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

Legislative Assembly of Nunavut

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Consideration in Committee of the Whole of Bills and Other Matters

Witness Appearing on the Nutrition North Canada Program – Consideration in Committee..... 709

**Iqaluit, Nunavut
Thursday, June 2, 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): Thank you, Sergeant-at-Arms. Before we get started, I would like to ask Mr. Elliott if he could lead us off with a prayer, please.

>>*Prayer*

Speaker: Thank you, Mr. Elliott. We will move on to the orders of the day. Mr. Elliott.

Mr. Elliott: Thank you, Mr. Speaker. I seek unanimous consent to proceed directly to Item 19 on the order paper. Thank you.

Speaker: Thank you, Mr. Elliott. The member is seeking unanimous consent to proceed directly to Item 19, 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. Ningeongan in the Chair.

In accordance with the authority provided to me by Motion 6 – 3(3), the Committee of the Whole will stay in session until it reports itself out.

Again, today I would ask members to remain in their seats as we will proceed immediately to Committee of the Whole.

Sergeant-at-Arms.

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

Chairman (Mr. Ningeongan): Thank you. The Committee of the Whole will now come to order. In Committee of the Whole, we have a number of items to deal with: Bill 6, Bill 7, Bill 8, five tabled documents, and a witness 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. Kenn Harper of Arctic Ventures 2000 into the Committee of the Whole. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Elliott. Are we in agreement that we deal today with the witness appearing on the Nutrition North Canada Program?

Some Members: Agreed.

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

Chairman: Do members agree to invite the witness to the table?

Some Members: Agreed.

Chairman: Thank you. (interpretation) Sergeant-at-Arms, if you could escort the witness in.

(interpretation ends) Thank you. I would now like to ask our witness to introduce himself.

Mr. Harper: My name is Kenn Harper. I am the president of Arctic Ventures 2000 Limited.

Chairman: Thank you, Mr. Harper. Yesterday, in his opening comments, the Chair explained the process when considering the testimony this week of invited witnesses concerning the Nutrition North Canada Program. I will repeat some elements of the process.

First of all, I wish to first take this opportunity to thank Mr. Harper for taking the time to appear before the Committee of the Whole in response to the invitations that were extended to him earlier this year.

As Mr. Harper is aware, the issue of accessibility to affordable and nutritious food for Nunavummiut is a major priority for all Members of the Legislative Assembly.

As members are aware, Mr. Harper 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 would like to now briefly review our order of proceedings for these hearings.

At the conclusion of my opening remarks, I will invite Mr. Harper to make his opening statement.

After he has made his opening statement, I will open the floor to general comments from members. I will first recognize the Member for Quttiktuq, followed by 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.

I thank all members for their attention and I now invite Mr. Harper to make his opening statement. Mr. Harper, you may proceed.

Mr. Harper: *Qujannamiik*, Mr. Chairman. (interpretation) I am pleased that I have been invited to the Legislative Assembly today and given an opportunity to speak to you today.

My name is Kenn Harper. In Inuktitut, I am called *Ilisaijikutaaq*. I am called *Ilisaijikutaaq* by Inuit due to my height and because I used to be a teacher in

Qikiqtarjuaq, Padloping, Pangnirtung, and also in Arctic Bay.

Here in Iqaluit, Arctic Ventures 2000 is my own business. I know many of you, including some of your families whom I have known for many years. The Manager of Arctic Ventures, John Bens, is also in the Gallery. I want to inform you that John works tirelessly daily to operate our store efficiently and to ensure that it provides support to the community.

At our Arctic Ventures store, we have continued to offer nutritious food since the ability to purchase food, including the ability to purchase affordable and nutritious food, which is very important to the residents of Nunavut. This includes Inuit, *Qallunaat*, elders, and especially children. I am very pleased that you are deliberating this issue and my expectation is that my presentation will provide support to your process.

(interpretation ends) I'm going to deliver my presentation from here on in English.

I want to start by saying that I have the utmost respect for Michael McMullen of the North West Company and for Andy Morrison of Arctic Co-operatives Limited. They are or have been my competitors in business in three communities and they are formidable competitors. My respect for them, however, does not mean that I agree with everything they say or that I even believe everything they say. My perspective on the old Food Mail Program and on its replacement, the Nutrition North Canada Program, differed quite a bit from theirs, and it is that differing perspective that I want to present to you today.

I am the owner of Arctic Ventures, in business, including the food business, in Iqaluit since 1985. Before that I owned a retail business in Arctic Bay for some years and for 20 years, I also owned a retail business in Pangnirtung. I believe that the comments I have to make about the Nutrition North Canada Program will apply generally throughout Nunavut and not be applicable only to Iqaluit.

All of the businesses that I have been involved with have used the Food Mail Program. We have 35 years experience in using the previous Food Mail Program. It upsets me to hear my competitors portray the Food Mail Program as a bad program, as something that was broken and could not have been fixed. Certainly there were some problems with the Food Mail Program but they were not insurmountable problems. The Food Mail Program should have been tweaked and fixed, not scrapped.

In my view, here are the few things that were wrong with the old Food Mail Program:

1. There was only one point of entry allowed for the Baffin region. I can't speak for the other regions but it is my understanding that entry points there were also unrealistic and inflexible. In the Baffin, our entry point was always Val-d'Or. I attended countless meetings over the years and wrote many submissions, as did others, in an effort to have Ottawa or Montreal made an entry point. These were all to no avail. We could have accessed a wider variety of product, with better freshness and at better prices, had we been able to do our shopping in Ottawa or

Montreal instead of Val-d'Or. And that was the case for many years, all of the years that I participated in the program.

2. Indian and Northern Affairs Canada has complained that the costs of the program were increasing in an uncontrollable manner. The impression is left that someone, the airlines or Canada Post, was gouging, but that's not the case. The costs increased because of the foolishness of INAC administrators in allowing too many inappropriate items to be added to category 2. These were items like washing machines, toasters, bottled water, even truck tires! What's the justification for truck tires coming as food mail? Is it because the owner of the truck might want to drive to the store to buy his food? I don't know. It is no wonder that costs were out of control.
3. The lack of a claims process was a minor irritant. To me, it was not a major problem in the way that my competitors have portrayed it, and that is because Canada Post had the right of inspection and enforced delivery standards and timelines on the air carriers.

The best feature of the old program was that everyone was treated equally in terms of the cost of air transportation. For category 1 items - and those are the items we are most interested in, nutritious perishable foods - the rate was 80 cents per kilogram plus a surcharge of 75 cents per box. So it would probably average out to about 84 to 85 cents per kilogram. It didn't matter whether you were in Iqaluit or

Cambridge Bay or Grise Fiord. The rate was the same. I haven't mentioned category 2, but there was a rate and it was the same rate everywhere in Nunavut for category 2 items as well. This was fair and provided a level playing field at least for transportation.

The problems with the old Food Mail Program could have been corrected by tweaking the program. INAC could have done public education programs. They could have initiated a signing program. They could have changed eligibility lists. They could have allowed more entry points. These are all things that they're doing under Nutrition North Canada. They could have done all of these things within the existing Food Mail Program.

So why was it changed? I believe that Mr. Curley referred to the reason or a possible reason late in yesterday's session. It was changed, in my opinion, because of political interference in support of the airline that did not have the contract to carry food mail. First Air had the contract and had won it fair and square. Canadian North lobbied vigorously to have the program changed in a major way, such that there would in fact be no contract with INAC or Canada Post at all.

If you're following this on my script, you will see that I'm correcting my typos as I'm going along.

And so we have a new program, Nutrition North Canada. Our company was consulted in the design of this program. INAC had commissioned a report, the Dargo report, because it was done by Graeme Dargo. He is a fine man and I have known him for many years, but our company disagreed with some of

his recommendations. We attended meetings and made submissions in an effort to have the program meet the needs, not only of the retail giants in Nunavut, North West Company and Arctic Co-operatives, but of small businesses, which are often the lifeblood of a community. We were partly successful.

There are some good points about this new program. First and foremost, we are not restricted to using Val-d'Or as our staging or entry point. This is to our advantage and it's to our customers' advantage, I should add. Arctic Ventures has dropped all of its former suppliers in Val-d'Or and is using suppliers in southern Ontario and to a lesser extent, in Quebec, who deliver to the Ottawa airport. This makes far more sense. We get a wider variety of product in better condition and at better prices than we were able to before. It arrives quickly in our store and is on our shelves in fresher condition.

In addition, under the new program, the focus is on nutritious perishable food and this is where a subsidy should be directed. We were pleased to see that most of the inappropriate items on the category 2 list were removed. This will allow the subsidy dollars budgeted by INAC to be used properly.

There are two aspects of the Nutrition North Canada Program, though, that are problems for us and for small retailers throughout Nunavut and elsewhere.

The first one is the onerous paperwork required. It is simply unimaginable the amount of paperwork that businesses have to do to comply with the requirements of the program, and this is

new. I won't go into the details of it now. I can give you more details in question time if you're interested, but I will say this: INAC reimburses us \$340 per month as an administrative fee to do this large amount of paperwork. That's not enough. Our costs have increased far more than that because of the reporting requirements. Unless something changes - and that could be a higher administrative fee or a rethinking and decrease of the paperwork that is required - we will have to pass those costs on to our customers by increasing the costs of product. And that was never the intent of the program.

I should add that we have expressed our concerns to the frontline INAC people that we deal with on this program. They have heard us. They are sympathetic. They have promised to review it. They are hearing it not just from us. In that sense, I want to say that INAC has been very cooperative with us in the initial stage of us presenting the problem. We haven't seen the solution.

The main problem that I see with the new program is a very serious one. Under Nutrition North Canada, every business negotiates its own freight rate with the airline of their choice. This means, quite simply, that everyone gets a different rate. You all know how business works. The biggest customer gets the best rate. Of course, I have no way of knowing what freight rate my competitors have negotiated, but I expect that the North West Company has a much better rate than Arctic Ventures does because they do much larger volume than we do. That's the way it works. And I expect that I have a better rate than a guy who is smaller than me. That's the way it works. I will never

know how much better North West Company's rate is but I'm confident that it is better.

This gives the North West Company three advantages over Arctic Ventures and over their small competitors in other Nunavut communities. It gives ACL the same advantages against small retailers in most Nunavut communities. They buy at better prices from their wholesalers because of their volume. That has always been the case. That's the first of the three advantages. Secondly, they get a better freight rate than their small competitors. That's new and it's a major disadvantage to small retailers as a result of the Nutrition North Canada Program. It didn't have to be that way.

Let me give you an analogy. It costs 58 cents, I think, to mail a letter from one street in Ottawa to another. It costs the same amount to mail a letter from Ottawa to Iqaluit or to Grise Fiord, for that matter. Why can't Nutrition North Canada operate on the same principle? It's a principle that we have been used to for the delivery of nutritious perishable food for over 30 years in Nunavut.

I want to add something that's not in your handout. In the report of the Standing Committee on Aboriginal Affairs, a report made in March 2011, the concerns of smaller retailers in this regard were noted. The report says, "It was argued by many witnesses that since larger retailers have the capacity to purchase in bulk and therefore likely negotiate better shipping rates and receive first priority in timing of shipments, smaller retailers are likely to be at a competitive disadvantage in attempting to offer the same food items at similar prices and quality. In general,

witnesses thought that this would introduce greater uncertainty as to the long-term viability of their businesses." That's the end of the quote.

So the government recognized that this might threaten the very survival of some businesses, but they responded in the report by saying only, "the success of smaller [northern] retailers is dependent on their ability to manage their operations in an efficient and effective manner." There is not a lot of sympathy in that response. So the concerns of smaller retailers in this regard were heard, acknowledged, and then ignored.

I'm going back to my handout now, but I noticed that I had said the North West Company has three advantages over Arctic Ventures and I only wrote up two of them. The third one is something that's invisible to the consumer and that is that okay, I mentioned that they have huge volume buying power to get the best rate but they also get rebates from those wholesalers and the manufacturers for purchasing their product, and that's something the customer never sees.

Edward Kennedy, the CEO of the North West Company, said in a recent stock market analysts' call, as reported in *Nunatsiaq News*, "We've sat down with carriers and we're getting the cost decreases we should be getting with the amount of volume we're bringing to the table." He also claimed that the new system would allow the North West Company to reduce what he called "out shopping," northerners buying goods online or while they are travelling down south.

To negotiate a better freight rate in communities where there is competition

between airlines, you need only threaten to take your business to the other airline. This back and forth negotiation between the competing airlines will result in lower rates. It could also threaten the viability of the airline itself or of the regularity of service to some communities. If airlines take a big financial hit from a reduction in cargo revenue, you know very well where they will make it up, on passenger fares.

Smaller businesses will become less profitable. This new regime will also be a disincentive to would-be entrepreneurs who want to start new businesses and sell food. They will not have the clout to negotiate a freight rate which will allow them to be competitive with their larger competitors.

Let me use an example. And these, I stress, are hypothetical figures. I made them up, but I need an example. Let's say that in a certain community, the North West Company negotiates a freight rate of \$1 per kilogram and a competing small business negotiates a rate of 90 cents. That sounds like a difference of 10 percent. Maybe you can manage that. But now let's factor in the INAC subsidy and it's the same for both companies. So let's say that that hypothetically is 50 cents. Subtracting the 50-cent subsidy from the large store's rate of \$1 leaves you with a freight cost of 50 cents, but subtracting the 50-cent subsidy from the small store's rate of 90 cents. . . .

I have this backwards, by the way, in my example. It's the small store that gets the dollar and the big store that gets 90 cents. Excuse me for my quick typing. So subtracting the 50-cent subsidy from the small store's rate of \$1 leaves you

with a freight cost of 50 cents. Subtracting the 50-cent subsidy from the large store's cost of 90 cents leaves you with a freight rate of 40 cents. The difference is still 10 cents, but comparing 50 cents with 40 cents is no longer a 10 percent difference, it's now 20 percent. That is a major difference and that might be unmanageable. My apologies for the typo there and getting the example backwards, but I have explained it the way I intended it.

Let me also make it clear that everything I am saying here about the big guy does not apply only to the North West Company. It applies equally to local Co-operatives. They are not small businesses as Mr. Morrison portrays them. Mr. Morrison spent a great deal of time yesterday stressing that local Co-operatives were small businesses, but he can't have it both ways. He portrays community Co-ops as locally owned, community controlled businesses. Yes, they are locally owned, but they are community controlled only to the extent that they have not given away some of that control to ACL in Winnipeg to provide them with certain management services. And negotiating great freight rates is one of those services. For purposes of this discussion, I suggest community Co-operatives are major businesses with tremendous buying power which includes the ability, through ACL, to negotiate preferential freight rates. These rates may not be as good as North West Company's because they are not as big, but I will bet that they are close.

I want to point out something else that you should be aware of. I think it is quite appropriate that Mr. McMullen and Mr. Morrison sat at the same table side by

side yesterday. That is because, although they are competitors, they have worked together to influence INAC in order to have this new Nutrition North Canada Program designed to favour the large retailers. How do I know this? Mr. McMullen alluded to this collusion in his remarks to the Standing Committee on Aboriginal Affairs on November 3, 2010 in Ottawa. Mr. Morrison had already made his presentation before Mr. McMullen spoke. Mr. McMullen said, "As Andy indicated, we were consulted throughout the process and made a couple of submissions to INAC, as an alliance of northern retailers." It is the last five words that give me cause for concern, "an alliance of northern retailers." I can assure you that I was not invited to join this unholy alliance of northern retailers, neither were any other small businesses. I subsequently confirmed that the North West Company, Arctic Co-ops, and the Federation of Cooperatives of Northern Quebec did make joint submissions to INAC with advice on how the new program should work, how it should be designed. These submissions were made on letterhead that even contained the logos of the three organizations together.

This sounds dangerously close to collusion, to me. If I were to meet my competitor at midnight in the parking lot and decide together what we would charge for milk or eggs, it would be price-fixing. It would be illegal and if we were caught, we would end up in jail. This doesn't sound a whole lot different to me. Is this why we have ended up with a program that allows the major retailers to use their volume buying power to negotiate better freight rates than anyone else can get? Is this why we have ended up with a paperwork regime

that larger companies are better able to handle because of their economies of scale?

I also want to address what I think is a common misunderstanding about the new program. I do not think that the Nutrition North Canada Program was designed to bring down the price of nutritious perishable food. It was meant to stabilize the costs of nutritious perishable food at approximately the levels of the previous program. Each retailer negotiates its own freight rate with an airline. The subsidy is community specific, that is, each retailer in a community gets the same subsidy. Every community has a different subsidy level or rate. In some places, INAC got it right; in some, they didn't. INAC will have to constantly monitor this and make adjustments where necessary. Please remember that nutritious perishable food was already subsidized under the old Food Mail Program. The fact that certain products are subsidized is not new. A subsidy was in place before. That is why you are not seeing huge differences in the price of the food. I think Mr. Morrison made that point yesterday. I think also that INAC needs to communicate that part of the message about the intent of the program more clearly.

I met the members of the advisory board for the first time two days ago, although I have known some of them for many years. I believe that they are sincere people who will take their responsibilities seriously. They are a resource that I intend to use and direct some of my comments and recommendations through. I hope that they will meet with this legislature and that you can also use them as a resource.

The Nutrition North Canada Program is what we have and what we have to work with. I hope that INAC will be open to reconsidering certain details of the program and how it works to maintain its positive features, especially on the point of entry, but to bring back some of the good points of the old Food Mail Program in order to somewhat level the playing field for small businesses. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Harper. I will now invite the Member for Quttiktuq, Mr. Elliott, to begin his 10 minutes of general comments. Mr. Elliott, the floor is yours.

Mr. Elliott: Thank you, Mr. Chairman. I thank Mr. Harper for coming today to meet before us. I would have to say I agree with everything you say. With working and trying to figure out the program since last year in May when it was first announced, I think those were a lot of the concerns that I had seen with the program.

Coming from three communities, where our transportation system adds to the time for products to get to the community and the costs dealing with freight, again I'm really happy that all of my colleagues were in favour of having the North West Company and Arctic Co-operatives come yesterday because it's definitely a concern that all of our constituents are concerned about in terms of getting food on the table. I think a lot of northerners put up with a lot of things that the federal government tells us are changing and when you start taking away people's choice for food and even having prices so high, it makes you think, "What can we do?"

So to me, the way our invitations were sent out and the way my thinking was, was we would have the two big retailers come and in plain language, we would get the message that we got yesterday. A lot of the responses, a lot of them were saying that they like the program because they're standing to gain the most. And I figured, by having you here today as the small retailer, we would actually get some meat to possible changes and that's what I'm hoping to get with my lines of questioning today.

I think Nutrition North is here and the Food Mail Program is not going back. The way the structure of the program is laid out, it would not go back to Canada Post; it would always stay within INAC. I don't think that's going to change and I don't think we have that power, obviously, as a federal government program, but I think we do need to do what you have been saying, find out what needs to be done to make the program function properly and then use the resources. Like I said yesterday, I was hoping that the Nutrition North Canada Advisory Board would come before us to answer questions and have us understand the program, and then provide some feedback as to what changes could be made.

So I think, today, what I'm hoping to get out of our questioning to you is... You have given us some of it, but I would like to find out a little bit more in terms of if we're going to make this program work. What do we need to do in terms of getting messages to the federal government and possibly help the Nutrition North Canada Advisory Board as they go into their positions and become a board? If they're as valuable as what our MP has said, they will be a

strong resource in helping us change the program and continue to monitor it. So with that, thank you, Mr. Chairman.

Chairman: Thank you, Mr. Elliott. I will now invite the Member for Rankin Inlet North, the Hon. Tagak Curley, to begin his 10 minutes of general comments. Mr. Curley, the floor is yours.

Hon. Tagak Curley (interpretation): Thank you, Mr. Chairman. I, too, am very pleased with your presence, Mr. Kenn Harper, and quite delighted to hear your comments in Inuktitut and English that we could all understand. Your fluency in both languages allows all consumers to be able to deal with the stores, especially from a small retailer. Many Nunavut residents observing our discussions are impacted and they are getting the gist of the message. How joyous! Due to this reason, I wanted to speak to this issue in Inuktitut.

Furthermore, Mr. Harper, I would have loved to hear a historical perspective about retail stores from you. I always enjoy your history articles on polar explorers and merchants and how they started. I know for a fact that your expertise is not only in the retail industry but also in literature, as your articles about historical events show, which I really enjoy. They are educational and the stories need to be heard by our people. Thank you.

(interpretation ends) Mr. Chairman, I have a very brief comment. Certainly I am very grateful also to hear from the much smaller merchant and supplier of goods and services, including food, an important category.

Mr. Chairman, we all recognize that we need smaller companies that will remain and should remain competitive in the free market system that we have. I will always underline the free market system. Despite the small population that we have, we're a very strong supporter of the free market, but like any other small business, we see the smaller companies continuing to be put in a very precarious and dangerous situation by the federal initiatives.

That is something that I think Members of the Assembly must protect to try and ensure that fairness does exist because it is a guideline that will ultimately decide who wins in this free market system. It's just like Canadians experiencing for the first time when the free trade agreements were being signed. The federal government took exceptional measures to protect local markets and so on, and we need to see that this arrangement is exactly that.

Mr. Chairman, before we begin with the questions, I do want to point out that I was uncomfortable because it should have been the Chair who should have ruled yesterday when mildly I was, I think, pointed at as developing a conspiracy theory. Mr. McMullen kindly alluded to it and that was not fair. I do not say those kinds of things. In the political world, major policies or programs or changes are not normally done unless there are some prior political plans being shaped, and I think it is confirmed that there had been a prior lobby and consultation. It was confirmed to me by one of our federal colleagues that it was essentially part of the major reason, that is, the airlines were either going to be dropped or go bankrupt unless something happened. So thank

you for reminding Members of the Assembly on this that I am not alone in this theory that I have.

Mr. Chairman, I think we also have an obligation to state to Nunavutmiut what our small business retailers are thinking. For that reason, I think we will want to hear from you during the question phase as to exactly what you think this Assembly should be recommending to the federal government. When we started deliberating the whole concept of the new program, I can assure you that your advice would have been very useful because many of my colleagues were really scrambling around as to what they were going to do and what they were going to say.

I have been around the political world quite a bit and the office of the MLA is not limited to one approach or this approach. When you're in this Assembly, you can invite anyone pretty well and for that reason, that was my offer to my colleagues. We can invite anyone we want. We can invite the federal people; we can invite the merchants and let's see what they think. I think this exercise is real good. I think it's for the first time. It didn't happen during the First Assembly or the Second Assembly or the Committee of the Whole inviting private individuals or business representatives. So I want to thank you for being part of that forum to help us shape policies for Nunavutmiut.

I am worried about the impact that this program will have for our free market system. Unlike the larger markets that we see, which Mr. Kenn Harper alluded to, it is not a luxury. They just don't shut their stores at convenient times or open up for the weekend. Smaller merchants

will be open much longer and provide essential services that are needed for families of Nunavut. By staying open longer, that is very useful to many of people who may be... . In the dynamics of the population we have, hunters would come in late occasionally and they need some supplies and get right back first thing in the morning. So these services are important to us.

So, Mr. Chairman, I will conclude again with my opening statements that we need all of the help we can get because the cost of living is frightening. I still remain that the new regime with the larger markets will only be good if they brought in supplies at huge volumes. The less volume for the category they qualify for the federal subsidy will not be as significant to them unless they bring in huge volumes of supplies to most communities.

That's why I used the analogy of bringing in a chicken. They don't have to wait until the chicken is eaten before they qualify for getting the subsidy. I believe that as long as it shows on the record that they invoiced the company and the company was paid for bringing in goods and services that do qualify under the new program, they will eventually get their money whether or not it is still sitting on the shelf.

Mr. Chairman, I think Mr. Harper's comments are really good examples, and I look forward to my colleagues helping Nunavutmiut to bring about a much fairer system. I think he had indicated to the committee here that the old program had some benefits and it could have been fixed. Most of all, we want to bring about fairness to smaller operators and

that is exactly what I hope to do. Thank you.

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

Hon. James Arreak (interpretation): Thank you, Mr. Chairman. I also thank Mr. Harper profusely as one of our witnesses who made comprehensible statements about his concerns. I used to have my own small retail business and offered foodstuffs via the Food Mail Program for a number of years, so I personally have experience with this program.

I understand that there were flaws in the old system, but it was mentioned yesterday that the Food Mail Program was broken, that it had to be overhauled and replaced. We had to come up with a new program altogether, as mentioned yesterday. I believe what Mr. Kenn Harper stated. There were three areas that could have been tweaked to improve the old Food Mail Program, with perhaps some other areas to benefit our communities, because that program benefited a lot of individuals in Nunavut.

I had a conversation today over the phone with someone who runs a small business in my community of Clyde River. As I mentioned, we don't have a Co-op, although we do have the North West Company. We have a small business retailer which is owned by our community. The retailer also used the Food Mail Program and they have been using this new Nutrition North Canada Program since it came into effect recently.

However, the small retailer stated that paperwork has increased since the program was introduced and that it is almost impossible to keep up with the paperwork since they don't have the resources available like the North West Company or the Arctic Co-operatives Limited. They cannot keep up with the paperwork requirements of this new program due to the lack of staff and some rebates have been missed due to the paperwork not being completed. They expect to remain afloat though.

I believe your comments about having to improve this Nutrition North Canada Program for our smaller retailers, including the larger retailers as well. Thank you, Mr. Chairman.

Chairman (interpretation): Thank you, Mr. Arreak. Mr. Peterson.

Hon. Keith Peterson: Thank you, Mr. Chairman. I thank Mr. Kenn Harper for taking the time out of his busy schedule to come here today for this important hearing. I again echo my colleagues' sentiments and appreciation to MLA Elliott for keeping the heat on everybody to come to this meeting over the last couple of days.

I would like to just say that yesterday we did hear from the big businesses. I, too, agree that although Arctic Co-operatives say they're small businesses, they do have the buying power to help the Co-ops in the smaller communities. We all know that. At the same time, I do appreciate that in the communities, if you are a member of the Co-op, you do get dividends. Certainly that's the case in Cambridge Bay. Getting \$100 back or \$1,000 back is certainly helpful.

Yesterday I made comments to the two witnesses that a lot of people say that this program is a great program. It replaces a broken system in the Food Mail Program, so everybody should be happy, but the ultimate decision-makers on that would be the consumer.

I'm hearing in my community and in my riding that they're not seeing any real difference and they're quite upset that they're not seeing that difference. One of the witnesses yesterday commented that the expectations were too high, but whose fault is that? The expectations were that there would be savings and people would have more to eat at better pricing. We're not seeing that.

Last month in Rankin Inlet, all of the mayors of Nunavut met at the annual general meeting of the Nunavut Association of Municipalities and Mr. Elliott tabled their resolutions the other day. One of the resolutions was entitled "Food Security." I'll just read a couple of clips from it.

"WHEREAS: Food security is a growing problem in Nunavut;

WHEREAS: 70 % of Nunavut households with Inuit preschool children are food insecure;

THEREFORE IT BE RESOLVED that the NAM urge the Government of Nunavut and the Government of Canada to take the issue of food insecurity seriously; and

THEREFORE IT BE FURTHER RESOLVED: that any government initiatives that directly or indirectly impact food security issues such as the Nutrition North Program and the Poverty

Reduction Initiative for example, ensure that food security is a priority objective."

After doing a lot of research and reading materials and listening to testimony yesterday, I'm finding it very hard to understand the new Nutrition North program. Any time a new system is put in place, there are bound to be some hiccups, but I'm not finding a whole lot of people out there who are saying that this is an easier program.

You talked about higher administrative costs. I know in my riding of Cambridge Bay, people had more options to purchase food, including contacting southern vendors in Yellowknife, and I understand from my constituents who had those other options that the system was so complicated that these other vendors have said, "No, we don't want to do that anymore."

So basically, from what I can understand, this program has essentially eliminated a lot of competition with the higher administration costs. It doesn't seem to have any of the intended effects. I realize it's early on but that new program should provide options. It should support lower food costs, but we're not seeing much of that.

I appreciate you coming here as a representative of a small business so that you could point out your experience with the program to date and I look forward to having an opportunity to asking you some detailed questions, along with my colleagues. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. I have Mr. Tapardjuk.

Mr. Tapardjuk (interpretation): Thank you, Mr. Chairman. I also want to thank you. Welcome to the legislature. I'm glad you are able to appear before us.

Indeed, I may have questions later on, but I want to comment on this program. The old Food Mail Program under INAC was specifically towards freight charges and administered through the post office. You had to send your food mail via the post office and that subsidy was paid for the freight costs. I started contemplating about INAC and the loss of the \$60 million subsidy may be one of the reasons why Canada Post is going on strike tonight at midnight. That was my suspicion that the loss of this revenue led to the strike.

One thing we have noted in the past is that ACL negotiates freight costs with the airlines and the rates are never the same for the communities. We wonder why our freight costs in Igloolik are higher compared to Pond Inlet. Yesterday we heard how the freight cost system works and how it differs.

What we're discussing today is the freight cost subsidized by INAC. What I have been hearing is that it's mainly for airline freight costs, but I may be mistaken. We heard yesterday that the subsidy doesn't cover sealift costs for certain foods. I'm still unclear on some details. Is INAC going to be subsidizing goods and services ordered for sealift as well or is it going to be for delivery by air only? What will be paid by INAC?

Mr. Chairman, the reason why I ask this is that with the Food Mail Program, people became accustomed to operating through the post office and many people didn't see the benefits to the consumers.

Due to the familiarity by consumers and due to the dearth of information available, I knew certain details.

What I do know is if residents from the Baffin region wanted to order, the only point of entry was Val-d'Or and no other place, even if there are other locations available at a lower cost, and this was arbitrarily chosen by the federal government. I don't know who they were trying to benefit in Val-d'Or in the first place. I don't know. Perhaps they had good reasons for choosing that site.

We wish to have a comprehensive review of the impact of this program, including keeping an eye on food prices and the cost of living. We keep hearing that prices will continue to increase, especially on a global scale, due to the increasing costs of transportation and fuel. I'm generally protective of these particular people who have no choice but to shop at the local stores.

Some Inuit who don't have a large discretionary income cannot place orders directly with their southern retail outlets without assistance. Only a few families have the ability to place orders. However, most of our parents and grandparents aren't familiar with this system, so they have no choice but to go to the North West Company or ACL to buy their food and clothing. They generally don't have the capability to place orders and this diverts the subsidy to the store owners.

Will the federal subsidy program for freight costs via these retailers actually drive down costs for our consumers? If we were to review this, would we see that we are being set up for even higher costs later on? We're very concerned

about that. I'm aware that the new program is intended to replace the previous Food Mail Program. These are the issues I wanted to speak to and I get the feeling that every one of us will be affected by this new program.

I believe that the old Food Mail Program could have been massaged and tweaked if more people were aware of the benefits of the program, as was mentioned by Mr. Harper. I also believe there were a lot of complaints about the Food Mail Program because there was a lack of understanding about how it worked.

I think we could have made minor changes that would have had a bigger impact on food costs, whether you're in Grise Fiord, Iqaluit, or Igloolik. At the current time, with this new program, we may see vastly disparate prices for food based on the transportation costs and distances involved in the communities.

When the appropriate time arrives, Mr. Chairman, I'll have questions. Thank you.

Chairman (interpretation): Thank you, Mr. Tapardjuk. Mr. Schell.

Mr. Schell: Thank you, Mr. Chairman. I also am pleased to see Mr. Harper here, who is a well-known businessperson in Nunavut for many years.

Going back to the old Food Mail Program, my understanding of the reason that Val-d'Or was selected was years and years ago, the Liberal government, when Mr. Trudeau was in power, was a loyal Liberal supporter in that area and it was there to create work in Val-d'Or. That's why it was set up

and that's why, as far as I'm concerned, nothing was done to correct the program until the Liberals got out of power, but that's my opinion on that.

Also going back to the North West Company and the Co-operative, they were saying that they went to all of the airlines to negotiate the freight rate, but what a coincidence that Canadian North has all of the Co-ops and Northern has all of the Northern stores. So I wonder how that worked out. They must have got together and decided who is going to get what because I'm sure that was an open tender there. That's a matter of opinion also. I will have other questions on this.

Like I say, I agree with Mr. Harper that there was nothing wrong with the program other than the staging point. I know First Air, 10 or 12 years ago, made a proposal to INAC. They would put up a big warehouse in Ottawa and they were also going to put up a big warehouse in Winnipeg and get it easier to get the stuff there. They were going to deal with INAC to ship it out of there and get everything shipped to Ottawa, everything to Winnipeg, but that was turned down because INAC had to support Dorval. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Schell. I have no more names on my list. 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. Mr. Harper, when you appeared before the House of Commons Standing

Committee on Aboriginal Affairs and Northern Development on November 3, 2010, you stated, and this is a quite lengthy quote but I think it's quite relevant, so I'm going to read the whole thing, "Who benefits from this new program? You would hope that I would say it's the consumer. I'm not so sure it's the consumer. The big winner, in my view, is the North West Company - owner of Northern stores and North Mart stores - with stores in almost every community. They have huge purchasing power with whichever airline they decide to ship their cargo. Money talks and they have money. They will negotiate the best freight rates with northern carriers because of their volume. The rest of us will pay higher freight rates and have to set our prices accordingly. But I do not believe the dominant retailer will substantially undercut our prices. They never have in the past. Rather, they will price the same as us, or a few pennies lower, and their profits will be correspondingly higher. So this program, in my view, has handed the North West Company a windfall, and for some small businesses a death sentence."

In the last seven months since you made that statement and I know you have made some reference to it in your opening comments, but do you see smaller merchants having to close their doors? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Elliott. Mr. Harper.

Mr. Harper: Mr. Chairman, in response to Mr. Elliott's question, I don't intend to close my doors because we will find ways to survive and we sell a lot of products other than nutritious perishable

food. But I see the possibility that some stores in more isolated communities may not survive because they don't have the buying power to negotiate what I'll call the great freight rate. So it's quite possible that a small store or a convenience store that carries nutritious perishable foods would not survive. I don't have any examples at hand of this directly, but I think it's quite possible. Thank you.

Chairman: Thank you, Mr. Harper. Mr. Elliott.

Mr. Elliott: Thank you, Mr. Chairman. Thank you for that answer. I think that it translates to, again, the consumer, who hopefully, through the program...

I know people, we have been talking about this before, were under the impression that we would have lower prices for food, but it almost sounds like, in actuality, because of the way the program is set up, it will actually be either paying lower prices for food, yet higher prices on other items like shoes or others. Ultimately businesses need to stay afloat and they also need to make a profit. Again, that's perfect because it points out the fact that possibly the program is not working as well as the North West Company and the Co-op were alluding to yesterday.

The other thing that was mentioned yesterday from the North West Company through Mr. McMullen, he was putting out some price drops of between 5 and 7 percent in stores and specifically mentioned Arctic Bay and Cambridge Bay. I'm just wondering: again, with being a smaller business, have you found a drop in prices in your store through the Nutrition North

Canada Program? Are you able to pass on...? Again I want to make it clear because there is the subsidy and the subsidy has to be passed on, which I'm sure your company is doing, but are you able to, with making things work, like you said, pass on a 5 to 7 percent savings to consumers as well? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Elliott. Mr. Harper.

Mr. Harper: In some cases, our prices on nutritious perishable foods have gone down. In other cases, they're about the same, but there are a lot of dynamics going on at the same time because this program came along, took effect quite recently, at the very same time that our electricity costs increased 19 percent, and that's a huge jump all in one shot. The electricity costs apply directly to most of the nutritious perishable foods because you need freezers and coolers, and that's what eats up most of the electricity in our store and in any small business or large business, for that matter, that is carrying these products.

At the same time as our electricity costs rose dramatically, as we all know from watching the National and the world news, food prices worldwide on many products are increasing and there is food instability in many parts of the world, so wholesale prices are increasing.

The other thing that happens is that we do our cost landing pretty much every time we get a shipment because the prices from the wholesalers change from week to week, so we're constantly monitoring. If something changes by a penny, we're not going to change our shelf price and change our sign, but if

something changes dramatically, we have to be doing that as well.

So there are a lot of factors that come into play, but one of the reasons why... As I said in my introductory remarks near the end and INAC has never communicated this clearly, but I think that the program was designed to stabilize the cost of food. I don't think there was an expectation that food prices would go down because, as I pointed out, they were already subsidized under the old Food Mail Program.

So if INAC got it right in a particular community and you've got a freight rate, you take a subsidy off it, and you end up with a subsidized freight rate, if you want to call it that, if that more or less equals what the old cost was for nutritious perishable food, then you won't see a decrease but you shouldn't see an increase. But that's if INAC got it right.

Under this very complex program, they've got, what, 26 communities in Nunavut that they have to come up with a community specific subsidy for. It's very difficult to get all of those things right. Also, what will happen when the airline raises its price? I don't imagine that the INAC subsidy is going to be modified the very next day; there will be some lag time in this. So this is another factor that hasn't come into play yet but will.

I believe it is the North West Company that created the expectation in people from their public comments that food prices should decrease and that theirs have decrease by 6 to 7 percent, I think Mr. McMullen said. That can only happen if they have negotiated the great

freight rate that I keep alluding to because presumably they're buying from the same people, although they are delivering to Ottawa now instead of Val-d'Or, so probably their delivery costs to the airline staging point are lower.

In our case, one of the factors that have allowed us to reduce the costs on some items is that we're not buying in Val-d'Or, where everything is more expensive. We are buying in Ottawa or Quebec with delivery to Ottawa. So that's cheaper and that's why we have been able to reduce the price on some things. Don't underestimate, please, how inefficient Val-d'Or was as a point of entry. You probably don't know this but some times, some weeks, all of the stuff on a particular day would not fit on the plane, yet they have a requirement to deliver that stuff within so many hours.

The stuff doesn't grow in Val-d'Or, so suppliers would truck to Val-d'Or, deliver to the postal facility in Val-d'Or because you have to have that Val-d'Or postage meter stamp on the stuff, and then if the quantities were so high that they wouldn't all fit on the plane for delivery on the right day, the airline would then truck them back to Ottawa and put them on a scheduled flight. To support Val-d'Or as an entry point, stuff was sometimes being trucked in both directions and that's just foolish. So getting out of Val-d'Or has helped to lower the costs.

I hope I have answered most or all of Mr. Elliott's questions. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Harper. Mr. Elliott.

Mr. Elliott: Thank you, Mr. Chairman. For the next couple of questions, I wanted to talk around the idea of the extended time period for the list of eligible essential and non-essential food items.

Some of the comments from the federal government officials... There was like sort of a two-year window or two cycles of sealift to get everything to 2012. A little bit was discussed yesterday with Mr. McMullen and Mr. Morrison in terms of the distinction between... I think part of this too for some of the people back home who were watching the proceedings today is a learning curve in terms of the difference between best-before dates and expiry dates.

I know a lot of people have commented saying, "Why does the federal government expect us to eat expired food or food that is outdated?" So I was wondering maybe if you could talk around the idea of what "best-before" means and what it means in terms of expiring, and the idea that they're talking about having storage facilities built so that we can store this food in these, whether it's a crate or in a real storage facility.

I think some people are concerned about possibly eating food that is good or not good, so if you could talk about that. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Elliott. Mr. Harper.

Mr. Harper: Well, I can only give you my perspective on it. You talked about the extension to keeping some items that normally wouldn't have been eligible because they are nutritious but not

perishable. I think it's the main criteria on the category 2 list. A couple of comments; I'll address it from my own perspective first and then from what I think might be a more isolated community perspective.

We were quite surprised at Arctic Ventures when the announcement was made that, "Okay, we're giving you a reprieve on the category 2 list. You can have another year and a bit, and you don't have to start not bringing these things in by air on a subsidized basis until October 2012," I think. We were quite surprised because we got the same notice everybody else did and we were ready for this. I think the notice came in May of last year and that gave us sufficient time to modify our sealift orders and to plan for where we were going to put the stuff. So we were ready and in one sense, we couldn't understand why other people couldn't be ready in time.

I want to point out that when you live in Iqaluit, it's very easy to forget that Iqaluit is not the centre of the world and that there are different ways of doing things in smaller, more isolated communities that we need to have some acceptance of and sympathy for. Perhaps if you're in a more isolated place, if you're in Gjoa Haven, if you're in Pond Inlet, you should be able to modify your sealift order very quickly, but you might not be able to find more warehouse space as quickly as you can in Iqaluit. There are two choices, rent it or build it. You can do either in Iqaluit fairly simply, but you certainly can't rent it in most of the smaller communities because there simply aren't the facilities to rent and it might be hard to build it. You may not have a building lot. Your

local council may take considerable time to approve a request for a building lot. So I have come to understand from a non-Iqaluit point of view why that extension might be necessary.

I don't think that INAC can solve all of our problems or should be expected to. One of the costs of doing business is that you own or rent the facilities necessary to do that business in. If you can't do that sooner or later, then maybe you should find some other way to make a living. You might not be able to do that in the short time period that you can do it in Iqaluit, so that's why I have come to accept that the extension on the category 2 eligibility list was necessary to allow people that time to prepare.

On best-before dates versus expiry dates, this is a good question. A best-before date is not an expiry date. An expiry date is a date that you're not supposed to sell the product after. In the case of medicines, it's because it might lose its potency or its efficiency and actually be harmful to you. In the case of milk, it's because it will go bad and you wouldn't drink it anyway. A best-before date, to me, is something different.

I believe that a best-before date is a manufacturer's ploy. We don't stamp that date on there. The guy who makes the packaging puts that date on there. I believe that this date is a manufacturer's ploy to sell more products. In the south, where you can order your supplies every week, you can order your supplies every day if you want, but a truck backs up and delivers your stuff and your job is to sell it. The manufacturer puts that date on the product so that when the retailer in the south sees that date approaching, he will drop his price to blow the stuff out the

door. Why? So you can order more from the manufacturer. So it's the manufacturer's ploy to increase sales, really.

Consumers don't necessarily understand that. They certainly don't down south, but down south, they seldom ever are faced with something on the shelf that has passed its best-before date because the retailer only buys what he can sell in a short time and the truck comes again next week. But up here, when you're dealing with sealift, people come in my store and other stores and see packaged products primarily with a best-before date that may have been gone.

Now, I heard Mr. McMullen this morning on the radio explaining that generally, the North West Company doesn't sell past the best-before date or doesn't want to sell past the best-before date, but then he contradicted that in the case of pop and soft drinks and said that it doesn't matter. In general, I would say that it doesn't matter at all if you accept that it is a manufacturer's ploy to sell more products. What's the alternative in any case?

If you follow those dates slavishly, then you would only order enough of a certain product to last until that date using your best judgment on how you're going to sell it before that date comes along, and then it's going to be gone from your shelf and from your warehouse. But if your customers want it and demand it, then you're going to have to fly it in and what's it going to cost then? It's going to cost something like Cheez Whiz in Arctic Bay. So who wins there? Not the customer. If you have to fly something in to slavishly follow a best-before date, who wins? It's not your

customer and it might not even be the retailer, it might be the airline.

So that's my attempt to answer that question, Mr. Chairman.

Chairman: Thank you, Mr. Harper. Mr. Elliott.

Mr. Elliott: Thank you, Mr. Chairman. Thank you for that explanation, especially the small community perspective in terms of storage. Again, in the way you look at it in terms of a small business, you're probably always making less profit because you don't have the buying power and you don't have the power to negotiate the best freight rate. I think smaller communities will always seem to have higher prices because buying power and just similar reasons.

But in terms of the best-before dates and looking at how to deal with this, is this something that you have been in contact with Nutrition North Canada about or is this something that Nutrition North Canada needs to look at in terms of making the program work? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Elliott. Mr. Harper.

Mr. Harper: I haven't talked to them particularly about that, but I think it's something that probably Nutrition North Canada or Health Canada, in some way, makes clear because there is misinformation, I believe, and misconceptions about it and people deserve to know whether my interpretation of it is right. Perhaps I'm off base in some aspects of my understanding of it, so I think some

clarification is needed. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Harper. Mr. Elliott.

Mr. Elliott: Thank you, Mr. Chairman. In terms of sealift and again, smaller communities, the further distance is definitely higher costs for sealift.

I'm assuming, in your opening comments, you never mentioned it, but it might have been rolled up into one of your views as to why there's more profitability in the larger businesses because there is more buying power. Obviously the North West Company has their ships, so they bring up products cheaper than what smaller stores would too. I was wondering if you could speak to that.

One of things that they said about the Nutrition North Canada Program was that they wanted the retailers to purchase more on sealift because that's the cheapest way to order. It was kind of interesting that Mr. Morrison actually said yesterday that Pampers, which was an example that Mr. Curley brought up, since they're big and bulky, it's not actually cheaper.

I was surprised to hear that when you had the federal government and the Nutrition North Canada saying that this is a cheaper alternative, bring stuff up on sealift, don't use the airlines because it's more expensive, yet he was giving a different story. So I wonder if he could talk about that. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Elliott. Mr. Harper.

Mr. Harper: On the subject of sealift, that is also another complex subject. We're at the mercy of both the giants of the retail industry up here when it comes to sealift because Nunavut Eastern Arctic Shipping, or NEAS as we call it, is owned by the North West Company and Logistec, a publicly traded company out of Montreal, and by some of the Inuit birthright corporations. To my knowledge and someone can correct me if I'm wrong, the birthright corporations have this as an investment but are not involved in the management of it.

Having said that, I have to use somebody to bring my freight in and we use NEAS and we get very good service from them and we think we get a good rate, probably, again, not as good a rate as they give themselves but I don't know that. We get a very good service from them. It works for us. On the other side of the coin is NSSI, which is a venture between Desgagné Shipping and the Co-operatives. So a small retailer is going to be dealing with one or other of their competitors to get their supplies in on the ship.

Traditionally we think that sealift freight is the cheapest way to go and it is. I mean sealift freight is a fraction of what airfreight is. However, unless you've actually gotten a big sealift in yourself, you may not know how the sealift companies do their billing. When you get your manifest, it will have the item you got or the crate, then it will have a column that lists the weight, and then it will have a column that lists the volume.

Because your contract with the shipping company says that if you're shipping something light like Pampers, toilet paper, Kleenex, marshmallows, potato

chips, if you were, they can charge you the volume rate, they can charge you the rate that gets them the most revenue, basically. 2.5 cubic metres equals a tonne. So if you're shipping something that takes up 2.5 cubic metres and it's not dense, you're going to be charged the tonnage rate for it. So when you look at that manifest, they simply go down it and circle, "Okay, this item weight. This item volume," weight, weight, weight, volume, weight, volume, and so on. They total it up to equal the way that will give them the most revenue. That's a valid way of doing it. That's probably a necessary way of doing it.

If someone shipped a shipload of feathers, nobody is going to make any money if they charge it at weight, but that makes Pampers and all of these other light products expensive on sealift. They're also expensive by air because the airlines charge you a volume rate. I can't remember offhand what the formula is, but the airlines will charge you a volume rate as well. Generally, they have to. If you shipped a planeload of marshmallows and you were only charged weight, that plane would be operating at a considerable loss.

The shipment of Pampers, toilet paper, Kleenex, and many other light, non-dense products is a problem both on sealift and by air. At the advisory board meeting a few nights ago, Reverend Gardener pointed out that 40 years ago, maybe, there was a subsidy on some of these items by ship and he was arguing that perhaps this needs to be looked at again.

That's the best I can do to answer that concern, Mr. Chairman.

Chairman: Thank you, Mr. Harper. Mr. Elliott.

Mr. Elliott: Thank you, Mr. Chairman. That was actually going to be one of my next questions in terms of all of your work with the committees that you're on and constantly going back to the Food Mail Program to go to their hearings for evaluating it, and then with the Nutrition North Canada consultations. In your knowledge of the development of the program, was anything like that considered in terms of making the program work better? If they're saying, "Go sealift," and that's the way it is to provide affordable nutritious food, not necessarily bring down the prices all of the time, but if there's no difference, is that something that they actually looked at? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Elliott. Mr. Harper.

Mr. Harper: I can't say whether or not INAC looked at it, but I can say that they never asked us about it or consulted with us about it because their focus was entirely on nutritious perishable food and stabilizing or, in some cases, bringing down the cost of that. Their focus was in getting on the category 2 lists things that shouldn't be there off that list so that they would be coming on sealift. To my knowledge, they didn't address at any of the public meetings I was at the cost of bringing it in on the ship. The focus was entirely on the nutritious perishable food and on the nutritious things in category 2 that were less perishable. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Harper. Mr. Elliott.

Mr. Elliott: Thank you, Mr. Chairman. Also what I was hoping to find out is... . Before March 9, the eligibility list, I guess it was in October of 2010 when they dropped the list under the Food Mail Program of what was eligible and what wasn't eligible, and then they reinstated everything back on March 9.

As of 2012, it sounds like they will be dropping the list of eligible essential and non-essential food items. One of the things that Mr. McMullen left us with yesterday was what we could possibly do to help make the program better was to talk to our constituents to find out what should be in that basket or what should be on that list as of 2012. I was just wondering: in your opinion, is the list fine the way it is now? Should things be dropped? With that, in terms of the first part of the question, should there be things added or should there be things taken away?

The second part of the question would be: by dropping items from that list, does that mean prices will go up? I'm not talking about the fluctuation of the commodities and pricing of food going up and down. In your opinion, if they drop items from the list, will prices go up? It seems like the way the Nutrition North Canada Program is being promoted by Nutrition North Canada is that things will be in place, storerooms will be built, and everything will be there so that people could keep the prices at a relatively stable... . I guess in plain language, I don't want to see the prices go up in 2012 like they did in October. Will that happen if they change the eligibility list? Thank you Mr. Chairman.

Chairman: Thank you, Mr. Elliott. Mr. Harper.

Mr. Harper: I think it's pretty certain that they will change that eligibility list again in October of 2012 and that if retailers have not adequately prepared for it, having been given considerable time to prepare for it... . So if you don't have the warehousing or the ability to somehow bring some of those products in on the ship and store them and if they fly them in, yes, the prices will go up because there will be no subsidy on them.

The list is fairly confusing as well. You know, fish sticks are eligible but breaded fish sticks aren't. Well, if you wanted breaded fish sticks, then you're going to fly them in because nobody is going to try to fill their warehouse with breaded fish sticks for a year, I don't think.

So I believe it's safe to say that the cost of some products that are impractical to bring in on the ship, if people still want them... . A retailer's job is to assess what people want and give them what they want. People will have to get used to paying a higher price for some of those things that are not nutritious and not perishable. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Harper. Thank you, Mr. Elliott. To be fair to the members and the witness, we will now break for 10 minutes and when we return, I will have Mr. Curley begin his 10 minutes of questions. 10-minute break.

>> *Committee recessed at 15:13 and resumed at 15:37*

Chairman: Thank you. I will now invite Mr. Curley to begin his statement and some questions. Mr. Curley, the floor is yours.

Hon. Tagak Curley (interpretation): Thank you. Yesterday, when the two individuals appeared before the committee from the North West Company and Arctic Co-operatives Limited, it became understandable that this new program has onerous compliance requirements. In English, they said that it's a pain due to its complexity. Perhaps the questions will be the same due to the regulations that have to be followed.

Can you elaborate further on the compliance issue? If you're going to make an arrangement with the federal government through the Nutrition North program, what kinds of differences are there between the old program and the requirements under that program? Were they easier to complete or did it have its own idiosyncrasies with the paperwork requirements? That's my first question.

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

Mr. Harper: Under the old food mail system, the paperwork requirements were easy because there weren't any. Canada Post and INAC administered the program, and as a food retailer, we simply contacted one of the suppliers that was registered with the program and that was generally in Val-d'Or or near Val-d'Or, established an account with them, and started doing business.

So when the goods that we ordered were received, there was a schedule. You know, dairy products would come on a

certain day, bread products would come on a certain day, dry cargo would come on a certain day, generally eggs and dairy products were together, so when we received it, it was just like any other retailer anywhere receiving products. We knew what our rate was because, using nutritious perishable food as the example, it was 80 cents a kilogram plus that surcharge of 75 cents a box, whether it was a tiny box of cheese or a big box of milk, a 75-cent surcharge.

So we would receive the goods and do our costing, and there are three components to our cost: how much you're paying the southern supplier for the product; how much you're paying for it to get to your community, now it's by airfreight but in those days, it was the postage rate that Canada Post charged; and then there is the third component, the local delivery charge because it's got to get from the airport to your place of business. So those are the three elements that add up to make what we call our landed cost, and then onto that cost goes your markup and goes on your shelf, and hopefully your customers buy it.

That's all there was to it. There were no reporting requirements at all to anybody, just like a southern retailer wouldn't have any reporting requirements or there would be no reporting requirements for other things we ordered in the store that weren't part of the Food Mail Program. Under the new program, it's very different.

We've got a contract with the airline, so we know what it's going to cost us per kilo to get the product here. So when it comes in the door from the airport, we receive it, check it off the waybill to make sure that we're getting the number

of boxes because the waybill tells you how much they bought; they don't always know what's in the boxes. So you check off your waybill and make sure you're getting what you're being charged for, and we always had to do that. We don't expect a cheque from INAC to do that because it's the way we have always done business.

So that we can do the end-of-month reporting, we have to do something else because we're required, at the end of the month, to account for products or product categories on a very detailed reporting list. I think there are 180 categories. We have to put on our month-end reporting the invoice number from the supplier. If we're ordering from wholesaler X, we have to put in his invoice number, and then we have to put in the air waybill number that it came on.

It would be overwhelming at the end of the month if you left everything to the end of the month to do. So what we do to try to lessen the confusion at the end of the month is when the stuff comes in the door, we photocopy the invoice and we photocopy the waybill because INAC is going to want a copy of those, and we mark on the waybill what invoice number it pertains to.

Generally there is one invoice per waybill and it's easier if that's the case, but we have to match these things up. So if we're getting supplies in from 10 different suppliers, we've got 10 different invoices, 10 different waybills, we match those up and cross reference them, do our cost landing, and put that in the file so we've got it for the end of the month. The end of the month is when the fun begins and that fun is not in our back

office or grocery office anymore. That's up in the front office where most of the paperwork gets done because you have to account for products or product categories.

Let's say that there's a line for broccoli. Okay, we've got to go through our invoices. We're not going to get broccoli once a month; we're going to get it once a week, so we've got to look for four invoices that have broccoli on them. Maybe the first week we got 10 kilograms of broccoli. Maybe the next week we got 13, and so on. We've got to find all of the broccoli and add it all up, put in the total number of kilograms on the master reporting list, but then we've got to list the four invoice numbers that we got the broccoli on and the four waybills that we got the broccoli on, and so on, for bread and for all sorts of other categories, too many categories, in my opinion, and then we total all of that stuff up.

Category 1 stuff has to be kept different from category 2 stuff because there are two different subsidy rates. So everything gets totalled and the final total of kilograms gets transferred onto what looks like a very simple reporting sheet and it is, but the amount of paperwork that goes into getting the data to put on that sheet is enormous. There's paper all over the place and a stack of papers for one month that's probably that high.

So we have to submit the claim form, which is again a relatively simple form, it's a page, but we have to submit all of the backup as well, the summary for the broccoli form let's call it, with all of the other categories. These have to be submitted by email to their claims

processing office, but then they want this stack of papers that is invoices and waybills as well. So we have to either scan it and email it to them or photocopy it and mail it to them. I have suggested to them that they could accomplish the same results... .

First of all, there has to be an element of trust involved in this. We have to sign an agreement with INAC in order to participate in the program. This agreement is written the way most of these agreements are, in legalese, but basically what it means is, "We're going to tell you the truth. We're not going to lie, cheat, and steal your money. And we're going to give you the right to come in to our store at any time and audit our books, look at any of our waybills, any of our invoices that pertain to the Nutrition North Canada Program."

So I have suggested to them, "Instead of these stacks of paper going to the claims processing office, why not just come in and audit us. Audit us as many times as you want." These are all new requirements that were not there under the old Food Mail Program. Do I like doing it? No. Do I have to do it? Yes. So am I doing it? Yes and I can do it but it's very costly, as I mentioned in my introductory remarks.

The other thing we have to do is in the middle of the month, there's a list of a number of items and this list is a number of pages long. It's not quite as bad as the length of it makes it look because we don't sell all of the products on the list, but we have to go through that list and it's called a consumer price list. I think it's between the 15th and 20th of the month, we've got to go through our store and we've got to list the retail selling

price of all of the things on that list that we sell and submit that also to INAC.

What INAC didn't seem to realize is that, and probably this doesn't happen out in the smaller, more isolated communities but it happens here, there is somebody from Statistics Canada that comes into our store every month and goes around and does exactly the same thing. They're in there doing price checks and writing down the prices of not every item in the store but important items and certainly the items that would make up the Canadian food basket kind of thing. So this is a duplication of effort.

We can do all of these things. We have learned how to survive in business by doing what's required of people that we have a contractual relationship with, but it's taking way more time than we had ever expected. We get paid a \$340 administration fee for doing this and that doesn't cover very many hours. As I pointed out to the people from INAC, figuring out how much this costs us is not just as simple as saying, "Well, okay, you've got this person doing it. Take their salary, divide it by the number of hours in the week and you come up with their hourly rate." It's not that simple.

We certainly do our best to employ and you know we employ lots of local people, but sometimes we have to hire a professional from the south to fill a certain job. So add on to his hourly rate his housing subsidy, his transportation subsidy to get him here, his holiday travel, because you're not going to have employees if you don't provide some of these things, so this makes an employee's hourly rate fully loaded when you add in all of these things. It's

fairly different than you might think if you were to simply look at his paycheque.

So these costs are way higher than we expected and the danger is if they don't modify the program, we will have to tack that on to the cost of food, thereby negating one of the purposes of the program. We have discussed this. We had a visit from the INAC people last week. They're what I call the frontline people, the people who go out there and talk to the retailers. They're sympathetic to it. They have never done this program anywhere else in Canada either, so they're getting used to it while we're getting used to it.

They have suggested that after a few months, they might be able to lessen the paperwork burden. We're going to not lose track of that comment and remind them of it because the amount of paperwork that is involved is simply outrageous. Thank you, Mr. Chairman.

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

Hon. Tagak Curley: Thank you, Mr. Chairman. I understand a lot more now about how painful and complex the feds can make it for the people of the north that they're supposed to take care of.

One of the other parts to that are obviously the air carriers. Do they have to go by the complex kind of compliance requirements as well or are they doing a similar thing that they did? They have an extra airline now. I know you're not in that field, but I'm just wondering whether or not they have to abide by the similar kind of tracking system that you are allowed to do. I'm sure you would

have some knowledge on that as well. Thank you.

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

Mr. Harper: I haven't really thought about it too much from their perspective. Probably, and I'm making some assumptions now, I would suspect that their paperwork requirements on it have gotten less rather than more because they don't have a contract with Canada Post, which I understand required very detailed reporting. So they don't have a contract with Canada Post.

First Air has a contract with Arctic Ventures, First Air has a contract with the North West Company, and Canadian North has a contract with Arctic Co-operatives. So the paperwork that I see from them is the same as I would see if I was ordering a box of bolts or something that's not getting a subsidy because now the airlines have nothing to do with administering the subsidy. So what I see from them is simply a waybill when I get the goods and an invoice at the end of the month or whenever they send them out.

What they do in their head office, I assume that they have probably a more detailed statistical tracking method so that they could push a button at any time and find out how much cargo Arctic Ventures shipped in the last 12 months, for example. I'm sure they have some detailed in-house stuff that makes it easier for them to do their business and to plan for the future of their business, but I'm not privy to what it is. I just see waybills and invoices from them. Thank you, Mr. Chairman.

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

Hon. Tagak Curley: Thank you, Mr. Chairman. My next question has to do with the external advisory board, even though the terms of reference appears to be quite broad. As a merchant and retailer, do you actually feel they have the power and authority to recommend or approve changes that are needed or are they merely, in your view, passing the advice on and relying on INAC people to either accept it or recommend it? What I'm saying is: do they have any teeth at all to make the kind of changes that northerners would expect to improve the program? Thank you.

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

Mr. Harper: Very good question. So the question as to whether the advisory board really has any teeth, no and that's why they're advisory and there's no requirement for INAC to take their advice. However, if they listen carefully to the input that they receive, if they fulfill their mandate by doing what's necessary to hear community concerns, business concerns, and your concerns, if they get out there to the communities and have hearings or sessions in which they can hear what those concerns are, in other words, if they do their job in a responsible way, then they should have some moral clout. If they show themselves not to be a frivolous committee that doesn't... If they take their job seriously, then I think they have some moral clout and INAC will hear them at least.

The danger with any advisory board comprised of mostly ordinary people

from ordinary communities is that if they don't understand or if they don't come to understand the program inside out and everything about it, then they will be at the mercy of INAC itself and be listening to INAC instead of you, me, my competitors, large and small, and the consumers.

And I have seen lots of committees in the north that were kept in the dark as to important information that they should have had access to and simply became puppets of the very organization that they're supposed to advise. So I ask you for the information, I get the information, and then I give it back to you as a recommendation. Well, that's going to be a recommendation that you can live with because it's really your own recommendation.

So they're going to have to not make themselves beholden to INAC for the information that they receive. They're going to have to talk to people, retailers, consumers, and yourselves. In that way, they can, in a sense, have some teeth because they can have some moral clout in that the recommendations they bring to INAC will be real and substantive. Thank you, Mr. Chairman.

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

Hon. Tagak Curley: Thank you. My second point to the advisory committee is: are you aware of whether or not their expenses are covered through the budget for the Nutrition North program? We all know that it's \$60 million. Are they paid from a different pot of money? I'm not sure if you have that information or not, but hopefully they're not paid out of the

same fund for Nunavut subsidies. Thank you.

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

Mr. Harper: I'm sorry, Mr. Chairman, but I do not have that information and I don't know the answer. Thank you.

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

Hon. Tagak Curley: Thank you, Mr. Chairman. My last question, really, for now. I think that the two days that we had with a group of people, including you, is very helpful to us and I think it brings a much clearer understanding of exactly what Nutrition North is actually trying to achieve and also how it's structured. We obviously didn't have some of the information and so on prior to these hearings beginning mainly because the feds refused to appear before this Committee of the Whole. Again, it is regrettable.

If there's anything that we could do for Nunavutmiut, do you have one or a couple of points how, in a way, we should...? What should they be in your view? Certainly we will communicate, no doubt, and pass around all of the proceedings, the *Hansard*, and so on. There is one way that we could do it. I think that if we find a common ground, it would be good to pass a motion in the House urging the federal government to improve the whole system. Would you have in your mind exactly the type of idea that we could possibly include? Thank you.

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

Mr. Harper: Well, a couple of things. I think it's important that you eventually meet with the advisory committee and establish a good rapport with them because that's one way of making your ideas heard. I know it's difficult when it's a federal program and not one that you're directly involved in administering and one in which you had little or no input in designing.

I don't expect you to take every comment that I have made and adopt it. Some of my comments are totally the opposite of what you heard from the North West Company and Arctic Co-operatives. So you will probably want to deliberate behind closed doors on where you want to go with these. Do you want to take the middle ground?

I think it's important that you support small community-based businesses. I know we have all recently just finished negotiating our arrangements with our air carrier of choice. If you eventually accept my proposition that it was better when at least everybody paid the same rate for their freight, I would hope that if you think that has some validity, you would make that known to INAC and to the advisory committee in some way. I am realistic in that I know the North West Company will always have better buying power at the wholesale level than I will because of their volume. Arctic Co-operatives will as well on behalf of their members, but we did have a level playing field for 35 years or more for the transportation component of it.

I think INAC will find that it's very difficult to administer fairly 26 different subsidy levels in Nunavut and how many others in Nunavik and the northern parts of the provinces because it's not just

Nunavut involved here. So they have a lot of different subsidy levels to eventually adjust, to monitor to make sure they're fair, to make sure, if possible, that the cost of food has not gone up because that was never the intent of the program. So they might be persuaded eventually that it might be better if everybody was paying the same rate. That would involve a major modification to the program as it now stands, but I personally think it would be worthwhile.

I would certainly hope for a recommendation from you to make the paperwork less onerous because first of all, it's a bit of a nightmare for everybody involved. I think Mr. Morrison mentioned yesterday that there is too much paperwork. They're finding it's much more than they had anticipated and I certainly am. Every other small business is. I would hope that there would be a recommendation from you and also from the advisory committee that this paperwork burden be reduced.

How you get that message through, I'm not sure, but I would hope that those would be a couple of the messages. I know we have talked about sealift and those issues, which aren't part of Nutrition North Canada right now but are certainly part of getting food and other necessary products into people's households on a cost-effective basis. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Harper. I now will recognize Mr. Taptuna.

Hon. Peter Taptuna: Thank you, Mr. Chairman. I thank Mr. Harper for being here. It gives us a better understanding on his perspective of the role the smaller

businesses that are operating within the north here.

Now, the total budget for Nutrition North Canada is around \$60 million and on top of that, there is an additional allotted amount between \$15 million and \$20 million and that is to assist in the transition of the program.

In your opening, you indicated the amount of paperwork and the amount of financial reporting and the reports that you have to make available to INAC to claim the subsidy. You indicated it was \$340 per month. I agree with you, that is a very small amount. In fact, I don't think that's even enough to have a hotdog party for six kindergarten students. So I agree it is very small.

With the \$15 million and \$20 million budget that has been allocated on top of the \$60 million, is there any mechanism there from INAC where a small northern merchant or retailer can actually apply to increase the \$340 per month to do all of the reporting? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Taptuna. Mr. Harper.

Mr. Harper: I don't think that there's a formal mechanism, but when we have talked with INAC, again the frontline people, and also the other night with the director general responsible, we have been asked to track our costs, and we were doing that already, but to keep a detailed outline of our costs and to justify any increase that we might end up negotiating. But I don't know of a formal mechanism.

We have been assured that they would consider a change to our contract. We did budget for more, but the amount we would actually need is even more than that. \$340 is the maximum allowable per month for a business or for a store, so they capped up at the maximum of \$340. It will be through discussions and if they are willing to amend our contract, then we will be able to increase it because we have a contract that we had signed and \$340 was the maximum we could get.

That's the best I can do on that question, Mr. Chairman.

Chairman: Thank you, Mr. Harper. Mr. Taptuna.

Hon. Peter Taptuna: Thank you, Mr. Chairman. I thank the witness for his response. On top of the \$60 million budget for Nutrition North Canada, I'm sure the amount allotted can be used for assisting the smaller retailers in the transition period, as stated by INAC. I'm sure that there are going to be some opportunities there to bring that forth to the external advisory board to make sure that... The intention here is to get nutritious food to Nunavummiut at a subsidized cost and at an affordable cost, and we intend to do that. I'm sure we're going to be pushing this forward with the external advisory committee.

The Food Mail Program has been in place for a long time, a lot of years, and it just so happens that Canada Post is no longer handling it and they're possibly going on strike tonight. So what's the coincidence there?

But in any case, I'm sure this government and the MLAs here are going to be lobbying for a better way of

getting nutritious food costs down to our Nunavummiut. I think one of the things that we've got to look at is the amount allocated for transition. That's between \$15 million and \$20 million.

At this time, Mr. Chairman, that's more or less a comment and most of my questions I had previously have been answered, so I don't have any more questions. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Taptuna. Point taken. Mr. Ningark.

Mr. Ningark: Thank you, Mr. Chairman. I thank Mr. Kenn Harper for making a presentation. Mr. Harper, you indicated that there's an influx of paperwork. Every time the product is delivered to your doorstep, you're expected to do a lot of paperwork and on top of that, you're only paid about \$340 a month.

You also indicated that you want us to make a recommendation, but in order for us to do that, we need you to tell us what you want us to do in this regard. So do you want to increase that \$340 plus lessen the paperwork? What can you tell us? You, as a retailer, know that we have to keep track of paperwork of transactions for every item brought to your doorstep and sold, and so on. So what do you want us to do?

You, I, and the government know, regardless of what is going up, there has to be paperwork for your own use, for keeping your inventory, for the month-end report, for the year-end report, for taxes, and so on. How would you propose that this all would lessen the paperwork? Tell us what you want us to do. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Ningark.
Mr. Harper.

Mr. Harper: I don't object to doing the paperwork if it's useful paperwork, but I think, as in the mid-month price checking, it's a duplication of effort that other branches of government already do, although, if I think outside the perspective of Iqaluit, it may not be being done in those communities. In fact, I'm sure it's not being done with the same regularity in those communities as it is being done here, so there may be some value in it.

In terms of the detailed categorization of items we get in, I don't know if it's important at the end of the year to be able to know how many kilograms of broccoli the people of Iqaluit ate or that the people of Pond Inlet ate. It might be, but I can't imagine why it would be. My recommendation, I suppose, would simply be that the paperwork be streamlined. They do have the right to audit us and get at all of that paperwork in any case.

I have asked them, for example, on the month-end detailed paperwork, "Why do you need to know what waybill the broccoli was delivered on?" I can't imagine why that's important to know. It might be one thing to see the invoice to prove that I bought broccoli, but I wouldn't buy broccoli and leave it in Ottawa. What's the importance of seeing that waybill number, four of them, one for each week? What's the importance of photocopying that waybill and sending it to Ottawa to the claims processor? If they think that I was buying broccoli but not shipping it to Iqaluit, come in and audit the books. I just don't see the need for some of this detail.

I suppose my recommendation would be that you ask that INAC justify the level of detail that they're asking for in their monthly reporting from the retailers. If it can't all be justified or the justification is a little bit iffy, just streamline it and to use their powers to audit the retailers on a regular basis to come in and see that we're doing what we undertook to do. They can come in at any time. They can move into my store and live there if they want and do this day and night. They have that right under the participation agreement that we signed.

I suppose if you're asking me to recommend what your recommendation should be, it's to make sure that the paperwork is meaningful and that the retailer be reasonably compensated for the additional cost of fulfilling reasonable reporting requirements.
Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Harper. I have Ms. Aariak.

Hon. Eva Aariak (interpretation):
Thank you, Mr. Chairman. I also thank Mr. Harper for taking the time to present his views in front of the committee. He has clarified a lot of things that we weren't aware of, especially in regard to smaller retailers and the challenges they face.

(interpretation ends) The question I have is yesterday the official from the North West Company, in terms of transparency of the subsidy, showed us a sample of the changes, the lower costs of food items that are incorporated in the stores at the North West Company. Is Arctic Ventures doing a similar type of transparency action so that the consumers will know to what level some

products are at lower prices now?
(interpretation) Thank you.

Chairman: Thank you, Ms. Aariak. Mr. Harper.

Mr. Harper: Well, we're doing our best to do so, but we don't have all of the resources that a company like the North West Company has. They come in our store and do price checks to see what we're charging for things and we go in their store and do the same thing.

The Nutrition North Canada Program has a signage component, so we have signs up in our store advertising which products are brought in under the subsidy program. Our pricing is on the shelves, but I don't think we have sort of before and after pricing and I find before and after pricing to be kind of unreliable. To me, it doesn't prove anything. Who's to say what the price of an orange would have been before the subsidy? It could have been anything you want to say it was, really, because the stores don't divulge their markups and they don't do that for good and competitive reasons.

So you see a price on a product in the store and in some stores, you may see, "Before this would have cost you X. Now it costs you Y." The only thing you really know is that now it's costing you Y. How do you know it would have cost X without the subsidy? As I said and as all of the people who have testified here have said, world prices are going up. They also fluctuate week by week. You don't know what the markups are, so there's no way of anyone knowing what X would have been. You may take that on faith, but there's no way of knowing. The only sure thing you know is what you're paying at the till.

I believe my competitors when they say they are passing on the full amount of the subsidy to their customers and we are doing the same thing. That's because you put your markup on the goods after you have subtracted the subsidy from the freight component. So my cost landing is the cost of the orange, the cost of the freight, minus the subsidy on the airfreight, add in a local delivery charge, and that's your cost landing, and then you markup goes on top of that.

The entire subsidy is being passed on because it is subtracted from your freight to get at your cost landing. It would be quite unfair if you did it a different way. For example, if you took the cost of the orange, added the freight, and added your local charge, and then did your markup on that and subtracted the subsidy, that wouldn't be fair because you would be taking a markup on the subsidy.

The way we do it and the way my competitors do it, and I think we're all doing it fair and square, is the subsidy is subtracted before the markup goes on, so that's why we can say that the subsidy is being passed on to the consumer. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Harper. Do any other members have any questions before I recognize Mr. Elliott? Ms. Ugyuk.

Ms. Ugyuk (interpretation): Thank you, Mr. Chairman. I also thank our witness for clarifying how this program came about and the differences between the old and new programs.

In the Kitikmeot, people ordered from Yellowknife under the old program and

had requested this new Nutrition North Canada Program because they needed nutritious food. I wonder why these large centres are still places we have to use to order nutritious food, especially for large families with lots of children. Many people had become accustomed to ordering through the program. Why are we now transferring the benefits from local families to large corporations that can afford these rates?

Once I understood the program, I was grateful for your explanation about the complexity of the program. Many people have stated that they dislike the onerous paperwork requirements. However, we haven't been apprised of what makes it so complex. The previous customers haven't been informed about the changes and the extra paperwork that is now required. I now understand this program better.

I am grateful that the previous customers viewing these hearings can now have some answers and clarification about the new program. When you impose a program that people don't want, it can cause problems to the potential customers. Sometimes they don't know who to turn to because they were accustomed to getting affordable nutritious foods.

I know that Nunavut residents have a better idea of how the program works, especially prices in the communities and airfare rates. I recall the airlines weren't very satisfied with this program since they weren't able to transport nutritious foods under the program. If the airlines are getting most of the subsidy that is going to impact the population, they have to inform the public before these huge impacts affect them.

Those are the issues I wanted to speak to and I want to thank you for clarifying the program as I understand it better now. Thank you.

Chairman: Thank you, Ms. Ugyuk. Mr. Peterson.

Hon. Keith Peterson: Thank you, Mr. Chairman. I'm listening here with interest to Mr. Harper and yesterday, of course, we were listening to the other two witnesses.

The North West Company, reading from their presentation yesterday, said that they have been enterprising since 1668, so that gives them 343 years of business experience. The Co-ops have been around for 50 or 60 years. In your presentation, you said that you have been in business for 35 years. The Government of Canada has been around for 144 years. So the Government of Canada, the North West Company, and the Co-ops, I guess, they all say this is a wonderful program, the new Nutrition North program.

From the presentation yesterday, the North West Company said, "The food mail system was not an efficient supply chain as that model added expenses, time, and created quality concerns." The Co-op said, "The old Food Mail Program was not just flawed, it was broken. A major overhaul of the program was required." Today you said, "The Food Mail Program should have been tweaked and fixed, not scrapped."

So you could imagine our confusion by their presentations versus your presentation, and then the confusion that's out there in the public in all of our communities, amongst, as I said earlier,

our consumers. I tend to go with my gut instinct quite often. I find your presentation and your answers to my colleagues' questions to be more forthcoming. You have given us some very detailed information.

You have been in business for 35 years and you seem to be on top of how you calculate your markups and your profits. So I'm wondering why, when this program was being talked about and designed, the powers that be did not put more credence in what you had to say versus what the larger companies and organizations had to say. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Mr. Harper.

Mr. Harper: I don't know if I can really answer that, but I can give you my own subjective impression. The powers that be tend to accept what they hear from the biggest players and assume that the biggest players have the right answers, but the biggest players also have the most self-interest.

I know how food mail worked and I have made it my business. Of course, I've had to, to know how the new program works because I'm here and the Manager of Arctic Ventures, John Bens, is here and we deal with this all of the time. John deals with it every day. My perspective on it may therefore be quite different than Mr. McMullen's, for example, because Mr. McMullen is an executive with responsibility for a number of stores, but he's not on the front line in any of those stores. So I would assume his knowledge of how it works is filtered through various store managers. I think the closer you are to

the operation, the better feel you have for it.

I recognize that you, as legislators, have a very difficult task because you're hearing things from me that conflict with what you heard from them. As I said in response to one of the other questions, I assume that you have to find a balance between these behind closed doors and come up with some recommendations of your own.

We have been doing food mail here in Iqaluit since I acquired Arctic Ventures in 1985 and before that for some years in Arctic Bay, and that's why I have tried to portray what I remember of an isolated community perspective on it. There are challenges out there in the smaller communities that we don't have here in Iqaluit. We deal with our food coming here on one flight. In Pond Inlet, for example, there would be two flights. The food has to be transferred to a smaller plane here, so you're dealing with weather twice and whether those planes are going to get in on time. That affects the freshness of the food. We have better navigational aides here in Iqaluit than a place like Pond Inlet has, so we're going to be able to get a plane in, in poorer weather than some of those communities can.

When I'm discussing this program in a general nature, I try to not lose sight of my experience from living in Arctic Bay for many years or in Pangnirtung or in Qikiqtarjuaq. That's some of the perspective I bring to the comments I'm making today. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Harper. Mr. Peterson.

Hon. Keith Peterson: Thank you, Mr. Chairman. I thank Mr. Harper for that answer. Yesterday the two witnesses commented about the recent power rate hike that the Qulliq Energy Corporation announced and they thought that it will affect their food prices and you commented on it as well today. I seem to get the feeling from their comments yesterday that perhaps the Government of Nunavut should subsidize the larger companies with power subsidies so that they could offer lower prices for food to Nunavummiut.

I think we're all aware that there hasn't been a major power hike since 2006 for various reasons, so that was the first real major power hike, if at all, in five or six years. I'm wondering what your thoughts are on that. Were savings passed on to consumers during those years, 2006 to 2011, by the Government of Nunavut or the Qulliq Energy Corporation not increasing the power?

I also would like to know what your thoughts are on where you think the Government of Nunavut should subsidize big businesses to offer lower food prices to Nunavummiut. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Mr. Harper.

Mr. Harper: Boy, those are some difficult questions that you're posing there. The fact that power rates didn't go up from 2006 until now, in retrospect, looks like a saving, but if they hadn't gone up this year, we wouldn't be thinking of it as a saving because we wouldn't know that they were going up. So I think it's kind of a Catch-22 question.

Yes, in terms of food, I think the savings, if you want to call it that, were passed on because if you accept that stores are making a reasonable markup and not an outrageous markup, then getting your nutritious perishable food at 80 cents a kilogram instead \$2.50 a kilogram or \$2.30 a kilogram or whatever it might have been a kilogram, the markup on that lower price is significantly lower than the markup on the higher price. So in that sense, those savings were always being passed on.

The assurance, I guess, that markups were not out of line, I think you only get that assurance in communities where there's competition, but in most communities there is competition. Whereas earlier I said that Mr. McMullen and Mr. Morrison and their respective organizations made joint submissions in a way that I believe were designed to make life easier for the big guys who had the resources to administer this program perhaps more efficiently, nonetheless, that cooperation only goes so far. At the community level where they're fighting for business, these two organizations that you saw yesterday are each other's competitors and, in some cases, fierce competitors. So when you see competition in a marketplace, I think you have some assurance that prices are reasonable and that markups are not outrageous.

On the question of the power rates going up in one huge jump, I recognize that the power corporation was in a state of flux for some years and that the present management has only been there for a few years. Perhaps that justifies some practices that are out of the norm, if I could say that, but in a normal situation, I would have to say that it's outrageous

that rates stay the same for five years and then jump 19 percent. That is a huge jump. It's an outrageous jump, but on a compounded basis, it is equivalent to around 3 percent per year, compounded for the years from 2006 to now, if my mental math is fairly accurate.

Surely you would expect a corporation of that size to have the resources to plan and to know what their revenue requirements were going to be for some number of years into the future and to have made a request for regular price increases. My customers and I and everyone else's customers would understand that and would accept if rates had gone up around 3 percent each year, and then on that new base around 3 percent the next year, and so on. In that way, we would have gotten to where we got today. By having one huge indigestible bite, it's a lot to take all at once.

So the question was asked then. As I understand your question, should this government subsidize the cost of the majors, but I assume by that that they mean everybody doing business. There are ways to keep power rates down, that is, to subsidize them period. You have to recognize that that's not the same as subsidizing food because if you subsidize power rates for every business period, then you're subsidizing the cost of pop, shoes, notebooks, stereos, and everything else. Maybe there's some justification for doing that and perhaps there are jurisdictions where power rates are kept down. I am all for seeing power rates kept down. Since government is a huge payer of the very power rates that they approve, maybe it makes sense for government to simply keep all power rates down.

I know we're straying a little bit off the topic of how we get food on people's tables, but if there was a way to be found to keep the cost of certain nutritious perishable foods even lower than you can get them now, I'm all for it. Milk has a subsidy, but milk at Arctic Ventures yesterday for two litres was \$7.49. It's an awful lot of money for two litres of milk, and growing kids need milk. Eggs yesterday for a dozen were \$3.69 to \$4.29, depending on the kind of eggs, and if they were organic eggs, they were \$6.99. It's an awful lot of money but it's subsidized.

It would be really nice if the cost of milk and some other very key products... I suppose to do this, we would have to talk about nutritious perishable and then really nutritious perishable, but if those could be kept down even lower, then I think that would be a great exercise to embark on because I'm not going to deny that prices are high. Even though there is a subsidy on the freight, there is still freight on it that people down south don't pay to get those products. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Harper. Mr. Peterson.

Hon. Keith Peterson: Thank you, Mr. Chairman. I thank Mr. Harper for those answers. I think it's important that we understand how critical fuel is to Nunavut and the impacts it has on our lives up here. We're pretty much 100 percent dependent on fuel products in Nunavut and we're subject to global crises.

So Libya, for example, or wars in Iraq or Iran, you've got these dictators in other countries doing their thing and that all

impacts us. I think it was only five or six years ago that the price of a barrel of oil was in the low \$40s and a couple of summers ago, it was edging up towards \$150 a barrel. I think it's around \$100 a barrel now, but it all impacts us up here as a government and as citizens.

We were in a position where we had to increase the power rate. As a government we know 19 percent was a huge hit, but to help our consumers we did eat \$13.1 million last year instead of going back retroactively. We recognized that we couldn't just go back and collect \$13 million off of businesses and individuals, so we did try to help there.

Fuel is required to transport food products up to Nunavut via airlines and shipping. Fuel is required to generate electricity for your freezers, to heat your buildings, and now you factor in the costs of the food before it gets to the ultimate consumer, which are the people in Nunavut, oil affects the price.

Under the old Food Mail Program, I believe it was a \$60 million, but if fuel prices increased, if I understand it correctly, the Government of Canada could adjust and give a little bit of extra money to help cover those fluctuations, whereas under the Nutrition North Program, I don't think that's available. \$60 million is \$60 million.

If we make some assumptions about the future that fuel is going to continue to increase and power rates will continue to increase, it's going to put an increased cost on the food that you sell to consumers, not just yourself but all of the other stores. Fuel is very critical to Nunavut.

So I'm wondering where you see the future in terms of if fuel is going up and the Nutrition North Program stays at \$60 million. Is the consumer going to better off or worse off versus the old Food Mail Program? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Mr. Harper.

Mr. Harper: Well, it's my understanding that the consumer is already worse off in some communities because the freight rate after the subsidy is applied in some communities is higher than the previous costs. So some communities are paying more already under Nutrition North.

The question, I guess, is: is the subsidy going to be adequate in future years? If fuel prices are higher in the north after the next sealift, then the airlines who buy some of that fuel in the north are going to have to increase their rates as a fuel surcharge, probably. If the subsidies are not adjusted when that happens, then of course our landed cost is going to be higher, so the cost of a product, the cost of two litres of milk or the cost of an orange, is going to be higher because those costs get passed on.

On the other hand, if INAC comes along and says, "Okay, your freight rate has gone up because of the fuel rider, so we're going to increase the subsidy by that amount," then things would basically stay the same, but we have no real assurance that that's going to happen. If that happens and if it happens repeatedly and the subsidy kind of hits the wall, what happens then? That's your concern and that's one of my concerns.

You have expressed it very well, but I don't know the answer.

Is that budget a moving target that will be adjusted as fuel costs go up or is it a finite number that's not going to change year after year? If that's the answer and if we hit the wall on it, then we have a problem, and then you're going to see the prices for nutritious perishable food creep up or perhaps even jump up. That's the best I can hazard a guess on that. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Harper. I have Mr. Schell.

Mr. Schell: Thank you, Mr. Chairman. I only have one question. I like the way Mr. Harper put his markups there. He said the cost of goods, then it was air transportation, ground transportation, then you take the subsidy off, and then you put your markup.

Mr. Rumbolt asked the same question to Mr. McMullen yesterday and he denied that they would put any markup on any freight. I think you were gone at that time and I found it rather hard to believe, but that's what he said. They do not put a markup on the freight. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Schell. Mr. Harper, do you want to comment on that?

Mr. Harper: I wasn't here when he said that and that's a rather surprising statement. Given that their prices aren't very different than my prices, if they don't put a markup on the freight but only on the product as purchased from a southern wholesaler, then they must put one very large markup on that. I don't

know what else I can say about that because their prices are not very different than mine. In some cases, mine are lower. In some cases, theirs are lower.

I know how I do my markups and that's a pretty much standard way of doing markups in the retail business. Your cost of freight is a cost of doing business, just like the cost of buying the product. So that's why we do it that way. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Harper. I will recognize Mr. Elliott again.

Mr. Elliott: Thank you, Mr. Chairman. It's nice to be recognized.

I had some questions about the reporting that you do. You had explained it very well and in more detail than what we received yesterday, but you said it was narrowed down to one sheet that's actually sent. Would it be possible to get a copy of that sheet or is that part of the agreement, you're not allowed to show us it? Is that possible? Thanks.

Chairman: Thank you, Mr. Elliott. Mr. Harper.

Mr. Harper: I don't know if confidentiality is part of our agreement or not. I mean I can get a copy of the form and show you. It's a very simple form. When all of this massive paperwork is boiled down to its bare essentials, which is a claim form, it's a pretty simple form, but you can't get there without doing all of this. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Harper. Mr. Elliott.

Mr. Elliott: Thank you, Mr. Chairman. I think that would be great. I think one of the things I was told by our MP when I had a discussion about the Nutrition North Canada Program and why it was better, and also it was re-emphasized by Nutrition North Canada officials, was that the word “trending” was used.

They’re going to be able to know, as you had mentioned, how much broccoli we eat and whatnot and they were implying, with the reporting that your companies or the retailers will be doing, that we will actually be able to find out what types of food people are eating in the north. I don’t know whether that’s something that they should or shouldn’t know, but it’s up to them to find out and decide. To me, if you’re on the other end with Health Canada and if the real intent of the program is to have healthier communities, you could actually use that information in a more positive way.

If I had the sheet, it might give me some information as to where they were going with that. I’m wondering: in your discussions with Nutrition North Canada people in terms of why they’re telling you why you have to do these forms, has that been told to you as to what the end result of the reporting would be? Again, they’re announcing that it’s a long-term program. Helping people eat healthier and having healthier communities in the long run, do you see that happening? Thanks.

Chairman: Thank you, Mr. Elliott. Mr. Harper.

Mr. Harper: I believe that the information can be of use in documenting what people are eating and maybe why they’re eating it. In terms of

creating healthier communities, that information can be used, I suppose, to perhaps eventually tweak subsidy levels and make the subsidies on the nutritious stuff even greater. The simple form is probably not going to help you figure that out very much, but I can show you a copy of the detailed form that we go through to eventually distil it down to what is essentially the claim form.

Again, I’m not averse to doing this reporting. I mean that’s what business does. We figure out what the rules are and follow them. But I would like some assurance that the information is actually necessary information and valuable information for the government to have, and then I would like them to collect it in such a way that doesn’t drive my costs up and result in me adding that back on to the cost of the food. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Harper. Mr. Elliott.

Mr. Elliott: Thank you, Mr. Chairman. Again, part of the reason in doing this exercise is, I think, to come up with ideas and get information from the retailers to find out how to make the program work better. In listening to what you said today and combined with what was said yesterday, I came up with five points and I was going to quickly go over them, and you can tell me if I have them correct or not.

You had said that have a level playing field for the transportation so that everyone is on the same page, which Nutrition North Canada is not doing now; the advisory board getting out there and listening to what people say; possibly Nutrition North dealing with

best-before dates and that's actually something Mr. McMullen had mentioned. At one point, I think he said that possibly getting a letter from the Government of Nunavut about best-before dates and whether it was alright to have them on the shelves, and those types of things. The idea of spot audits, you said audit any time they already have that written into the contribution agreement you have but with that, having less paperwork and sort of justifying their reporting, and that's something that Mr. Morrison said as well. And then the last sort of point was the streamlining of the list of subsidized products, which was when I had asked Mr. McMullen what advice he would give, he said, "Think hard and ask your constituents about a basket of food that would be the target items that they would want subsidized."

If there's something I left out, maybe you could let me know. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Elliott. Mr. Harper.

Mr. Harper: Chairman, I think Mr. Elliott has kind of distilled the conversation of a couple of days down to five very succinct points. I think those are the issues that need to be dealt with. I can't speak on behalf of my competitors, but I suspect they would agree with four of those five points. They would probably not agree in levelling the playing field for the cost of transportation since they justified at great lengths just the opposite yesterday. But I think they would be in agreement on the other four points and I certainly am.

I would like to have some clarification or some communication from Health Canada or somebody on best-before dates because I think it's important that you recognize that they could... A slavish adherence to best-before dates, which, as I said earlier, I believe are a manufacturer's ploy to sell more products, could translate into huge increases in prices for some of those products late in the year after sealift supplies would have been sold and well before the next ship is coming, so I would be very cautious about how we deal with that. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Harper. Mr. Elliott.

Mr. Elliott: Thank you, Mr. Chairman. Again I realize, and it has been mentioned before, that this is a federal government program that we're trying our best to assist the federal government with making recommendations, which they could either listen to or not listen to.

Mr. Peterson actually touched on some of the second part of my question in terms of the realm of responsibility that we do have. Is there anything sort of territorially that you could put input into as to how we might be able to help with...? I know Mr. Taptuna's department, ED&T, is working on the Anti-Poverty Strategy and different things like that. While you're here in the House with us, do you have any suggestions territorially that we could do to help put healthy, nutritious food on the tables of individuals across the territory? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Elliott. Mr. Harper.

Mr. Harper: Well, one thing that hasn't been discussed very much in the last couple of days is country food. While there's provision for subsidy on country food in the program, I don't think that has been very well thought through as to how it would actually work. I think the federal officials, certainly at the meeting a couple of nights ago up in the high school, would have to agree with that, that it's a working progress.

I think the ability to get caribou meat from a community that has lots of caribou to a community that has not so many caribou or no caribou perhaps in a particular year, it's got to have some real thought and I don't think the bureaucracy in Ottawa is particularly well equipped to deal with those. Those are issues that are much better dealt with through recommendations that come from people such as yourselves and a body such as the legislature and through listening to people in the communities.

I know that one of the people at the meeting the other night expressed that it's not so much a business that supplies. Sometimes it's a business that supplies country food needing to be able to supply it to another business that needs country food in a different community. Sometimes it might be a simple matter of you are here living in Iqaluit, where you can't get seal meat or walrus meat or caribou meat at a particular time of year, and your brother is living up in Pond Inlet and has access to meat but he can't afford the freight to get it to you. How do we make that possible? I am not a hunter and I am not a country food retailer. I can help in identifying and verbalizing this problem, but I don't have a solution to suggest. I think that might be one way in which northern

input and the input of this legislature could be very valuable in making this work for people in the communities.

I suppose another part of the answer to your question would be to simply carry these items forward, the five items that Mr. Elliott identified, and find a way to get those before the bureaucrats in a meaningful way. Maybe that involves a delegation of a few people going to Ottawa and talking with the bureaucrats in an informal session. Maybe it involves going through the advisory board.

I would suggest trying to use that advisory board as much as you can. My impression, and somebody can correct me if I'm wrong, is that it is there for you to use as much as it is for individuals and retailers to use. Give them your input so that they can have... . As I said, they don't have any formal teeth and that is why they are advisory, but you give them the moral clout to speak forcefully to INAC about changes that they see necessary and that you see necessary. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Harper. Mr. Elliott, your final question based on your signal to me.

>> *Laughter*

Mr. Elliott: Thank you, Mr. Chairman. I'm sure everyone is happy that this is actually my final question.

Again I would really like to thank Mr. Harper. The quality and definitely the honesty in the answers that we received today are definitely a lot better than yesterday.

In terms of the Food Mail Program, in conversations that I've had with Nutrition North Canada, part of the reason they explained that it was better from food mail to Nutrition North was that the treasury board actually assigned \$27 million every year for the Food Mail Program and we're consistently... I think I was told that \$57 million is what the Food Mail Program was starting to run for the past couple of years. Now what they have done is they have capped it at \$60 million. Again, you've had a lot of experience over the years with the Food Mail Program and have seen it grow. They said part of the reason it has grown is because of abuse. I'm sure some if it has grown because of use in terms of population growth and whatnot.

Do you see any problems or concerns with...? Sometimes when I look at the program and wonder what's really happening, I really think that the treasury board is just trying to find a way of saving money. If you cap it, then that's where we're stuck. We have a high population growth here. Are we going to be trouble in the future if this is another 30-year program? Do you foresee problems with capping the program at \$60 million and is that something we need to address when we're addressing this with the federal government? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Elliott. Mr. Harper.

Mr. Harper: I'm concerned about there being a dollar cap on a program that is designed to do something for a population that is growing rapidly. Common sense would tell me that you will hit the wall on that.

The amount of money expended on the program grew and grew wildly, and you have expressed it well. It grew because there was population growth but it grew because there was abuse as well. That abuse could not have happened without federal bureaucrats approving the things that were added to the list over the years. It was them that allowed people to ship toasters, microwave ovens, washing machines, dishwashers, skidoo parts, and truck tires as food mail.

Sure, somebody out in the communities may have said, "I want to do this," but somebody in Ottawa had to say, "Yes, you can do that." For them to say that the program was being abused is a little disingenuous because it was their agreement that allowed that abuse to happen. It couldn't have happened otherwise. Presumably and hopefully it will be administered this time without this abuse happening.

I know it's starting off in a way where the list is fairly well defined, so it will be imperative for them to make sure that this creeping abuse whereby one more item, then one more item, then a dishwasher, and then a microwave oven doesn't get added and we end up back with the same level of abuse we had before. So they're going to have to be diligent in not allowing this abuse to happen.

Next year, for example, after October 2012, the cost of the program should be less as the items that were added back in, in March are taken finally off the list. I don't have a crystal ball, but without the abuse of items being on the list, who's to say they will spend all of the \$60 million? If it was \$60 million with abuse, will it be \$60 million without

abuse? It may well be less and if it's less, will the cap then be cut back so that you still don't have room in future years for population growth?

In future years, without abuse, there should be two things that make the necessary dollar value be higher: one, population growth, which we have mentioned, but the other one is people eating in a healthier manner. If their public education program that is supposed to accompany the Nutrition North Canada Program works, you would expect the same people to eat more healthy, nutritious perishable food than they were doing before, would you not?

So those should be the two drivers of increased volume: population growth and people eating more healthy food and displacing less healthy food from their diet. Therefore, I would think and I would recommend that the program funding will have to be flexible. Thank you, Mr. Chairman.

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

Hon. Tagak Curley: Thank you. I have one last question, really, and it starts with this preamble. We supposedly live in a free market system, including air transportation, as well as marine cargo services. Really, all of our contribution agreements or whatnot are not really geared towards a free market system. We're really pretty much subsidizing all of the cargo, and so on.

Even if you have a contract, it's not designed to have the best price, fair system, most efficient, and whatnot. It's designed so that they all get a piece of

the pie. It means that we have to pretty well adopt the socialist kind of approach to make sure all of these entities that do business for transporting goods and services don't go bankrupt. Where are we eventually going to draw the line, including with this new federal program?

I commented at home one time that this is really now designed as part of Canada's Economic Action Plan. The economic action plan is designed to make sure that all of these old-timers who have been around and big players all benefit and thereby marginalize, what you just essentially told us and I alluded to them yesterday, the fastest growing population, very young families, and they can't afford to ensure the safe environment for their homes because they just simply cannot afford it. It's not the fault of the retailers; it's just that the federal program is not directing a bulk of that cost to them.

I think the Food Mail Program, in some ways, was helping those who are in a special category for health reasons, as well as the people with young families who were able to take advantage of that, including small competitors. What I'm trying to get at is eventually we have to get into the most efficient, economical, and not have to worry about who gets out of the competition process because they failed to make profits or whatnot. I think profit isn't the only thing. If the service is good, people will continue to support that and they will rely on that.

So my question really is: do you think there's room for, even independently ... ? Taking into consideration that we're doing all kinds of options reviews of whether or not poverty reduction, if you

translate it, should probably mean... . Should we establish a subsidy program for young families that are in a vulnerable economic position, in your view? Thank you.

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

Mr. Harper: Governments increasingly don't like to use the word "subsidy" or hear the word "subsidy." I learned this in my discussions with both the Greenland side and the Canadian side in talking about the establishment of an air link to Greenland, but nobody wants to hear the word "subsidy."

I think, in a fair society, there has to be room for consideration of subsidies in certain circumstances. You mentioned in the context of young families. I don't want to think of that subsidy just in terms of social assistance but in terms of something that's uplifting and allows a family to live with dignity. For that reason, I don't know how many schools have, for example, school breakfast programs.

But I remember back, it's a long time ago now, when we had a very visionary man as the head of the curriculum development department in the Department of Education in Yellowknife. Paul Robinson goes back many years, probably close to 40, 35 at least. He was always telling people at teachers' conferences, "You can't feed the mind if the body is starving."

It's imperative that the school have a breakfast program, for example, to prepare the kids for the learning that they have to do for the rest of that day. If those children are living in

circumstances where they're not coming to school fed, this is certainly relevant to our discussion of nutrition. I think school breakfast programs, for example, should be supported everywhere that there's a demonstrable need for them. I know some schools do this but I know some places don't.

I don't know if the Department of Education has a policy on this or if it's up to individual school administrations, but I think it's part of encouraging and having a healthy society and healthy communities in the north. I assume it's coming into the discussions on poverty reduction strategies and I think it's important... . Well, nobody should be going hungry, but especially children in their formative years shouldn't be going hungry.

I'm not a policymaker, but maybe that's as far as I should go in answering those questions or trying to contribute to those questions. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Harper. Thank you. There being no more names on my list for questions to our witness, I would ask our witness if he has closing comments. Mr. Harper.

Mr. Harper: I don't have any prepared closing comments, and I think we have covered a lot of ground and I know you covered a lot of ground yesterday.

As well, I know that you have heard some conflicting perspectives. My perspectives differ quite a bit from those of my competitors at the North West Company and Arctic Co-operatives, but I think we do all have one thing in common and one common thread through our remarks is that we recognize

the need for this subsidy program to be in existence to stabilize and keep as low as possible the costs for nutritious perishable foods in all of the communities of Nunavut. I think all three of us who have spoken are in agreement on that.

We have some differences of opinion in how to get there and we certainly have some differences of opinion on the level playing field for transportation costs, but the goal is the same for anybody with a responsible commitment to the communities that they're doing business in and that is to support and encourage the development and growth of healthy communities, physically, mentally, and emotionally healthy communities. Through subsidized nutritional perishable food is one of a number of ways, but it's the way we're addressing it today. It's one way of getting there and achieving that goal.

So I simply want to thank you for the opportunity you have given me by inviting me here to share my ideas on this with you. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Harper. I would like to take this opportunity to thank Mr. Harper for taking the time to appear today. It is appreciated. I would now like to ask the Sergeant-at-Arms to please escort the witness out.
(interpretation) Thank you.

>>Applause

(interpretation ends) I now would like to recognize Mr. Rumbolt.

Mr. Rumbolt: Thank you, Mr. Chairman. I would like to make a motion

to report progress at this time, please. Thank you.

Chairman: Thank you, Mr. Rumbolt. We have a motion on the floor to report progress and the motion is not debatable. All those in favour of the motion, please raise your hand. Thank you. All those opposed. No one? The motion is carried. I will now rise to report progress.
(interpretation) Thank you.

Speaker: Moving on in the *Orders of the Day*, Item 20. Report of the Committee of the Whole. Mr. Ningeongan.

Item 20: Report of the Committee of the Whole

Mr. Ningeongan: Thank you, Mr. Speaker. Your committee has concluded the discussion with the witness from the Arctic Ventures 2000 and I move that the Report of the Committee of the Whole be agreed to. Thank you, Mr. Speaker.

Speaker: Thank you, Mr. Ningeongan. There is a motion on the floor. Do we have a seconder? Mr. Ningark. The motion is in order. All those in favour. Any opposed? I didn't think so. The motion is carried.

Moving on in the *Orders of the Day* to Third Reading of Bills. There being none. Item 22. *Orders of the Day*. Mr. Clerk.

Item 22: Orders of the Day

Clerk (Mr. Quirke): Thank you, Mr. Speaker. *Orders of the Day* for June 3:

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 Friday, June 3, at 9:00 a.m.
- Sergeant-at-Arms.
- >>*House adjourned at 17:34*

