Perhaps it may be slightly exaggerated. We have these signs in the stores showing how much money we're

saving through this new program. Where an item was \$11.99, it is now \$11.79, which is a \$0.20 decrease. That's meaningless when everything at the store costs more to purchase.

That's all I want to say for now. Thank you, Mr. Chairman.

**Chairman:** Thank you. Minister Taptuna.

**Hon. Peter Taptuna:** Thank you very much, Mr. Chairman. I appreciate the fact that the witnesses were able to come here. Thank you very much for coming here.

I've just got a short statement that I wanted to make before the questions that I'm going to be asking later. They're going to be based on the sealift rates that are negotiated, in what capacity and in what way some of these sealift rates are negotiated through the Nutrition North Canada Program. So I will be asking those types of questions.

One of the things that I wanted to comment on is the fact that Nunavut is brand new. It is 11 years old. We don't have much of what you call a tax base and we don't generate a lot of revenue, unlike some of these other jurisdictions.

I want to give an example of Newfoundland and Labrador. When they do their sealifts and the smaller communities bring in the year's supplies or six-month supplies, they do have the freight subsidized by the provincial government. Of course, they can do that. They do collect royalties of their oil and gas royalty collections, which amounts to over \$3.4 billion for Newfoundland, which is great for the people of

Newfoundland. Their freight is subsidized to a certain degree. I've got to say that for a pallet to come on their sealift, it is \$27. It's heavily subsidized by their provincial government.

We don't have that option here. Our pallets cost between \$600 and \$800 to bring up here to the north. For Nunavummiut, we don't have that luxury of subsidizing our residents of Nunavut. This is just a small example of being a territory with no real means of generating its own revenue. There are opportunities here and there for economic activities to happen and collect royalties that actually go down to Ottawa, but for the most part, there are no revenue generating options for the Nunavut government. So we're in a situation where we're quite envious of other jurisdictions where they are subsidized to a certain degree for the people of their jurisdictions, but in Nunavut, we don't have that option.

We ask for a lot of help from Ottawa, the federal government, and one of the things that we would have to be aware of is that, as my colleague said, there are a high percentage of folks who are unemployed. We're trying to deal with the poverty issue in Nunavut and it is critical that these programs work for Nunavummiut because without that, the poverty cycle just gets worse and worse. You could say that even though it does generate revenue. Nunavummiut have their hands in some of these things that are happening, so it is very critical that we all pay attention and try to make things better.

Later on at the appropriate time, I will be asking some questions on how the sealift

rates are negotiated. Thank you, Mr. Chairman.

**Chairman:** Thank you. Ms. Ugyuk.

**Ms. Ugyuk** (interpretation): Thank you. Yes, I am also thankful that the representatives were able to make presentations because in our communities, people utilize the Co-op and the North West Company. Many people don't ask too many questions on nutrition. Elders, youth, and the unemployed are not accustomed to asking questions. They are basic consumers who use the North West Company and the Co-op and they comprise a large portion.

It's regrettable that the invited representatives from the federal government are unable to be here. I, too, had several questions for them. However, it's my hope that they will be available some time in the future.

My belief and feeling on this matter is that we are getting another program imposed on us, without feedback from the people it is supposed to serve. With the way certain parts of the new Nutrition North program have been set up, October 2012 is when certain parts expire and this program has different start dates for certain parts. I believe it should have been introduced only after the program overhaul was thoroughly completed because it has a significant impact on Nunavummiut.

Many of my constituents are unhappy about the new program. They have heard the cost savings are not significant and this makes it pointless. We expected significant cost reductions, especially on nutritious food. For example, last fall

when the program was first announced, non-nutritious food prices skyrocketed. A small package of ice cream, for example, is now selling for \$29 with the cost imposed by your corporations.

Ordinary consumers are being experimented on as the result of the new program not having been fully hashed out. If this type of program was proposed in the south, there would be a severe backlash and even removal of the heads of the proponents, and maybe even death threats from impacted people.

I will ask questions later with respect to the issues I want answers to. However, I believe we are owed an explanation as to why this unfinished program is being imposed on us. It has not provided any concrete benefits and seems half baked as far as Nunavut is concerned. Thank you.

**Chairman:** Thank you. Madam Premier.

**Hon. Eva Aariak** (interpretation): Thank you, Mr. Chairman. (interpretation ends) Communication is very important to this government and understanding better on both sides usually goes a long way. We take the concerns about Nutrition North that we have heard from our constituencies and the people of Nunavut very seriously.

I would just like to thank our guests for coming here and providing more information that we need to gain to take the next steps. I know there will be a lot of questions after this. I'll leave it at that. Thank you, Mr. Chairman.

**Chairman:** Thank you. I have no more names on my list for general comments, so we will take a 10-minute break and

then we will come back with questions. Thank you.

>>*Committee recessed at 14:47 and resumed at 15:06*

**Chairman:** I would like to welcome everybody back. I will now open the floor to members' questions and I will again start with the Member for Quttiktuq, followed by the Member for Rankin Inlet North. Mr. Elliott, the floor is yours.

**Mr. Elliott:** Thank you, Mr. Chairman. My first question is for Mr. McMullen. When you appeared before the House of Commons Standing Committee on Aboriginal Affairs and Northern Development on November 3, 2010, you stated that "The Nutrition North Canada model will deliver five basic improvements compared to the existing food mail system." You described these as supply chain streamlining, consumer transparency, subsidy transparency, health focus, and competition and growth. That reflects much of what you had said in your opening comments.

I'm just wondering: in terms of a perspective as a retailer, could you describe in a little bit more detail about the supply chain and the streamlining? Thank you.

**Chairman:** Thank you, Mr. Elliott. Is that for both of them or just one of them?

**Mr. Elliott:** It will be for both, but I was going to work with Mr. McMullen first.

**Chairman:** Thank you. Mr. McMullen.



**Mr. McMullen:** Thank you. To address streamlining, the essential changes were the point of entry, which required retailers or wholesalers to really not follow a normal business model. It forced us into a circuitous route to get goods to market and it was not the most efficient, environmentally friendly, nor cost effective. So that would be one of the fundamental changes in streamlining the system.

I worked for a number of years for what was a very small company at the time, Canadian based, and we went into the US and the US market laughed at us. They didn't think we would be successful. And that company was Ikea and the year was 1987. Our key thing in being successful as a company was our distributional logistics model. We eliminate all of the middlemen, all touches, or what we call footprints, because every time we turned our product over to someone else, they usually stepped on it because it wasn't important.

In the food mail system, you had a very diligent team working through Canada Post and the airfreight companies to bring the product through a system that required them to jump hurdles that were unnecessary. The inspection points required us to deliver, as Mr. Morrison said earlier, into specific times and mail slots that didn't fit a normal transportation corridor or a normal transportation pattern. It required us to use break bulk, send the produce and perishable goods one way and send dry goods another way in many circumstances and at different times. So what that added was unnecessary touches in the system; people had to handle the product.

What also happened, which was inefficient and deteriorated the quality of the product, was that there were lags in the process. So when it was dropped off at the inspection point, if it missed the window through weather or any other sometimes unavoidable circumstance, the inspection didn't take place and goods sat. Perishable goods will deteriorate in too hot or too cold conditions and they will deteriorate quickly. That was a fundamental flaw in the food mail system: the inspection procedure. That has been streamlined out of the process in the Nutrition North Canada model.

Also the inspection process, even if it was done perfectly, someone had to touch the goods and break bulk, someone had to inspect, and that's a cost of administrative fees, which added to the inefficiency of the program overall.

So I would say the three things: stronger, straighter routing, elimination of unnecessary touches, and getting rid of time delays required by the old system.

I would also say, and Mr. Morrison mentioned this, that if the product quality deteriorated during that process, neither the airfreight company nor Canada Post was held accountable. So if bananas sat on the tarmac in Iqaluit before they went up to Arctic Bay for six hours and the bananas were no longer of the quality to sell, no one was accountable in that system. As we have said before in the federal standing committee and in our position papers, now we would have direct accountability back through the chain and be able to make claims and those costs were eliminated from the system.

**Chairman:** Thank you. Mr. Elliott.

**Mr. Elliott:** Thank you, Mr. Chairman. My second question is: are you finding...? I realize it has only been two months in terms of the hops or the footprints. I know our federal MP, Leona, when she was explaining the program, one of the added bonuses she said was that food would travel faster and you would get fresher produce in the communities. It was because of those hops you were talking about that were being removed. Are you finding within the North West Company that this new way of doing business is actually increasing the time and you're having less spoilage? Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** As Mr. Elliott says, it is early in the program, but yes, we are. The time to market is quicker; the spoilage is less.

As a matter of fact, all of the executives in the North West Company will be measured on their performance in terms of what we call shrink and that means that we are all going to be rewarded based on our ability to get product to market in a better quality than ever before. So not only is Nutrition North an impetus, but our own beliefs in what we have to do in northern markets is going to be reflected in how we are regarded by our board in terms of our performance.

So yes, initially we have had more speed and less shrinkage, and after the routes are fully worked out, we think that's going to improve to an even enhanced degree.

**Chairman:** Thank you. Mr. Elliott.

**Mr. Elliott:** Thank you, Mr. Chairman. Again you had mentioned that the accountability was hard with the Food Mail Program, whether it was the retailer who you would recoup costs from or whether it was the airline. Who is actually now responsible with the new model?

I think when you were in Arctic Bay, you had mentioned something about \$12 million worth of spoilage last year with your company it had received through products not arriving on time or like you had said, sitting on the tarmac somewhere.

Is the responsibility now with the contracts that are negotiated? Is it Nutrition North Canada that comes up with that difference or is it the airline itself? Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. The accountability is with the retailer. Shrinks or losses are not part of Nutrition North Canada's cost structure. It is our accountability as what we would call the channel captain to understand our entire chain and understand where failures occur and take the appropriate action. That means when vendors deliver a product to our warehouses, we have an inspection procedure.

We require, for example, certain dates, a certain quality of bananas, bananas go through a series of stages, and we inspect and we reject at that point in time. That has been there traditionally, but now that we control it further in the chain, we will be capable of doing a

clearer job on that. When it goes into the chain and we pass it through a second party that we have contracted, our contract will have clear relationship language that says who is accountable.

We expect the product to arrive at a certain timeframe, in a certain quality, and be handled in a certain way. If those obligations are not lived up in the supply chain, then our partner, in this case, whether it would be a truck or specifically with Nutrition North, an airfreight company, they are held accountable and we would claim back. This way, we will recover any expenses that are not of our doing through the chain and it will lower the costs overall.

**Chairman:** Thank you. Mr. Elliott.

**Mr. Elliott:** Thank you, Mr. Chairman. Okay, that helps. Ultimately, depending on who is handling it and where it gets caught up, it seems like it would be the retailer who would be responsible for recouping that.

But one of the things I have heard in some conversations I've had with people in terms of one of the concerns they had with the program and how fast freight moves is the fact that under the Food Mail Program, it was through Canada Post and there was a priority. So there was a time limit of 72 hours, and I'm not totally familiar with all of the ins and outs of the Food Mail Program because I figured we're not going back to that, so I'll learn more about the new Nutrition North Canada Program, but the onus was on getting it there within a certain amount of time.

Again, I'm sure you can appreciate, with three communities that are at the end of

the food chain, we're always concerned about how long it takes materials to get to my communities. So the big fear now is everything is going as freight. People are saying and are concerned that pistons will show up at the same speed as bananas, at the same speed as other materials that are coming into the community.

In your opinion, is that going to happen or is it not going to happen? Do you have something within your contract that if it's not delivered, then it's the airline that's responsible for coming up with that difference? Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Mr. Elliott, in the negotiations with the airfreight company, we specify a time through the channel and, if anything, and working in partnership with the airfreight company, the Nutrition North model allows us to shorten that time.

Milk is a perishable good. We want the longest dating possible in your communities, in all Nunavut communities, and in all of the northern communities. So it is in our best interest, as it is our airfreight carriers, to move the goods as expeditiously as possible. Our airfreight partners are "incented" by that to make sure that there is no one in the chain who wants to have products not sellable. There is no one because it's in everyone's best interest to get the product as quickly as possible in the highest quality form with the longest dating into our communities.

So what happens with the food model is both the airfreight company and Canada

Post did not have that sense of urgency as extreme as we do when we're accountable at the end of the day for the quality of product in the market and we control the channel. So my answer to you simply is we will move it more expeditiously to the best of our ability in this model because we could not control the way we will today in the old food mail model.

**Chairman:** Thank you. Mr. Elliott.

**Mr. Elliott:** Thank you, Mr. Chairman. Thank you for that response. It worries me. Again, in communities that I represent where you only have one airline, obviously you're making and negotiating deals with them. According to what Nutrition North Canada says and in my dealings with the federal government, the whole program is based around competition.

When you don't have that competition and stuff is being left behind... I'm getting concerns from constituents that shelves are empty in Resolute Bay and there hasn't been juice there for three weeks. You just wonder: what other option do you have? I'm wondering: how do you have that built into your agreement to get that fresh produce or fresh milk on the shelves so it's not being put out at a lower quality? Thank you.

**Chairman:** Thank you. Just before we continue, I would like to tell Mr. McMullen that when he is done, if he could just address the Chair. That way they understand that you're done. It just makes it a little smoother. Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. I will try and catch up to speed with the protocol. Mr. Elliott is engaging me so much, I'm just making so much eye contact with him that I can't stop myself.

>> *Laughter*

I can't address Resolute Bay. There are many supply chain problems in the north, as you are all aware.

For example, if you asked our store managers, "What product gets to your store the last?" It is potato chips. That's a shocker because that's not what anyone in this room probably expected to hear, but it's the product that will sit in our depots for the longest. Our priority is on healthy products, with or without Nutrition North Canada or food mail. Why? Our communities count on us to deliver this product day in and day out. Why? It also has a limited shelf time. If we don't move it quickly, we simply can't sell it.

Our job is to be as efficient as possible in bringing healthy, nutritional, and value products to our market because it is inherently important to our customers and it is inherent in the nature of that product that it has a short shelf life. That's our priority. Where we do get bumped that we have no control over is what takes precedence with air companies overall and that is the movement of people. When you have isolated communities with one airline going in, sometimes our freight has traditionally sat because the preference has gone to people over products.

But in negotiating with airfreight companies, they understand the urgency.

I would suggest that the majority of the airfreight companies also are accountable and responsible community citizens. They will work with us and I'm sure with the legislature to ensure that the high priority, healthy, perishable products get to the communities. It's in their vested interest as well because of our contracts but also because of their service component to the communities to make sure that product moves effectively, Mr. Chairman.

**Chairman:** Thank you. Mr. Elliott.

**Mr. Elliott:** Thank you, Mr. Chairman. I wanted to follow along the same lines of questioning to Mr. Morrison in terms of the Co-ops. I know Mr. McMullen said that he couldn't speak specifically about Resolute Bay. I just figured in terms of supply chain and streamlining, I was wondering if he could explain. Let's say for the Resolute Bay Co-op itself, in terms of ordering something from a southern supplier and getting it up to the community, maybe to show what Mr. McMullen was talking about of fewer hops and faster travel times, if he could explain how exactly something that was ordered from the south gets up to Resolute Bay. If he could explain that. Thank you.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, the supply chain that is in place for the Co-operatives is very similar to the supply chain that would be in place for other retailers in the north.

The major improvement that has been noted under the new Nutrition North Canada Program is the involvement of the inspectors and the role that Canada

Post played at a specific entry point. Whether that entry point was a normal shipping route or not, in the case of Resolute Bay, that was the entry point for the eastern arctic. Now retailers have the option of choosing the most efficient location to ship product. It may be Ottawa, it may be Val-d'Or, it may be Montreal, it may be Winnipeg, it may be Yellowknife, it may be any location, the subsidy that is provided by Indian and Northern Affairs is the same no matter what route that is taken.

So by not having to deposit a product at a specific location, on a specific day, at a specific time to be available and sorted in specific ways for inspectors to look at the product, we are now able to arrange for the product at a destination point, whatever that destination point may be, based on when the product is needed in the community. If the normal busy days of the week in a retail store in a community are Wednesday, Thursday, and Friday, then ideally the product will be scheduled to arrive on Tuesday so it's available to be on the shelves.

If we're looking at Resolute Bay, the particular route that that particular product will follow would be from our southern point. Traditionally for Resolute Bay the last number of years, it has been Ottawa, Val-d'Or to Iqaluit, then Iqaluit to Resolute Bay, Mr. Chairman.

**Chairman:** Thank you. Mr. Elliott.

**Mr. Elliott:** Thank you, Mr. Chairman. If it's still following the same route, I don't see how it's getting to the community any faster. My understanding too is that now with the negotiated rate with one specific airline,

that's a specific problem we have in Resolute Bay, which then translates to a problem in Grise Fjord.

Again, it seemed like people and Mr. McMullen said that one of the positives of the food mail was not having Val-d'Or. My understanding is that food for Resolute Bay goes from Val-d'Or, then it goes to Iqaluit via Canadian North, then it sits in a Canadian North warehouse until it's transferred to a First Air warehouse, then it gets onto First Air, which is the only airline that flies up to Resolute Bay and Arctic Bay, and then it sits in Resolute Bay, and that's when they get the materials.

So there is actually a changeover of two airlines. I think there are other communities out there and I have heard that Kimmirut is under the same situation. By having all of those hops, the food doesn't actually get there faster. If anything, it actually gets there more expensive because there are more hands or, as Mr. McMullen said, more footprints put on the product. So I'm just wondering if Mr. Morrison could confirm that. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, the contracts that have been negotiated with airlines are contracts from the point of origin. So if we are transporting a product from the south, then we would have the same airline carrying the product from the entry point in the south to the destination point in the community. We would not cross-dock a product from one airline to another airline. So, in the case of Resolute Bay, if First Air is the carrier, First Air would pick up the product at the point of entry

and transport the product right to the community.

As I indicated a moment ago, the major savings from a time perspective is the inspection process. We don't have to have the product in the point of entry to sit there for an inspector to arrive, to inspect the product when it's convenient for them, not when it's convenient for the retailer. We negotiate our contracts and our shipments based on when a product is needed in the community, not based on when an inspector is available to inspect the product, Mr. Chairman.

**Chairman:** Thank you, Mr. Morrison. Mr. Elliott.

**Mr. Elliott:** Thank you, Mr. Chairman. Again, maybe other MLAs have similar concerns in their communities. I'm specifically going from what I have been told in my communities and I want to be able to go back and report to my communities and tell them what's going on. Consistently, since there has been the turnover from food mail to Nutrition North, I have been receiving emails about not having juice or milk in the community but they aren't interested in tofu.

I'm just curious if you could tell me what the Co-op is doing to ensure... . Again, if there's an accountability factor to make sure that nutritious food get to my communities faster, what recourse do I have? Do I go back to the airlines and say, "Why is it taking so long to get there?" Do I talk to you and ask why it's taking so long to get there and why it's not on the shelf, or do I call Nutrition North or do I call the advisory board? Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, Co-operatives in the Arctic are locally owned and locally controlled businesses. Ultimately, the responsibility for a product on a shelf in a local Co-operative is the responsibility of the local manager of that Co-operative. The manager is responsible for placing orders in appropriate quantities and at appropriate times to ensure that it meets the demand of the community.

As a support federation, our job is to assist the local Co-operative in negotiating purchasing arrangements, pooling the buying power of the Co-operatives as it relates to freight, and coordinating any issues on the supply chain route. If there are problems in any particular community, then we will work with the local Co-operative to ensure that the problems are overcome. If the problem is a local problem, then we will assist the local Co-operative in managing that problem.

If it is a supplier problem, we will represent the Co-operative to the supplier to ensure that the product is available when it is scheduled to be available. If it is a transportation issue, then we will represent the Co-operative with the transportation company to ensure that the product is delivered in accordance with the contracts that have been negotiated with the transportation company, Mr. Chairman.

**Chairman:** Thank you. Mr. Elliott.

**Mr. Elliott:** Thank you, Mr. Chairman. So then I guess my next question would be: are you aware of what's going on in Resolute Bay or are you working with

Resolute Bay to maybe help with some of their issues? Thank you.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, last night at the Nutrition North public meeting, I became aware of the issue in Resolute Bay. I had not been aware of the problem previous to that. I was in contact with our office immediately after leaving the meeting last night and I haven't had a follow-up yet but I will have a follow-up very soon of the issues in Resolute Bay.

**Chairman:** Thank you. Mr. Elliott.

**Mr. Elliott:** Thank you, Mr. Chairman. That's great to hear. Yes, it was interesting to hear someone in Iqaluit actually talking about a community outside of Iqaluit. So it was nice to hear that last night.

I guess a more general question as overall... I know, as you, there are Co-ops all across the north. Mr. McMullen had answered this and it seems like with the North West Company, with two months of the rollout of the program, generally overall, it seems like materials are travelling faster to the communities and less spoilage. Is that what you're finding generally overall? I'm not talking about specific communities across Nunavut and across the north, but are you finding that foods are travelling faster and are you having less spoilage? Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, yes, we are finding improvements in our supply chain. The fact that we have the control

over the process has enabled us to set specific criteria, particularly with carriers, which we didn't have in the past. The contracts that we negotiate with the various carriers stipulate when the product has to be delivered and how much time they have to deliver the product.

We have the opportunity, as I mentioned in my opening remarks and as Mr. McMullen has already mentioned, we control the product when it arrives in the community and if the product is not of acceptable quality, then we will follow back on the supply chain to determine where the problem occurred. If the problem occurred from our original supplier, we will claim to that supplier. If it is a trucking company, we will claim to the trucking company. And if it is an airline, we will claim to the airline.

Previously with Canada Post and the airlines, there were no circumstances under which Co-operatives or any other retailer could file a claim for poor service. That was a major impact on the cost of food in the north. When bananas arrive black because they have been frozen on the tarmac, they can't be sold. The cost of that banana and the cost of the freight for that banana must be absorbed in the business somehow. We now have an option which we didn't have before and we're very pleased that we have that option. We believe it will, over time, show positive benefits for the people of the north, Mr. Chairman.

**Chairman:** Thank you. Your last question, Mr. Elliott.

**Mr. Elliott:** Thank you, Mr. Chairman. This question is for both Mr. McMullen and Mr. Morrison. In regard to the

negotiated freight rates that you have been talking about in terms of whatever airline carrier that you have negotiated with hopefully, according to Nutrition North, a better rate because of competition or whatever, how often do you negotiate those? Is it a yearly thing or is it five-year contracts?

I think that leads into some other questions that will come up in terms of fuel prices increasing and other costs of food going up for the future. But I'm just wondering: how often do you sit down and negotiate these rates with the airline carriers? Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, on behalf of the Co-operatives in the Arctic, we negotiate freight contracts with numerous airlines and other transportation companies and the terms vary. Some contracts are negotiated for a year and some contracts are negotiated for two or three years. Generally speaking, they are not five or more year contracts. The airlines and certainly we don't want to be tied down for exceptional periods of time. We often build in provisions for cost escalation, particularly cost escalation as it relates to fuel cost increases. Fuel riders are a normal part of the contracts that are negotiated.

So we will certainly try to establish some comfort zone in terms of the length of time of the contracts. It's very time consuming. It's a very long process to negotiate new contracts, so certainly annual contracts are really not in the best interest of the Co-op system. We prefer multiple-year but not long-term contracts, Mr. Chairman.



**Chairman:** Thank you, Mr. Morrison. Before I go on to Mr. Curley, normally I don't ask a question, but I want to follow up on what Mr. Elliott said. In regard to the Co-op in Kimmirut, First Air is the only airline that flies in there and apparently you have been negotiating with all of the other Co-ops and getting a good deal on their freight. They're tied to a contract that doesn't expire until February of next year.

I was talking to the manager there and he says that he's losing \$3,000 a week to be competitive with the Northern there because he's not getting the cut in the rate. What are you doing with, for instance, Kimmirut and I think the other community is Arctic Bay to compensate or help these Co-ops that are stuck in this situation? Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, there are a number of issues associated with the rates in a couple of communities, certainly Kimmirut, Arctic Bay, and a number of other communities. In our opinion, the subsidy rates are not at the same level as the old Food Mail Program. We are having discussions, we have made recommendations to Indian and Northern Affairs and the Nutrition North Advisory Committee, and we are also looking at ways in which the Co-operatives system as a whole will assist these particular Co-operatives.

An important difference between Co-operatives and some of the other businesses in the north, particularly our competition, the North West Company, is each Co-operative is a local entity, it's locally owned and locally controlled, and every Co-operative is a separate legal entity. Generally speaking, we do not have the capacity to smooth prices

over multiple communities. What happens in a community generally stays in that community.

We do have some support available through the federation through Arctic Co-operatives. We have not implemented anything as yet, but we are looking at alternatives for a couple of communities.

**Chairman:** Thank you, Mr. Morrison, for that answer. Now I'll recognize the seconder of the motion. Mr. Curley, the floor is yours.

**Hon. Tagak Curley:** Thank you, Mr. Chairman. I have a number of points that I want to address also, specifically when both witnesses commented on their views with respect to the original Food Mail Program. One comment was it was not an efficient supply chain and the other said it was flawed and broken. I need clarification from both. Could you guys explain to the Committee of the Whole exactly what you mean by that? Was it mainly because it was consumer driven? Thank you.

**Chairman:** Thank you, Mr. Curley. I'll start with Mr. McMullen.

**Mr. McMullen:** The changes in the food mail system from our perspective were not consumer driven. If we're interested in the consumer, we're going to find a supply chain model that moves the product as expeditiously as possible without extra touches or expenses. The food mail system, Mr. Curley, had those extra touches and administrative burdens associated with it because it had to go through very specific entry points at very specific times that made it inefficient,

not to the benefit of the end consumer.  
Thank you, Mr. Chairman.

**Chairman:** Thank you. Now I will ask the same question to Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, the Food Mail Program, if we were to use a term that we certainly use often in the retail and service industry, is customer service. How do we ensure that we provide the best and most efficient customer service at all levels of the businesses that the Co-operatives provide in their communities?

Customer service, in our opinion, was not part of the old Food Mail Program. In the process of transporting perishable nutritious products from southern destinations to northern destinations, there was more concern with the administration of the program than the delivery of a top-quality product. The lack of customer service, the lack of a commitment to deliver a high-quality product, in our opinion, resulted in major problems from a supply standpoint that a product was not received on a timely basis, a product was not received at the quality that it should have been received, and as a result, there were losses incurred by the retailers. The cost of that product ultimately was passed on to the consumer.

So there were a number of issues with the old program that fundamentally could not be changed by making some minor changes and minor communications issues, informing people about the program, certainly important issues, but that was not the major problem with the program. In our opinion, there was no commitment to

provide top-quality service to the end user, Mr. Chairman.

**Chairman:** Thank you, Mr. Curley.

**Hon. Tagak Curley:** Thank you for part of that response. My understanding of the consumer portion of that program was that the consumers really didn't worry too much about which of you they were going to purchase products from and have it shipped by Canada Post. They were responsible mainly for buying products from the point of entry that qualified for them to ship it and they were able to get a better rate.

I can ask you a question that one of my constituents in Rankin Inlet says now. This is an individual who has had the benefit of the old program. He said that currently the cheapest freight rate he can find right now is \$3.80 a kilogram from Winnipeg. Under the old program, it was a 75-cent fee per box. It averaged at about \$1 a kilogram to ship things to Rankin Inlet. I'm now paying \$2.40 a kilogram under the current program, which is \$1.40 more. How could both of you explain that this good for the consumer? Thank you.

**Chairman:** Thank you, Mr. Curley. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. Mr. Curley, that individual is not dealing with either one of our companies. They're dealing with a southern retailer, and the explanation for why they would be charged that much more from that southern retailer, I can't specifically answer that for you. That's not our company. Thank you, Mr. Chairman.

**Chairman:** Thank you, Mr. McMullen. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, the personal food mail component of the old Food Mail Program and the new Nutrition North Canada Program is something that we have nothing to do with. That component of the program was included in the regulations of the program that were approved by the Government of Canada and we have nothing to do with it.

I really can't offer much to the minister in terms of the impact from a consumer standpoint other than to say that I can tell you that the freight rates we have negotiated... I would expect the freight rates that the North West Company has negotiated are somewhat less than that. Certainly we can offer value to consumers by purchasing locally. We can offer value to the community by creating employment. We can offer value to the community by developing community infrastructure. So obviously there are trade-offs in terms of how programs work. We believe that supporting businesses within the community is in the long-term best interest of the community.

**Chairman:** Thank you. Mr. Curley.

**Hon. Tagak Curley:** Thank you. I, too, would say that the responses that I got are the views of the respective retailers. It's certainly not the view of the northern businesses or smaller companies.

I also have another view from my constituents as well. One of the local businesses believes that Nutrition North is a step backwards and it doesn't believe small businesses will be getting a

subsidy for years and probably never will. Is that good for competition from both of you? Thank you.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. Again, Mr. Curley, small businesses follow the same procedure for adapting into Nutrition North Canada as we would, so their ability to access the program is not different than ours.

Again, I think the accountability for getting involved in Nutrition North Canada rests with the individual entrepreneur or business or company. In Rankin Inlet, there are other competitors, good competitors, and using that community as an example, I would be surprised if they're not all accessing the Nutrition North program and taking advantage of the subsidy as it exists. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, the Co-operatives across the north, as I mentioned in my opening remarks, are small businesses. They are the prime example of what a small business is. It is ordinary people in the small communities of the Arctic who have come together to provide themselves with core services.

Most of the Co-operatives that exist in the Arctic today began as communities were developing, when there was no service available or the members were not satisfied with the services that were available. Ordinary people have built viable business enterprises at the local level. They have chosen to work together to pool the buying power so that

they can get better prices to sell retail goods for.

Mr. Chairman, I would have great difficulty in going to communities in the north, to Co-operatives in the north and say, "We should not be as efficient in terms of our buying power for products, our negotiating for freight, the services that Co-operatives provide so that prices will increase, so that other small businesses can compete with you." Co-operatives are committed to providing the best value and the best service to our owner members across the north.

A key feature of Co-operatives is that it is an open and voluntary membership. That's at the grassroots level. Ordinary people choose to become a member of their Co-operative. They're not forced. That's also true at the territorial level. Co-operatives choose to become a member of the federation and use the services and pool the buying power. Co-operatives don't have to do that, but they have chosen to do that so they can become more efficient, more effective, and offer better services to their communities.

Other small businesses have the same kinds of opportunities that the local Co-operatives have. Local Co-operatives are successful in the smallest communities of the Arctic and providing great benefit and great value. So the Co-operatives are very pleased of the progress that they have made in that regard and will continue to do that, Mr. Chairman.

**Chairman:** Thank you. Mr. Curley.

**Hon. Tagak Curley:** Thank you. I understand fully the points that both of

you are taking. That means business is business and competition is competition.

But what the smaller retailers are afraid of is that under the new regime of the federal government, Nutrition North, as I indicated, there is a real fear of negative impacts that small businesses are facing because they will not have the ability to negotiate prices. They will be subject to the prices you negotiated and they will be marginalized by the air carriers. Air carriers are not going to cherry-pick for them; they are cherry-picking with you guys.

I can tell you that each store in Nunavut is not going to be negotiating with Nutrition North or air carriers. The North West Company is going to be doing that for them, likewise with the Co-ops throughout Nunavut. Each Co-operative doesn't have the ability to negotiate or enter into contracts. They will be negotiated by Arctic Co-operatives. That's my perception.

So if this economic impact, if these small retailers are marginalized and have to conform to the airlines' prices, there won't be much choice. Will it have a negative impact on their operations, in your view? Thank you.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** It's a very difficult question to answer. I don't know the balance sheets or operating statements of the small businesses. I know very many small businesses are lucrative because they're run by good entrepreneurs. Things change in the economic environment and businesses have to adapt no matter what their size is.

Mr. Curley, we run a division in western Canada called Giant Tiger. Walmart is opening super centres left and right and Target is coming to Canada. The economic conditions have changed. The competitive model has changed. So we will have to find a business centre entity or a way of doing business in that environment that allows Giant Tiger to thrive and prosper.

In fairness, I cannot address the individual companies and will it negatively impact them. The size of the North West Company in March did not change to April. We're the same size we were in March as we were in April. The federal government has instituted a program where the subsidy rate is the same for all retailers, not different, the same, and all retailers have access to that rate for moving their goods.

There are individual negotiations with the airfreight companies. Again, we are the same size in March as we were in April, as were the small independents. Now their clout as well as our clout has increased proportionately. So their clout has moved up because now they get to negotiate a bigger bundle of goods, just as we do. So relatively, it's the same for all players.

Do we have an advantage because of scale? Yes, sir, we do. There is no question about that. Why would we say anything else? But the question is: should we take advantage of our scale, as we have, to commit to driving through Nutrition North Canada lower prices on healthier products for the consumer, the everyday citizen in Nunavut? I think the answer is we should use any strength or leverage.

The small guy is nimble and free to foot in many cases and has a quicker time to respond, not through a corporate channel but through their own skill set. Those advantages and strengths of the entrepreneur, and having been one in the past, I appreciate and respect those. Those have to come to bear, but they have to come to bear every single day. Nutrition North doesn't change that. Nutrition North will make every single retailer look at their business model and find a way of improving it. That's the intent.

I think, as businesspeople, we get up every day and we try to excel, and we try to excel by being customer oriented, working within the system and environment that we have, and be the best that we could possibly be. And that's the business model that exists. Just as our company will be fraught with difficulties in addressing the Walmarts of the world, we have to address them. Relative size is what we face a disadvantage to but we have to address it and I think it's the same situation in this case. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, the local Co-operatives in communities are, as I have indicated, small businesses. Obviously, in some cases, they are the size as other independent small businesses in the communities. There is a level playing field. However, Co-operatives have chosen to operate efficient businesses by pooling their buying power. When a Co-operative is successful, that benefit stays in the community. It doesn't go in the pocket of an individual entrepreneur; it goes

back to the individuals in the community that supported the service.

We compete head to head every single day with the North West Company. They are a great deal larger than every single individual Co-operative in the north and they are a great deal larger than the consolidated business volume of the local Co-operatives in the north. However, our owner members have said, "Find ways to be efficient. Find ways to be effective. Assist us in running good businesses, providing services, and providing a competitive environment. Retain profits in the community." That's exactly what the Co-operatives are trying to do.

It sometimes appears to be a daunting task to compete against a very large company. In some communities, I believe that the Co-operative is a dominant retailer. In other communities, our competition is the dominant retailer. But we continue to strive every day to be efficient and effective and provide good value to our owner members, and independent retailers have to do the same. They have to find ways to be efficient and effective.

I don't believe that there should be a government program that is not presented equally to the various participants in the program. I believe the Food Mail Program is providing that alternative. Under the old Food Mail Program and today under the new Nutrition North Canada Program, we negotiate based on our volume. That's business. That's the way things operate. We will not apologize for having put in place procedures that allow us to do that. We believe that it is in the best interest

of the community that that happens, Mr. Chairman.

**Chairman:** Thank you. Mr. Curley.

**Hon. Tagak Curley:** I appreciate your point of view with respect to relationships with small business retailers and whatnot throughout Nunavut.

I am also interested in finding out from you, you may have already calculated it and have a pretty good understanding of what percentage of the... . After all, we're talking about the amount of the federal program. From what we heard, there is a \$60 million fund. I don't know what percentage of it went to Nunavut. You guys would know that from your records. Compared to the old program and this new regime, will your economic benefit increase and, if so, at what margin will you be receiving from the federal program? Thank you.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. The subsidy is a direct pass-through; there is no marginal benefit. So if the subsidy comes to the retailer, the auditing process will show that that subsidy is passed directly on to lower the cost of goods, as it was in the previous food mail system.

We have calculated the difference in Nunavut to the consumer right now as just over 6 percent lower costs on the eligible products. We calculated the benefit to the end consumer as roughly \$2 million in Nunavut in lower prices from this. The combination, how we get to that \$2 million, is the new subsidy rates by community, which, as Mr.

Morrison has said, have varied; some communities are lower and some communities are higher. We have discussed that with INAC as well.

Where we will gain, but again we will pass on the cost, is the efficiency of our negotiations with two groups, food vendors and transportation vendors. When we negotiate lower transportation rates, we lower our costs. So in that 6 percent reduction we're seeing now, part of that is from, in some communities, higher subsidy rates in the federal program and in some communities or a combination thereof, the better negotiations that we have accomplished. Again, that business model is the same for us as it is for the Co-ops as it is for a small business. So the answer to the marginal gain is there is not a marginal gain for us.

Would we become more profitable if we had better negotiations with transportation and vendor groups? Yes, we will, but in the deck, Mr. Curley, the supplemental deck that I distributed, there is a breakdown of our costs and expenses. So freight and distribution is 13.5 percent, and our earnings and all of our other expenses are detailed there. That's the model that we had before and that's largely the model that will be in place in 2011. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, as I understand the old Food Mail Program, Nunavut was the largest user of that program. Once the transitional period takes place or ends in October 2012, I would expect that the percentage of products shipped to Nunavut will likely

increase under the new Nutrition North program.

There is no financial benefit to the Co-operatives in the Arctic as a result of the new Nutrition North Canada Program. 100 percent of the subsidy that we receive from Indian and Northern Affairs Canada is passed on to the consumer in the price of goods. The potential improvements that we hope to see are through better supply chain management, shorter time in getting products to the communities, less spoilage, and ultimately better pricing.

If Co-operatives are more profitable and more successful, those benefits are retained in the community and passed on to Co-op members as patronage refunds. So there are no direct financial benefits from the Nutrition North Canada Program back to the Co-operatives in the Arctic, Mr. Chairman.

**Chairman:** Thank you. Mr. Curley.

**Hon. Tagak Curley:** Thank you. Yes, I appreciate that information. It appears to me that it doesn't have a great impact on prices. I think the public is facing this question. If this program is so important to reduce your transportation, and that's exactly the way I understand it, how in the world can you actually survive in Nunavut doing business mainly with the nutritious type of food? Is it worth administering for you or is it obtained in somewhat respects to both companies to have to conform to all of these federal needs? I don't believe you're just going to stockpile to make it affordable or any relevance to your profit margin. That's what I believe.

I understand exactly that this program will be used to reduce some parts of the costs of doing business, but I assume it's not going to be passed on to other items that don't qualify. So the other items of our daily supply needs will continue to rise, but the product that qualifies will be used to reduce the cost, not the profit margin. Thank you. Am I correct?

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. Mr. Curley, it's really refreshing to hear a politician refer to another political body as being a pain, but that's what we do.

There are a lot of administrative programs outside of Nutrition North Canada that we deal with on a regular basis, very importantly the health and benefits and the laws of the Canadian and territorial governments with how we treat and take care of people. So administration is part and parcel of the game. If you're going to be in business, that's one of the things you accept and you work with. So would we like administration streamlined? Of course, sir, without a doubt, but it is part of being in the business field. So we accept it and we will make recommendations that we do to other parts of the Government of Canada and other governments about how to streamline administrative procedures. So again, for us, that's a normal protocol.

You asked about other items. The way Nutrition North Canada is set up, we can only apply the subsidy to eligible goods on the list. Other items, we cannot. It would be illegal to apply the subsidy to them. I think that's what you were asking. So we can't do that. Other items,

again it's a competitive business field. If you were buying electronics in our stores from 2008 through now, you would have seen on average a 15 to 20 percent drop in the average cost of a piece of electronics. Why? Because we have to compete. Currently we're testing lower prices on apparel goods in 19 stores at 20 to 30 percent. We're testing them for the reasons you suggest, sir. Can we sell at lower prices and be profitable? There has to be something in it for us. So we're constantly testing other prices that have nothing to do with Nutrition North Canada because it's a competitive playing field.

I'm not sure if I'm answering your question, but the administration of this program has required extra work. Is it onerous? To a degree, but so are all of the other regulations the Governments of Canada put in place to safeguard the citizens and to make sure that funds, from whatever political body, are being used appropriately. So we comply, we accept, and we discuss whether we can streamline it. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, from an administrative standpoint, the requirements for retailers under the new Nutrition North program are a great deal more onerous than they were under the old Food Mail Program. Under the old program, we purchased a product, had it delivered to an entry point, and Canada Post took over from that point. We had virtually no reporting or claiming. We did have auditing procedures where the Food Mail Program would audit pricing and such at the community level. So the new program is a great deal more



onerous from an administrative standpoint.

We do understand some of the requirements of Indian and Northern Affairs in terms of trying to understand the impact of their program. Is the program contributing to healthy eating? We certainly support that concept and we are committed to providing the kinds of information that they need. Would we prefer that we not have to do all of the administration? Absolutely. There is a great deal more work involved than we thought there would be, but we want to make sure that there is a good program and without information, INAC is not going to be able to make adjustments to their program.

The second part of your question dealt with the subsidy and other products, non-Nutrition North Canada products. One of the potential benefits of the new program is that retailers now negotiate freight for their entire inventory. Under the old program, we negotiated freight contracts for our general cargo only. We did not negotiate freight contracts for perishable nutritious products. They were negotiated by Canada Post. We now have the capacity. Our freight volumes have increased very dramatically because we now combine perishable nutritious with general cargo. So the expectation in that process is that our overall freight negotiations will result in better freight rates combined, resulting in lower landed cost in communities, resulting in lower retail price for products.

It is very clear in the agreements that we have with Indian and Northern Affairs that the subsidy is only for approved products, eligible products only. It does

not cover non-eligible products. So there is, I believe, the potential to see improved pricing in other categories because we are now negotiating with a bigger freight pie. It's not just the general cargo pie; it's the general cargo and the perishable nutritious pie. Ultimately, we believe that that will be beneficial to the communities that we serve, Mr. Chairman.

**Chairman:** Thank you. Mr. Curley.

**Hon. Tagak Curley:** ... (inaudible)... very much. I believe that if there is any benefit, I hope that would be the case because you're negotiating on a large scale, but I'm not 100 percent sure. I listened very carefully to the virtues of free enterprise and all of that, but buying into this whole thing doesn't really label you now as a completely free enterprise because you're buying into government bureaucracy, and so on.

So my next question will probably clarify what I mean. Do you negotiate with airlines or air carriers at your discretion? Do you actually tender requests for the freight rates and you select the best rate from whoever is qualified to transport your products? Thank you.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Yes, we negotiate freight rates with our air vendors and we negotiate whether there is one company in that market or several companies. So it is put out to bid. More often it's negotiation across the table, looking at each other and saying, "This is the type of deal we would like to strike because that's the cost we need to be competitive

and to be efficient when we bring goods to market.” Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, we do a combination of both. We will call for proposals in some instances and we will have direct negotiations with carriers. It will depend on whether there are multiple carriers in a market and it may depend on whether or not we have a contract that’s in place that may just require renegotiation based on changes in circumstances. But we will do both, and our objective is to arrive at the best overall value and price is not always the only issue, particularly when you’re considering transportation airfreight, what other services are involved, but we strive for the best value for our member Co-operatives.

**Chairman:** Thank you. Mr. Curley.

**Hon. Tagak Curley:** Do you have any guidelines from the feds whether or not certain airlines should be qualified for that? From what I heard from Mr. McMullen, you will pretty much, under your own discretion, choose from which you feel has the cheapest rates that you can negotiate with. Are there regulations or guidelines that say you should include the main northern air carriers? Thank you.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. We are under no restrictions. As a matter of fact, INAC has never said, “There’s a list of companies that you should negotiate.” They have not mentioned that once to us, so we have free independent discretion to negotiate

with who is available. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, we are in the same situation. There are no requirements for us to negotiate with any particular carrier. However, we feel that it is appropriate for us to deal with as many carriers as possible to ensure that we get the best value, but there are no regulations or restrictions requiring us to negotiate with any one particular carrier, Mr. Chairman

**Chairman:** Thank you. Mr. Curley.

**Hon. Tagak Curley:** I’m getting near my point here. My other question relates to some of the products probably qualified to be shipped through the marine shipping companies. If certain products qualify to be shipped through a marine cargo shipping company, would you also negotiate certain rates on behalf of the Nutrition North agency? Thank you.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. The Nutrition North Canada Program does not, in any way, extend to the sealift rates. That would be rates that we would negotiate directly on our own. There is no federal program for us, especially affecting Nunavut, that’s involved or associated with Nutrition North Canada. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, we are in the same situation. Nutrition North

Canada does not apply to any marine transport, only air transport. Thank you.

**Chairman:** Thank you. Your last question, Mr. Curley.

**Hon. Tagak Curley:** I appreciate your responding to me. It's somewhat geared towards a federal question because they weren't willing to appear before this Committee of the Whole or the Assembly, so I appreciate your responses. You did very well.

I also wanted to ask you this very important question. There are consumers out there who believe that the Food Mail Program worked for them. They were able to get online, order it directly, and time it with the shipping companies moving it and actually, in some cases, while they're down at the entry point, qualified for shipping. They would take the products with them and in some cases, deliver them directly to the post office. It used to happen in Yellowknife quite a bit for Kitikmeot people.

Nowadays, consumers are actually confused. There is no direct consumer-driven program in it now. It's really retail and we're at your mercy. Why would you accept such a change and not reject it completely in order to allow the feds to renegotiate one that could work by modifying components of the old Food Mail Program? Thank you.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. That's an interesting... I think there's a set of questions there.

First of all, the federal program that came out is the creation of the federal

ministries involved. So whether we accept it wasn't the question that was ever asked of us. The program came out. Here it is. INAC engaged in over 70 different community and business meetings and gathered information. So I think the last part of your question is: why would we reject it? That was not a choice. This is a program that was set down by the federal government, we had input into it, as did many others, and that's the end product.

As for the individual consumer, there are less southern retailers signed up for the Nutrition North Canada Program than were signed up in the food mail, but that is still an open system. There is a process where retailers can apply. I believe it's on an annual basis from the south and northern retailers, I believe, can apply at any time.

So, Mr. Curley, it is a competitive market. We believe this system is going to work and I think, and I can't predict, that you will see the entry of more southern retailers, maybe not this year but probably next year. I think it's a competitive market. If there's value for them to provide a service to the north, they will jump all over it. I can't predict when but I would assume that there is an incentive for them.

I know the reason they have said they haven't participated is the paperwork and the administration, but as Nutrition North Canada gains their legs, I think it's in their best interest, for not only southern retailers but for northern retailers, for them to trim and streamline their administration process as well. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, we participated in extensive consultations with the Department of Indian Affairs throughout the food mail review process and we made many different recommendations to INAC on what should be happening with the Food Mail Program and unfortunately many of our recommendations were not accepted, some were but many were not. Ultimately the decision on what the Food Mail Program or the Nutrition North Canada Program would be was an INAC decision. We certainly were not asked our opinion on the criteria of the new program.

The program was publicly announced here in Iqaluit, I believe, on May 21 of last year. We heard about the program the same way that everyone else heard about the program, from the press releases that were issued. We were not asked our opinion on various components of the program, so we had no opportunity to accept or reject. Our opportunity to reject particular components of the program would have been to reject the entire program.

As Co-operatives, we represent 20,000 individual owner members across the north and certainly because of certain components of the program not being acceptable to us or not being laid out as we had recommended, it would certainly not be in the interest of our owner members for us to say that we're not going to participate in the program because one or two components of the program were not as we had liked them to be.

There are retailers that are still involved in the personal resupply business. It is different than it was, as are many parts

of the activities that we're involved in. They're different than they were. We have accepted this program and we are committed to making the program a good program to provide the best value to our owner members.

If there are problems with the program, I can't comment. We're a retailer. We sell products at the community level. We don't sell products to individuals from the south to the north. Generally speaking, this is not something that we are up in arms over that it's different than it was. We are more committed to ensuring that the program is efficient to allow us to deliver the best value at the community level.

**Chairman:** Thank you. Mr. Ningeongan.

**Mr. Ningeongan:** Thank you, Mr. Chairman. My question is to Mr. McMullen. In a North West Company news release dated March 31, 2011, you stated that "there are some communities we serve that will not see enough change. That is because neither the federal subsidy nor the freight rates changed enough to equal a change at the cash register. We will keep working with the government, our customers and the leadership in northern communities to find solutions to issues like these as they arise." Can you clarify which communities you are referring to and can you discuss what solutions you would support? Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. There are no specific communities that were covered under that statement in Nunavut.

In particular, we're referring to four or five communities in northern Manitoba. Lac Brochet, for example, is part of the program. Brochet and Tadoule Lake are not. Those communities are a very few kilometres apart, so that doesn't make sense to us. The criterion that was used by INAC was, "Did those communities participate in the food mail system beforehand?" And the answer was, "No, those communities did not." At that point in time, even though we could have accessed the Food Mail Program, the freight rates that Canada Post had negotiated with the air carriers in those communities were higher than our freight rates. So it was more beneficial for us in the food mail system to opt out of INAC for those northern Manitoba communities.

What we will do, as I stated in my submission, is that we will work with INAC and we will provide data, as we will throughout Nunavut, that says, "These are the communities where the subsidy really seems to be working because the consumption of nutritious products is going up," which is the basic intent, healthier eating. So we will provide the data that will enable the new INAC to make good decisions for what's on the eligibility list, what communities should be included, and maybe how the subsidy rates are changed in the future based on the communities' consumption of the healthier goods. So that's the data that we can provide. Right now, as I stated in my submission, the early indications are that communities with Nutrition North Canada subsidies are increasing their consumption of healthy products as compared to those without.

I'll finish on what we did with the Manitoba communities. We went to,

amongst others, Grand Chief David Harper and provided our best advice in terms of how they should approach INAC to seek subsidies. So we tried to work with the governments and the tribal councils in Manitoba to alleviate that particular situation, sir. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Ningeongan.

**Mr. Ningeongan:** Thank you, Mr. Chairman. I wish to ask another question to Mr. McMullen. In a North West Company news release dated March 31, 2011, you also stated that "We work constantly to get more affordable food in the north. The changes we see today are possible because two important changes have occurred... the retailers – like us, are now free to use a more direct, cost effective channel of distribution instead of having to use Canada Post as required by the government for decades. This means we will have less interruption and fewer delays in the transport of food, which means healthier fresh food. Once these changes came into place we were able to negotiate better freight rates with airlines and trucking firms because we have the advantage of bulk rates."

Can you clarify the extent to which your new freight rates with airlines are better than those that were in place under the Food Mail Program? Mr. Chairman, I do realize that this was already touched on earlier, but I want more clarification. Thank you, Mr. Chairman.

**Chairman:** Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. We have negotiated better rates with the airline companies. We

have also been able to consolidate shipment points. One of the key things that we haven't talked about yet is that in the new system, we will move products further to the best of our advantage by truck or rail because we're not restricted by certain entry points.

I think your specific question is: how much has our freight rates improved? On a dollar basis, that's between us and our vendors. It's a competitive market. They have improved. Part of the \$2 million in consumer savings is related to those retail efficiencies of us having lower transportation costs and also going back to vendors and negotiating better rates with vendors. So definitely we have an improvement in rates and that's part of the reduced prices across Nunavut of 6 percent that are in all of our stores today. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Ningeongan.

**Mr. Ningeongan:** Thank you, Mr. Chairman. I would also just like to ask: does that include local contractors who have contracts with the North West Company to take the Nutrition North program items from the airport to the community and, if so, are they basically generic or do they fluctuate in rates as well per community? Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. They are not generic. They vary from community to community. The primary determinant is the load factor, how many pounds are going into that particular store, the second thing would be the distance from the airport to

the store, and the third thing would be a factor that now we have instituted, which is really interesting. With the change with Nutrition North Canada, we are now negotiating with our airfreight companies to deliver at different times of the day. So because we don't have, as Mr. Morrison and I have said, to fit into specific time slots for Canada Post inspection, we might take deliveries past midnight in our stores. That allows us to have a better guaranteed service because we're not restricted to the quarter of time when people would travel.

There are a couple of additional facts that I'm adding to your question, but back to the basics, the local freight handlers are usually annual contracts that we negotiate. There is not a differential rate for them moving a product, whether it's Nutrition North or bulk product or general merchandizing product, from the airport to the store. It's all based primarily on the pounds or the kilograms that they move, sir. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Ningeongan.

**Mr. Ningeongan:** Thank you, Mr. Chairman. I'm not going to ask too many questions at this time. I'm afraid to get direct eye contact from Mr. McMullen.

>> *Laughter*

So I'll let you move on to other colleagues. Thank you.

**Chairman:** Mr. Rumbolt.

**Mr. Rumbolt:** Thank you, Mr. Chairman. My first question is to both

parties. In smaller communities, your stores carry basic fruit and vegetables and we can't expect you to carry everything that all of your consumers need and you base these things on the history of what sells in any given community, yet we have consumers in our communities with different dietary needs and some of the products are not carried in your stores on a regular basis. What does your company do to ensure to meet the needs of customers with special unique diets? Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. That is a very difficult thing to do. Those consumers should come to our store managers directly and make requests. Sometimes our store managers do not respond as quickly and as efficiently as they should. But special dietary needs, such as I believe it was Fort Simpson I was in, we had a customer ask us specifically to bring more diet pop in. So on a pulsing basis, we did that for them and that was their direct request. So it's difficult to manage a product going down to the individual, but if the individual makes a request, we will do our best to expedite that request, sir. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, the Co-operatives in the north are very much in the same situation as the North West Company in terms of the degree of products that are carried in each community.

We're certainly limited by facilities and shelf space, but as a community-based business, Co-operatives pride themselves

on being responsive to the needs of their owner members. If individual members have specific needs, Co-operatives are committed to trying to meet those needs. The responsibility for ordering products rests with the local Co-op manager and we encourage consumers to talk to the Co-op manager and say, "This is what I need," and they do their best to try and meet that need. Thank you.

**Chairman:** Thank you. Mr. Rumbolt.

**Mr. Rumbolt:** Thank you, Mr. Chairman. That was going to lead to my next question or comment, I guess.

Would your stores be willing to entertain...? If somebody had special needs, whether it is a special kind of fruit or whatever they want, is it possible that it can be arranged where they could come to your stores on a weekly basis and say, "This is a list of stuff I would like to get for next week. Can you order it for me? When it comes in, can you put it aside and this person and picks it up."? This gives them the option of being able to get what they want without having to do a special order through the south on their own because some of these people don't have credit cards and they want to do it that way. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. That's a difficult one. If someone comes to us and asks for a passion fruit or star fruit, the likely answer in that case is no on a weekly basis. For us to delve into personal shopping at that level where you come in with a specific list... .

If it is a dietetic or health reason, that's where we have to be compassionate and involve community citizens, but if it's not related to a specific need, if it's related to specific cut of meat or a specific fruit, I would say it's possible but the expense... . Because we can't just go out and buy one passion fruit or one star fruit and bring it to that customer, we would have to engage through the whole process and I think it would be exorbitantly expensive for that individual customer. But if it's a more common product, we certainly can and there are lot of issues on gluten-free products and products of that nature.

Again, the individual customer, we are not in the personal shopping service, sir. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, again it is a difficult question. Certainly if individuals are interested in case lot purchasing, then it is relatively easy to accommodate. If it is a single product that there is no market for in a particular community, then it is much more difficult to meet that need.

Co-operatives are always looking to identify products that will sell in a community. If something hasn't been carried in the past, when a retail store has the capacity, they like to bring in different kinds of products and like to build the demand for a product. Certainly in situations like this, if it's a special need, then that's a different story. If it is just a like, it is really hard to fill that need if someone wants one or two of a particular item.

But we will work with the consumer, the member to try and if they need something, we will bring in a larger supply so it won't sit on the shelf for a long period of time if they're interested in purchasing it, and we will try to build up demand so that other people in the community will purchase the same kind of product. Thank you.

**Chairman:** Thank you. Mr. Rumbolt.

**Mr. Rumbolt:** Thank you, Mr. Chairman. My next question is for Mr. McMullen of the North West Company. When Mr. Ningeongan was questioning him, he mentioned increasing consumption of nutritional products in the communities. I'm just wondering if he can explain if there are any ways that the North West Company is trying to promote healthier eating within the communities. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. Yes, sir, we are. We've had a full-time dietician on our staff for the last three years. Suzanne Hajto has been engaged with numerous nursing stations, health organizations, actively involved with trying to increase the awareness of healthy eating.

Last October, we launched a program called "Healthy Eating: Colour Your Palate." We used as the principles for that the guidelines from Health Canada, the Canada Food Guide. What we're trying to accomplish, sir, as we have said, if you go to our stores now, it's a small sign package but it says, "If you're buying bread, these would be the healthier choices for you." In all of our aisles, in an Iqaluit store, I can take you



over there and show you. What we're trying to be is saying, "Here's the guidepost. Here are the guidelines for healthier eating." And we do cooking demonstrations.

In terms of healthy eating, what we're trying to do for our communities is awareness. For the last decade, we have been engaged in Canadian diabetes work and that is to engage our communities in fundraising activities to support Canadian diabetes and heighten the awareness of the diet that's required for people to either control diabetes or control the onset of diabetes. We're very interested in healthy communities. Healthy communities are people who are choosing food that is better for them. That just drives a healthier business community, as far as we're concerned.

We see the two as very compatible, so we do have our "Healthy Eating: Colour Your Palate" program. We are engaged with the diabetes association and Nutrition North Canada is a further extension of that, sir. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Rumbolt.

**Mr. Rumbolt:** Thank you, Mr. Chairman. In a recent editorial in *Nunavut News/North* concerning the Nutrition North Canada Program, it stated that, "Part of the hype of the new system was there would be greater accountability on the part of retailers. We hope that is so, but we have not seen it yet. Stores must be forced to show Northern consumers line-by-line the breakdown of product cost – base price, shipping cost, stocking and overhead mark-up, and profit – on subsidized items. That information is vital to

targeting the cause of high food prices and truly making basic staples affordable.

We asked the North West Company for this breakdown. The company wouldn't tell us, saying it was 'competitive information.'"

My question is to both Mr. McMullen and Mr. Morrison. Do you agree with this editorial's perspective, and would you be willing to disclose your profit margins on eligible foods that are covered under the Nutrition North Canada Program? Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. On a line-by-line item, we're talking over 4,000 products. Are we interested in disclosing line by line the cost and profit per product? No, sir, I don't think we could.

As provided in the supplemental deck and because we are a privately traded company, our profit margins are well known. Our earnings are 5.6 percent of our sales. Our transportation and our freight and distribution costs are 13.5 percent of our sales. Our costs of goods sold, the product itself, is 51.5 percent. So we have no problem with that level of disclosure.

But on a line-by-line basis, sir, no, it is a competitive issue. Quite frankly, the capability of doing that on over 4,000 products per store, per community, times 65 communities that are eligible for Nutrition North Canada at two levels of subsidy, level 1 and level 2, at two levels of food subsidy, level 1 and level 2

there, if you do the multiplier effect of that, 65 communities times 4,000 products times four levels, with all different freight and transportation, it's an impossible task, sir. So no, I don't think we physically could. I may be incorrect in this but I don't know if there is a retailer in Canada that could. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, one of the options that were presented by INAC when they went through the food mail consultation process was a more extensive subsidy reporting process on cash register receipts. The consensus of retailers right across northern Canada, and that certainly would include Nunavut, the Northwest Territories, Northern Quebec, and the provinces, is that the capacity to do that does not exist in retail computer systems.

I can certainly confirm from the Co-operative standpoint that we do not have the capacity to do that. Our local Co-operatives do not track profitability on a line-by-line basis. Co-operatives track profitability on categories, but they do not track profitability on line-by-line items. The costs associated with developing or redeveloping point-of-sale systems and other accounting systems would be astronomical.

I can say, however, that Co-operatives, as community-based businesses, hold annual meetings each year and one of the things that Co-operatives provide is a complete review of financial statements to the members of that Co-operative. As part of that process, they are providing members with information on revenue, gross margins, expense categories, and

actual overall profitability for the Co-operative.

So we understand the need for improved transparency under the Nutrition North Canada Program. We are committed to providing additional information. However, there has to be a balance between the information that is provided and the costs associated with providing that information. We are committed to working with INAC to find appropriate ways to communicate information, but as a business, we have to ensure that we are providing the best value to our owner members. Thank you.

**Chairman:** Thank you. Mr. Rumbolt.

**Mr. Rumbolt:** Thank you, Mr. Chairman. My next question is going to be... I'm a little bit concerned about freight rates.

I guess my question is for Mr. McMullen more because if I go into his store and let's say I'm buying a boat, the price is going to be listed at a cost of whatever the boat, and then there's a line item saying, "This is the amount of freight that you have to pay and this is the GST on it. Your total price is X number of dollars." Is the same process used for buying other goods like in the food department? Do you come up with a landed cost to the community and then figure out the freight and only add the amount of freight onto the product or do you markup on the freight of products too? Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. Good question. No, we don't take any markup on freight on food

items, and I think that's what your question was about. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Shewchuk.

**Hon. Daniel Shewchuk:** Thank you, Mr. Chairman. I just got a couple of things. Most of the questions have been asked already and some very good questions. In regard to when I said to you in the freight rates you negotiate with the airlines, I'm just wondering, with both of you, if there are any communities where the negotiated rate is lower than the subsidy that you receive from the government. I'll leave it at that right now. Thank you.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. The subsidy, to a large extent, is separate and distinct from negotiations. As Mr. Morrison said in an earlier question, we now have the capability of bundling all of our freight negotiations in the run. So we negotiate freight in totality and the subsidy is then applied to the eligible products.

I hope that answers your question. I'm not quite sure. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, I can confirm completely that there are no Co-operative freight agreements in place where the subsidy is greater than the freight rate. There are no communities. In the initial rates that came out in December of 2010, there was one community in that situation. We went back to INAC and said, "Well, we would

love to have a margin on freight before we sell any product." We don't believe that that's what the Nutrition North Canada Program is all about. So the answer to your question is no, there are no subsidies greater than freight rates. Thank you.

**Chairman:** Thank you. Mr. Shewchuk.

**Hon. Daniel Shewchuk:** Thank you, Mr. Chairman. I think Mr. McMullen has something to add.

**Chairman:** Oh, sorry. Mr. McMullen, go ahead.

**Mr. McMullen:** Thank you, Mr. Chairman. Mr. Shewchuk, that's a very good question. Earlier on, there were at least three if not four communities where the offered subsidy was going to be more than our freight rate. We went back to INAC and recommended, "Don't give us that much," and at the same time, we recommended other communities where we thought it was insufficient. So that was a process.

I commend INAC on giving not only Andy and myself but all retailers the opportunity to give feedback and say, "Hey, this is too much" or "This is too little." So that was a good dialogue process. I don't know if this is a follow-up question, but I think this has to be worked out because I think one of the things we've gotten away from was this was still, kind of across Nunavut, to even the playing field for all communities. I'm not quite sure we're there yet, sir, with the program and I think that's going to take a matter of time.

I can tell you that it doesn't affect the legislature here, but for example, Paulatuk has a lower cost of milk than Inuvik right now. So everyone in Paulatuk is ecstatic, but everybody in Inuvik is not so happy because they get it directly by road. So there are those kinds of things that have occurred that will be ironed out in the first year. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Shewchuk.

**Hon. Daniel Shewchuk:** Thank you, Mr. Chairman. I was going to follow up on that and I still am a little bit too. I think that by you saying what you just said, you have identified maybe the incapacity or the "miscapacity" of INAC establishing those rates to begin with because there were absolutely mistakes made there, in my mind, and somebody didn't do their homework when they did that. I think, by us realizing this, there is always room for improvement and there is always room for contribution, consultation, and understanding.

I would just like to follow up with another question and that is for both of you two. What is your policy on items that have a best-before date and when that date has come and gone, what do you do with that product? Thank you.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. Again a great question. There are two types of dates on products, expiry dates and best-before dates. Expiry dates are more with very perishable and usually nutritious products. They're respected 100 percent. Best-before dates, it was a grey area.

We came out earlier this year... One of our general managers was up here at a mayors' conference, and our policy has been that we don't sell products that are past the best-before date and expiry date. In fact, when that came up, we did a thorough investigation of all of our stores and discovered that at that point in time, less than .08 of a percent of the products on the shelves were past the best-before date. That is an incredibly high standard that we have achieved.

But we had said publicly that we don't sell products past the best-before date. We remove those products from the shelf and we're doing a number of things. First of all, we're going back to the vendors and we're saying, "We have a problem in remote communities. We need better dating. If we don't get the product up to the north and get as close to a full year supply, the cost for our customers is exorbitant. So is there anything you can do?"

We're dealing with major manufacturers like Kraft and we're saying, "Can you extend the product? Is it safe?" That process is ongoing. So right now, any best-before dated product we did pull off the shelf, we're talking with the manufacturers and we're saying, "Is there a health risk? Is there a safety concern?" There are many products, such as coffee, flour, that represent no safety issue at all to the consumer. So what we're doing now is extend the dating.

The other thing related to that is we are trying to ensure for sealift, because it is primarily a sealift problem, or a winter road in our more southern markets, that we negotiate with the vendors the freshest date, meaning that if it has a 34-

week life cycle, it arrives at Valleyfield produced the week beforehand. In some cases, like Arctic Bay, it's a 10-week delivery time, even if we get the ship leaving right away. So that gives us situations where we only have 23 weeks of life when it gets to the shelf. Our policy now is certainly to remove that.

Will we sell products that have past their best-before date? Only if we're certain that there is no health risk to the customer and we've got assurances from the manufacturer that that is so. In the case of, for example, Carnation milk, which I believe has well north of 70 weeks of dating on it, we had in the past, as I think all retailers had, sold Carnation past the best-before date. So we looked at Carnation milk and we do have Carnation coming back and saying, "It's still safe to sell," but we chose not to sell it. What would we do with that product? If it's safe, consumable product, no health risk, we will donate it to food banks and we're going to aggressively address that issue.

What we would like are better dated products, fresher products on our sealift, so it's a particular problem in the north. If you are talking pop, pop represents no health risk if it's past the best-before date. We would consider that, but our job is to get the longest dating possible when it arrives in Valleyfield and move forward from there. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, best-before dates are a tremendous challenge for retailers in the north, particularly at resupply time when a product is manufactured and sent to the dock. It has

happened where a product arrived in the community and it was already past the best-before date.

We work very closely with our suppliers to ensure that we receive the best dating on the product to ensure that consumers have the best opportunity to purchase the product with the longest life possible. In recent years, we had a major issue just with Carnation milk where the product arrived in the community past the dates. In that situation, we went back to our suppliers and said, "You sent us a product that was past an acceptable dating," and a major claim was filed.

Our objective is to not sell a product that has past the best-before date. An expired product is a different situation that's off the shelf immediately. We sometimes have challenges in the communities to ensure that that happens on a consistent basis as we would like, but certainly the objective is that that best-before product is removed from the shelf. Actually the intent is to move it before the best-before date arrives so that there is not a challenge and consumers are given the option of purchasing something at a discount.

**Chairman:** Thank you. Mr. Shewchuk.

**Hon. Daniel Shewchuk:** Thank you, Mr. Chairman. I think both of your companies have come a long way in that. I think there are still issues out there, though, that need to be addressed at the community level where there are expiry dates and best-before dates and these are not always being followed as best as they can.

An important point for me too in my community of Arviat is that you see all

of these products that are expired go into the dump. We're talking everything from meats to vegetable products, everything that goes there. It's a shame to see that stuff go to the dump, but maybe there are other uses that could be looked at. That could be given for non-human consumption, maybe for dog teams or other interests that may happen. I would just like both of you to expand a little more on how you handle products that you dispose. Thank you.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** First of all, there cannot be any risk to people. That's the first principle. Secondly, we do engage in giving some of the food now to, for example, the dog teams in Churchill. So we have engaged in that practice and we should continue that. Third, it's interesting in the history there have been actually territories that have given us letters of permission to sell products past best-before dates.

It's a good question. We need some help, actually. What we do, as Mr. Morrison suggests, we offer a product at a discount as it approaches its best-before date, but some of it passes and we know it's not a risk to consumers. If we're talking big boxes of cereal or coffee, we would prefer to sell it at a discount to our communities and if that's not a viable option, then give it to a food bank as long as there is no risk, but we would embrace suggestions. Some of it will go to disposal. It has to. That wouldn't be right.

We have some canned products that we're now in the process of getting tested to see if it's still safe for consumption when it goes past its best-

before date. We're again working for the manufacturer. So we're very open to suggestions on what we do with that product. We would prefer a large box of cereal, rather than flying it in because it's so bulky, to sell it in the community at a discounted rate because it doesn't represent a health risk. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Shewchuk.

**Hon. Daniel Shewchuk:** Thank you, Mr. Chairman. That's good enough for me. I'll leave it at that too. I guess just to follow up finally on that is: if this is happening in the community, what kind of process is there for somebody to go to somebody and tell the Northern or the Co-op store that... ? I suppose they could go to the manager and say, "Listen, you have something on the shelf here that's expired or outdated or whatnot," but if that doesn't seem to solve the problem, what is the next process that they do? Thank you.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** The best process is to go directly to the store manager. If that doesn't elicit a satisfactory response, we would talk to the president's hotline. When that comes in, I receive those immediately. They actually go directly to the CEO, Edward Kennedy, and me and we will respond, but it should come through that system. The store manager should handle it. He should handle it with great care, talk to the customer, apologize that they purchased a product past the best-before date, reimburse the customer fully, and there should not be any question.

We have a standard. We do internal audits and external audits. We have two things that are of paramount importance in that audit and that is to make sure that the product has pricing integrity, it's the right price, and that's second to dating integrity. So every year, there is a full audit done on that where stores are inspected, and then on a weekly basis, all of the fresh categories where there is a high risk, we have what we call business segment inventory.

So we go through at least once a week all products that are perishable in nature and we look at that product and we pull that product from the shelf. Our stores are required to report shrink, which is primarily going through and looking at the date of the product a minimum of four times a week throughout the store, so we're sweeping the store on a constant basis. A store manager is also accountable if they see a product that has got two weeks of dating left to start the process of marking it down.

So we have really had in place a rigorous system. It has slipped from time to time, from store to store, but that's not acceptable and we will do our best. Please call it to our attention and we will take action. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, Co-operatives as local businesses, their first line of contact is the general manager of the Co-operative or another member of the management team.

We have another layer involved in the process and that's the local Co-op board of directors. The general manager of a Co-operative reports to the board of

directors. The members of the Co-operatives elect the board of directors and they have a direct line of contact with the board of directors. Certainly, if there are issues that are not being directly responded to by the general manager, it should be brought to the attention of the board of directors.

However, as a service federation, our job is to support local Co-operatives and to assist them in operating efficient businesses. If there are problems and from time to time, we have direct contact with Co-op members where they contact Arctic Co-operatives directly and we will intervene on their behalf with the local Co-operative to ensure that procedures are being followed and, if it's a dating issue, that the Co-operative is taking proper steps to address the problem. Thank you.

**Chairman:** Thank you. Mr. Shewchuk.

**Hon. Daniel Shewchuk:** Thank you, Mr. Chairman. That's all of the questions I have for now. Thank you.

**Chairman:** Thank you. Before we move on to Mr. Taptuna, we will take a five-minute break.

*>>Committee recessed at 17:12 and resumed at 17:26*

**Chairman:** I would like welcome everybody back here. Mr. Taptuna.

**Hon. Peter Taptuna:** Thank you very much, Mr. Chairman. Most of the questions I had have already been responded to, but there's a couple here that I want to carry on with.

At present, the Nutrition North Canada Program provides a subsidy for shipping commercially produced country foods from federally approved facilities like Kitikmeot Foods, Kivalliq Arctic Foods, and Pangnirtung Fisheries. There's information that's currently on the website. The federal Department of Aboriginal and Northern Affairs Canada indicates that the department "is working with stakeholders and the Nutrition North Canada External Advisory Board to further develop options to support access to country food for Northerners." Has the external board been discussing these matters with you? Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. At this time, no, we haven't had any discussions on country foods. We have made our position clear that we would like to engage through Aboriginal and Northern Affairs or the advisory board in facilitating the selling of country food and the transportation of country food if we can play of any assistance at all, but at this point in time, the North West Company has not been approached by anyone. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, nor have we been contacted by INAC or the advisory board on country foods.

The issue of country foods is a very important issue to our members. Our members have been requesting for many years that Co-operatives sell more country food in retail stores. The fact that country food processed in a

federally inspected facility is now eligible under the Nutrition North Canada Program, we think, is a tremendous opportunity certainly for the facilities but also for retailers in communities across the north.

The major challenge that we face today is the availability of country foods. There is not enough volume produced today to meet what we believe would be the demand certainly in Co-operative locations, but we are prepared to do whatever we can to offer country foods as one of the products in Co-op retail stores. Thank you.

**Chairman:** Thank you. Mr. Taptuna.

**Hon. Peter Taptuna:** Thank you, Mr. Chairman. I appreciate the response from both gentlemen there. There are some communities that are indicating and hoping to create a system here or an organization for inter-settlement trade of country foods, whether that would be car or caribou or even seals and other nutritious country foods.

Would the major retailers of the north like the North West Company or the Co-op be interested in assisting in finding ways to actually get the program in place and assisting in the administration and delivering the possibility of the inter-settlement trade once a plan has been devised and sustainability and feasibility have been looked at and determined? Would the major retailers, such as your company, be interested in actually assisting in the delivery of inter-settlement trade of country foods? Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. McMullen.



**Mr. McMullen:** Thank you, Mr. Chairman. Absolutely. Actually, sir, we do now. I believe it's from Rankin Inlet, I might have that wrong, or Arviat. It's just slipping me right now where we are engaged in the shipping of some country food between communities. We have already ventured that way before Nutrition North Canada. So we will do anything that we can to assist in inter-settlement distribution of country food. Thank you.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, Co-operatives are certainly very interested in playing a role in this process. As I indicated a moment ago, Co-op members are most interested in country food and greater accessibility to country food. Thank you.

**Chairman:** Thank you. Mr. Taptuna.

**Hon. Peter Taptuna:** Thank you, Mr. Chairman. On a different subject here, the timing of the Nutrition North Canada Program, in my opinion, was really bad. We had the global prices of food going up and I want to quote some numbers here. Fresh potatoes increased by 21 percent, beef by 6.5 percent, vegetables by 18.5 percent, and so forth. Not only that but the fuel prices were going up at the same time and the utility rates for this territory went up by 19 percent, as stated here. In my opinion, the combination of things was real bad luck.

How are you dealing with all of these increases? There is a lot of suspicion in the communities that the markup was because of Nutrition North Canada, not necessarily the cost of everything going up. Has that been communicated to the

communities in a way where they can understand that some of these things were not really the cause of Nutrition North Canada and your store but because of all of these things happening simultaneously?

In my opinion, it seems like it was just a bad deal overall. I just want to get an opinion and some kind of response to that. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. I forget which month. After all of the questions today, I forget which day it is, but I forget which month we went to Ottawa. Was that November or December? November.

Mr. Taptuna, when we presented in November, it was one of my concerns in my presentation. We had the foresight that the commodity market was in a state of flux, so the numbers you quoted are the year-over-year price increases from March. But when we were in Ottawa, what I said to the federal standing committee was, "Look, guys, this is coming and you need to have a communication policy in place because it is unfortunate."

At that time, we knew what was happening with coffee. We knew what was happening in coco because of the unrest in terms of coco in that part of the world. We had a good indication of wheat and what was going to occur because Westin had already come to us and said, "Look, you're going to get it in the spring, guys. We're going to have to increase our costs to you."

There's nothing INAC could have done about it, but we recommended and suggested, "You have to inform the public that this is not anything to do with your program." It would have happened in the Food Mail Program. As Mr. Morrison said earlier, in the old Food Mail Program, the subsidy rate was pegged so when oil fluctuated, there wasn't exposure to the communities, and that has changed in Nutrition North. So we did put that information out there.

So far, it is a little piece of good fortune, Mr. Taptuna, that the sealift that we did last spring in terms of flour and coffee, we loaded up as much as we could. In our case, we have reduced the number of products that were shipped on sealift 1,667 less products so we could concentrate more on the flours, coffees, the pastas, and even the diapers and products of that nature. We did a little better job. We got a little better at the winter road season this year, where we put 20 percent of more products that will become non-eligible in that bundle.

So we had protection because we got out in front of the curve before the large price increase was coming, but when that sealift product is gone this year, later this spring and summer, the communities of the north, as I said earlier, are not immune and you will have that cost acceleration. You are right, sir, it is unfortunate timing. In retrospect, I don't know what INAC could have done other than delay the program.

One of the suggestions that I think is safe to say that both Mr. Morrison and I recommended at that time back before, and Andy correct me when it's your turn, but we said, "Don't change the

products on the eligibility list in the first year. Give us a transition period." That's what ended up happening on March 12 when they came back and changed it. We recommended, "Don't do that because we need to be fair to the consumers and the communities and have a chance to educate them." And I believe someone said it earlier, with graphs and pictures to show them the impact of the change.

So a little off topic but a fuller answer. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, it certainly is an unfortunate period of time as far as rising food prices are concerned. So many factors are coming together all at one time and having an impact on the cost of food. I don't know if the change from the Food Mail Program to the Nutrition North Canada Program would have made a tremendous difference, except for the freight component, the fuel component.

The cost of commodities, the demand for product, some of the impacts of weather and other things that are destroying crops and such, Nutrition North Canada and the Food Mail Program would have had no impact on commodity prices. Certainly the fuel issue is something that we believe is very important and we have recommended to INAC and to the advisory board that they make adjustments to the program to take into consideration rising fuel prices. We don't believe that just the commodity increases would be adjusted in the Food Mail Program.

Certainly INAC has an important role to play from the communication standpoint, but I think we also have an important role to play in terms of educating consumers on the impact of price. There was a lot of discussion when the Nutrition North Canada Program came out that the subsidies that are provided will result in lower prices. I don't believe that that was actually the case and I don't believe today that it has translated into that.

Any price benefit will be the result of efficiencies, not the subsidy that's being provided. We have to make sure that consumers across the north understand that. I don't believe that the old Food Mail Program was well understood and I certainly don't believe that the new Nutrition North Canada Program is well understood, and we have a responsibility to do a better job on that. Thank you.

**Chairman:** Thank you. Mr. Taptuna.

**Hon. Peter Taptuna:** Thank you, Mr. Chairman. I appreciate the responses back. Mr. Chairman, there's a question specifically for Mr. Morrison. Mr. Morrison, within the Co-op operations and businesses, you do have a hotel chain, Inns North, and certainly these hotels do have restaurants. Is the Nutrition North Canada Program also being subsidized for the restaurants at the hotels? Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, yes, when Co-operatives bring in products to be sold as food in hotel restaurants, it is eligible under the program.

**Chairman:** Thank you. Mr. Taptuna.

**Hon. Peter Taptuna:** Thank you, Mr. Chairman. I appreciate the response from Mr. Morrison. One last question, Mr. Chairman, is that within community Co-ops, there is a dividend, what they call a patronage pay, for the membership of the Co-ops. Some of these communities do not have access to some certain airlines, so they're not participating in the actual Nutrition North program. Now, are the patronage dividends being used in other ways to actually subsidize some of these smaller community Co-op stores that aren't part of the Nutrition North program because of the airline not going to these certain communities? Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, I'm not sure I fully understand the question. I'll try to answer it and please correct me if I missed the point. Virtually every Co-operative in Nunavut and the Northwest Territories participates in the Nutrition North Canada Program.

As community owned businesses, when Co-operatives are successful, they return their profits or their net savings, as we call it in the Co-operative, back into the individual owner members. The return of profits is based on the business that each member transacted with the local Co-operative. The more an individual purchases from their Co-operative, the greater their share of the bottom line of the Co-operative that the individual is entitled to.

Arctic Co-operatives, as the Co-operative, does the very same thing. We provide services to our members. When we are successful and we are a profitable

Co-operative, we return our net savings, our profits through our member Co-operatives in proportion to the business that they transacted with their federation.

There is not a strict tie into the Food Mail Program and patronage refunds. The patronage refunds are based on the profitability of the local Co-op and the business that the members transact with the Co-operative. Thank you.

**Chairman:** Thank you. Mr. Taptuna.

**Hon. Peter Taptuna:** Thank you, Mr. Chairman. I appreciate the response. My last question, Mr. Chairman, for both of them: to which jurisdiction do you pay your corporate taxes to? Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** We're a Winnipeg based company; that's where our corporate headquarters are. We would pay taxes according to the filings that we do as a corporate citizen of the province of Manitoba. Thank you.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, Arctic Co-operatives Limited is incorporated under the *Co-operative Associations Act* of the Northwest Territories. Even though our home office is located in Winnipeg, we would pay federal tax and it's a little over my head, but I believe we're paying provincial tax within the province of Manitoba.

Even though we are incorporated under the Northwest Territories Co-operative Act, one important component with our member owners is that the Co-operatives

that are located in communities across the Arctic, 23 in Nunavut, 8 in the Northwest Territories, pay tax based on their location. So the Nunavut Co-operatives will pay tax. Obviously federal is a big part of the tax bite, but they also pay the Nunavut tax as well, as the Northwest Territories would pay federal and Northwest Territories tax. Thank you.

**Chairman:** Thank you. Mr. Ningark.

**Mr. Ningark:** Thank you, Mr. Chairman. I'll try to be clear, concise, and to the point. I'll try again. I wanted to speak from a political and personal point of view in looking at the big picture, Mr. Chairman. I am a taxpayer and I will speak as such. I am a politician and I will speak from that perspective. I am also an owner member of a local store in Kugaaruk. I am also a consumer of the produce and products in question.

Mr. Chairman, as a taxpayer, I care about the success of the program that we are talking about in this forum and I want the program to succeed to its fullest. As a politician, Mr. Chairman, I want to have a good relationship with the majority government, in our case. As an owner member of a local Co-op, I want to ensure that with the products in mind, I want them to be delivered to the shelf in the sellable commodity that we are talking about because we create jobs in the local community. As a consumer, I want to eat healthy foods that are not spoiled.

So I wanted to ask both gentlemen about the tracking system of the products and produce from the time they leave the supplier to the point that they make it to

the retailer at the local store. When it comes to the delivery of the produce and products, there are a number of elements that we have to contend with. One is perhaps some of these produce and products are trucked to one point. Perhaps in handling, they're subject to natural elements.

How do you keep track of all of the produce and products under the food subsidy program? You are working with different airlines. You are working with different trucking companies. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. Zeroing in on the last part, how we track a product from the point of origin to shipment, we have an invoicing process that identifies the vendors and identifies the route through the various stages. So we track it from the point of origin, the vendor, to where we essentially take ownership in a central warehouse. That's primarily in Winnipeg but it could be in Edmonton as well. We have some consolidation points.

From there, we have a system where it's usually a truck that comes and picks up the product from our warehouse and takes it as far as possible, as quickly as possible, and then we put it on air. Now that system will change a little bit, but our tracking mechanics is we know when it's supposed to arrive from the vendor, how long it's supposed to sit in our warehouse, especially with perishable goods, and how long it's supposed to take in the different parts of the transportation network.

There are points in the transportation network where the visibility is less, but for the majority of the time, we have a handle of where the product is and how long it's taking. At any point in the process, time for some reason has become extended, usually because of weather when we're talking about Nunavut, then what we do is reorder the fresh product to supersede the product that's already in the pipeline.

I hope that addresses the question. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, the process that is followed by the Co-operatives begins at the local level. When a local Co-operative orders a product, they generate a purchase order, the purchase order is tracked by number and location, it is provided to our vendors, the vendors generate invoices, which are tied back to the purchase order, the product and the invoice are consolidated in a particular location, either at a distribution facility or at a trucking company location, the information from the invoice is carried over to the air waybills, and the air waybills are the basis of receipt at the local Co-op level.

So there are multiple steps in the process where the product is tracked along the way, starting from the local Co-operative, following up on what they ordered and knowing what they ordered, and right through to their receiving process to check off what has come in, in comparison to what has been ordered. All components of that process are used in our reporting to Nutrition North Canada. Thank you.

**Chairman:** Thank you. Mr. Elliott.

**Mr. Elliott:** Thank you, Mr. Chairman. I have a question for both Mr. McMullen and Mr. Morrison. In carrying on with what Mr. Ningark was asking with reporting and how the companies are actually signed up with Nutrition North Canada, is the business set up as one specific retailer or northern retailer or is each store set up as a separate entity? Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. Mr. Elliott, our application to INAC is as a singular company. Thank you.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, the Co-operatives have submitted one application to Nutrition North Canada with 30 different locations as being part of the overall agreement. Thank you.

**Chairman:** Thank you. Mr. Elliott.

**Mr. Elliott:** Thank you, Mr. Chairman. Part of the reason why I'm asking this line of questions is getting ready for tomorrow and Mr. Harper is here. In terms of paperwork and administration, I know he feels that it's extremely onerous. Maybe that's one of the advantages of having the big companies.

If I understand correctly, maybe again explain how, once products are purchased, it all is filtered into one specific location. So in terms of buying power and the money flow, it all gets streamlined to the head office in, for both cases, Winnipeg, and then you deal

directly with Nutrition North Canada in terms of how many or the tonnage or the kilograms that are shipped in and out and the money flowing back and forth. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. In total, we have 65 eligible communities. So our application to INAC, as I said, was under one corporate entity and, as referred to by Mr. Morrison, it encompasses the total number of locations.

In terms of the administration, we have multiple vendors that are part of the process because the invoices, which are produced by our stores, their orders essentially, go to those vendors, and then the product starts to flow through the pipeline. So we have to track for all 65 locations and 4,000 plus products through the entire system. But here's the thing: all retailers that I know always had tracked their products wherever they originated. So a small business or a large business always had to know where the product was, how they tracked them, how they ordered them, and how they bought them.

This Nutrition North Canada system requires us to validate that path and validate the process. That's the administration. Yes, it is more detailed, but if you take it back a step, if you're ordering products on a regular basis through a set of vendors, you haven't changed that in Nutrition North Canada. You might in some cases, but you're doing that work anyway and now this a process of tracking it, which is the orderly maintenance and book keeping required in most businesses.

So there is certainly a degree more of administration, but in fact it is work that has to be done. And the better it's done, the better you can track for control, taxation purposes, auditing purposes from the federal government, making sure your vendors are billing you appropriately, making sure your truckers are billing appropriately. So the work is done. Nutrition North Canada is just another format and as I said, it is more administration but it is work that you have been engaged in all along. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, very much as is the case with the North West Company, the Co-operatives must track their products in the very same manner. Obviously it is slightly different with the local Co-operatives because each Co-operative is a separate legal entity. So we have 30 sets of books that are involved in the process. We certainly consolidate the process, but we are extracting information from 30 legal entities, pulling it together, and reporting to INAC on the various components of the program in accordance with their rules and regulations.

As Mr. McMullen indicated, we track products all of the time. We have to know what's ordered, we have to know where it's at, we have to know when it's coming, and we have to verify it when it hits the shipping dock of the local Co-operative. I suppose the one difference that we are dealing with under the new program is consumption reporting. Health Canada and Nutrition North Canada are most interested in consumption.

What impact will this program have on healthy eating? Are people eating more of lettuce and tomatoes and like product? One of the requirements that we have agreed to is to provide that kind of information to Nutrition North Canada. We haven't collected information in that particular fashion previously. However, we see the value in contributing to healthy eating and being able to better evaluate the program, so we are committed to providing the best information possible. Thank you.

**Chairman:** Thank you. Mr. Elliott.

**Mr. Elliott:** Thank you, Mr. Chairman. Again thank you for those answers. My next question brings up more questions, but I'll start with Mr. Morrison. The thing that I don't understand is you're saying that this information is available and the information is there and you know what's going in and out of the communities and you can track it. You're tracking it already, yet earlier when I asked questions, you weren't aware of what was happening in Resolute Bay and obviously you weren't aware of what was happening in Kimmirut. Part of what we're trying to find out is in terms of the accountability, and we're putting a lot of faith and trust in the businesses to be able to pass on the savings. How is that being monitored? Thank you.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, I believe we're talking about two different things in terms of the administration of information or the collection of information and reporting to Indian and Northern Affairs.

In the Co-operative system, each Co-operative is an independent local business. The responsibility for the management of that business rests in the hands of the community and rests in the hands of the general manager. We do not monitor purchases on a daily basis in every Co-operative to ensure that the proper products are ordered, that the proper products are on the shelf. That is the responsibility of the autonomous local Co-operative. Our job is to support them in that process.

However, under the Nutrition North Canada Program, our members have asked us to assist in the administration of the program. So we are collecting data on a daily basis on what is happening at the local Co-operatives, but we don't go down the list and say, "Somebody forgot to order this" or "This didn't arrive" or "That didn't arrive." That's one of the great benefits of the Co-operative. It is a local business and it is up to the local community to run that business. Our goal is support.

There were reports of problems in Resolute Bay. I can't confirm the problem exists and I can't confirm the reason. It could have been mechanical problems on an aircraft that particular day. Unfortunately we experience that more frequently than we like, where a product is all set to go into a community and the aircraft is halfway to the community and has to turn back for mechanical reasons. If that happens and a Co-op orders a product that is due to be on the shelf for tomorrow and the plane doesn't come until the following day, then we have holes in the shelf. And that's certainly not what we want, but some of these things are very difficult to monitor.

If there is a consistent problem with ordering and supply, that's where we can really provide the support to our members. Thank you.

**Chairman:** Thank you. Mr. Elliott.

**Mr. Elliott:** Thank you, Mr. Chairman. Again to Mr. Morrison. Again it may keep flipping back and fourth between the umbrellas of Arctic Co-operatives Limited, which allow us to be able to buy in bulk and get the rate at a better price, but going back to saying that they are locally owned and operated and you guys provide support.

So when you were talking about best-before dates, because these businesses are locally owned and operated, can you guarantee that they are not selling products that are after the best-before dates? Like maybe the Northern Store could where it's centralized and they send out directives and it happens. Thank you.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, no, I cannot. As a locally owned and controlled business, each Co-operative chooses whether or not to adopt and implement the policies and procedures that have been recommended through the Co-operative system. Generally speaking, Co-operatives adopt the policies that are developed and generally speaking, they implement those policies.

If there are problems or issues particularly on things that are of a serious nature, we deal directly with the board of directors to ensure that they are implemented and directed. But all of the policies and procedures that are



recommended from a good business practice standpoint by the Co-op system, the board of directors of each local Co-operative, as an autonomous board of directors, choose whether or not they will be implemented in the local Co-operative. Thank you.

**Chairman:** Thank you. Mr. Elliott.

**Mr. Elliott:** Thank you, Mr. Chairman. Next, I wanted to sort of talk about the subsidy and how pricing happens.

Again, we have talked a lot about getting the products there, products on the shelf, and whatnot, but the other part that confuses me is I don't understand how, and more so, I guess, Mr. McMullen, because it's right here with Arctic Bay. My understanding of the program is it's a per kilogram subsidy. So in Arctic Bay, for the level 1 subsidy according to this, and I know it's correct because I have been on Nutrition North Canada's site, \$7.80 per kilogram is what we receive in Arctic Bay. To me, it's a per kilogram subsidy.

I think, for ease's sake, in here it's got 1 kilogram of frozen peas. Before Nutrition North, it was \$6.29 and now it's \$5.95, but it was kind of funny because I figured I needed something to show you for sure. So I have the one actually taken out of the Arctic Bay store. It does actually have a \$2.40 difference in the price. It was \$8.69 in Arctic Bay before Nutrition North and \$8.25 now in the store, so it is a 44-cent savings, which is great.

My question and what I have had people ask me many times, and I just want to be able to go home and be able to explain it to people in Arctic Bay, Grise Fiord, and

Resolute Bay, is: if you can give us a savings of 44 cents on 1 kilogram of frozen peas, which is subsidized by \$7.80 through Nutrition North Canada, why can't you provide a 44-cent savings on 1 kilogram of frozen carrots, 1 kilogram of frozen peaches, 1 kilogram of frozen avocados or whatever is on the shelf?

It's not a commodity price in terms of bananas are higher and because, I don't know, some worm ate them and they were shipped and there was spillage and shrinkage... How is there a difference? If it's per kilogram landed in the community and put on the shelf, why isn't it across the board? Why is it sporadically, whether it's tomatoes or potatoes? I guess that's the biggest concern that people in my communities have been asking me. They don't understand how the pricing works. So if you could explain that, it would be great. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you. Mr. Chairman. There are a number of variables in pricing; the exact discounted rate or the subsidized rate. First of all, this level 1 subsidy rate published here is in comparison and what you need to compare it to is the previous food mail rate and the gap between. The prices are inconsistent because of several factors.

The subsidy rate is consistently applied and that's what INAC will audit us to. So when you go to the auditing process through INAC, they will look at 1 kilogram of frozen peas, 1 kilogram of carrots, 1 kilogram of peaches, and they will look specifically to see if we applied the subsidy rate to that product. The

inconsistency from your perception or the customer's perception has to do with the total cost of the goods and a number of variables.

If you're looking at some of these prices, it's where, in the case of the cost of frozen peas, that vendor specifically has a lower cost or we got a lower cost from that vendor on that product because it's higher volume than the carrots, higher volume than the peaches. So there are negotiations with the vendors that play a role in this as well as the subsidy rate. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Elliott.

**Mr. Elliott:** Thank you, Mr. Chairman. I don't know. As Mr. Curley always points out, I'm a non-technical MLA, but I didn't catch that and I didn't understand what you said. To me, a kilogram of peas, it's on the kilogram, it's on the weight of the product coming in. It's not on the peaches. It's not on the others. It's on a per kilogram subsidy. So maybe if you can explain it again how you come up with the difference in the prices because I don't get it. Thank you.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. There are three factors at play. There's the subsidy, which is all passed on, secondly, it's the negotiations through the airfreight company, and third is the negotiations with the vendors. So in those prices before and after, it's just not the subsidy that you're seeing. You're seeing the efficiency of the retail chain at play.

We have gone out and negotiated with the vendors and we have negotiated with

the airfreight companies, so it's not going to be consistent across the board in terms of the price reduction because it's more than the subsidy. It's our negotiations with the airfreight carriers and our negotiations with the vendors.

I would suggest to you that in the case of the peas versus the carrots, we have done a better job negotiating the price with the vendor of the peas. It might be based on the volume, that we buy more peas or more carrots. It could also be based on the packaging. The packaging varies from product to product in terms of how it's shipped, the weight of the non-product, cardboard, the containers, and it could be the route of the product to the end market.

So it's just not the subsidy rate. It's the negotiations with the freight vendors and the negotiation with the vendors. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Elliott.

**Mr. Elliott:** Thank you, Mr. Chairman. So again, you're talking about the overall... . When you actually do your reporting to INAC, you're not talking about the overall 1 kilogram package of frozen peas getting to Arctic Bay, you're talking about the overall tonnage that you bought, that was shipped and purchased in the south, and then divided up and sent out through your whole system. Is that what you're talking about? Thank you.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. When we report to INAC, we report the subsidy applied to the eligible

products, every single product. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Elliott.

**Mr. Elliott:** Thank you, Mr. Chairman. I'm still not getting it, but again, I might need some time to think about how it's actually coming out. I'm just wondering too in terms of then, if you can break down the individual amounts for what's happening with what you're purchasing. Can you not show that on our receipts when we purchase them as well? Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. No, I think that question was asked earlier and the answer is the complexity of the point-of-sale system. Again, to report on a line-by-line basis, we can report back the subsidy applied to a product, but to report back on a line-by-line basis over 4,000 products in 65 communities, all of the factors that go into the cost of goods, no, sir, we don't have the capability of doing that. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Elliott.

**Mr. Elliott:** Thank you, Mr. Chairman. The way the program has been explained to me when I was in Ottawa sitting in front of Mr. Doyle is that it's a per kilogram subsidy on the product, so the product is not actually getting any subsidy. If I buy the bag of peas for a dollar and then ship it, what I get for the price of the peas shouldn't matter. It should matter about the actual kilogram and that \$7.80 is applied to it. So I'm still a little confused.

My other lines of questioning are sort of along the actual formation of Nutrition North happening. One of the things you had said, Mr. Morrison, was that you guys track all of this stuff, the amount you ship to all of your stores and whatnot, yet the way the Nutrition North Canada Program was explained was that they had to change from food mail because they didn't have this information. The information wasn't available about what kilograms and what tonnages were sent to different communities. If that's the case, again it's just a little bit of conflicting... .

So do you guys have all of this information about how many kilograms go to each community each year? Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, under the old Food Mail Program, we were not responsible for the negotiation of the airfreight on that product and we did not track the amount of product shipped under the Food Mail Program. Under the Nutrition North Canada Program, we are required to report to INAC on category 1 products and category 2 products. We are required to tell them how much we have shipped in each category.

If it is 100,000 kilograms or 500,000 or 50,000, we have to be able to identify what we have shipped on a location-by-location basis. Previously we were not tracking it to that detail. We were tracking the product coming in. We were tracking our orders. We were tracking the sales, but they were not consolidated in a fashion that would allow INAC to evaluate the program to the degree that they want to evaluate it today.

Within category 1 and category 2, there is a whole series of subcategories. There may be a proper term for it. Oranges, for example, there may be 5 or 6 different types of oranges, or 10 or 15 types of oranges. We have to provide the information on not just category 1 and category 2 but breakdowns within those categories. That's part of the additional reporting that is taking place now.

Some of that information was already there but not necessarily being consolidated in the fashion needed by Indian and Northern Affairs. Indian and Northern Affairs, I believe, is evaluating what they are getting and I'm not sure that they are 100 percent certain what they need. Over the next 6 to 12 months, we will have extensive discussions with INAC on how the reporting will be taking place, what they need for information, and what they will be doing with the information. Thank you.

**Chairman:** Thank you. Your last question, Mr. Elliott.

**Mr. Elliott:** Thank you, Mr. Chairman. For my last question, I was curious to find out about the storage facilities from both the representatives here, Mr. McMullen and Mr. Morrison.

I know in his opening comments, Mr. McMullen mentioned looking at \$6.5 million worth of increase in storage facilities and talking to his board next week about possibly \$10 million to \$12 million. I was wondering if he could expand on what types of expansions they would be and where funding would go.

Specifically for the Co-ops, the idea that they're locally owned and operated, I think a lot of them don't have the ability

to build structures unless they get help and support, like you said, as your role through Arctic Co-ops Limited, to either expand or provide them with the space for storage. Thank you.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. First and foremost, my comments did not say that capital expenditure was going towards storage. My comments were that was the capital expenditure plan for the fiscal year 2011 and being requested for 2012. To state that it was going towards storage would be incorrect. That goes for a number of things.

For example, in Iqaluit, we have a budget recommendation for a \$700,000 improvement to the central store. We actually have a couple of projects for complete store renovations or new stores. Throughout Canada, we will also spend about \$3.8 million in total on housing, the upgrading of the housing for our staff, and we also have a budget for warehousing. In that total picture of the \$6.5 million and the \$11 million to \$12 million over the next two years, that is broken down through all of those categories.

That comment was made in the context of our continual reinvestment back in Nunavut because we need to keep the totality of our business, warehouse, stores, and our housing for our folks at a good level. That's where the money is allocated to. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, as far as warehousing is concerned, Co-operatives

are constantly evaluating what our warehouse requirements are. In recent years, Co-operatives have been investing significant amounts of capital in new facilities, new retail facilities, hotels, warehousing, accommodations, and various types of capital expenditures.

In terms of where we are at for warehousing facilities, it's a little bit of a Catch-22 situation. You don't want excessive amounts of warehousing because you have to build it, you have to heat it, you have to insure it, there are great costs associated with warehousing, and if you have excess warehousing space, you're liable to fill it with excess inventory, which is certainly not something that we want to do. So it's a delicate balancing act to make sure that you have the right amount of warehousing to meet the requirements of your retail business.

You're absolutely correct in your comments, Mr. Elliott, on the process that the local Co-operatives go through on the development of fixed assets. Because each Co-operative is an independent local business, it has to stand on its own two feet in terms of the capital requirements of that particular business. Co-operatives are somewhat at a disadvantage to other types of business and certainly to our competition because we can't combine all of our capital requirements under one organizational structure; each Co-operative has to have the capital to develop their own businesses.

We are fortunate within the Co-operative system that just a few weeks ago, Arctic Co-operative Development Fund celebrated the 25th anniversary of its incorporation and the Co-op

development fund is the financial arm of the Co-op system in the Arctic. We have a fairly substantial capital base that has been accumulated over the 25-year history of the organization. That organization plays a fundamental role in working with local Co-operatives to develop new facilities.

I am very pleased to say that the Sanavik Co-op in Baker Lake opened a 9,600 square-foot retail facility on May 20 and the Mitiq Co-op in Sanikiluaq opened a 7,000 square-foot retail facility this past Monday. Certainly the success of the local Co-operative is fundamental to that process, but certainly the strength of the Co-op system and the pooling of capital to a degree through the Co-op development fund allow Co-operatives to invest in new facilities.

So we do have processes in place. They are somewhat different than they are from a corporation that can go to capital markets, the stock exchange, or whatever for capital. Thank you.

**Chairman:** Thank you. Mr. Curley.

**Hon. Tagak Curley:** Thank you. Mr. Chairman, if we have time, I won't be too long, I have two main points. I just want to thank both of you. I know you guys took quite a bit of time for members.

In terms of the policy change, I think we haven't stated the reason. I think we know pretty well why the federal government restructured it completely. To be honest with you, pretty much, I think that the retailers and airlines do compete, and one of them was about to probably close its shop if nothing happens.

So I think this change of regime and new arrangement to benefit primarily through the freight subsidy revived the financial purchasing power and certainly revived the whole industry and they are now able to compete more. So that was the underlying reason for the federal government, which they haven't made public to anyone.

But I'm interested in hearing about how often you apply for this subsidy and what you are required to provide the feds as you apply for the subsidy and what time of the year you apply. Thank you.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. Mr. Curley, that's a good question. We just finished this process. I think it's an annual application. I think the window is defined in the legislation but I'm not exactly sure of that timeframe. For an application, there's an auditing process that we go through on a monthly basis in order to get reimbursed. So I think that's ongoing in nature, sir.

In terms of the airline situation, I can honestly say, sir, that that never came up in any of our dialogues with the federal government. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, I understand that the application process for the first year is a one-year process. We certainly hope that after the first year and after the growing pains of the implementation of the program, the agreements that we will enter into with INAC will be longer than one year as it was fairly onerous to go through the application process.

Part of the process that we had to go through was a compliance audit. The auditors of the federal government came to our offices to ensure that we had the capacity to meet the requirements of the new program. We do have very specific reporting requirements on a monthly basis and we have very specific audit requirements that have been agreed to under the contribution agreements as well. Thank you.

**Chairman:** Thank you. Mr. Curley.

**Hon. Tagak Curley:** Thank you. That helps a bit. Also, at the same time, though, there were some comments about the old program being complicated and it didn't work, and the other comments to it.

I think this particular new program is also probably simpler in some ways because it's mainly a freight subsidy. In view of that, my question is related to when... . Regardless of whether a product is purchased or not, you are subsidized. Am I correct?

**Chairman:** Mr. McMullen.

**Mr. McMullen:** Mr. Chairman, the INAC organization is subsidizing eligible goods. That subsidy or that rate that they apply to the transportation part of the freight is directly passed on to the consumer. So if there is a subsidy in this whole process, it's to lower the cost of goods for the consumer. It's a consumer subsidy.

I'm not sure, sir, whether I'm answering your question. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, we will only receive a subsidy from INAC if we have purchased a product and shipped a product. One of the requirements under the contribution agreements that we sign with INAC is we have to prove that we have bought something and we have shipped it. Under no other circumstances is the subsidy provided. Thank you.

**Chairman:** Thank you. Mr. Curley.

**Hon. Tagak Curley:** Yes, that's what I thought it was. I can use the analogy of a chicken. We ship a whole bunch of chickens to Grise Fjord, they're shipped, and the airline sends you a bill for the freight. You have bought them from a supplier down in some poultry farm or somewhere and they're shipped up there. They can remain on the shelf or warehouse. It doesn't matter to you guys because you're going to get your bill subsidized anyway. It's not contingent on whether or not the best-before date has arrived and expired, you still get your subsidy. Am I correct in that assumption? Thank you.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. As Mr. Morrison said, we only get it... So you have nailed it. Yes, we have to purchase and ship it. The interesting thing is: what's our motivation? We would like to gain market share, but freight and distribution is only 13.5 percent of our cost, sir, so we need to sell that product. That absolutely drives our motivation to be in business. We need to sell that product.

Because the subsidy goes to the end consumer when they purchase, they're the beneficiary, but for us every day, we

have to sell that product. If you just look at all of the other costs we have to cover, if it doesn't sell, if I've got \$10 worth of chicken on my shelf and it's a 1-kilogram chicken, the freight subsidy per kilogram is \$7, but the rest of the cost to get that, the infrastructure, the cost of the goods sold, I have to cover everything.

So one of my primary goals as a retailer is to sell the product to the customer at a good price every single day and not have any waste. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison, do you want to add to that?

**Mr. Morrison:** Mr. Chairman, I think we should be looking at this as a reimbursement of freight. The subsidy is reimbursing retailers for freight costs that they had incurred.

So if the freight subsidy to Arctic Bay is \$7.80, we're paying more than \$7.80. Maybe we're paying \$8.80 or \$10, but we're paying more than the amount of the subsidy. So we're buying the product, we're paying the full amount of the freight rate, and we're being reimbursed for a portion of the freight rate. If that product doesn't sell, 100 percent of the net amount is lost. We have no sales. We have no gross margin. We have nothing available to pay the bills. The business will fail. The business will fold.

So I think it's easier to consider this as INAC reimbursing us, reimbursing all retailers, for a portion of the freight. We still have to pay 100 percent. They reimburse us, for argument's sake, 75 percent on perishable nutritious products. For argument's sake, we still

have 25 percent of the freight still there. Thank you.

**Chairman:** Thank you. Mr. Curley.

**Hon. Tagak Curley:** Thank you. Yes, we appreciate that so much. I think the public is quite interested in how that subsidy is actually applied towards that portion.

What are complicated obviously are your other reporting requirements in terms of whether the products are bought and all of the other audits that are needed. We understand that, but that's what you get for banking into the fed's program. If I was in the private sector, I would say, "Forget it."

My view is that I wouldn't be surprised if the products that qualify for subsidy are more than the other product commodities that I, as a regular individual, require every day. So these are the products I see. What I think Mr. McMullen said is that they've got to be sold if they are shipped into communities. There are no subsidies on freight unless they are bought by a person like me.

Having said that, Mr. Chairman, I have one last point. Nunavut is one of the regions that have the most staggering birthrates compared to other parts of Canada. We have a young generation of citizens who have children and young families who are struggling to survive, yet both of you are charging young families very essential needs like Pampers at staggering prices.

If I were to use Ottawa as an example, Walmart, the No. 5, a very popular product, 100 in a box is sold today at

\$36.97. In Rankin Inlet's Arctic Co-op Limited, No. 6, slightly smaller, I believe, or whatever, Pampers 40 in a bag, much smaller, is selling for \$36.99. Another example, the Rankin Inlet Northern Store's No. 6 Pampers, 90 in a bag, is \$71.99. Arctic Bay's Northern Store, No. 5 is \$71.69 for 116 in a box. Similar prices. How did you arrive at those non-competitive prices?

Would you tell Nunavut's young children or families to that camera why you won't lower the prices for those products that, in my view, don't weigh a lot? They are a pretty light product, yet you mark them at least almost twice the amount of southern prices. People are crying everyday that they can't afford to buy Pampers. I think both of you deserve to explain to the young families that they have no choice but to buy these products from your shops. Thank you.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. The Walmart comparison is a good one, Mr. Curley. They're the largest, most dominant retailer in the world. They have extreme purchasing power that far supersedes our company. So comparing us to them, in total we're a \$1.6 billion company. I forget where they rank. They're dominant. So that's the fundamental element. Secondly, Walmart has a distribution system that's extensive because of their number of stores and operations in tight geographical areas. They don't have the freight percentage costs that we do. Thirdly, Walmart, overall, their operating expenses on a dollar of sales are far more efficient than ours, but that's us versus Walmart. That's the business model reality.



As for those prices, we have revealed our cost structure in the document I presented. Having said all of that, sir, our job every day is to look at our customers and be capable of looking them in the eye and telling them that we will strive to do a better job. I don't have an answer for you today, sir, but that is our goal, to lower prices.

We will take a look at the Pampers. Also, by the way, sir, we have worked with our vendors aggressively where we can to get what we call discounts and promotions. So frequently, where we can make the deal with those vendors, we put Pampers and some of the products in some of the communities you named on sale for our customers. That's the job we do. Can we do better, sir? Absolutely. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, a very difficult question. Just a point of correction, in Rankin Inlet, the local Co-operative is the Kissarvik Co-op. Arctic Co-operatives is a service federation.

The prices that are established at the community level are the local Co-op prices. Co-operatives are a business and when they are selling products at the retail level, they have to be able to charge an appropriate margin on that product to pay the bills. If they don't, the business will fail. I am very pleased to say that the Kissarvik Co-op is doing exceptionally well in recent years after a number of years of difficult times.

The Co-operative must balance the pricing that they charge for various types of products and certainly some products are more contentious than others.

Certainly the Co-operatives have made commitments that they're going to keep prices of some products lower because they are so very important to people. I can't tell you right off the pricing structure that is used in Kissarvik Co-op, but I know for products like children's products, they strive to keep the prices as low as possible.

I am very proud to tell you that through our affiliation with Co-operatives across the country, Co-operatives have introduced to Nunavut a complete line of children's disposable diaper product called Simply Kids, which is a much lower cost but a high-quality alternative to the very expensive brands that are available in other parts of the country. Choices are available.

You are correct in your comment that a case of Pampers is light, but it's a very bulky item. If you look at transporting paper products, Pampers, paper towels, toilet tissue, by sea, you would think that it would be a great deal cheaper, but the cost of shipping a shipping container is essentially the same if you have 10 pounds in it, 10,000 pounds in it, or 20,000 pounds in it. You fill the container. So if you're filling your containers with Pampers or paper towels, you're paying an exceptionally high freight rate for those products. When you have lots of bulky, large items, you drive the price up.

So it's an important process that retailers go through to marshal their product to make sure that they are maximizing the weight in containers to keep the freight rate as low as possible. I would love to be able to tell you that we have a perfect system in place, but our purchasing is imperfect in terms of volume of product,

not just weight but the volume. So we certainly strive to manage freight, but freight is a major component of products and it becomes all the more important when a product is bulky and light. Thank you.

**Chairman:** Thank you. Mr. Curley.

**Hon. Tagak Curley:** Thank you. Thank you for explaining that, but we would appreciate it if that can be occasionally reviewed. People are hurting in Nunavut. I think the patronage that the citizens give, even those who are on the safety net programs, most of all these funds go to either one of you. So whether they would be on income support or whatnot or unemployment insurance, many of the products they buy come through you and they deserve some break from you guys once and a while.

What I want to say and the last point, Mr. Chairman, is that we also have in Nunavut a very large number of people in need, particularly the homeless as well as people who have no place to eat, or occasionally there are some places where they go for a soup kitchen. Would it be possible to increase your charity contribution to allow for a contribution towards in kind for those kinds of products for individuals who need them? Also, could you explain to the committee what type of charity contributions you normally support in the locations where you do business with, particularly in Nunavut? Thank you.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you Mr. Chairman. Mr. Curley, we give donations of all kinds. We are often

approached by a variety of organizations, from sports organizations to food banks, and our store managers have the discretion to give to the various charities and other institutions. So our policy is not universal. We count on our store managers, in this case, to be connected to the community and sense where the highest need is.

We certainly do provide products for food banks on a regular basis. Where there are higher needs and we are approached by the community organizations, we are certainly willing to donate. Thank you, sir.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, local Co-operatives are strong supporters of their communities, whether it is community groups, sports groups, schools, organizations, whether it's for compassionate purposes. I believe the Co-operatives are leaders in the work that they do in their communities.

An example of the types of things that Co-operatives have recently implemented is the new Co-operative system aluminum can recycling program, where Co-operatives across Nunavut are investing thousands and thousands of dollars and our partners are investing thousands and thousands of dollars on reclaiming aluminum cans using our distribution network to transport the product to the south.

In the entire process, Co-operatives have designed a program where community groups will participate in the program and they will receive contributions for their participation in the program. So I believe a very important role the Co-

operatives play is this new aluminum recycling program, which we have tremendous support from many different areas on the program.

But I think the most important contribution the Co-operatives make to communities is returning their profits to Co-op members. As I mentioned in my opening remarks, the Co-operatives in Nunavut, the local Co-operatives returned \$7.4 million in patronage refunds just in 2010. \$5 million of that amount was in cash. And that is to ordinary consumers, people on social assistance, or people who are struggling to survive. If they bought at their local Co-operative, they shared in those patronage refunds and those cash.

Co-operatives are committed to their communities. Because Co-operatives are locally owned and controlled, the net savings or the profits stay in the community and are available to the individuals who support their Co-operative. Thank you.

**Chairman:** Ms. Ugyuk.

**Ms. Ugyuk:** Thank you. My question is to Mr. McMullen. When the Nutrition North Canada Program started, we were told that we were going to be seeing savings and more transparency from the vendor, freight, and the landed costs. We were going to see how much was being subsidized.

I think it was him who asked you, "Can you show us how many...?" You said that there are 4,000 products on the No. 1 and No. 2 lists in 65 stores in Nunavut. You said it was too many. Can you do one community, like an end community, and show us the basics, the vendor price,

the freight price, and what the consumer is actually saving?

If you just focus on... Taloyoak, where I come from, is an end community. It's one of the last stops for the plane because it's the furthest in the Kitikmeot. We usually have the highest freight rates in the Kitikmeot from southbound vendors.

If the Northern Store can show the consumers in Taloyoak, just one community, not the whole of Nunavut, how Nutrition North is actually helping the consumers. Just use one community instead of 65 communities. That's my question. Thank you.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. In your community, as in all of our communities, we have identified this price savings from before Nutrition North and after. We put the sign program on, we put up the eligible products that all are on Nutrition North, and if you look in your store, the price decreases should be there. Thank you, Mr. Chairman.

**Chairman:** Thank you. Ms. Ugyuk.

**Ms. Ugyuk:** Thank you. If you look at our signs in Taloyoak, the savings are like 4 cents and sometimes 3 cents, but if we look at Cambridge Bay or Gjoa Haven, it's a little bit more.

The consumers were told that they were going to see the transparency. I don't see that from Northern, if they're saying that we're saving 4 cents on bread or milk. Thank you.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** I'm sorry, what community?

**Chairman:** Ms. Ugyuk.

**Ms. Ugyuk:** It's Taloyoak.

**Chairman:** Go ahead, Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. In Taloyoak, Beatrice milk, for example, has been reduced 70 cents. The yoghurt has been reduced 40 cents. If I quickly add up some of these price reductions, it's in the neighbourhood of a 6 percent price reduction overall. That's the information that we did communicate and that's the information we said we would communicate.

I'm sorry but I don't have the subsidy rate for your community. The difference between the communities is every community has a different subsidy rate from INAC, so that will explain some of the differences. For example, in the sheets I passed out, subsidy rates vary from \$1.80 in Iqaluit to \$1.10 in Cambridge Bay. Every community has a different subsidy rate that was provided by INAC, so some of the differences you're going to see are directly related to the differences in the subsidy rates. Thank you.

**Chairman:** Thank you. Ms. Ugyuk.

**Ms. Ugyuk:** When the question was asked earlier by...

>> *Laughter*

... Mr. Elliott. I'm getting tired. He wanted to see the... There are 4,000

items on the No. 1 and No. 2 lists, and how much we were saving under the food subsidy program. You said you couldn't do that. It was too big. Can you try with just one community instead of the whole of Nunavut? Thank you.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. It's a point-of-sale system where we would have to go through... We don't buy products for one specific community, we buy it for all, and then all of the factors that go into a price in a community, the electricity, how much we pay a year, staff costs, all of those differentials on a line-by-line basis, given all of the variances and influences on the cost structures and all of the items in the cost, we would not be able to do that for a specific community. We can do it in the aggregate. We can tell you in a community what we do overall, which we have provided, but we wouldn't break it down on a line-by-line basis by community.

First of all, our cost of goods in each community is competitive knowledge, which we would want to retain. But secondly, the difficulty in the process, the way everything piles up into a store in terms of the cost, we don't have the point-of-sale system that would allow us to break down on a line-by-line basis the cost of the goods sold. Again, because of the number of vendors and the number of transportation corridors and routes to get the variety of products to one community, we don't have the capability to break that down and present it to you. Thank you, Mr. Chairman.

**Chairman:** Thank you. Ms. Ugyuk.

**Ms. Ugyuk:** I think, as consumers, we were expecting to see huge savings and with the Nutrition North Canada Program, the way I understand it after listening to both of you, it's going to cost more for Nunavummiut to buy locally.

The transparency part needs to be explained more to the consumers and I think it's the stores' job to show it to the consumers. We were expecting huge savings, but we're now told that because things cost so much, there is not much savings there from freight, from the vendors, from trucking. It's frustrating as a consumer and I think the stores need to educate their communities. Before, Inuit just took what was there, but now we're more educated. We want more for our dollar like you guys. So things need to be explained to consumers. Thank you.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. The communication process for Nutrition North Canada should have been much more explicit from the outset.

I think one of the major things that we did talk to INAC about is the food mail subsidy was already in place with a budget of \$60 million. The Nutrition North Canada Program came into place with essentially the same budget minus the \$2.5 million that's going to Health Canada. So actually, in terms of the money that was available from that broad perspective, it might even be less

The retail companies that I'm aware of never came out and said it's going to be huge savings. Actually the only company that publicly stated before the

rates were out was the North West Company and we said in the neighbourhood of 5 to 7 percent. And that's what we stated. There is no other claim by us that it would be more than that.

Also what's important is it's just not the subsidy rate changes because, as Mr. Morrison has said and I will repeat, some communities got higher subsidies, some people got lower subsidies. We went back to INAC and said, "This isn't right. You should change." They took some of our suggestions, but at the end of the day, the retail community said, "We already have \$60 million funding in food mail. It's not going up in Nutrition North Canada."

We think, at least the North West publicly stated, it's probably a 5 to 7 percent increase. So because of the subsidy changes in some communities and because of our negotiations with the freight rate companies and vendors, Cambridge Bay is slightly over 7 percent in price reduction, as an example. So we delivered almost in a vacuum because we didn't know what the rates were going to be and we were asked by the federal government, "What's the rate decreases going to be? What are the costs decreases going to be?" We were asked that in November before we even had the rates.

So our claims, and not to contradict you, I mean the expectations were high and we told INAC, "You've got to get out there and communicate before the May 1 date." As Mr. Morrison stated, we found out when you found out what the rates were going to be. We lobbied in a good sense of that word "lobbying" for more communication. I had communication

the weeks prior to the announcement with the assistant to the minister saying, "Please come out and explain this. We think it's important." So the expectations that were built weren't us building them.

We were very forthright and honest in terms of what we knew, what we didn't know, and our expectations that they would be in the 5 to 7 percent neighbourhood. That's what we figured from guessing to a large degree what was going to happen with rates. Anything we said in the marketplace, we have lived up to or exceeded slightly. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Shewchuk.

**Hon. Daniel Shewchuk:** Thank you, Mr. Chairman. I'll be very short. Minister Curley and I were just whispering here.

Really, it does seem like this whole Nunavut Nutrition North Canada Program, there should have been a lot more consultation. What we wanted was involvement from Nunavutmiut before a program even came out.

However, they came out with this program and you guys were part of it and bought into it. Yes, it somewhat benefits Nunavut but it could have been done a lot better and I think there could have been a lot more input. Hopefully, moving on from this day, that will happen through information and that we work with you and the advisory board listens to the public.

Mr. Chairman, I'm just going to quickly not directly talk about Nunavut North, but it is something directly said by Mr. McMullen in his opening comments and

that is in regard to employment at the North West Company. You state that you employ 670 local people, beneficiaries, which is very good. I'm not quite sure what percentage of employment that is overall in Nunavut, but I think it is very good.

In regard to that, it would be interesting to know what percentage of those people are in management or senior management roles and what the North West Company has for any programs or plans or policies to do any training and put people in senior positions. I would ask that maybe Mr. Morrison also comment on that at the same time. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. Very good question. The simple answer is we don't have enough Inuit people in our management ranks. Actually we have created a position this year. It's called the administrative management position. And I will now solicit your help. This can be recruitment session.

We have designated that we want to hire locally for the administrative management position in our store, meaning an Inuk. We want that because that position deals with the community the most in our financial service business, in our customer service business, and in our front-end business. We provide training for that position.

We are committed to increasing the number of local residents involved in our management group. We have a number of communities in Nunavut that we are looking for people for that specific

position. I think that in the next week or two, you will see ads also congratulating people who have been working with us who have been promoted into positions in Nunavut. We need to increase our management not because anyone tells us to, but because it's the right thing to do.

It's a small population. There are not many people who have expressed, even when we've had jobs open, an interest in retail, but that's similar in the south. Retail is not a field that attracts a lot of people. We have to work hard, but we can do a better job in the north and particularly in Nunavut. We're wide open, we have wide open positions now, we encourage people to apply, and we're committed.

As I said, we have created one position. It's one of the four key positions in the store, by the way, and reports directly to the store manager, and we would like to hire locally. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Thank you, Mr. Chairman. Excellent question. Training and education development of employees in the north is a key priority of Co-operatives in the Arctic. We are absolutely not satisfied with the level of development that takes place at the local level. Co-operatives have a number of training programs for the development of individuals in operational, technical, and administrative positions. We also do a great deal of development at the leadership level, boards of directors, but we're not satisfied that enough is taking place.

We're most disappointed with developments that have taken place

through some of the federal government employment training programs. Previous programs of the Government of Canada provided for the development of individuals who were employed so that individuals could receive training to move to positions of greater responsibility.

The new programs that the federal government has are strictly related to unemployed people. So when you have an operation or a system like the Co-operative system where you have a retail store, a hotel, fuel distribution, cable television, or construction and heavy equipment, you have an opportunity to move individuals from entry-level positions to higher level positions. Unfortunately, the programs that exist today do not provide support for those particular programs. We are lobbying the federal government to try and change those programs to allow us to develop more individuals. However, to date, we've not had any success.

I note that Mr. Peterson earlier talked about the Poverty Reduction Strategy and certainly we are very committed to poverty reduction. One of the challenges that we face in the north is we have difficulty recruiting people. We have a really hard time recruiting people, particularly in entry-level positions. I believe that many residents in the north are caught in a difficult spot. If they are receiving income support, to enter the workforce in an entry-level position, they can't afford to go to work.

So we have employment, we have jobs, we have lots of people that we would like to hire, but we have difficulty finding people who are able to enter positions because of their personal

situation. I encourage you, in the poverty reduction plans, to examine those kinds of questions and try to find a solution so that people who are unemployed or unemployable, as standards define it, we can find ways to create employment for them.

Co-operatives are a very large employer across the north in many different sectors of the economy and the commitment of the Co-operatives is to hire locally. We're not exactly where we want to be. There is a lot of development, but we're committed to working in that area and not just at entry level but at all levels of the process. Thank you.

**Chairman:** Thank you. Mr. Shewchuk.

**Hon. Daniel Shewchuk:** Just quickly, I thank you both for your answers and your commitment to further that ahead. As you say, we're facing it in the Government of Nunavut too in the recruitment of people. However, there are wills and ways of trying to make that better.

In both of your situations, I think it would be helpful to have managers or senior managers shadow or internship under existing managers that eventually those people will take over and run those stores, but thanks for your commitment. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Peterson.

**Hon. Keith Peterson:** Thank you, Mr. Chairman. I have been sitting here for a few hours now; it's gone on six hours, I think. I'm quite interested in the discussions and all of the questions, but I find myself thinking or feeling that we

have the wrong people here. I appreciate that you are trying to answer some of the questions, but we need certain other people here to answer the detailed technical questions.

What I find interesting here is that just about everybody says that the Nutrition North Canada Program is a wonderful new program, it's far superior than the Food Mail Program, but the people who aren't saying that are the people who are going to the stores buying the food. They are the ones telling us, as MLAs and ministers, that they can't afford to buy food.

I know you guys talked about how you price everything, your markups, you pass on subsidies, and all of that, but I guess I'm worried. If the people who are actually going into the stores in Nunavut are saying that there is something wrong with the Nutrition North Canada Program, are we missing something as politicians, as retailers, and as officials in Ottawa?

When I go back to Cambridge Bay, to my riding, people will ask me, "What did you learn from these two days?" What can I tell them, from your perspective? I know you have been working with the program for a few months now. I wonder if either one of you could care to help me provide some information to my constituents. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Thank you, Mr. Chairman. You guys get better as the day goes on in terms of questions and we're winding down here, but I'm worried about the conspiracy over here



because you guys keep on talking and I think there are going to be more questions.

But anyways, the most important thing here is the expectations. What a great question. The expectations were extremely high and Mr. Peterson, I would say that's fundamental, the expectations of this great program and it's going to lower prices dramatically, and that's why I stand by my gun. What I could interpret without full knowledge was we would be able to offer it in price decreases of 5 to 7 percent in a perfect world, without all of the commodity prices going up. So now with the status quo, we would be able to offer prices 5 to 7 percent and we have delivered to that.

How do I help you going back to the community? Sir, we want to have a good image in the community. We want to be seen as passing the subsidy on to the consumer and we are, so we're not getting our full bang for the buck. We put effort into it and I'm not saying it's onerous; it was work, but we do work of this kind every day. That's who we are as businesspeople and that's what we expect.

But I sit here through the six hours today and I fully believe that we have done our part of the bargain. We passed on through three factors, freight subsidy increases by INAC, freight negotiations with our vendors, and product and vendor negotiations, the cost savings to the consumer. And there is an audit process that would trail that. But that, sir, is not going to help you when you go back to your community and you're going to say, "We paid \$11.99 for this and now it's \$11.69. That's not good

enough." So I think it starts at the outset that the expectations were set too high.

The communication process that led up to the announcement last May, if you look through the INAC documentation, they talk about 70 to 80 direct engagements with communities, retailers, and airfreight companies. So sir, I honestly don't know if Nunavut got short-changed in that input process. It certainly seems today, sir, after listening to everyone here, that you did. It's not a defence, but I'm not accountable for that communication and input process. If I could go back, I have said to INAC officials directly, "Take your time. Do not change the eligibility list out of the gate. Phase this in. Communicate, communicate, and then communicate."

So I think, sir, I can't help you. I can only talk about what we have done and what we have done we have put up in stores as these are the price savings. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, when this program was announced, there was great fanfare over price reductions and that the program was going to result in lower prices. I do not believe that was possible. The original Food Mail Program had \$60 million. The new program has \$60 million.

What was category B and C food mail, now category 2, was originally dropped out of the program. It has since come back under a different framework. But if the Government of Canada set out to maintain the freight rates and apply a subsidy that would bring the freight rates to something very close to what the

freight rate was under the Food Mail Program, it was impossible for prices to drop. I do not understand how people in the program expected prices to drop. They were targeting a met freight rate that would be comparable to the food mail rate. That being the case, there is no possibly way to see prices drop.

In terms of potential for improvement, it was efficiencies in the supply chain. Do we have less spoilage because we are now controlling the product and getting it to the community quicker? Do we have less handling? Are we able to negotiate some better freight rates? I believe the answer to every one of those questions is yes.

We have not taken the same kind of position as the North West Company, and Mr. McMullen has indicated that they weren't sure of what some of these price reductions would be. We're still not sure of what the potential benefit is. I believe there will be some positive impact. Unfortunately, the positive impact of the program appears to be offset by commodity price changes, fuel price increases, electricity rate increases. All of these factors are undermining the positive benefits of the new program.

I don't believe that the new program, on its own, and the subsidy was going to result in lower prices. I do not believe that. Efficiencies would contribute to improved pricing but that would be all. So I honestly don't have anything concrete for you to bring back to your constituencies, but I don't know that the proper message got out. I think people wanted to hear the word that we have a new program and this new program is going to result in lower prices. I don't believe it was possible. Thank you.

**Chairman:** Thank you. Mr. Peterson.

**Hon. Keith Peterson:** Thank you, Mr. Chairman. I thank Mr. McMullen and Mr. Morrison for their answers. I'm concerned that the ultimate or final... I don't want to call them victims or anything, but governments, retailers, and everybody ended up passing the buck to the consumer. I think, ultimately, they're going to pay.

The reason I say that is you have both alluded, Mr. McMullen has alluded to it and I think Mr. Morrison actually put it in his opening comments, and I'll just quote here. "The Nutrition North Canada Program does not adjust subsidy rates based on fuel price increases." We know as the government or the Qulliq Energy Corporation that fuel prices are going to increase almost with certainty every year. You comment in your report here that the power rates go up 19 percent. I know you're a business, but you've got to pass on savings to consumers.

In Nunavut, we're almost 100 percent dependent on fossil fuels. All of our gasoline and our entire P50 diesel for our plants, that costs a lot of money. I know that as the finance minister. My colleague from the Qulliq Energy Corporation and I have talked about it quite often. The Financial Management Board has to set rates for fuel price increases and energy increases. So we know that prices are going to go up. It's guaranteed.

So if Nutrition North does not adjust subsidy rates based on fuel prices and consumers aren't shielded from future price increases... I seem to recall that the Food Mail Program was to a certain degree. You even alluded to that. If fuel

prices increased, the Government of Canada could, as most governments can do, appropriate additional monies to offset the increases and then the consumers are shielded. If that's the case a year or two or three from now, then I can see the subsidy being a non-factor. Our consumers are telling us that now. So what are you guys doing to address it and how are you going to deal with that for your respective companies?

When you talk to the officials at Nutrition North, what do you tell them? After all, you guys are the folks with businesses in each community in Nunavut, so you have the numbers that you use to run your business and mark up your products. So you have the hard data, whereas the officials at Nutrition North don't. They're not going to adjust the program for future fuel increases and electrical increases in Nunavut. How is this program going to benefit the consumers in Nunavut? Thank you Mr. Chairman.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** Again a good question. As Mr. Morrison indicated, the old food mail system... . Sorry, you're correct, when fuel prices went up, there was protection and there isn't in this system.

So we're vulnerable to those price increases as a cost of doing business. How will it affect us? I think it's in my opening notes, sir, that the cost of fuel went up 25 percent in a six-month period. What does that do to our total cost structure? For us overnight, our total cost basis went up at least 3 percent. Now those costs have not been passed on to the consumer yet because there's a lag time.

Again, I'm not turning the question, but how do we deal with a 19 percent increase in energy prices in Nunavut? It's a substantial increase to our business and the expectation is if we want to maintain profitability, consumer engagement, our market share, and be relevant to the economic structure of Nunavut, cost increases eventually get passed on. So we're all on the same boat. As was said by Mr. Taptuna earlier, it is unfortunate that occurred along with the launching of the new program, but that's the reality.

We know that things go cyclical. There is a cyclical pattern to commodity prices, not so much to oil, gas, and energy, but there are downswings as well. But that's not a good answer for you either. We can't just sit here and hope for the cycle to work in our favour. So we will continue to work with INAC.

And let me say one other thing. The increase in the prices other than the gas one, no one is isolated or no one is protected. So we're talking about one out of several commodities that rose in price. We have to deal with the cost increases. We try to deal with it aggressively by negotiating with vendors, getting on ahead, extending contracts, shortening contracts, whatever we think is the best business model to protect our customers from cost increases by being aggressive businesspeople. That's what we will continue to do.

I may be one of the few but I still believe Nutrition North Canada is setting down the right path. There are faults in it and there are things that we, as retailers, can do better, communication not being the least on the list. I think that with ongoing

dialogue with INAC about the current introduction of Nutrition North Canada, we can make improvements and for me, that's the way to go.

You work with your partners, and they're not our partners; the legislation is law. We have to follow it, but work within those parameters to the best of your ability and try to hit the end goals of this program, which are lower prices, which we have. Secondly, make sure that there is food security, and we're doing things in our supply chain that are getting that nutritious bundle of products available to the consumers in Nunavut. We will continue to work on those two things.

At the same time, we will continue to work with INAC and saying, "Let's make this more understandable. Let's make it more cost efficient. Let's make the subsidy more robust." I think we need help with that. I'm calling on my own capabilities in talking with INAC to say, "How are we going to deal with this increase in fuels?" But I think it is governments like yourself, Nunavut, that play an important role in talking with the federal government about "Hey, you've got a good program here that has an opportunity, but we might get all the gains that are possible in the system wiped out by energy increases. So let's collaborate and see what we can do." Will the federal government increase their budget?

The reason they were taking so many products out of the eligibility list, which was 2,700 products by the way... On March 9 or whatever date they introduced it back, it was 2,700 products back on the list. Here's the long term. If it's a bright picture, I'm not sure. By

October 2012, that list is reduced. The retailers have had a full two-cycle opportunity to make sure the stuff that they bring in the stores by sealift has the appropriate dating and the appropriate quantities to last a full year at the lowest cost possible. So that's what we're going to attempt to do for October 2012.

If there is only \$60 million left in the kiddie, it goes towards a reduced list of products. So get that support behind a smaller list of products and maybe the subsidy rates can go up. That's my second point of optimism. We do what we can on sealift, and secondly, we have a reduced list to put more weight of the \$60 million behind those products and maybe we end up with a better scenario.

But that is a year and a half away or more, and that's the path we're going down. In the interim, let's all be aggressive in telling each other what works and what doesn't work, and try to improve the system. Thank you, Mr. Chairman.

**Chairman:** Thank you. Does Mr. Morrison want to add to that?

**Mr. Morrison:** Mr. Chairman, we have made clear recommendations to INAC and to the advisory board on fuel price adjustments to the subsidy. We firmly believe that the subsidy has to reflect or has to be adjusted as fuel prices increase. I know from discussions yesterday with INAC and some of the members of the advisory board that yes, they are considering that. However, to my knowledge, they have not made any recommendations.

I think as retailers or as businesses, we have to go beyond that. One of the

things that we have to address is energy efficiency. What steps are we taking as a business to reduce energy consumption and ultimately reduce our operating costs?

We are constantly looking at energy consumption. Electricity, as I mentioned earlier, is the second largest operating cost of the Co-operatives in Nunavut and it's kind of a double-edged sword with the Nutrition North program. Most of the products that are eligible under the Nutrition North program must be refrigerated or frozen. So the success of the program drives operating costs because we need more freezer space and cooler space. More freezer and cooler space results in increases in utility costs.

So we're trying to do our part to try to control our operating costs, install energy efficient equipment, install energy efficient lighting, build better boxes that are more energy efficient and use less energy to heat, energy efficient washing machines that don't use as much water and electricity. So we're trying to do our part, but we're not that big to make a significant impact. Ultimately I think there is a much bigger question in Nunavut and I believe that relates to the electricity infrastructure, the power system.

Minister Peterson, I know you probably lose a lot of sleep over how to finance these activities. I believe that this is a fundamental question for the federal government in terms of the support that they provide for Nunavut for utility infrastructure. The infrastructure is old and in great need of replacement and I don't know that from a user-pay system that the energy corporation will ever get to the position where infrastructure will

be sufficient to meet the needs at reasonable prices. I know that the minister responsible is concerned that investment is required, but how do you pay for that investment? Where does the money come from to build new diesel stations? I don't know.

As a government, you certainly have my sympathies because I don't know as a government where you can come up with the dollars to pay for that infrastructure. It is a critical need. If you invest it, costs are going to go up. The domino effect is increased food costs, increased operating costs. There has to be a better solution, and I wish I had a magic wand to say, "Here is the solution," but I don't. Energy costs and electricity costs are a big part of what has to be addressed, and you have my best wishes in trying to resolve that issue because I know it's a very difficult question, but I believe the federal government has to be involved in that process in some capacity. Thank you.

**Chairman:** Thank you. Mr. Peterson.

**Hon. Keith Peterson:** Thank you, Mr. Chairman. I thank Mr. Morrison and Mr. McMullen for the answers. As you were answering questions, I couldn't help thinking about all of the people across Nunavut today who are probably missing a meal. I know that I have people in my own riding who could go two or three days without a good, healthy meal for a number of reasons. They even go visit relatives, but their relatives don't have much to offer them.

As I said earlier in my opening comments, we have breakfast programs, we have food banks, and I know your organizations offer discounts to food

banks, and you talked earlier about donating food to the food banks, which is greatly appreciated in all of the communities, I'm sure. I know it is in our community.

But I just can't help thinking about the people. As politicians, we make decisions and we have to make difficult decisions most of the time. I just can't help thinking that it is our duty as politicians, as retailers, and as civil servants to find programs and services that benefit the people in the community and don't put them in a tougher position than they are already in.

Not all people are in those positions, but in Nunavut, we all know people who struggle every day to eat. Of course, it leads to problems in the schools because kids can't learn when they're going hungry and don't have a good meal, and then we have health issues with malnourished people. So as politicians, civil servants, and retailers, I think we've got to figure out a way to help the people in the communities to get affordable nutritious food.

I know you're in the business to make some profits. I have been in business myself, so I understand that. Mr. McMullen mentioned earlier in his opening comments and I think I talked to one of my colleagues about bonuses based on products not sitting on the shelves, a lot of it taking too long to sell. If you're a manager, you want that bonus, so you're going to probably make sure it sits on the shelf until it sells.

So we've got to keep those kinds of things in mind, but I strongly encourage you. You have connections to Nutrition North. As I said earlier, you're in the

communities, you know your books, you know your business cases, and you know your models. You talk to your suppliers and find ways to encourage Nutrition North Canada officials to pass on subsidies that will actually lower the cost of food in the communities and not raise it.

We see projections from \$120 to \$200 a barrel of oil. If fuel prices go up, you know automatically what's going to happen: it's going to take money away. It's going to be tough because we struggle as a government to pay for our programs and service we have to offer. We struggle every year with finding extra funds for income support for food and clothing.

I know that there are probably officials in Ottawa and probably in Iqaluit as well who will be reading *Hansard* with great interest tomorrow. So we make these statements and they will be reading them. I urge them to think about the man or woman or the struggling family in Nunavut with five or six or eight people in a house, maybe fifteen, trying to eat.

With that, Mr. Chairman, I'll end my comments. Thank you.

**Chairman:** Thank you. I only have one more name on my list and he promises that he's only going to have two questions, but I would like him to keep it short and sweet. Thank you. Mr. Elliott.

**Mr. Elliott:** Thank you, Mr. Chairman. The first one was with this chart that was in the handout. Again, I'm like Minister Peterson; I want to be able to go back to my communities and explain what's happening to them.

So in terms of the earnings with the 5.6 percent, it would be considered the total profit and the rest is the overall breakdown in terms of communities. Is that what that diagram shows? Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. McMullen.

**Mr. McMullen:** The chart is a breakdown of expenses and revenues, as it is indicated. That is based on our sales. That's where the money goes overall and that's for Northern Canada Retail as an entire group, but it's very reflective of the Nunavut situation and expenses and revenue profile. There wouldn't be much variance in there. Thank you, Mr. Chairman.

**Chairman:** Thank you. Your last question, Mr. Elliott.

**Mr. Elliott:** Thank you, Mr. Chairman. He's going to hold me to it. If this is my last question...

Again, part of the reason why I had put forward the motion in terms of having both of you here today, I think Mr. Peterson is a little bit correct in the sense that some of the people whom I had wished to be here aren't here, namely, the Nutrition North Canada people. If Mr. Doyle had showed up or if he would have been here, it would have been great to get some answers from him, as well as if some of the representatives from the Nutrition North External Advisory Board were here to answer questions, it would have been great as well. I know we have and will continue to invite them, and hopefully we will have somebody here in October to answer some of the questions.

In my final question to both of you, you answered some of it when you were answering Minister Peterson, but like I said, bringing you both here today, I think, is partially because of some of the concerns we have in constituencies from our residents saying, "This is food that we want to put on the table and in some cases, I don't have the money to put the food on my table." So for me, it's a lot of education in terms of how the program is working and is it working.

Your answers have sort of helped me understand how the program works. I know and I will be continuing to contact you about explaining to me that kilogram breakdown because I still do not get it, but I will keep pushing and definitely I'll go speak with Nutrition North Canada about how it works because again, the program is rolling out and there are things that are still not clicking in my mind.

At a territorial level, it's really hard sometimes affecting and explaining to the communities what's happening at a federal level. It's the federal government that has changed the program from food mail to Nutrition North. In all cases and discussions that I've had with Nutrition North Canada, they do seem willing to make changes if you can prove to them that things aren't working, like you said, subsidies are too high or subsidies are too low.

With that in mind, my last question is: what needs to be done to improve the program, to put food on the table, to allow you to have prices low enough that will be able to... ? None of us feel that a business should not make a profit, but at the same time, we're walking that fine line between providing food to people in

the communities. So is it higher subsidies? Is it changing the subsidy at different intervals? Again, since it's your business, if you could maybe provide some insight on that. Thank you, Mr. Chairman.

**Chairman:** Thank you. That's the shortest question I ever heard. Mr. McMullen.

**Mr. McMullen:** Mr. Chairman, I don't recognize facetiousness.

>> *Laughter*

Yes, it was one of the shortest questions I've ever heard, and when Mr. Elliott comes to grill me some more, I need a Vancouver Canuck fan in my corner.

>> *Laughter*

Before I answer the question, if this truly is the last question, and I have faith in most of you, Mr. Elliott excluded, thank you for engaging us. It has been a privilege. We don't often get invited to express what we know with candour and to the best of our ability, so it is greatly appreciated that we had this opportunity.

Mr. Elliott, what was your question again? What will we do? Going forward, what would we say to you more importantly than what we say to INAC? What makes any program where the end benefit is to deliver a healthy bundle of food at a lower cost? So what would we say to anyone? We would say have a system that protects against the occurrence of costs that are outside of our control.

In today's discussions, we have talked largely about energy and the impact that

energy can have is a negative one. So if you built the program from the ground up, what kind of parameters could you build in to protect us against that random occurrence of world prices? It can be something like probably the cooperation that we have with the airlines. The fuel riders only kick in when the prices have gone up a certain level. So you build that protection into the program. So that would be one thing that would come out of this as a recommendation.

The second thing would be really back to the original intent. If there is a fixed pool of money available, make the most effective use of that. So I would recommend to INAC and to this legislature, what is that bundle of products that is really important for your constituents? If you had \$60 million, what is it that you really want to protect for these families that Mr. Peterson talked about who are going hungry?

Focus on that and give that input to us and to INAC. Protection against those random things we haven't any control of and neither do you and then really concentrating on the things that are the most important, those would be my two recommendations. That would be in their list of products.

Mr. Elliott, I hope that answers your question to some degree. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, I think, for this program to truly be effective, it can't be a short-term solution. Certainly there are some short-term fixes required to make the program equitable. I noted earlier that there are some communities



where we believe the subsidy rates are not high enough and not sufficient to bring it back to what the old Food Mail Program was. I believe that those communities have to be adjusted immediately.

The issue of fuel and electricity, I think, are two major issues. I personally believe that we will be feeling the impact of fuel rate increases for some time. The program should build in something to adjust the rate increases, very similar, as Mr. McMullen has mentioned, to the way we do it with our air carriers, where the rate adjustment kicks in after a certain point. I'm not going to say any more on electricity, but certainly electricity is a major part of the cost of delivering perishable nutritious food.

Looking beyond just the short-term kinds of solutions, I personally believe that the government programs should be looking at the spin-off or the possible additional benefits of the program.

I believe it was Minister Curley who was talking about the very young population in Nunavut and that we're very concerned about healthy eating. Considering the impact, what is the financial impact on the health care system if people don't have enough to eat? If we take a short-sighted approach to solving this problem, that there is a \$60 million cap and that's it, nothing else, what will be the investment required in the health care system to treat shortened life-spans or increases in illnesses among children and young people or increased problems and health issues for seniors?

So if we just look at a solution that says, "Here's a \$60 million program," we have a growing population. We're trying to encourage healthy eating. The population is growing. We encourage healthy eating, but we're not going to put any more dollars to the program so that it will be successful. So I think that if we take a short-sighted approach to solving the problem, we're just passing the buck, that we will have a problem with the Food Mail Program that is going to contribute to much greater problems, possibly in the health care field.

Minister Peterson talked about the education and the challenges with children going to school hungry that they can't learn. What impact is that going to have on the health industry? We talked about employment. We talked about a whole series of things today and the connection that exists between healthy eating and so many other factors is amazing.

I think we have to look for a much more comprehensive solution to the problem and we have to find ways of encouraging and supporting healthy eating, food security, addressing issues of poverty, among many other issues. If we can address some of those issues, I believe it will have a positive impact on some of the other challenges that you, as a legislature, face every single day. I know that you are committed to trying to find solutions, but I think that if we look at short-term solutions, we're not going to solve the problem. I think we have to look much beyond the short-term quick fix.

That's it, Mr. Chairman. Thank you very much. I truly appreciate the opportunity

to be here today. It has been very enlightening and we certainly hope that this program will make positive contributions to the communities of Nunavut. Thank you.

**Chairman:** Thank you. I now would ask if the witnesses have any closing comments. I think you already kind of had them. So if you could keep it short, I would appreciate it. Mr. McMullen.

**Mr. McMullen:** I will take a chapter from Mr. Elliott. This will only take 10 minutes.

>>*Laughter*

Thank you again, and we look forward to working with you on this program. We will do our best in collaboration with yourselves and others to get at the end goals. Thank you, Mr. Chairman.

**Chairman:** Thank you. Mr. Morrison.

**Mr. Morrison:** Mr. Chairman, thank you very much. I will say that I do appreciate the opportunity to be here.

The Nutrition North Canada Program is very new. In our opinion, it has made positive improvements to the process. Has it done everything that everybody expects? I don't believe that it necessarily has. I'm not sure that all of the expectations going into the program were correct in terms of how the program was announced.

I do believe that if we work very hard and are committed to operating a good program, it will make a difference. Certainly from the Co-operative sector, we are committed to that. So I thank you very much.

**Chairman:** Thank you. I would like to take this opportunity to thank again Mr. McMullen and Mr. Morrison for taking the time to appear today. Sergeant-at-Arms, will you please escort the witnesses out.

>>*Applause*

I recognize the Member for Nanulik.

**Mr. Ningeongan:** Thank you, Mr. Chairman. At this time, I would like to make a motion to report progress. Thank you, Mr. Chairman.

**Chairman:** There is a motion on the floor to report progress and the motion is not debatable. All those in favour of the motion. All those opposed. The motion is carried. I will now rise to report progress.

**Speaker:** We will move on with our orders of the day. Item 20. Report of the Committee of the Whole. Mr. Schell.

### **Item 20: Report of the Committee of the Whole**

**Mr. Schell:** Thank you, Mr. Speaker. Your committee has concluded their discussion with the witnesses from the North West Company and Arctic Co-ops and move that the Report of the Committee of the Whole be agreed to. Thank you, Mr. Speaker.

**Speaker:** Thank you, Mr. Schell. The motion is in order. Do we have a seconder? Mr. Shewchuk. All those in favour. Any opposed? There being none. The motion is carried.

We will move on with the orders of the day. Item 21. Third Reading of Bills.  
Item 22. *Orders of the Day*. Mr. Clerk.

**Item 22: Orders of the Day**

**Clerk** (Mr. Quirke): Thank you, Mr. Speaker. A reminder that the Standing Committee on Legislation will meet tomorrow morning commencing at nine o'clock in the Nanuq Room.

*Orders of the Day* for June 2:

1. Prayer
2. Ministers' Statements
3. Members' Statements
4. Returns to Oral Questions
5. Recognition of Visitors in the Gallery
6. Oral Questions
7. Written Questions
8. Returns to Written Questions
9. Replies to Opening Address
10. Petitions
11. Responses to Petitions
12. Reports of Standing and Special Committees on Bills and Other Matters
13. Tabling of Documents
14. Notices of Motions
15. Notices of Motions for First Reading of Bills
16. Motions
17. First Reading of Bills
18. Second Reading of Bills

19. Consideration in Committee of the Whole of Bills and Other Matters

- Bill 6
- Bill 7
- Bill 8
- Tabled Document 248 – 3(2)
- Tabled Document 249 – 3(2)
- Tabled Document 251 – 3(2)
- Tabled Document 274 – 3(2)
- Tabled Document 275 – 3(2)

20. Report of the Committee of the Whole

21. Third Reading of Bills

22. Orders of the Day

Thank you.

**Speaker:** Thank you, Mr. Clerk. This House stands adjourned until Thursday, June 2, at 1:30 p.m.

Sergeant-at-Arms.

>>*House adjourned at 19:55*

