



House of Commons
CANADA

Standing Committee on Finance

FINA • NUMBER 045 • 2nd SESSION • 40th PARLIAMENT

EVIDENCE

Wednesday, September 30, 2009

—
Chair

Mr. James Rajotte

Standing Committee on Finance

Wednesday, September 30, 2009

• (0900)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I'd like to call the 45th meeting of the Standing Committee on Finance to order.

I'll remind all of our guests today that taking pictures or video is not allowed during the actual committee deliberations. It's not my rule; it's the rule of the House of Commons.

We want to welcome you all here today. This is the third visit we've done. We started in Vancouver on Monday. We were in Edmonton yesterday. We're very pleased to be here in Yellowknife today, and I'm very much looking forward to a discussion. We're also doing some visits later today with the entire committee.

Thank you all for coming this morning. We look forward to a discussion. We're going to ask all of the organizations to present, and hopefully each of your presentations will be no more than five minutes long. We have eight organizations with us here today. Then we will go into a discussion with members of all political parties.

I'll just remind all of you that we will be in both official languages, so if you need assistance with French there is immediate interpretation available for you.

I'll start with the witnesses here before us. We have Agnico-Eagle Mines Limited; the Northern Territories Federation of Labour; the Pembina Institute, Arctic Energy Solutions Program; the Alberta Association of Colleges and Technical Institutes; Alternatives North; the Government of the Northwest Territories; the Municipality of Baker Lake; and the Public Service Alliance of Canada.

We will start with Mr. Connell, please, and then work our way down the line.

Mr. Larry Connell (Corporate Director of Sustainable Development, Corporate Office, Agnico-Eagle Mines Limited): Thank you, Mr. Chairman and members of the committee.

I am here this morning representing Agnico-Eagle Mines Limited. AEM is one of the top 10 gold companies in the world and a Canadian success story. In addition to our operations in Canada, which are centred in Quebec and Nunavut, we are also operating mines in Mexico and northern Finland. The Canada Pension Plan is one of our largest shareholders.

I know that my time is very limited, so I will skip to the essence of my presentation.

The mineral resources are in Nunavut. In many cases they have been located and are awaiting development. The mining industry has the capacity to change the economy of Nunavut in a positive manner. This change can occur in this generation with strategic support from the Government of Canada. AEM believes in this potential and has invested \$1.5 billion of its own financial resources to become a key player in this region.

Based on our experience, we've put in front of you three initiatives that could significantly increase the economic viability and pace of development of the mineral resources of the Kivalliq region of Nunavut to the benefit of all Canadians and ensure that the people of the region can use this development to advance their economic well-being in a sustainable manner.

The first initiative is an investment in the people of the north, the Nunavummiat. The creation of a sustainable future requires that we maximize northern-based employment. Mining is a non-renewable extractive industry. As an industry, we can balance what we take from the land by leaving behind transferrable skills that will allow the people of this region to participate in their own economic well-being after we have departed. The challenge is the lack of a skilled workforce in Nunavut. The solution is to invest in training and to teach employment and life skills to northern employees.

AEM will be spending \$9 million over the next three years for specific job skill training at its Meadowbank mine in Nunavut. We are also participating with the Kivalliq Inuit Association, the Government of Nunavut, and the community of Baker Lake to find other ways to train and to prepare northerners for employment in the mining industry. But more is needed.

We ask the Government of Canada to help by providing additional investment, both in dollars and administrative help, in adult training and education focused on the skills required by the mining industry—miners, heavy equipment operators, and trades such as heavy equipment mechanics, millwrights, welders, instrument technicians, etc.—investment in programs to encourage Nunavut students to go on to post-secondary training, to be in a position to take on technical and managerial careers in the mining industry, and to work with industry to deliver this training now before these opportunities pass, leaving northerners behind. Only the Government of Canada has the resources to make this happen fast enough to help this generation. Without federal involvement we stand to lose having this generation of Nunavummiat be able to fully participate in the resource development occurring now.

The second initiative is the investment in the development of a new deep water port in the Kivalliq Region of Nunavut—Rankin Inlet being the desirable site. Transportation and logistics are critical components and often obstacles for mineral resource development in the north. It is expensive to work and live in the north, potentially reducing the attractiveness to future development of the north's mineral wealth. The Government of Canada can help change this by taking the lead in developing critical transportation infrastructure to open up Canada's north.

In Kivalliq, the construction of a deep water port in or near Rankin Inlet will significantly lower the high cost of transportation to the region, lowering the cost of living and laying the way for increased mineral development. For example, ocean shipping costs to the Meadowbank project are in excess of \$20 million a year. An immediate first step is for the Government of Canada to complete a feasibility study. Over the long term, this type of federal investment will be cost-recovered through growth in the mineral sector in the Kivalliq region. Only the Government of Canada has the resources to make it happen now.

The third initiative is to assist the community of Baker Lake with investment in critical infrastructure that they need to participate in the mineral development that is occurring on their doorstep now. I will be brief here, as I know you will also be hearing this morning from the hamlet of Baker Lake.

● (0905)

Baker Lake is in the middle of a band of highly prospective mineral potential. The Meadowbank gold mine is under construction and will start in early 2010. The Kigavik uranium mine is now in the environmental assessment process as a high-level exploration is occurring in the lands around the community.

The hamlet of Baker Lake needs help to build capacity, infrastructure, and small business development to allow it to take advantage of these developments and not let these opportunities pass them by. The Government of Canada can help by strategic investments in the expansion of transportation infrastructure and in assistance to small business development in Baker Lake to allow the community to develop in support of the mineral industry in a sustainable fashion.

In conclusion, I offer the following thoughts for your consideration.

The economic future of Canada is aligned with the economic future of Nunavut. The mining industry has proven that there's a long-term resource development potential on which to build a solid sustainable economy in Nunavut. This is the opportunity of a generation for the people to acquire skills, jobs, and opportunities comparable to those in southern Canada. That potential can only be realized with strategic investment by the Government of Canada. These investments in infrastructure, skills, and education make resource development viable by dramatically improving project economics and making northern development costs closer to those of other regions in Canada and the world.

These investments will pay for themselves in new taxes, royalties, and reduced dependence on the federal government, while demonstrating to the world Canada's commitment to its Arctic

territory. The cost is small. The payback is enormous for the people of Nunavut and Canada.

Thank you.

The Chair: Thank you very much for your presentation.

We'll now go to the Northern Territories Federation of Labour.

Ms. Mary Lou Cherwaty (President, Northern Territories Federation of Labour): Thank you very much, Mr. Chairman.

On behalf of the 8,500 members of the Northern Territories Federation of Labour, thank you for providing this opportunity to present our recommendations for the 2010 budget.

The Northern Territories Federation of Labour comprises many different unions that represent workers in a vast number of occupations in both the Northwest Territories and Nunavut.

Given the restriction to limit our submission to three recommendations, the Northern Territories Federation of Labour will call on the government to create an EI board of referees for the Northwest Territories and Nunavut, to increase the northern residents tax deduction, and to improve our national pension system to provide retirement income security.

Workers and employers in the Northwest Territories and Nunavut contribute significantly to a federal unemployment insurance system that is virtually inaccessible to them. When EI board of referees centres were established over 25 years ago, Whitehorse, Yukon, was chosen as the only location in the north. Residents of the Northwest Territories, and now Nunavut as well, have been forced to have their appeals heard by the board of referees in Edmonton, Alberta.

In 2000, members of the Edmonton EI board of referees wrote to the commission to express their concerns and their frustration with conducting telephone hearings between Edmonton and the Northwest Territories. Despite their urging to pursue an EI board of referees in the territories, nine years later we are still without one. There are 83 boards across the country, and it is unconscionable that residents of the Northwest Territories and Nunavut must have their appeals heard in Edmonton.

The Northern Territories Federation of Labour has made inquiries as to why this disparity continues, but the only response we've received is that the north does not meet the appeal volume criteria. Unfortunately, these criteria are not clearly defined. For example, according to the statistics published for the NWT and Nunavut up to February 5, 2009, both the number of appeals processed and the number of appeals sent to the board exceeded those received and processed by the Yukon's board.

The number of appeals is far lower than it would be if we had an EI board of referees within our own region. The requirement to file an appeal in writing within 30 days of a decision prevents many unemployed workers from accessing the system. Due to the higher cost of living in the north, we suspect that many are not accessing the system and are giving up and moving out of the north. This has contributed to the out-migration of a much needed workforce here, especially during this economic crisis.

It is imperative that the 2010 budget allocate the necessary funds to create an EI board of referees for the Northern Territories.

Second, the northern residents tax deduction is a fair tax credit for assisting working families to live and work in Canada's north. It was established in 1988 and remained at the same actual value for 19 years. Finally, after extensive lobbying for a 50% increase, the government raised the northern residents tax deduction by a mere 10% in the 2008-09 budget. This falls far short of addressing the high cost of energy, food, housing, and almost all goods and services. Many northern communities have a cost of living double that of urban southern Canada. Because the cost of goods and services is so high for northerners, we pay more GST on essentials. Most of what is saved with the northern residents tax deduction is taken back with the GST.

In the Northwest Territories, where the economy has been fairly healthy for the last few years, there has been a net out-migration of between 1% to 2% per year. This is the only jurisdiction in the country to not have had an increase in population, while Canada has just realized a 1.2% increase.

The escalating cost of energy hits the north particularly hard, as the only source of heat and electricity for most communities is heating oil. Northerners are struggling to afford the high cost of living. The 2010 budget must include a 50% increase in the northern residents tax deduction.

On retirement income security, the implementation of registered retirement savings plans has proven to be a dismal failure. More than half of Canadians do not own any RRSPs, and those who do own them have nowhere near enough live on in retirement. Canadians should not live in fear of retiring. Northern residents should not have to leave their homes and families when they retire because they cannot afford to live where they have worked all their lives. The current benefits under the Canada Pension Plan are inadequate, and even when coupled with old age security and the guaranteed income supplement, they leave Canadians in poverty.

• (0910)

Living in poverty after a lifetime of working is not something that we as a society should accept. The Government of Canada has an opportunity in the 2010 budget to start making improvements to our national pension system.

The Northern Territories Federation of Labour calls on the government to phase in a doubling of the benefits under CPP over the next 7 to 10 years. This could be financed by modestly increasing both employee and employer premiums.

The Northern Territories Federation of Labour also calls for an immediate increase in the guaranteed income supplement. We suggest that the maximum GIS should be increased by \$110 per month. The goal of this should be to eliminate poverty among elderly Canadians. The estimated annual cost of this would be about \$1 billion. Marginally reducing the high limits on RRSP contributions could cover this cost.

Those Canadians who are fortunate enough to participate in a pension plan should be guaranteed their benefits. The federal government should institute a system funded by contributions from pension plan sponsors to provide a maximum guarantee of \$2,500

per month. This system could start by covering federally regulated pension plans with a view to creating a national system with the provinces and territories.

The Northern Territories Federation of Labour supports the Canadian Labour Congress' call for a national summit on pensions. Government, employers, labour, and other interested parties should meet and bring forth a concrete plan to rebuild and reform our pension system.

Thank you for your time.

• (0915)

The Chair: Thank you very much.

We'll now go to Ms. Mackenzie, please, from the Pembina Institute.

Mrs. Katherine Mackenzie (Policy Analyst, Pembina Institute - Arctic Energy Solutions Program): Good morning.

My name is Katherine Mackenzie. I'm a policy analyst with the Pembina Institute, with our Arctic Energy Solutions Program here in Yellowknife. The Pembina Institute is a national sustainable energy think tank. We work on energy issues, from conventional energy to sustainable energy, all across the country.

My brief today is based on an upcoming report that will be publicly available this fall, and I'll be touching on two of the main points.

The current oil and gas revenue system in the Northwest Territories should be reviewed and reformed in order to ensure a prosperous and sustainable future for the north. This is a very timely topic, as the Government of Canada has expressed its desire to see further resource development in the north.

Today I'll present two of our main recommendations to improve the NWT's oil and gas revenue system. The first is that the federal government should review and reform royalty rates and the bidding system for oil and gas leases in order to capture maximum revenue on behalf of Canadian citizens, who are, of course, the resource owners. Once collected—and this is our second recommendation—a portion of this revenue should be placed into a non-renewable permanent fund. These are also known as long-term funds, or heritage funds in some jurisdictions.

Currently, the royalty rate in the NWT is unnecessarily low and does not capture adequate revenue for its citizens. At 30% of net revenue, the rate is lower than rates applied in jurisdictions like Alberta, Alaska, Newfoundland, and Norway. For example, in Alberta the royalty rate for conventional oil is up to 40% of gross revenues and is up to 35% for natural gas. The 30% rate in the NWT is on net revenues, so it's once companies are making a profit. For another example, Norway has a profits tax of 50% on its oil and gas developments.

A work bid system is currently used to award oil and gas leases in the NWT. A work bid states what a company is willing to invest to develop a project. The current system of work bids, therefore, does not result in a transfer of revenue from companies to the government. In contrast to this, a cash bid system requires developers to bid cash for the lease rights. In this way they provide a useful way for the government to capture revenue from developers at the outset of a project.

Our second recommendation is that a portion of the federal government's revenue from oil and gas development should be placed into a non-renewable permanent fund. There are numerous benefits to these funds. For example, they provide us insurance against declining revenues, as non-renewable resources are depleted over time. They can be used to help mitigate boom-and-bust cycles that are often associated with natural resource development. They also encourage economic diversification and can help facilitate a transition to renewable resources. They can also help to ensure that development benefits all residents, both current and future, and they provide a source of revenue for addressing the negative socio-economic impacts from oil and gas development.

Non-renewable permanent funds are used in many other jurisdictions, including Alberta, Alaska, and Norway. Norway's permanent fund is considered to be one of the most successful in the world and is now valued at approximately \$339 billion.

This year's federal budget should include funds for a full, transparent, and well-supported public review of the oil and gas revenue system in the NWT. An example of a recent public review process is British Columbia's Citizens' Assembly on Electoral Reform, which cost approximately \$5.5 million. Such a review should be made up of a citizens' assembly, an expert resource revenue reform committee, and an avenue for public input, and also include a strong youth component to ensure that all voices are heard.

This year's budget should also include items to promote the transition to sustainable energy in the north, as this is an important part of ensuring prosperity and sustainability. Such an example is the remote community wind energy incentive program, which is described in the one-pager I've provided to you. Alaska, for example, has set up a substantial renewable energy fund by using the revenues from its oil and gas industry.

In conclusion, a public review of royalty rates and the lease bid system, and the creation of a non-renewable permanent fund, are our two recommendations to make the NWT more prosperous and sustainable.

Thanks very much.

• (0920)

The Chair: Okay. Thank you very much for your presentation.

We'll now go to Mr. Schultz with the Alberta Association of Colleges and Technical Institutes.

Mr. Tim Schultz (Executive Director, Alberta Association of Colleges and Technical Institutes): Thank you very much, Mr. Chairman.

On behalf of the 17 members of the Alberta Association of Colleges and Technical Institutes and post-secondary learners in

Alberta and across the country, I'd like to thank you for the opportunity to be in Yellowknife this morning and speak a little bit about our brief that was presented to the committee a while back.

I can't do that without doing a commercial on AACTI before I get into the meat of the brief. As I said, we represent 17 publicly funded post-secondary institutions in the province of Alberta. These institutes enrol about 56% of the province's post-secondary learners on an annual basis.

We have two technical institutions. The Alberta College of Art and Design and the Banff Centre are members. We have two newly constituted undergraduate universities in Alberta: Mount Royal University in Calgary and Grant MacEwan University in Edmonton. The balance of our members is made up of community colleges, which play a really valuable role in post-secondary education in Alberta.

Virtually all of our members are members of the Association of Canadian Community Colleges, ACCC. You'll find some parallels in our brief and the brief that ACCC is to present to the committee.

I'd like this morning to talk about booms and busts and recessions, opportunities and risks and rewards, pure research and applied research, and change and evolution, but I only have five minutes, so I'm going to talk about evolution because it seems to be the easiest one of the bunch I just listed.

It's a little-known fact that the Canadian government, about 50 years ago, was largely responsible for the Canadian community college system. Back at that point in time, high school education was the benchmark. If you didn't have a high school education, it was very, very difficult to get a good job in Canada. The thought was that if you got that high school diploma, you could likely get a career that would last you a lifetime.

Colleges were in the middle between universities and high schools. University education, 50 years ago, was the pinnacle. It was the key to massive success in the workforce.

Now we have evolved and things have changed. High school is a bare minimum. I wouldn't want to be too crass, but you must have a high school education or there is really no chance for good employment.

Post-secondary education is essential for success. Universities are starting to focus on post-grad studies as opposed to undergraduate, and there is a generational shift. There are three to four college graduates in the workforce in Canada for every university graduate. The Canadian Federation of Independent Business suggests that the ratio should be six graduates from colleges for every one from universities.

Only about 15% of the Canadian workforce has a university education, although about 65% of the Canadian workforce has post-secondary education, so the role of our colleges and technical institutes in the Canadian workforce is essential.

The dollars spent on post-secondary education are not a cost; they're an investment. We mention in our brief that we've recently completed a socio-economic impact study in Alberta. I won't go over the statistics in the brief, but it's easy to see that an investment in post-secondary education pays returns.

Post-secondary grads earn more over their lifetime, which means they pay more taxes. They're healthier, which means they use less health care dollars. They are less likely to draw down on social programs, which means that over the course of their lifetimes they do contribute much to the Canadian economy.

The post-secondary system enhances the skills of the workforce. We don't educate enough skilled workers to meet the demand.

The economy will recover. I noted in our brief that if we were to have presented this a year ago, times would have been different. Times would have been different, but I don't know that the recommendations would have been different from what they are today. We'll again wrestle with significant skills shortages.

In order to assist in meeting those skills shortages, we've made two recommendations, which, as I indicated, support what ACCC is trying to accomplish from a national perspective.

Do I just have one minute left? Is that all?

● (0925)

We recommend that the government establish a fund to support infrastructure in an amount sufficient to supply the economy with required advanced skills. ACCC's recommendation is that over the period 2009 to 2014, the federal government invest \$500 million annually on a cost-shared basis with the provinces and territories. We also recommend increased funding for Indian and Northern Affairs so we can really engage first nations, Métis, and Inuit learners in the system.

There has been an evolution in research. Fifty years ago colleges and technical institutes did not do research. That was the realm of the universities. The focus these days is on tech commercialization. Our institutions work in 106 communities in Alberta in lockstep with small and medium-sized enterprises, industry, and the community.

We're building capacity in Alberta to do applied research and take the ideas of Albertans and Canadians to the worldwide market. The focus can't remain on universities for research. We shouldn't take dollars away from research for universities, but we need to recognize the necessary role played by colleges and technical institutes across the country.

The recommendation of ACCC, supported by AACTI, is that instead of redistributing the envelope for research dollars in the country, let's make it marginally larger. Increase it by 5% and inject that amount into research, product development, and commercialization projects of colleges and technical institutes across the country. That represents about a \$250 million investment annually, in addition to what's currently being spent.

Thank you very much, Mr. Chairman.

The Chair: Thank you very much for your presentation.

We did hear from Grant MacEwan College and NorQuest College yesterday in Edmonton, of which you're probably aware.

Mr. Tim Schultz: I suspect the message was similar.

The Chair: We are now going to hear from Alternatives North, please.

Mrs. Suzette Montreuil (Co-Chair, Alternatives North): I'm going to begin in French.

[*Translation*]

Good morning and welcome to the Northwest Territories.

Alternatives North is a coalition of churches, anti-poverty, labour, environmental, and women's groups, small businesses, and individual members.

In our submission, we have provided a historical context of the causes of the economic crisis. I would like to raise a few points. We have indicated that financial policies have a major impact on working families. The number of families living under the poverty line grew five times faster in the 1990s than the family population itself. Most income growth went to the top 20%.

In the Northwest Territories, we have noted growing inequality and poverty. I would like point out a fact to support this point. From 2006 to 2007, 4% of households in the Northwest Territories had an income of less than \$10,000, and 19% had an income of less than \$30,000. These households are most often located in small communities, that are mostly aboriginal, and the cost of living is very high. The Far North is also suffering from a shortage of affordable housing, as well as early childhood and educational centres. It has been noted that aboriginal populations have not prospered as much as the rest of the Canadian population.

We have established the following guiding principles: reducing social inequality must be one of the main goals of our efforts; public investments and wage increases will be crucial. These were significant factors that helped people overcome the Great Depression. Today we continue to believe that they are essential.

● (0930)

[*English*]

Alternatives North has three recommendations on stimulus measures. The first is to restore a more progressive tax system so we can decrease present inequality and fund spending on much-needed programs. A progressive tax system would remove tax obligations from those below the poverty line; tax unearned income at the same rate as earned income; return corporate tax rates to pre-1980 levels; and use tax incentives to foster conversion to renewable energy technology sources.

Our second recommendation is to focus our infrastructure spending on public projects aimed at energy conservation, conversion to green energy sources, and affordable housing stock. I'd like to point out that these types of projects could be done throughout the north, including in small, more remote communities.

Our third point is to address social infrastructure deficits, with an initial focus on the direct public creation of more child education and care spaces, and move toward a nationally funded early childhood care education program that provides quality care and is accessible and affordable. This would be an excellent job creation approach and would remove barriers to employment for many families.

You asked what changes should be made to federal stimulus measures. We say you should stop focusing on cutting tax for the rich. Tax cuts for the rich largely end up in savings, paying down debt, and buying imports. To quote Benjamin Tal, who is a senior economist with CIBC world markets, "infrastructure spending is a much more effective tool than tax cuts" in terms of economic stimulus.

The second point is that you need to remove the requirement for the matching of funds. We believe that many jurisdictions will not be able to raise those funds, so much of the promised federal money will go unused.

You need to stop asking for wage concessions for private enterprises receiving government assistance. I note the example of the auto workers.

You need to focus on public projects and not public-private partnerships that really hide the debt of government. There are additional costs because the private enterprise is looking for profit.

Finally, economic recessions come and go, but the ecological crisis we are facing will not. We have to combine our efforts to address both of these causes at the same time.

[Translation]

Thank you for your attention.

The Chair: Thank you for your presentation.

[English]

We will go now to Margaret Melhorn, Deputy Minister of Finance for the Government of the Northwest Territories.

Mrs. Margaret Melhorn (Deputy Minister of Finance, Department of Finance, Government of the Northwest Territories): Thank you, Mr. Chair.

I'd like to thank the standing committee for the opportunity to meet with you today here in Yellowknife as part of your pre-budget consultations. Finance Minister Miltenberger regrets that he isn't able to meet you, as he's travelling on government business.

The Northwest Territories saw tremendous economic growth over the last 10 years, but we have not escaped the effects of the global downturn. There have been temporary shutdowns and layoffs in our mining industry, and exploration has slowed substantially.

The downturn will negatively affect our government's finances, but we are prepared to maintain spending to sustain economic

activity. Canada's contributions through the economic action plan have been a welcome and important addition to our plans.

This fiscal year we will invest a record \$475 million in infrastructure, including the stimulus funding from Canada. The Building Canada program has worked well in the NWT. We have been able to identify needed community and transportation projects, receive approvals, and get work under way. Our increased capital spending will be responsible for about 1,000 person-years of employment over this year and next.

Our government has long argued, however, against per capita allocation of infrastructure funding because this formula is not appropriate for the north. The RInC program is a good example. The three territories were allocated less than \$600,000 using the per capita formula. Infrastructure programs need to include a base amount per jurisdiction.

Our government remains highly dependent on federal transfers. The NWT's vast size, small and dispersed population, significant social and human needs, and challenging climate mean that it costs much more to deliver services and build infrastructure than we can generate from tax revenues.

We rely on adequate transfers under territorial formula financing to fill this gap. This program was placed on a sound footing in 2007 and provides the territories with a stable source of funding. Reducing TFF would jeopardize the delivery of vital public programs in the north. It is critical that it be maintained.

Furthermore, emerging aboriginal self-governments in the NWT will face similar challenges. Canada must acknowledge its responsibility to adequately fund these new governments.

Valuable programs, like the territorial health access fund, that help us explore new ways to address the north's substantial health care needs should be renewed. Continued support for early childhood education and child care programs would also strengthen our ability to meet some critical social objectives.

Until devolution is concluded, the NWT lacks jurisdiction over our non-renewable resources. Resource development does not generate the revenues that would allow us to make investments that would generate long-term economic, social, and environmental returns and thereby increase our territory's self-reliance. We are also limited in what we can borrow to finance this investment and therefore need Canada to partner with us.

For example, the Taltson hydro expansion project would displace up to 100 million litres of imported diesel and eliminate approximately 280,000 tonnes of greenhouse gas emissions every year. It represents a tremendous opportunity to address climate change concerns while providing short- and long-term stimulus to the economy. Canada's investment in this project would signal a commitment to support legacy infrastructure that provides major long-term public and private sector benefits.

We are encouraged by renewed federal interest in the north, including the creation of the northern development agency and the federal northern strategy. Premier Roland has welcomed these initiatives, but he has also stressed the need for northern engagement in their implementation. Northern governments must play a role in decisions concerning our future.

The premier wants to advance work on key initiatives that will strengthen the north and Canada, including the Mackenzie gas project, aboriginal rights negotiations and implementation, transportation infrastructure, green energy, and devolution.

Finally, we are concerned about the NWT's declining population. The high cost of living is a real barrier to attracting and retaining residents. We need to nurture growth in the territory to strengthen our economy, increase economies of scale, lower the cost of living, and support Canada's goals for Canadian sovereignty.

The federal northern residents tax deduction is important. Last year's 10% increase was welcome, but it did not fully restore the deduction's real value. We had called for an increase of 24% and estimate that this would cost Canada an additional \$14 million and our government \$1 million.

To conclude, territorial formula financing transfers must not be reduced. Other funding arrangements that support important initiatives in health care, training, and early childhood education should be continued. Canada should make concluding devolution and aboriginal rights agreements a priority, and Canada needs to stay the course on its stimulus efforts on infrastructure, in particular transportation and green infrastructure.

• (0935)

Investments that help to lower the cost of living are of prime importance for the NWT. Infrastructure dollars should not be allocated on a per capita basis.

Thank you, Mr. Chair.

The Chair: Thank you very much.

We'll now go to the Municipality of Baker Lake.

Mr. David Simailak (Deputy Mayor, Municipality of Baker Lake): [*Witness speaks in Inuktitut*]

Thank you, Mr. Chair.

My name is David Simailak. I'm currently the deputy mayor of Baker Lake and I am a business person in that community.

I was previously a member of the Nunavut legislature and a minister of the Nunavut government in the transportation, economic development, energy and finance portfolios. With me as a witness is Andrew Gamble, a consultant who has worked with the community

of Baker Lake for many years. Also here with us is His Worship Mayor David Aksawnee, the mayor of Baker Lake, who has been very active in wildlife management and is now serving his third term as mayor of Baker Lake, a rarity in Nunavut actually. Along with our hamlet council, he has long been in support of the Baker Lake airport improvement project.

As you know, Mr. Chair, Nunavut is the most remote, the most sparsely populated, and the least developed of the three northern territories of Canada. The economy of Nunavut is far too dependent on government expenditures and federal transfers. We have the highest percentage of aboriginal residents, with relatively low levels of education and employment. It's not a pretty picture.

On the other hand, Nunavut has a huge non-renewable resource potential. Every study of the Nunavut economy undertaken by government and non-government organizations over the last decades have come to the same conclusion. By far the greatest economic potential for Nunavut lies in development of its non-renewable resources. This remains the only hope for significantly increasing employment and reducing dependence on government transfers.

Two key things are required from government to realize this potential. First is investment in people. Top-notch education and training programs are required to ensure that Nunavut can participate in the economic benefits of development. Second is investment in infrastructure. This means better seaports and airports, power, communications, community infrastructure, and housing. We don't expect highways, but we must rely on the best possible air and marine facilities. Let me simply say that Baker Lake has the only highway in all of Nunavut, a 109-kilometre all-weather gravel road from Baker Lake up to the Meadowbank gold project.

That is why we are here today. Today, Baker Lake and the Kivalliq region are leading Nunavut in non-renewable resource development. Agnico-Eagle's Mines is completing construction of the Meadowbank gold mine north of Baker Lake. This mine alone will add some 30% to the Nunavut GDP. It is already providing over 200 jobs and training to our residents and opportunities for our businesses. Agnico has had to invest in infrastructure that most regions of Canada take for granted, providing its own power, communications, and its own road to the mine.

Resources Canada is actively advancing its Kiggavik uranium property west of Baker Lake. There are other exploration and development prospects throughout the region. To support these developments and to ensure that Baker Lake benefits from them, we have been asking for improvements to our airport. That is what we are asking of you.

My associate, Andrew Gamble, will provide you with a brief overview of the proposal itself.

• (0940)

Mr. Andrew Gamble (Consultant, Andrew Gamble and Associates, Municipality of Baker Lake): Good morning.

By way of introduction, I'm a professional engineer with 10 years of experience with the federal government and 20 years with the territorial government. The last nine years I've been a consultant in the north. Most of my work is intracommunity and for aboriginal governments, and I'm currently doing some work for Baker Lake.

Mr. Simailak spoke about education, training, and infrastructure. These have been constant themes in my experience of 30 years in the north. The springboards of prosperity for the territories will certainly be its resources, just as it was more than a century ago for the eastern provinces and more recently for Alberta and Newfoundland. The key to realizing this potential will be investment in infrastructure. The key to ensuring that Canada's aboriginal population can participate in the economic mainstream is education and training.

In 2000 I was asked to investigate the options for upgrading the Baker Lake airport. It didn't go ahead at that time. In 2007 I was asked to take a second, more detailed look. We examined the option of extending the existing airstrip, as well as a realignment at the current site to reduce zoning restrictions. We also looked at relocating the airport. Following consultation with Transport Canada, the territorial government, the industry, and operators, the recommended option was the relocation of the airport to a site northeast of the hamlet and the construction of a new 1,525-metre runway, along with other facilities.

This location meets all of Transport Canada's standards and offers full unrestricted use for a Boeing 737 aircraft, with ideal wind orientation and flexibility for future expansion. The cost is estimated at \$20 million. The current financing proposal seeks contributions from the governments of Nunavut and Canada and from industry. It can make Baker Lake a new air transportation hub for mining, exploration, and development in the region, with direct passenger and cargo routes to Yellowknife, Edmonton, Winnipeg, and Val d'Or.

We will leave a copy of the study and the current financing proposal with you.

Mr. David Simailak: Mr. Chair, the Meadowbank mine project will generate over \$3 billion in GDP over its life. It will provide several hundred million dollars in direct government revenues. Because the territory of Nunavut, unlike provinces, does not own the resource, these revenues will go to Canada. Twenty million dollars may seem like a lot of money to invest in a small community airport, but it is only a tiny fraction of the revenues this project will provide to Canada.

Canada is investing billions in gateways to the west, the south, and the east. We urge you to consider investing in gateways to

Canada's north. If we're going to be serious about arctic sovereignty, let's spend a few dollars there. We believe this investment will pay dividends by supporting current developments and encouraging new ones. It will also ensure that the fair share of the benefits remain with us.

Please, Mr. Chair, come to Baker Lake, come to Nunavut. You have an open invitation.

Thank you.

• (0945)

The Chair: Thank you. I certainly appreciate that.

I think we should take the entire committee up there.

We will now hear from the Public Service Alliance of Canada as our last presenter this morning.

Mr. Jean-François Des Lauriers (Regional Executive Vice-President, Northern Region, Public Service Alliance of Canada): Thank you, Mr. Chair.

Thank you to the members of the committee for coming to Yellowknife to hear what the people of the north have to say on the upcoming budget.

In a way I'm glad to be the last person to speak, because I realize that we all agree on some very fundamental points in terms of what is needed for the north to develop.

The Public Service Alliance of Canada represents upward of 12,000 workers across the three northern territories, so I'm speaking on behalf of workers in Yukon, NWT, and Nunavut. The bulk of the membership is employed by the territorial governments, but we also represent employees of the federal and municipal governments and of a number of non-governmental and para-governmental organizations. We also represent workers in the private sector, for example, the employees of BHP-Billiton, working at the Ekati diamond mine in NWT; Nuna Contracting, involved in the Giant mine reclamation project, and many more.

My brief does not deviate from the one to be filed by Brother John Gordon, national president of PSAC. On the contrary, it augments and reinforces it, especially on the issues of unemployment and government involvement in the economy.

Here's the shocker: unemployment in the region. The official figures on unemployment for the north are generally higher than those for the rest of the country, but the north's figures do not necessarily reflect reality. Real unemployment in this region is easily two to three times higher than official figures. Rural areas are worse than urban ones. The situation in the NWT is worse than in the Yukon, and Nunavut is the most affected.

Anecdotal information would suggest that a full one-third of the potential workforce in Nunavut is unemployed, and this is a conservative estimate. Aboriginal people—Inuit, first nations, and Métis—in all three territories are especially affected by this scourge.

As a result, a vast segment of the population is living in crushing poverty. This is having devastating effects on every aspect of people's lives: health, education, family relations, and self-esteem. If these conditions existed in the provinces, all levels of government would declare a state of emergency and immediately instate a rescue package in the billions of dollars.

These conditions have existed on a systemic basis in the north for decades. Some intervention has taken place, but nothing near the scale of what is required to provide significant relief and recovery and to bring the people of the north on a par economically with the rest of Canada. Nunavut, in particular, has been grossly underfunded.

Currently, Canadian workers everywhere are suffering an historical surge in unemployment and loss of jobs. Even under these conditions, the rates of unemployment in the north are several times higher than in the provinces. Compounding the problem is the fact that a lot of workers who actually have jobs cannot afford the prices of food and housing. The price of good, nutritious food in many communities north of 60 is three to four times what it is in the rest of Canada, and yet people's incomes are only a fraction of Canadians' average income. The consequences are utterly disastrous. Northerners, especially aboriginal peoples, are plagued with health problems that put them on a par with some of the poorest parts of the world. This is unconscionable in a country as rich as Canada.

Our recommendation for the north to the finance committee is an immediate increase in transfer payments to each of the three territories in the following range: for Nunavut, 50%; for the Northwest Territories, 20%; and for the Yukon, 20%. The representative from the Department of Finance has asked that transfer payments not be reduced. It's even more imperative that they be brought up to a level where we can start to address some of the major problems.

• (0950)

These increased funds should be, in order of priority, targeted to housing, food subsidies, and health and social services. Unless these areas receive a substantial financial boost from the central Canadian government, it will be impossible for northerners to attain the level of functionality they need in order to fully participate in the industrial developments that are being contemplated by industry and governments, now and for the future. One cannot learn and prosper unless one has a decent house to live in, nutritious food to eat, good health, and a stable, healthy family and community to live in.

In conclusion, there is a cost to everything we do, but there is also a larger cost to everything we do not do. The neglect of populations in the north, especially of aboriginal peoples, carries a huge human cost. Now is the time to deal with this long-standing injustice and demonstrate that Canada cares about all of its citizens, no matter how far they live from the capital.

Do I have a little more time?

The Chair: You have about 30 seconds.

Mr. Jean-François Des Lauriers: I'll give you some stats on the reality in the north.

For housing in need of repair, the percentage of households that are in core housing need, meaning that they do not live in and cannot access acceptable housing, is 17.4% in NWT. It is 15.8% in Yukon and 38.8% in Nunavut. They are all well above the national average of 13.7%.

The cost of living is much higher for those living in the territories. I have added a table here, but there is one figure that makes it absolutely clear. Nunavut households spend 92% more on food than the Canadian average. Their salaries are a whole lot lower than those of the average Canadian. How do they make ends meet? How can they possibly participate in the industrial developments that are being proposed unless their—

The Chair: Thank you very much for your presentation. I want to thank all of you. We'll now go to questions from members, and the first round will be seven minutes for each party.

We'll start with Mr. Pacetti, please.

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): Thank you, Mr. Chair. Thank you to the witnesses for coming forward and appearing before us.

I was a little bit disappointed until I heard the presentation from the Public Service Alliance of Canada, because the reason we came here was to feel what you guys are feeling. I'm an urban MP from Montreal. I've heard about the problems in the north, but I haven't really seen it. I've been pushing for this committee to come up here. I've been a member for about four to five years now. We've heard stories, and we're going to do some site visits. I don't think we're going to probably spend enough time. I think the only person around the table who could probably feel what you guys are feeling is Dennis, who is a member of Parliament here.

I don't want to put a downer on things, but some of the questions I had are going to change now that Mr. Des Lauriers made his presentation. I'm going to try to understand. In the brief there were some good points in the sense that we need funds, from my understanding, for the northern areas or the northern territories for housing. At least it's properly stated for housing and food subsidies. That's what we've been hearing for years. The question is, how do we get the money to people who need it the most.

To the contrary, things like...and I'm not even sure who I'm going to ask this question to. I heard in presentations that we need to increase the northern tax deduction. In a sense, if a large segment of the population is under the base level of poverty, nobody's going to be able to take advantage of this, or very few people are going to take advantage of it. I think that was Ms. Montreuil's point. I don't know who'd like to comment on that.

I'd like to have you comment on that, Ms. Melhorn, because I think you asked for an increase in the northern tax deduction.

• (0955)

Mrs. Margaret Melhorn: The issues in the north are very many, varied, and challenging, but the issue of attracting and keeping residents in the Northwest Territories who face the very high cost of living is a real one, and the tax deduction is one that does affect northern workers. Many northern workers do take advantage of the tax. In fact, I would say that most people who live here and file tax returns and who earn income up here do take advantage of it.

One aspect of the north is that, yes, there are very many people who fall into the low-income category, but we also have those with high nominal incomes. The incomes are high because the cost of living is high, but given the progressive nature of our tax system, that doesn't recognize the fact that costs are high. People get moved into higher tax brackets because their wages are higher to cope with the higher cost of living. It pushes them into higher effective tax rates. Also, because a lot of benefits delivered through the tax system are income-based and they have higher nominal incomes, they are cut off from those benefit programs sooner than they would be if they had similar real incomes in the south. So the northern tax deduction—

Mr. Massimo Pacetti: I think I understand. There are two separate challenges here, where you actually have workers who you have finally been able to attract, but trying to maintain them is one challenge, and the other challenge is to try to address the poverty or the high cost of living for people who can't afford the basic needs of living. Correct?

Mrs. Margaret Melhorn: Correct.

Mr. Massimo Pacetti: Mr. Connell, I have a couple of questions for your company.

First, what would you say when Pembina comes forward and asks for an increase in royalties, but meanwhile you're asking for more money to be invested when you're making money out here?

In your brief, your company is going to invest \$9 million in education and training. Why is that the right amount? Why couldn't you invest \$18 million or \$30 million, and why is it up to the government to match your contributions for training?

Mr. Larry Connell: There are two things. One, the training we have, the scheduled training we're doing, is to achieve our immediate start-up needs, but that just addresses the needs of employees that we have currently coming into the workforce.

Nunavut needs a lot more. Nunavut has been left well behind when its citizens don't have the capacity to even get into our training programs because the educational systems have failed them. What I'm saying is that we have a responsibility to the company to train in those skills that we need to do our work, but government has a responsibility to make sure that there's a workforce out there that has a basic level of education and skill to at least even get in the door and compete with southern-based employees.

The educational system, for a number of complex reasons, has not done that in Nunavut. As a result, if we don't take immediate action, a whole generation will pass by before this problem gets resolved. But right now, the citizens of Nunavut don't even have the capacity

to get into these training programs. And that's not the company's responsibility. Our responsibility is to put dollars into the upgrading of skills that we need within our workforce, and we're committed to doing that without any participation from government.

What we're asking government to do is to fund the basic level of education.

Mr. Massimo Pacetti: If government hasn't done it up to now and your priority is to have return on investment, so you're going to need this labour force quite rapidly, what is the solution going to be? Is government going to be able to react quickly enough for you to have that workforce ready to go?

• (1000)

Mr. Larry Connell: That's why we're here. Basically, if we left it for the Government of Nunavut to do, no, I do not believe they are able to.

I don't want to disparage the Government of Nunavut. I believe they do not have the resources, the capacity, given them by the upper level of government in order to achieve that target. So they need special help, both in dollars and administrative help, in order to target and deliver those programs to the present generation.

The consequence or the alternative to that is that more of the work flows south. It comes from southern workers coming into the north, which doesn't leave any sustainable development in the north and ultimately does not help the north grow and prosper from its own resources. That's the consequence of not taking action now.

Mr. Massimo Pacetti: Thank you.

I think we'll have time for a second round.

Ms. Cherwaty, do you have a cost for setting up a board here in the north versus the cost savings?

Ms. Mary Lou Cherwaty: I don't.

Mr. Massimo Pacetti: Okay.

The Chair: Thank you very much, Mr. Pacetti.

We'll go now to Monsieur Laforest.

[Translation]

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ): Good morning to all witnesses. I am extremely pleased to be here with you. This is my first visit to the city. It is extremely interesting to listen to what you have to say. I wish to congratulate each and every one of you for your presentations. Everything was clear and well understood.

There are a few common themes that can be detected in your different messages. It is clear that those living here in the Far North are happy, even if things are difficult for both businesses and individuals alike. People live and survive in conditions that are sometimes very difficult; and to your minds, the government must take more assertive action when it comes to both infrastructure, and helping individuals through social measures. This is, in any case, the rough summary that I would make.

There is a common thread that also emerges. Indeed, most of you are making very strong demands to improve aboriginals' quality of life, something we have heard in many other places as well. The demands are all the more urgent here in the north, because of the high concentration of aboriginal people. You are absolutely right; if we are to develop the Far North, aboriginals must receive specific assistance.

I have, nonetheless, a few specific questions for Ms. Montreuil.

In your recommendations, you talk about a fair tax system that would levy unearned income in the same way taxes are levied on earned income. Could you specify what you mean by unearned income?

Mrs. Suzette Montreuil: It is income generated by investments, or capital gains. In recent years, there have been tax cuts to this type of income. For those who have the means to invest in this particular market, the amount of tax paid is not the same as it was in the past. However, a worker who works from nine to five does not have the same options. It is a problem that we wanted to highlight.

Mr. Jean-Yves Laforest: When a person has the means to use his capital—

Mrs. Suzette Montreuil: Exactly.

Mr. Jean-Yves Laforest: —to reduce the amount of tax owed, that should be considered as taxable income, so that more would go to government revenue.

Mrs. Suzette Montreuil: What difference does \$100 earned here or there make for a family or individual? We feel the tax should be the same.

Mr. Jean-Yves Laforest: In your third recommendation, you talk about addressing social infrastructure deficits and increasing the number of day care spaces. Since the start of the pre-budget consultations, be it in Ottawa, Vancouver or Edmonton, many groups have told us that the government should further invest in infrastructure, namely in day care spaces.

What kind of day cares do you have here, in the Yukon, in the Far North? Does a system exist, is there an infrastructure, or is such a system totally non-existent?

•(1005)

Mrs. Suzette Montreuil: With all due respect, sir, you are in Yellowknife, in the Northwest Territories.

Mr. Jean-Yves Laforest: Thank you for reminding me.

Mrs. Suzette Montreuil: That is fine. I understand that you are always travelling.

There are only private day cares. There is a building support fund to open day cares. There's also an operating fund, but it is really left to community groups and private businesses. The problem is that there's clearly not enough day cares. Recently, yet another day care in Yellowknife had to shut down because it was unable to meet its financial commitments. Since I have become a mother, I have seen four day cares in Yellowknife shut down. There is truly a dwindling number of spaces, even though the economy is doing well and families want to work. Unfortunately, we ask ourselves how we can make sure our children receive a good education and are well cared for throughout the day.

[English]

Ms. Aggie Brockman (Co-Chair, Alternatives North): I would just like to add that the lack of early childhood education and child care spaces has a huge impact on the ability of parents to not only get employment, but also to seek the upgrading, sometimes very basic educational upgrading, as well as higher education.

For instance, our friends in Nunavut talked about the need for training. Without child care, that's not going to be able to be accessed by many parents, both women and men.

[Translation]

Mr. Jean-Yves Laforest: Thank you.

Ms. Melhorn, you are recommending that the government invest in the Taltson hydro expansion project that would displace up to 100 million litres of imported diesel. What portion of the expanded project would meet the Far North's hydro-electricity needs?

[English]

Mrs. Margaret Melhorn: The project that I referred to, the Taltson hydroelectric expansion project, is one that would expand the capacity at the Taltson power dam south of Great Slave Lake. It would provide hydro power to the Slave province, which is a geological province where the diamond mines are. It would provide hydroelectric power to the mines, which currently use diesel-generated power. The diesel I referred to is the fuel that is used by the diamond mines to produce their power for their operations. So by replacing that, it would reduce the need for a significant amount of fossil fuel.

[Translation]

Mr. Jean-Yves Laforest: Thank you.

[English]

The Chair: *Merci, monsieur Laforest.*

We'll go to Mr. Dechert, please.

Mr. Bob Dechert (Mississauga—Erindale, CPC): Thank you, Mr. Chair.

Ladies and gentlemen, like Monsieur Laforest, this is my first visit to Yellowknife, and I'm very pleased to be here in the beautiful Northwest Territories. It really is a stunning region to visit, and I hope that more Canadians choose to visit here.

I thank you all for your presentations. I've heard from a number of you about the need for more education and skills training. I believe the key to future prosperity for all Canadians is higher education, and it's a common theme we hear wherever we go.

What I've heard from Mr. Connell, Mr. Schultz, and Mr. Simailak is a need for further investment, but I haven't heard a specific request. What do we need? What can we do? Is there one specific request, or two or three specific requests this committee can take to the Government of Canada to address this issue? Do we need to make a further investment in bricks and mortar in a specific educational institution here in the Northwest Territories? Do we need to make investment in distance learning that can benefit people throughout the region, wherever they're located? Do we need to provide more funding for students to be able to travel to educational institutions in Alberta or elsewhere? Perhaps you could help me with that.

Mr. Schultz, maybe you could start.

•(1010)

Mr. Tim Schultz: I'll take a shot at it.

This is my second trip to Yellowknife. I've seen it in January and at night, so I can't really respond too much on the beauty of it. I'll have to take a look when I leave for the airport today.

Obviously, I represent educational institutions in Alberta, and I think maybe it's a good idea I came up here today, rather than making a presentation in Edmonton yesterday, because it seems to me it has always been a jurisdictional issue on post-secondary education. It's a provincial jurisdiction, so what role does the federal government play in providing post-secondary education opportunities to any Canadian, regardless of where they live? It seems to me the problems in the north are certainly unique to those in the southern parts of the country, and it's just the ability to create the capacity and the number of people who can access those programs up here. There are no universities in the north. I think there's maybe only one or two colleges in the north. I think there's a college in the Yukon and there's a college in the Northwest Territories.

Mr. Bob Dechert: Can I ask you about that? Did either of those colleges make an application to the knowledge infrastructure program this year? The government is spending \$2 billion on colleges and universities across Canada. Do you know if they applied?

Mr. Tim Schultz: I can't answer that question. I know that all of our colleges did. I would assume they have.

Mr. Bob Dechert: I hope some funding was received.

The Chair: Ms. Melhorn wanted to comment briefly.

Mrs. Margaret Melhorn: The Northwest Territories received \$2 million through the knowledge infrastructure program. The proposals have been put into Canada for those and we have identified matching funding.

Mr. Bob Dechert: Excellent. What was that for specifically?

Mrs. Margaret Melhorn: I believe it will be for community learning centres, which are associated with adult education.

Mr. Bob Dechert: Okay.

Mr. Simailak, do you have anything to add on that point about education-specific requests on investment in education? If not, I have another question.

The government has provided some funding in recent years for apprenticeship funding, which we know has been quite popular.

The Chair: Mr. Simailak.

Mr. Bob Dechert: I'm sorry, Mr. Simailak. I didn't mean to cut you off.

Mr. David Simailak: Thank you.

We want to train our people to work at the gold mine that's opening up this coming winter and hopefully pouring the first brick of gold in January. We want to train our people to work there.

When I was the minister in our government, I started the process of trying to get the training started, specifically for that mine. That was back in 2004. We haven't trained a single person yet.

Mr. Bob Dechert: Why not? What do you need? Specifically, what do you need? You say "more investment", but I just don't know exactly what you need.

Mr. David Simailak: We need more investment in our school system.

Mr. Bob Dechert: Is that in your local school systems? Is that the primary school system or post-secondary?

Mr. David Simailak: In primary, but we also need direct investment in our adult education programs.

We have the Nunavut Arctic College. It's a beautiful concept, but it receives very little funding to actually train the people who want and need the training.

Mr. Bob Dechert: Has Nunavut Arctic College applied for any infrastructure funding?

Mr. David Simailak: I don't know, but I'm sure it would have.

Mr. Bob Dechert: I'm going to shift programs, perhaps to something that could help. There is funding that students get both before they enter the program and immediately upon completing the program, before they start working. We've found that to be beneficial in other parts of Canada.

In my area, the Mississauga region of Ontario, a lot of young people and older workers have taken advantage of that. They appreciate the opportunity to get funds in advance and upon completion of the apprenticeship training.

Is that something that would help, Mr. Connell, at AEM? Are those the kinds of skills you need?

•(1015)

Mr. Larry Connell: Yes. The problem goes even deeper than that. For example, we are entering and looking at apprenticeships right now. We're looking at getting the practice going. The trouble is that the educational levels of the people applying for work at our site don't meet the level of ability needed to even enter the apprenticeship program. They don't have—

Mr. Bob Dechert: Do you mean that they need to get to the secondary level?

Mr. Larry Connell: Yes. For example, out of all the people applying to us, very, very few have a grade 10 education level, let alone a high-school education level. As you've heard, the mining industry is moving into a high-tech age. As a result, the level of education that's required to participate fully in it is growing, and the north is being left behind.

In my opinion, it's not about buildings and mortar and bricks. It's about support to the GN and how these programs get delivered and the unique problems—

Mr. Bob Dechert: I'm sorry. What is the GN?

Mr. Larry Connell: It's the Government of Nunavut. It's called the Government of Nunavut Department of Education.

Get that education to the ground.

Mr. Bob Dechert: I have one further question to Baker Lake. It's on the airport. What is the status of the airport project in Baker Lake? You've made an application to the Building Canada fund for federal funding on that. Is that correct? What's the status of your application?

Mr. David Simailak: Thank you.

There has been no application yet. We have met with Leona. We've met with Ministers Strahl and Baird. They're fully in support of the Baker Lake project. We're still trying to get the Government of Nunavut to come onside and sponsor this thing.

Mr. Bob Dechert: It sounds like a good project to me. You can count on my support.

Mr. David Simailak: It is a very good project. It's Canada. And it's Canada investing in the north.

Mr. Bob Dechert: I'm just saying that I think this is the kind of investment we need to make to help the region, and I'd be happy to help you and work on that project.

Mr. David Simailak: I very much appreciate that. We're going to end up with a jet strip at Meadowbank, 70 kilometres north of us. We're going to end up with a jet strip at the Kiggavik uranium project, which is 80 kilometres west of Baker Lake. We're going to end up with the peasants in the middle who have nothing. So let's do something about it. Let's invest in Canada.

The Chair: Thank you, Mr. Dechert.

Mr. Bevington.

Mr. Dennis Bevington (Western Arctic, NDP): Thank you, Mr. Chair.

I'm pleased to be here, and I'm appreciative of all the presentations I heard today. They all speak so well to the issues. In fact, with eight presenters from the Northwest Territories, I'm having a little difficulty sorting out what I want to go after. I think the northern residents tax deduction is something the federal government recognized but didn't carry through with enough force. We had support from the Canadian Chamber of Commerce, from all organizations, saying that this tax credit should be raised to 50%. That didn't happen. We got a 10% increase. The government recognized that there was work to be done here, but the work hasn't been completed. It may not address people who are in dire poverty, but it addresses pretty well everyone else in one way or the other. It increases their ability to live and work in the north.

At the airport this morning I met an aboriginal fellow I'd known for 40 years in the north, a person who trained at our colleges. He just relocated to Edmonton and was on his way up to a diamond mine. This is what's happening in the north. We're losing our people, losing the effort we've put in because the cost of living is unbearably

high. If we want development that works for us, then we have to deal with the intrinsic problems in the north.

Mrs. Melhorn, you say you're reasonably satisfied with TFF. When the review panel was looking at financing, all three premiers said the financing formula should be calculated according to the cost of service. Is that correct? They presented a report saying they would like the financing from the federal government to be based on the cost of providing services in the north.

Mrs. Margaret Melhorn: The territorial formula financing is different from what's used for equalization. It takes into account the high expenditure needs in the Northwest Territories and the other two territories. Equalization looks only at revenue-raising capacity. Formula financing is meant to fill the gap between fiscal need and fiscal capacity. All three premiers have called for adequate territorial formula financing. When we did the review prior to 2007, we stressed the need for adequate formula financing. There have been increases made to TFF in 2007 and prior to that as well, to augment the funding. We continue to review TFF. Right now it's in federal legislation until 2014, but we continue to monitor funding levels and the formula itself to ensure that it provides an adequate source of funding to the territories. It is our major source of funding and provides 70% to 75% of our revenues. It is a priority for our government.

• (1020)

Mr. Dennis Bevington: Mr. Des Lauriers, how do you feel about the present level of territorial financing formula?

Mr. Jean-François Des Lauriers: It's obviously inadequate. I've made statements in my presentation to that effect. It gets worse going from west to east. It's incredibly stark in Nunavut, where the TFF needs to be adjusted by at least 50%, just to start to deal with the issues that the panellists have talked about this morning. On the issue of education, Mr. Connell has hit the nail on the head. Look at the percentage of high school graduates in Nunavut. The figure for Canada is 86.7%. For Nunavut it is 42.6%—half the national rate. To get people into the institutions that one of the members of the committee has talked about, post-secondary education and the like, you have to make sure they get at least a grade 12 education.

One of the things that—

Mr. Dennis Bevington: If I could just go on, I want to ask another question of Ms. Cherwaty.

You talked about pensions and the impact upon them. Do you not agree that in order to provide adequate pensions for people who live in places like Tuktoyaktuk, where the cost of living is 250% that of Edmonton at present, we need to have some way to assess the actual cost of living and an index for cost of living in pensions for elders so that they can remain in their communities and have any kind of lifestyle?

Ms. Mary Lou Cherwaty: Yes, I do agree with that. To keep the presentation brief today, the essence of it was to say that currently across Canada the Canadian pension plan is dismally underfunded as far as providing retirement security for all Canadians is concerned. In a northern context, absolutely: if there were a way to index, once the CPP has been doubled, then we could look at indexing for higher cost of living areas of the country.

Mr. Dennis Bevington: I have one last question on renewable energy, which is a very important issue for me. The Government of the Northwest Territories has moved forward on a very aggressive program for biomass conversion here. You'll see many of the large buildings in this community of Yellowknife.... Yellowknife probably leads the country in biomass conversions right now—big schools and.... But are there adequate programs from the federal level to provide assistance to the territorial government in its efforts to move to a cheaper, cleaner energy source—which is produced mostly in northern Alberta as well?

The Chair: Is that to Ms. Melhorn?

Mr. Dennis Bevington: Yes, it is, or to Ms. Mackenzie.

Mrs. Katherine Mackenzie: Just briefly, in line with the brief I provided on the remote wind energy incentive program, that would be part of the current ecoENERGY program. My colleague Tim Weis presented to you in Ottawa, and he presented on that program. The wind incentive for the north would just be a part of that program. As I understand it, the ecoENERGY program funds are set to run out in a few months. The renewable energy industry in Canada and of course the Pembina Institute are hoping that this fund will be renewed in the upcoming budget.

Our feeling is that compared with other jurisdictions.... The Alaskans are pretty impressive. They're really moving forward, especially on wind energy. They're looking into all kinds of hybrid systems. Wind-diesel, for example, is becoming fairly commonplace in their smaller communities. Compared with certain jurisdictions, Canada is definitely falling behind in terms of serious capital investments and also of training investments, about which of course almost everyone here has spoken.

I don't know whether that helps to answer your question.

•(1025)

Mr. Dennis Bevington: Specifically to the biomass conversions, have you had any assistance from the federal government in doing that work?

The Chair: Please be very brief, Ms. Melhorn.

Mrs. Margaret Melhorn: I don't have that information right now.

The Chair: If you can provide it later on to the committee, we'd certainly appreciate it.

We'll go to Mr. Pacetti, please.

Mr. Massimo Pacetti: Thank you, Mr. Chair.

I'm not sure whether I was remiss, but I want to thank all the presenters for presenting. Earlier, just after Mr. Des Lauriers, I got a little emotional. I want to thank everyone for appearing. It's very interesting, and it's tough for us to ask questions to everybody.

Mr. Des Lauriers, do you have the dollar amounts? You're asking, for Nunavut, for a 50% increase in transfer payments, and 20%....

What is Nunavut receiving presently from the Government of Canada? You can send it afterward. Do you have it?

Mr. Jean-François Des Lauriers: For Nunavut it's an increase of 50% in the TFF.

Mr. Massimo Pacetti: What would it be in a dollar amount, though? Would you have a dollar amount?

Mr. Jean-François Des Lauriers: A dollar amount? Yes, it would be \$511 million in additional funding.

Mr. Massimo Pacetti: Okay. Do you have the figures for the Northwest Territories and the Yukon as well?

Mr. Jean-François Des Lauriers: Yes. I'll go through the list for you.

Mr. Massimo Pacetti: It's just that our time is limited.

Mr. Jean-François Des Lauriers: For the Yukon it would be \$122 million, for the NWT it would be \$173 million, and for Nunavut it would be \$511 million.

Mr. Massimo Pacetti: The Yukon is...?

Mr. Jean-François Des Lauriers: It's \$122 million.

Mr. Massimo Pacetti: Okay, and for the Northwest Territories it's \$173 million?

Mr. Jean-François Des Lauriers: It's \$173 million, and \$511 million, yes.

Mr. Massimo Pacetti: Okay, great. Thanks.

I want to go to Ms. Mackenzie concerning increasing the royalty payments and setting up a separate fund. Would that fund be able to help alleviate some of the needs we heard about today?

Mrs. Katherine Mackenzie: I think it could be. When you have a non-renewable permanent fund, it can be used in a really wide variety of ways. Depending on the goals of the government, it could be used, for example, for training programs. That's partly why we're recommending a review process. We feel that you need not necessarily a long review but a very comprehensive one to look at all the different options—see what the Norwegians are doing, what the Alaskans are doing, what Alberta has done—and figure out what kind of fund you want and also what goals it could help you to reach.

Mr. Massimo Pacetti: So you would be open to anything. The first step would be to conduct that review.

Mrs. Katherine Mackenzie: Yes.

Mr. Massimo Pacetti: Now, would you just blanketly increase royalty revenues, or would you wait for that review? Would the revenues go into a fund managed by the territories, or would they be managed by the Canadian government?

Mrs. Katherine Mackenzie: We recommend that the review be done before devolution. Right now INAC is responsible for the oil and gas revenue system. So we'd recommend a review before devolution so that a system that would better benefit the people in the territories would be in place. For example, the Yukon went through devolution, and they had to keep their royalty system that was in place for, I think, up to three years. Also, we're kind of on the cusp of some likely major developments, like the Mackenzie gas project. We feel it makes a lot of sense to get this review done well before those large developments take place.

Does that answer your question?

Mr. Massimo Pacetti: Yes, that's great.

I'm going to ask you, Mr. Connell, to comment on that. What is your feeling?

Mr. Larry Connell: I won't comment on oil royalties; that's not my area. I don't know anything about them.

But at Meadowbank we're in a very unique situation. Meadowbank is, I believe, the first mine in Nunavut that's being built completely on Inuit-owned land, land that was granted to the Inuit as part of the band claim agreement. While we have royalties that flow to the federal government, those royalties, in turn, float back to Nunavut Tunngavik Inc. to be administered by the Inuit people. The rates are set by the Mining Act. But with some of our sites, the royalties are set by the Inuit people who are landowners. So we're in a bit of a different situation in that our royalties are flowing back to the Inuit people.

• (1030)

Mr. Massimo Pacetti: Was that as a result of a review as well? How was that determined?

Mr. Larry Connell: That was determined through the Nunavut land claim act, which is now 11 or 12 years old.

Mr. Massimo Pacetti: Thank you.

Quickly, Mr. Schultz, you're asking for money for infrastructure and equipment in your first recommendation. What kind of infrastructure would this be? Are we looking to renew some of the equipment the colleges have, or is this for totally new structures?

Mr. Tim Schultz: Well, we're looking for both. As I indicated, the federal government was largely responsible for the creation of the community college system 50 years ago. And 50 years is a long time. Lethbridge College just celebrated its 50th anniversary. So a lot of the missing infrastructure—

Mr. Massimo Pacetti: Sorry, what was the purpose of that? I'm from Quebec, and we have the CEGEP system, so it's a little bit different.

Mr. Tim Schultz: At the beginning of my presentation I talked about recession and booms and busts. It was 50 years ago that we were going through a situation similar to what we're going through now. There was infrastructure money sent across the country to build community colleges, creating jobs and creating opportunities to get more people through the post-secondary system. So we have infrastructure issues, deferred maintenance issues, but we also need to expand capacity. Capacity is a huge issue for post-secondary across the country, not only in Alberta, and certainly at the college and technical institute levels.

We're talking about alternate energy and wind sources. I mentioned money for research as well. We have colleges in Alberta that are doing research in biomass, environment, and wind energy.

Mr. Massimo Pacetti: You're asking for \$500 million. That would include universities—

Mr. Tim Schultz: No, that wouldn't include universities.

Mr. Massimo Pacetti: Oh, it's just for colleges, okay.

Mr. Tim Schultz: We'll let the universities talk for themselves.

Mr. Massimo Pacetti: I thought it was all post-secondary.

Thank you.

The Chair: Thank you, Mr. Pacetti.

We're going to go to Mr. Cannan, please.

Mr. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Chair.

Like some of my colleagues, it's my first trip here to Yellowknife. I represent a riding, Okanagan—Kelowna, in beautiful British Columbia, but I've spent many years in Edmonton and I know the importance to this community of the northern connection, especially the post-secondary. We had a tour of the University of Alberta yesterday, but I wasn't as familiar with the importance of our applied research and education. It's a similar thread we've heard through our presenters, investing in people for increasing our research innovation and productivity.

I'd like to start off by commending you, Mr. Connell, and your company for investing in human capital. Your first initiative is to invest in people, and you ask the Government of Canada to help by providing additional investment. Do you have a dollar value? Would you be set up to provide those programs, or would you be relying on organizations like Mr. Schultz's and the territorial government?

Mr. Larry Connell: We're not looking for government to invest in our training. We're responsible for the training of our skills.

What we're looking for is government to make an investment in Nunavut itself, through the Government of Nunavut, to improve the educational system to ensure the skill levels of the adults and the students coming through the system get to such a standard that they actually can be employed by the mine. Right now they're not. As a result, there's a whole generation missing out on these opportunities.

It's not specifically to our skills, the skills we will train on; it's really to help the Government of Nunavut provide a basic level of education to both students and the adult forum to ensure we have a workforce to draw from.

Mr. Ron Cannan: I guess the good news locally here is that you've received a couple of million dollars, matching with the territorial governments, to do exactly that—provide some necessary basic education so that they can get to the level to go into the apprenticeship program, which is a step in the right direction.

To Mr. Schultz, your second request was to increase funding to Indian and Northern Affairs for post-secondary. Do you have a dollar value for that?

Mr. Tim Schultz: No, I don't have a dollar value for that, because I think it certainly would differ by jurisdiction. I think we're hearing this morning the challenges facing first nations, Inuit, and Métis learners.

I can tell you that the issues up in the Northwest Territories and the other territories may be on a higher scale, but we deal with the same issues in Alberta when it comes to aboriginal learners and immigrant learners coming into Alberta who do not have the basic educational requirements to access post-secondary education, be it college, technical institute, or university.

You know, I liked Larry's presentation. I think there are certainly opportunities for colleges south of 60 to come up here and partner with corporations to deliver training, because we do it in Alberta. I think there may be some capacities that we can build on there.

There is a lack of post-secondary education in the Northwest Territories, Yukon, and Nunavut. There must be ways that we can all partner together to deal with that issue. Collaboration and partnership—that's the only way we're going to deal with most issues these days.

•(1035)

Mr. Ron Cannan: I agree. It's all in working together.

To Ms. Montreuil, I support your direction. I am on another committee as well, the human resources committee, and we're doing a national study on poverty across the country. We've been working for several months, working towards a recommendation to our government. The committee will be bringing that forward in the near future. It is a concern of first nations communities in different parts of the country and of working families from sea to sea to sea. We are working on that issue.

To Mrs. Melhorn, Premier Roland and some of your colleagues were at the Pacific NorthWest Economic Region Summit in Boise, Idaho, in July, and talked about some of the green sustainable energy programs. I know you talked about a green infrastructure. Have you applied for any of the \$2 billion that's available in the 2009 budget for green projects?

Mrs. Margaret Melhorn: Yes. We have identified the Talston project as a priority. We're also, as you mentioned, over this year and the following three years, planning to invest \$60 million in alternative energy projects and in finding ways to lower the cost of energy for northerners.

We will also be looking to find some federal support for some other projects that we're still looking at.

Mr. Ron Cannan: Excellent.

You also made a request—

The Chair: Very brief question.

Mr. Ron Cannan: Sure.

In your request, you mentioned not per capita but a base funding amount. Have you come up with some sort of formula that would be more equitable, in your mind?

Mrs. Margaret Melhorn: The amounts that are needed in the north are significant. I don't want to give dollar figures right now, but when we talk about our infrastructure needs, they are in the many hundreds of millions of dollars. That's why, when we talk about allocating infrastructure money on a per capita basis, it just makes no sense whatsoever.

Mr. Ron Cannan: Thank you.

The Chair: Thank you, Mr. Cannan.

I realize that we are over time, but I do have three more members, including the chair, who have a few more questions. I will impress upon your time, if I can. However, if you have to leave, we certainly understand that.

I'll go to Mr. Bevington, then Mr. Pacetti, and then me.

Mr. Bevington.

Mr. Dennis Bevington: Thank you.

I want to thank my colleagues for giving me the opportunity to ask another few questions.

There are, of course, many things that we can talk about here. Devolution certainly is a subject that is important to the north, not only for the resource revenues that are there but as well for control over development. The way in which development occurs makes a difference in terms of the impact on the north.

You spoke of the Talston hydro project. This was a project that was identified to support the diamond industry, yet in the original environmental assessments it was never... The federal government excluded it from the assessment of the Ekati mine. So what we're having here is a catch-up game, developing an energy source for these mines that is more economical, that is clean, that would serve us in developing the infrastructure that we can use for ourselves. It's an important project, and it's one that perhaps would not have occurred in the same way if the Northwest Territories had control over its own development.

Perhaps you could comment on that as well.

Well, I'm sure almost anyone here at the table would want to comment on that.

Mrs. Margaret Melhorn: Certainly.

Devolution, for us, is more than only access to the royalties associated with resource development. Devolution means transfer of the responsibility for the management and control of NWT resources to the NWT. As you say, having the control of that management regime gives us much more say and much more control over how our resources are developed and more control over our own economic future.

•(1040)

Mr. Dennis Bevington: In terms of the royalty rates, when I sat on the Mackenzie Valley board in 2000, we asked for a review of the royalty rates from the federal government when we did the K-29 gas project with the pipelines. The government agreed at that time. In the intervening nine years, has there been any review of the royalty structures in the Northwest Territories?

Mrs. Katherine Mackenzie: There was a review in the last few years, actually, but it wasn't a substantial review. It was only done by INAC, so it wasn't a fully public review. I guess we feel that it wasn't thorough enough and kind of warrants a second look.

Mr. Dennis Bevington: Okay.

With devolution, one of our resources has been taken off the table by the federal government. That's the Norman Wells oilfield. They've said that they will not share the royalties or the profits from that development. Is that not the case in our present negotiations?

Mrs. Margaret Melhorn: The federal government has made the point that they consider the Norman Wells oilfield and their interest in that to be an investment and a return on investment. We take a different position: those are simply royalties in a different form.

Mr. Dennis Bevington: What's the value of their return from that investment this year?

Mrs. Margaret Melhorn: I'm going from memory, so don't hold me to this. I think the 2007-08 public accounts would be the most recent numbers. We don't have 2008-09 numbers, so they'd be based on numbers that are tied to a much higher price of oil. I think it was in the order of \$100 million, but it could be lower this year since the oil price is lower.

The Chair: You have time for a final quick question, Mr. Bevington.

Mr. Dennis Bevington: Certainly, when it comes to the responsibility for ensuring that northern interests are well taken in resource development, do you see the present discussion around the regulatory system as giving us a greater say? Do you hear the dialogue that's going on, saying that when we're discussing how to streamline the regulatory system...? Is that purpose to give northerners a greater responsibility for their resource development?

The Chair: Ms. Melhorn.

Mrs. Margaret Melhorn: I'm not sure I understood the question completely. Certainly we are interested in participating in discussions about the regulatory regime.

The Chair: Okay, thank you.

We'll go to Mr. Pacetti for a question or two.

Mr. Massimo Pacetti: Thank you, Mr. Chair.

A quick question, Mr. Des Lauriers. In your presentation, in your brief, you speak of using the increased funds in order of priority, first

on housing, then food subsidies, health, and then social services, but nowhere do you speak about education. We've spoken quite a bit about education. I want to hear your viewpoint on education and how we can improve that, or where that would lie in your priorities.

Mr. Jean-François Des Lauriers: Well, obviously there was a limitation on the number of recommendations. We were asked to put three forward, and those were the three top ones.

Education certainly should be included, and maybe you'll bracket it into health and social services. Education definitely has to be in there.

Just to give you an example of the situation regarding education for Nunavut, Nunavut Tunngavik Incorporated, the corporation that looks after the land claims settlement in Nunavut, is suing the federal government for \$1 billion. That is based on the Nunavut Land Claims Agreement. Article 23 of that agreement states that within a certain period of time—I think it's 10 years—the government workforce of the Government of Nunavut will be 80% Inuit. Where is it now? I think it's probably somewhere around 20%. The reason for that is there are not enough opportunities for education for the Inuit and they can't access the jobs within government because they don't have the education to get them there. So NTI is suing the federal government for \$1 billion for failing to live up to its commitment under article 23.

•(1045)

Mr. Massimo Pacetti: In your opinion, is it up to the federal government to set up that educational system? I'm talking about primary and secondary schools.

Mr. Jean-François Des Lauriers: No.

Mr. Massimo Pacetti: Or is it a failure of the Nunavut government?

Mr. Jean-François Des Lauriers: Yes, it's a provincial or territorial responsibility. I think some of the presenters have made that clear. I fully agree that it's not up to the federal government to run the education system. But certainly it's up to the federal government to ensure that the territories have the necessary funding to run the education system in their jurisdiction.

Mr. Massimo Pacetti: Thank you.

The Chair: Thank you, Mr. Pacetti.

I want to address a few issues here. I want to thank you all for your presentations. This is my second time in Yellowknife. My first time, I actually did a side visit to Diavik diamond mine, which gave me some sense of the resources up here and also of the opportunities and challenges. It's wonderful to be back here.

I have a couple of comments on the northern residents deduction. We've heard that message loud and clear, so I know it will be something this committee will certainly discuss when we deliberate in November as to what to present to Parliament as a committee.

With respect to the EI board of referees situation, you don't need to comment, Ms. Cherway, but if we could get some more information on the cost, it's a very reasonable recommendation. If the committee could have some background on cost or any other details, that would certainly be helpful for us.

Yesterday we did hear some talk about the mineral exploration tax credit, about not having this annual discussion about whether or not we ought to keep it. I'm going to give you an opportunity, Mr. Connell. I assume I know your response will be that you would agree with others in the industry that this should be made on a permanent basis rather than having the debate every year.

Mr. Larry Connell: That's right.

The Chair: Okay.

I have two larger issues. I hope I'm pronouncing your name correctly, Mr. Simailak. First of all, with the four portfolios, I'm wondering what you did in your spare time—transportation, economic development, energy, and finance. You said something that really struck me. You said, “Canada is investing billions in gateways to the west, the south, and the east. We urge you to consider investing in gateways to Canada's north.”

Obviously there's a development agency here in the north now, but the gateway comment hit me because when we were in Vancouver we did a tour of the port of Vancouver. The person there told us that by putting together the Asia-Pacific gateway, the last two governments were able to fund a lot of infrastructure projects under the rubric of that gateway initiative. So instead of the government doing one-offs, there was an overall strategy.

You mentioned the airport, which as Mr. Dechert said, seems eminently reasonable. There was infrastructure funding that needs to happen above and beyond a per capita basis, which the deputy minister talked about. And then the deep-water port was mentioned. I think that's what you're recommending, but is that what you're recommending as a northern gateway strategy, similar to what has been done with the Asia-Pacific gateway?

Mr. David Simailak: Thank you, Mr. Chair.

Every community in the south, be it a large or small city, a town, or a village, takes it for granted that Canada is going to invest in infrastructure in their community—ports, roads, highways, or whatever. We can't take that for granted in Nunavut. Baker Lake has the only highway in all of Nunavut. It's 109 kilometres long and privately owned. We don't have ports in our communities. Our capital has been asking for support to build a deep-sea port. That hasn't happened yet. Baker Lake has a little wee dock that we built ourselves, and Agnico has been having a very hard time unloading their barges with all of their supplies.

There is no infrastructure that will lower the cost of living in Nunavut. There has been talk for many years about building a highway from Nunavut to Manitoba. Look at it this way: most of the money you invest in Nunavut will go back to your constituencies anyway through the purchase of materials and supplies, or whatever we need in Nunavut. We buy it all from your constituencies in the south.

•(1050)

The Chair: I certainly accept that.

Mr. Connell, you may want to comment. Is it better to have an overall gateway strategy that funds projects than have communities approach the federal government on a one-off basis asking for funding for an airport or a port? Is that doable and feasible with three territories?

Mr. Larry Connell: I think the three territories have to be taken separately. They operate separately. I can only speak for Nunavut—and I don't speak for the Government of Nunavut—but I think there's a capacity problem. The government is underfunded and doesn't have the capacity to even chase these opportunities. Industries are arriving and the resource sectors are there. Mineral deposits throughout the north aren't being developed due to lack of that infrastructure or gateway. I would support the concept of a gateway strategy.

The Chair: It has to distinguish among the three territories. It can't be one over all.

Mr. Larry Connell: I don't believe it will work as one over the three territories.

The Chair: Okay. I appreciate that.

I want to go to the Pembina Institute and the non-renewable permanent fund. We have one in Alberta, so that seems like a sensible recommendation.

On the royalty rates, is there a concern? We recently adjusted them in our province and seem to have driven business into Saskatchewan, which is where most of the drilling is occurring now. Is that a concern? Maybe I'll ask Ms. Melhorn or others to comment.

I would just sort of caution you about changing the royalty rate structure. A lot of companies like Crescent Point left Alberta. It's now in the Bakken valley in Saskatchewan. I don't know if you want to address that.

You may want to address the heritage fund as well, Ms. Melhorn. Is this something the Government of the Northwest Territories is looking at implementing?

Mrs. Katherine Mackenzie: On the race to the bottom kind of scenario, our feeling is that if you sell off your non-renewable resources cheaply, they're gone. You'll never get back any barrel of oil that you sell at a low rate. You should set your royalties at a proper rate for the citizens who own the resources. Companies are there and are able to develop the resources and bring them to market, which of course is a critical role. But they shouldn't be able to do it without properly compensating the resource owners.

In our paper there is an example in Newfoundland. At the time, Danny Williams wanted a certain resource structure in place so he put it in. The companies left and then came back 17 months later at the rate he had put in. People like to invest here in Canada. It's stable and we have a strong workforce, in spite of a number of issues with capacity in the north. But there are reasons to invest here, so we don't feel we should sell our resources off cheaply just based on the fear that companies might jump jurisdictions. If every jurisdiction keeps lowering them, where does that leave the citizens of Canada?

The Chair: On the wind energy incentive program, is that only for local demand in the territory?

Mrs. Katherine Mackenzie: That's for all northern and remote communities—in the provinces as well.

The Chair: Do you mean the northern parts of the provinces?

Mrs. Katherine Mackenzie: Yes, I think the brief is based on the fact that basically all communities are off-grid, for example, in northern Ontario or Nanisivik.

The Chair: Okay.

Ms. Melhorn, do you want to comment on the permanent fund, similar to the heritage fund, and the royalty rates issue at all?

Mrs. Margaret Melhorn: As we've discussed already, the Government of the Northwest Territories doesn't control the royalty regime in the Northwest Territories right now; it's under federal control. Obviously, we want to transfer that responsibility through devolution. Ultimately we would be looking to have control of the royalty regime in the Northwest Territories.

We need to recognize that the north is a frontier area. To make direct comparisons with other jurisdictions in Canada or other parts of the world, you'd have to take into account the fact that we're a frontier area and have no infrastructure. Right now, in the absence of the Mackenzie gas project, there's no way to get the natural gas from the Beaufort Delta to markets. So companies that are exploring are doing so without having a way to actually get it to market right now. All of that has to be taken into account. There's also the lack of

transportation infrastructure, the lack of energy infrastructure. It all makes this a different environment for resource companies than the south. These differences would have to be taken into account.

With respect to a heritage fund, our government is looking at options. Our minister of finance announced in his last budget that a heritage fund is something our government wants to look at. Within the Department of Finance, we have been looking at how it might work.

•(1055)

The Chair: It would obviously be impacted by talks about devolution?

Mrs. Margaret Melhorn: Yes, in the absence of devolution, we don't have the royalties to put into a heritage fund. But that's not to say we shouldn't at least be looking at what we might want to do.

The Chair: Okay, thank you.

It's been a very interesting discussion. I wish there were more time, but we're already late for our visit and I'm causing all of our logistics people some serious consternation—as I did yesterday, when I almost missed the plane here.

I want to thank you all for your presentations, your submissions, and your responses to all of our questions. It's been a very good discussion. Thank you all.

The meeting is adjourned.

MAIL  POSTE

Canada Post Corporation / Société canadienne des postes

Postage paid

Port payé

Lettermail

Poste-lettre

**1782711
Ottawa**

If undelivered, return COVER ONLY to:
Publishing and Depository Services
Public Works and Government Services Canada
Ottawa, Ontario K1A 0S5

*En cas de non-livraison,
retourner cette COUVERTURE SEULEMENT à :*
Les Éditions et Services de dépôt
Travaux publics et Services gouvernementaux Canada
Ottawa (Ontario) K1A 0S5

Published under the authority of the Speaker of
the House of Commons

SPEAKER'S PERMISSION

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Additional copies may be obtained from: Publishing and
Depository Services
Public Works and Government Services Canada
Ottawa, Ontario K1A 0S5
Telephone: 613-941-5995 or 1-800-635-7943
Fax: 613-954-5779 or 1-800-565-7757
publications@tpsgc-pwgsc.gc.ca
http://publications.gc.ca

Also available on the Parliament of Canada Web Site at the
following address: <http://www.parl.gc.ca>

Publié en conformité de l'autorité
du Président de la Chambre des communes

PERMISSION DU PRÉSIDENT

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la *Loi sur le droit d'auteur*. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la *Loi sur le droit d'auteur*.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

On peut obtenir des copies supplémentaires en écrivant à : Les
Éditions et Services de dépôt
Travaux publics et Services gouvernementaux Canada
Ottawa (Ontario) K1A 0S5
Téléphone : 613-941-5995 ou 1-800-635-7943
Télécopieur : 613-954-5779 ou 1-800-565-7757
publications@tpsgc-pwgsc.gc.ca
http://publications.gc.ca

Aussi disponible sur le site Web du Parlement du Canada à
l'adresse suivante : <http://www.parl.gc.ca>