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Monday, December 13, 2010

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Chair

Mr. Bruce Stanton

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• (1620)

[Translation]

The Chair (Mr. Bruce Stanton (Simcoe North, CPC)): Thank you, members.

Now we'll proceed to the orders of the day. We welcome Mr. Patrick Borbey, senior assistant deputy minister, Treaties and Aboriginal Government, Mr. Jamie Tibbetts, director general, Devolution and Territorial Relations Branch.

[English]

Mr. Tibbetts and Mr. Borbey, welcome back.

We have the motion by Monsieur Lévesque in respect to Nutrition North. The motion has been read and was tabled at an earlier meeting. We agreed to continue the discussion on this motion today.

The question came up that we should have officials present to help us deal with the possible implications of the motion and be properly informed, so perhaps Mr. Borbey or Mr. Tibbetts would like to provide some background on that question.

Before you do that, I have Ms. Crowder.

Ms. Jean Crowder (Nanaimo—Cowichan, NDP): On a point of order, I understand that some new information was posted on the website about things like subsidy rates and whatnot. I wonder if the department can tell us what new information since their last appearance at the committee is now available for communities, retailers, and transportation companies.

The Chair: Sure. I think that is certainly germane to the motion as well, Ms. Crowder.

[Translation]

May we begin hearing evidence?

Mr. Lévesque.

Mr. Yvon Lévesque (Abitibi—Baie-James—Nunavik—Eeyou, BQ): Mr. Chairman, a request was made to defer the motion to enable the department to provide us with the rest of the information on the program. The committee subsequently agreed to examine the motion as such and to see whether it applied in the form in which it was presented or whether amendments were necessary.

[English]

The Chair: That's certainly acceptable from my point of view. I don't sense that there's any disagreement with that approach.

Let's go to our guests here this afternoon and get up to date on where we are with this program. Then we'll come back to Mr. Lévesque's motion.

Monsieur Borbey.

[Translation]

Mr. Patrick Borbey (Senior Assistant Deputy Minister, Treaties and Aboriginal Government, Department of Indian Affairs and Northern Development): Thank you, Mr. Chairman.

I was just going to say that it's perhaps not my role to comment on the motion.

[English]

But perhaps I can provide additional information and answer questions that may help us to understand the implications of the motion.

[Translation]

Mr. Chairman, over the past few weeks, the committee has heard from several witnesses during its study of the new Nutrition North Canada Program.

Mr. Jamie Tibbetts, director general of Devolution and Territorial Relations, and I are pleased to join you once again to answer any additional questions you may have about the program.

We would also like to provide information that may be helpful in clarifying some issues or matters that have been raised by witnesses during the previous meetings.

[English]

One of the key what I will call misconceptions about the new program is that we will lose the economies of scale and the negotiating power of Canada Post and that this will trigger increases in shipping costs and, ultimately, in food prices.

Based on the volumes that northern retailers and southern suppliers ship to the north, this does not appear to be the case. The reality is that with the exception of the work that is carried out under the food mail program, Canada Post is not in the freight business; it is in the business of shipping mail and small parcels.

On the other hand, major retailers, which account for about 90% of the stores in the north where people buy basic groceries, already ship very large volumes of freight. Consequently, this volume gives them greater bargaining power than Canada Post when it comes to negotiating rates for this type of cargo.

To that extent, we did an analysis of the shipping rates Canada Post has negotiated with airlines versus the rates major retailers pay to ship their freight. The results of this analysis are presented on the table that was distributed.

• (1625)

[*Translation*]

I believe it's available in both languages.

[*English*]

There are 69 fully eligible communities in which at least one major retailer operates. In 54 of these 69 communities, the rate the retailer negotiated is lower than the rate Canada Post is able to obtain.

The weight of perishable foods shipped to these 54 communities under the food mail program represents 91% of the total weight shipped to the 69 communities mentioned above. Canada Post's rate is lower in only 14 communities that represent 8% of the total volume. The shipping rate is the same for both Canada Post and the retailers in one community—Norman Wells, in the Northwest Territories—which represents about 1% of the volume.

On average, we have determined that Canada Post pays about 36¢ per kilogram more than what retailers pay to ship to eligible communities. When you extrapolate that over the total program, this represents an extra cost of over \$7 million per year for the program. These are funds that are not available to reduce the price of nutritious food for northern consumers or to invest in health promotion and nutrition education activities.

In addition to the larger volumes and stronger incentives, the new model gives retailers and suppliers the flexibility to seek cost-effective and innovative solutions that will help make nutritious food more accessible.

[*Translation*]

The new model affords the department greater flexibility to respond on a timely basis to the concerns of northern consumers and stakeholders. There is greater leeway to make necessary adjustments to improve the program on an on-going basis.

Such an example was recently brought to our attention with respect to Quebec North Shore communities that only use the program for three months of the year, when there is no regular marine service. In this case, the communities were to be eligible for a nominal subsidy because the weight shipped to them fell under the program's minimum threshold.

However, given the seasonal usage of the Food Mail Program in these communities, their shipments should have been annualized. Based on this information, it was determined that the communities of Harrington Harbour, La Tabatière and Tête-à-la-Baleine will be eligible for a full subsidy as of April 1, 2011.

Also, as noted during our November 15 appearance before this committee, the department on December 1 released the subsidy rate schedule for communities. These rates were developed by each community and make it possible to allocate the program budget fairly and equitably.

This schedule was developed using a comparative analysis of actual market shipping costs by community and estimates of the weights of eligible goods that are projected to be shipped to each community under Nutrition North Canada.

These rates are introductory and, as updated information on shipping costs and food prices becomes available, they may be adjusted prior to April 1, and periodically thereafter, to ensure that eligible communities are treated fairly and equitably.

[*English*]

These are two examples where the program's flexibility allows us to respond more quickly to make necessary adjustments when new information is brought to our attention. While staying within the program's national scope and authorities, we anticipate that this program model will allow for ongoing improvements. The external advisory board, now composed of seven northerners following the announcement on November 25, will also help keep this program responsive to the needs of residents of isolated northern communities.

On the other hand, the food mail program in place since the 1960s provided little flexibility or incentive for innovation, leading to ever-increasing costs. Nutrition North Canada offers a more cost-effective and flexible model that will enhance accountability and transparency in ways that cannot be addressed within the current food mail model.

It has been suggested that the implementation of Nutrition North Canada be postponed by one year. In addition to delaying the expected benefits of the new program, such a delay could have significant negative impacts on northerners, stakeholders, and the costs for Canadian taxpayers.

Northerners could feel the sharpest impact of the proposed delay if we find ourselves in a position on April 1, 2011, where we are unable to offer any subsidy program. Based on the May 21 announcement of the Nutrition North Canada program, Canada Post is already transitioning out of the food mail program.

It's our understanding that Canada Post is winding down its current contracts with the air carriers that ship food mail and does not anticipate having such contracts in place come April 1. It is also working to reassign the existing employees who had helped carry out the program.

I cannot speak for the crown corporation, but we believe that revisiting the decision to implement Nutrition North Canada as scheduled could be very expensive and in fact might not even be possible. Moreover, supply chain stakeholders, from food suppliers to air carriers and retailers, have begun to make alternative arrangements to adjust to the new program model. A decision to delay implementation could translate into financial losses for many of these stakeholders, which could potentially trigger legal actions against the crown.

•(1630)

[Translation]

To conclude, Mr. Chairman, what the committee heard during its study was not unlike what officials heard from stakeholders during the review of the Food Mail Program. There were divergent opinions and views, often contradictory, on the best way to support northerners' access to healthy, perishable food. As the committee's work helps to illustrate, these views are often shaped by corresponding financial interests, those of airlines, retailers, wholesalers or other supply chain stakeholders. Clearly, businesses have a right to pursue their best interests and a legitimate role in influencing public policy to their advantage.

But in the midst of this discussion, officials sought to present objective information focused on the program's core objective to make nutritious food more accessible for the residents of isolated northern communities.

Thank you.

[English]

Thank you.

And, of course, we're here to take your questions.

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

Now, members, I think the discussion will be about the motion before us, per today's agenda. As opposed to going through the routine speakers list, as we do with witnesses, I'll just keep a list of questions and we'll proceed accordingly.

I must say that we do want get to a consideration of the draft report today. So if we could get your specific questions around this motion, or things related to the motion, to allow us to make a determination, that would be best.

I think I saw Mr. Bagnell first, and then I have Mr. Dreeshen, and Monsieur Lévesque.

Mr. Bagnell, go ahead.

Hon. Larry Bagnell (Yukon, Lib.): Thanks. I just have a couple of questions.

This additional information is very helpful.

On the retailers, I have a very good chart here showing that 54 retailers have lower costs in 14 communities than Canada Post has. Is that right?

Mr. Patrick Borbey: Those are communities where the retailers' costs are lower than Canada Post's, yes, so there may be more than one retailer in those communities.

Hon. Larry Bagnell: Do you know roughly how many retailers were involved when you did this chart?

Mr. Jamie Tibbetts (Director General, Devolution and Territorial Relations Branch, Department of Indian Affairs and Northern Development): We started with a base of 112 retailers.

Hon. Larry Bagnell: Okay.

On the Old Crow situation, I know you were in discussions because it's a unique situation. Have you come up with something that's acceptable to them? In particular, they can go to any individual grocery store right now and ship it up, which is very effective and efficient for them, and it would be much more complicated for them under the proposed new system, as they understand it. Have you come up with something to deal with that?

Mr. Patrick Borbey: Yes. I'll turn to Mr. Tibbetts, because he actually was there. He had people up there in Old Crow discussing the program.

•(1635)

Certainly we've already made some adjustments for Old Crow to recognize the fact that it does not have reliable winter roads or access. It is a bit of an anomaly, so we have accepted that they will continue to receive the subsidized rate for non-food and non-perishables, unlike the case elsewhere in the country. There is one retailer there, of course, that will be eligible to participate in the program, and all members of the community will be able to use personal orders, as they currently do. But the way that is carried out now will be slightly different under the new program.

Mr. Jamie Tibbetts: That's basically right. NNC shifts from a transportation subsidy to a retail subsidy. So our agreements to get the weaknesses around data and control in the food mail program addressed will be with retailers, and they'll pick the most cost-effective way of getting it to the community.

We were in the community recently, as well as in Dawson and Whitehorse, talking to retailers. There's a strong interest in signing up a number of retailers under the program so that the services continue. It will be within the same sort of fair and equitable practices that are in place for the rest of the program at this point.

Mr. Borbey was correct about the exceptions. Old Crow will continue to be the only place where we ship non-food items and non-perishables through the program, but the people in Old Crow will receive the same benefits and more that are available to other northern residents under the program.

Hon. Larry Bagnell: I have one more quick question. Have you published the rates that people will get in the various communities now?

Mr. Jamie Tibbetts: Yes. For Old Crow, for category one for milk and eggs and whatnot, it's \$2 per kilogram.

Hon. Larry Bagnell: What was it before?

Mr. Jamie Tibbetts: It's not the same. It's a top-down sort of approach, but it's comparable to the existing rate that was there before we had done our analysis to base it on—the rates that were in play all across the north before.

Hon. Larry Bagnell: It's roughly the same rate for perishables?

Mr. Jamie Tibbetts: Yes.

The Chair: Thank you, Mr. Bagnell.

Mr. Dreeshen, *et après*, Monsieur Lévesque.

Mr. Dreeshen.

Mr. Earl Dreeshen (Red Deer, CPC): Thank you very much.

I have just a couple of questions. I really do appreciate the chart. I think that's great.

Could you perhaps tell us where Kuujuaq fits into this particular chart?

Mr. Jamie Tibbetts: Could you give me one moment, please?

Mr. Earl Dreeshen: Certainly.

Well, maybe I'll ask my next question then, and you can get that to me.

This relates to the Kativik regional government. Recently it adopted a resolution to urge the federal government to reinstate for one year the eligibility for non-perishable food and non-food items. This would allegedly be to allow northern retailers more time to adjust to the revised list and to build additional storage space.

For our government, I know this new program is about what nutrition is getting to northerners, not how nutrition is getting to the kitchen table. I just wonder what the impact would be of reinstating the eligibility of these items that were eliminated this past October and if you could give us some information about that.

Mr. Patrick Borbey: There are a number of answers to that. The first element is that if we were to make those goods eligible again, we estimate that on an annualized basis the extra costs would be at least \$7 million. I apologize: it's not the same \$7 million on this chart, but it just happens to be that when you calculate the value of that subsidy, it would be about \$7 million if it were to be reinstated. That would be lost.

Those savings are being used to subsidize some of the improvements to the program that we put in place at the request of northerners. We could not afford to do an education and promotion program without those savings. We could not afford to set up an advisory board and support its activities without those savings. We also could not afford to have the new component of the program that's targeted to country foods—traditional foods—without those savings. Those are just some examples. Those savings also partially helped us to set up a subsidy rate that is significantly higher for the most nutritious foods than it is for the least nutritious foods.

All of that was a part of the package that allowed us to be able to move forward with this kind of program.

The Chair: Mr. Dreeshen.

Mr. Earl Dreeshen: I was just wanting them to provide the information on the first question.

The Chair: Oh, yes. That was the information on Kuujuaq.

Go ahead, Mr. Tibbetts.

Mr. Jamie Tibbetts: We didn't have the particular independent's own rates. We have them from North West. It's in the higher category. But we don't have every individual store's rates. We have several rates for every community. In order to calculate the \$7 million that Patrick was just mentioning and compare it to Canada Post rates, we have multiple rates throughout the environment, and we picked it from there. But it is in the higher of the 54.

• (1640)

Mr. Earl Dreeshen: Thank you.

[*Translation*]

The Chair: Thank you, Mr. Dreeshen.

Go ahead, please, Mr. Lévesque.

Mr. Yvon Lévesque: Mr. Borbey, the last time you came to meet with us, you told us that under the Food Mail Program, it was Canada Post that established the list of foods transported. Is that correct?

Mr. Patrick Borbey: No. The list was determined by the department, in consultation with Health Canada. We conducted a review, virtually every year, to ensure that the list remained up to date based on best practices and best foods. That's how we reviewed the list.

Mr. Yvon Lévesque: Here you tell us, "On the other hand, the Food Mail Program, which has been in place since the 1960s, provided little flexibility or incentive for innovation." Wasn't it the department's responsibility to establish Canada Post's subsidy application specifications?

Based on my understanding of the program, you issued the directives and the amounts necessary, whereas Canada Post requested bids based on criteria established by your department. Based on that, you issued a subsidy the amounts of which had not been changed since the 1990s, if I'm not mistaken. That's 20 years. Of course, every year, expenditures had to be made to normalize the program.

You have pilot projects in three communities. What are those communities?

Mr. Patrick Borbey: There was one community in northern Ontario, another in northern Quebec and one in Nunavut, three communities for which we set the lowest rate for certain foods, the most nutritional foods.

Mr. Yvon Lévesque: What led you to establish pilot projects in those three communities and not to do so in all communities in general?

Mr. Patrick Borbey: We wanted to see whether there was a reduction in shipping rates because the program operated in reverse fashion: the customer was billed per kilogram rather than be given a subsidy. So the idea was to see whether that would cause a change in the consumption of healthy food.

I believe that, in two communities, we were able to establish that there had been an increase in consumption and that the results were not really conclusive in the third.

Mr. Yvon Lévesque: And what prevented you from establishing that pilot project in all communities as a whole?

Mr. Patrick Borbey: If we had taken the same program, with the same rates, the costs of the program would probably have tripled—or even more—because we were operating on a fixed budget. As you said so yourself, the annual amount is about \$24 million—

[*English*]

It was \$24 million that we had as a base?

Mr. Jamie Tippetts: It was \$27 million.

[Translation]

Mr. Patrick Borbey: We had a basic amount of \$27 million. Every year, we had to go back to Parliament to request additional funding.

It should be noted that, during the 1980s and 1990s, the program grew gradually but reasonably. Since 2000, we've seen an explosive increase in program costs. We realized that the model was not really financially viable over the long term. Every year, we found ourselves back in the position of having to request additional subsidies.

Mr. Yvon Lévesque: With regard to the current program, do you believe that the big retailers and the wholesalers—I believe there are two main players in all the territories—will be able to control the fuel and operating costs of the transportation companies? Canada Post came and told us that there were 23 companies currently transporting food supplies to remote areas and that those companies were winning transportation contracts through bidding.

If you submit a table like that to Canada Post, aren't you able to tell it that it has to rely on the established prices and should not charge more?

•(1645)

Mr. Patrick Borbey: That's what we tried to explain. Canada Post doesn't have the same kind of buying power as the retailers. When they place orders, since they can combine all the orders, they are able to negotiate a better rate. The number of kilograms, the number of tonnes of goods sent to each of the communities is much greater because they combine their regular purchases with those made through the subsidized program. That's why they have greater purchasing power.

Mr. Yvon Lévesque: Let's say that, with the new program, you no longer have the current delivery schedule. In other words, it's the retailer that will say it needs so many kilos of food on a certain date. The carrier is no longer sure that it has to handle a regular quantity of goods every day, every week. It won't even be sure of having it every week. During one week, there may not be any, and it has to submit a bid to the retailer. You just said that would cost less.

If I had a transportation company and I wasn't sure that I would have a certain volume to transport every day—

Mr. Patrick Borbey: The companies assured us that deliveries would be made much more frequently. For example, if fruit and vegetables are delivered to a community once a week, you can be sure that quality in the store will be different.

However, if that can be done every two or three weeks, there will be higher quality foods that are more attractive for consumers and an increase in consumption.

We've heard a lot of horror stories about entire shipments that arrived at their destination already spoiled and over which the retailer had no control. It received the delivery and sometimes put it out on the shelves. It put already over-ripe fruit, such as black bananas, out on the shelves. That's not right. We wouldn't accept that in the south; we shouldn't accept that in the north either.

Mr. Yvon Lévesque: We've heard a number of witnesses say that the problem occurred between the moment the goods were unloaded

from the aircraft and when they were received at the store. People in the north don't have the necessary facilities, so goods are transported by snowmobile or by open pick-up truck. We can't blame Canada Post for the bad quality of the product.

Who will be blamed when there are no more administrators and the department administers the program directly?

Mr. Patrick Borbey: You're absolutely right. We won't be able to blame Canada Post; we'll blame the retailers. They're the ones that will be responsible and accountable. It's with them that we'll have contribution agreements and who'll have to show us that they're meeting quality standards. If foods stay at the airport in unacceptable conditions, they'll be responsible for them.

[English]

The Chair: Thank you, Monsieur Lévesque.

Members, I have just a point here in terms of trying to manage our time. We have four more interventions on this particular topic. We have 40 minutes left in our usual time slot and we have staff here that are anticipating work on the Nutrition North Canada study.

Do we feel that we need the remaining 40 minutes for this motion? Because I can release the staff at this point if we're not going to get to the study this afternoon. Or do you want to forge ahead and see if we can finish this up in, say, 10 minutes? I'm trying to look ahead here.

Okay. We're not going to get to the study here this afternoon, so I think we'll do that.

To our staff members, who have so diligently come to their very first meeting anticipating to work on our study, you are free to go. We'll see you back here on Wednesday afternoon. I commit to getting to the study. The committee will certainly indulge us, I'm sure, and we'll see you back here Wednesday afternoon on the committee report. Thank you.

Sorry for that interruption.

I have Mr. Payne followed by Ms. Crowder.

Mr. Payne, you're up next.

Mr. LaVar Payne (Medicine Hat, CPC): Thank you, Mr. Chairman. I promise not to take up 39 minutes.

I would like to thank the officials for coming today to help clarify some of the questions that have been posed. As the officials who have obviously had a long-term understanding of the outdated 1960s food mail program and looking, of course, to develop the Nutrition North Canada program, could you tell us what made you move in this direction to start this new program?

•(1650)

Mr. Patrick Borbey: Well, this has been a program that has been under a certain amount of criticism, commentary, and review for quite some time, especially since, as I explained earlier, we had to come in cap in hand every year to ask for more resources without really being able to demonstrate how those resources were leading to better outcomes.

There were a lot of criticisms by northerners, as well as by the retailers themselves, and by the airlines. Some airlines were not happy they weren't getting contracts. In fact, they took Canada Post to court. There was a lot of conflict around it, and we could never get to the bottom line, in terms of being sure that each dollar is actually making its way to northerners and to the right kinds of objectives, i. e., increasing the consumption of healthy foods.

So we listened. We did a formal review. We had engagement sessions. There were about 80 different sessions across Canada. A lot of them were in northern Quebec and in Nunavut, where the majority of the program funding is.

I recognize that in some parts of northern Ontario it was more of a virtual engagement; we couldn't be everywhere at the same time. We also faced some constraints in terms of travel during the H1N1 crisis, so again we ended up taking a lot more testimony or commentary virtually, or people were phoning or writing the minister. We certainly had a lot of representation from all the different stakeholders.

We put our best advice forward. There were three options looked at. One was a pure retail subsidy, which would be directly paid at the till. Another one was a retail subsidy paid through the retailers. The third was a form of making some improvements or modifications to the existing program. Those were the three options. All of them were looked at. We did a complete risk analysis where we actually involved the stakeholders in the risk analysis, and on that basis we developed advice, which went into the policy process. Our minister and cabinet made a decision and now we are loyally and dutifully implementing that decision as good public servants.

Mr. LaVar Payne: I thank you for that. It does sound as if this has a much better opportunity for the benefit of the residents of the north, from what I've heard and seen at this point in time.

I know there were some concerns around the residents of Old Crow. Is there anything else you would like to add in terms of ensuring they're being treated fairly and equitably in relation to other communities? Are there any other items you'd like to expand upon?

Mr. Patrick Borbey: Jamie, do you want to comment?

Mr. Jamie Tibbetts: On the situation with Old Crow right now when you travel, some people will show up at the airline counter and have things shipped up through Air North to the community. The airline is the shipper as well as the transporter. That leads to us subsidizing the transporter under the old program—because it was a transportation subsidy—which is making its own demand, frankly, and you have no separation of duties within that type of structure.

We have no evidence of any abuse, but it sets up a condition that is unlike that anywhere else in the country. If you had 5,000 Inuit or first nation peoples in Ottawa or Winnipeg doing the same practice, the \$58 million would have been \$158 million, I would project, because of the demands that could have been placed on the program. You would also not develop a northern retail environment that creates jobs and other conditions for people to live in the north. That's about all I would add to my previous answer.

Mr. LaVar Payne: Thank you.

The Chair: Thank you, Mr. Payne.

Madam Crowder, go ahead.

Ms. Jean Crowder: I will keep my questions relatively brief.

In your speaking notes, you indicated that the rates were introductory and we'd be updated on information on shipping costs and food prices as they become available. I have two questions. What kind of review or monitoring process do you have in place that's going to look at things like this but that also will examine the kinds of impacts that it could be having on communities, either intended or unintended?

• (1655)

Mr. Patrick Borbey: Well, there will be a two-step answer, if I can say that. I'll talk about the second step first, and I'll ask Mr. Tibbetts to talk about the controls and monitoring.

The second part of the answer is we have an advisory board of northerners who will be looking at, broadly speaking, the performance of the program, but also will be taking in commentary and testimony from people who feel that things are not going well or the rates are too high or the subsidy's not being passed on. That advisory board is going to be a powerful instrument to help with that accountability.

Ms. Jean Crowder: On that point, do they have a secretariat or something? I notice that it looks like a pretty broad cross-section of advisory board members.

Mr. Patrick Borbey: We'll provide whatever secretarial supports, but they will be working independently, and they will have an opportunity to speak directly to the minister and provide their advice—not through us. We're just there to support them.

Maybe Jamie can talk a bit more about the specifics.

Mr. Jamie Tibbetts: The rates are called “introductory” because they're intended to be updated periodically as we get more information. With respect to the framework for the new program, I'll be receiving price data as well as cost data and we'll be able to adjust as we go. When we started, we were using 2009-10 food mail program data by community and forecasts for next year.

So if some of those forecasts are off and conditions change, we'll have to adjust our rates accordingly, within the envelope. The data that we're going to receive under the program will allow us to monitor consumption as well as what's shipped.

I think these rates are relatively close to what Canada Post is paying now. In a couple of instances, certain companies have said they think the rate could be higher in one community or another. It's because we've used, wherever we could, two or three different market rates. It's basically an indicator that the company may be paying higher than other people are paying. We are trying to keep the low-water mark and not the high-water mark within these rate structures.

Finally, the rates are not intended to be a 100% subsidy of airfare costs. It's to make it a more acceptable, cheaper price and level the playing field. If we were provided additional funds, we could make those rates more aggressive. But at this point, we've distributed them so that everybody is paying something. In some communities, like those in Manitoba—I think you asked about that last time I was here—some of those communities are actually paying significantly less than Canada Post rates, so they're still under the floor. They have not lost anything under the new rates. So it sort of fits in with that.

Ms. Jean Crowder: Just to—

Mr. Jamie Tibbetts: Could—

Ms. Jean Crowder: Sorry, go ahead.

Mr. Jamie Tibbetts: In your opening remarks, you were asking about other things we've done. Did you want...?

Ms. Jean Crowder: Yes.

Mr. Jamie Tibbetts: The subsidy rates were posted on December 1, as we promised. They are introductory rates. We'll keep evolving them. We're not going to be changing them soon. We'll see what the industry says and consider further analysis as it comes in.

We announced the advisory board on November 25, and we have regular conference calls with the remaining members. We're going to set up our first meeting, probably in late January, just to have a discussion on forward agenda and to get them trained a little bit on the program to get them started.

We've been spending time analyzing the potential delays in the program, of course, and we've developed guidebooks for applicants. Recently, we were talking to people in Whitehorse about some of the criteria. On that guidebook, we're about ready to start going out and meeting with all the retailers and wholesalers we know and starting to sign people up in the first quarter of the next calendar year.

Ms. Jean Crowder: Just on the advisory board, if there are unintended consequences, other than what you're monitoring, you're suggesting that community members contact advisory board members?

Mr. Jamie Tibbetts: They certainly may. They can contact me as well. Our intention here is to find a fair and equitable distribution of the funds that are available. So if we have it wrong.... The industry people are coming to me now, and if there are three or four or two stores in one location, and one is happy and one is not, it usually means that one has a better rate than the other, negotiated with the supplier, perhaps.

● (1700)

Mr. Patrick Borbey: But the first point of contact should be with the retailer. If people don't like what they see in their store, that's where they should start. The retailers know that they have to be there

to listen. They have to be able to demonstrate to their clients how the subsidy is being passed on. So if a pint of milk is costing two dollars more in a community, and he can't explain why, then that's the first point of contact. We want to encourage that discussion to happen at that level.

The Chair: Thank you, Ms. Crowder.

[*Translation*]

Next will be Mr. Lemay, then Ms. Glover, Mr. Bagnell, Mr. Lévesque and Mr. Weston.

Go ahead, Mr. Lemay.

Mr. Marc Lemay (Abitibi—Témiscamingue, BQ): May we have a list of members of the advisory board? I'd like to have that, please, if you can send it to us. Perhaps I saw it somewhere.

Mr. Patrick Borbey: It's on the website.

Mr. Marc Lemay: That's what I was waiting for. You went exactly where I wanted you to go. I know it's on your website. Don't worry, I went and consulted it.

What happens for those people who don't have the Internet in the small villages? What do they do?

Mr. Patrick Borbey: There is Internet access in all the villages, in all the communities. It's a very powerful medium in the north. They definitely don't have the same capacity as we have here, but the people in the north are quite advanced with regard to Internet use.

Yes, we have other ways of communicating those names. We will ensure that the aboriginal organizations and territorial governments, for example, know that there are people... These people are quite well known in their communities. For example, there's Nellie Cournoyea, who is well known. She is a former premier of the Northwest Territories.

I can read you the list now.

Mr. Marc Lemay: No, thank you. I was setting a trap for you. I wanted to be sure—

[*English*]

Mr. Jamie Tibbetts: Could I add something? There's a 1-800 number being set up.

[*Translation*]

Mr. Marc Lemay: Yes, I'm very much interested in that. Is the toll-free 1-800 number currently in service?

Mr. Jamie Tibbetts: Yes.

Mr. Marc Lemay: Since when has it been in service?

[*English*]

Mr. Jamie Tibbetts: It's being set up now. I don't have a date, but in my briefing we're saying that it will be in the next couple of weeks. It should be up before Christmas.

[*Translation*]

Mr. Marc Lemay: So the people in the north can reach you at the 1-800 number.

There's still a piece missing from the puzzle and I really want to understand. From now on, the person we see if the bananas come in black instead of yellow or green is the retailer. That's starting now.

Mr. Patrick Borbey: Starting on April 1.

Mr. Marc Lemay: Pardon me, starting on April 1. But that's gradually being put in place.

So, starting on April 1, if my bananas are black, I can get annoyed at the retailer.

What's being done about the points of entry? Am I to understand as well that, starting on April 1, there will be no more fixed points of entry, that it will be a free market. If I want to leave Winnipeg to go make a delivery in Kuujuaq, I can do it? Is that correct?

Mr. Patrick Borbey: That's correct.

Mr. Marc Lemay: Who does the subsidy go to?

Mr. Patrick Borbey: The subsidy will be allocated to retailers on the basis of the receipts they submit to us. Whether it be a retailer in the north or south that fills personal orders—

Mr. Marc Lemay: Wait a minute. I want to understand. That's an important piece of the puzzle.

So there are retailers for individual orders. They will send a package by Air North or another carrier. The person will receive his or her package of bananas, and then the retailer will receive the subsidy upon submitting proof. So there will be no intermediary between Canada Post—

Mr. Patrick Borbey: That's correct. There will be no more intermediary.

Mr. Marc Lemay: There's no more intermediary at the points of entry. The point of entry will therefore be left to the retailer's discretion.

Mr. Patrick Borbey: The retailer will make whatever arrangements it wants to make with the carrier. If retaining a centralized point of entry seems an obvious choice for them—because they can achieve economies of scale or whatever—it will be up to them to negotiate that. It's up to the market to decide.

Mr. Marc Lemay: I have a few more questions, Mr. Chairman, but I'm finishing.

What control will you have over that? When I say "you", that doesn't necessarily mean Mr. Borbey or Mr. Tibbetts, because you'll be retiring some time, unfortunately—I know you've monitored this file and you're very much interested in it.

What control will the department have over it?

• (1705)

Mr. Patrick Borbey: There's no control at the present time. There will be contribution agreements directly with each of the retailers, whether they're in the north or the south. Then we'll be able to apply all the controls inherent in a contribution program to ensure that the objective, which is to pass this subsidy on to the consumer, is achieved by the retailer.

They'll submit to us proof that will be subject to audit. These are all conditions that are not currently in place under the program.

Mr. Marc Lemay: The problem is that they will submit proof, receipts and so on to you, but that will be in a few months. This goes into effect on April 1. So how can I be sure that the right products will get there on May 1, for example?

Will you have monthly, weekly control? How will that work?

Mr. Patrick Borbey: I can ask Mr. Tibbetts to explain that.

However, for April 1, we'll definitely have an advanced financing instrument. That's what's allowed under the contribution programs to make it possible for these orders to be placed. We obviously won't wait until the end of the first quarter to reimburse retailers.

So there will be an adjustment period. Once the program is underway, it will operate on its own.

[English]

Jamie, do you want to give a bit of detail?

Mr. Jamie Tibbetts: Sure. We'll be setting up a claims processor early in the new year, the new fiscal year, and the companies will provide waybills and invoices on a monthly basis, or data from those waybills and invoices. They'll be verified. They'll sign and attest that they passed on the subsidy to consumers and the contribution agreements will give us the right to audit them as well.

[Translation]

Mr. Marc Lemay: All right.

[English]

The Chair: We need to get along here. One more short question, please.

[Translation]

Mr. Marc Lemay: All right.

If the village of Salluit, Kuujuaq or Yellowknife isn't satisfied, I can tell them that, starting April 1, it will be directly up to the retailer or to the toll-free 1-800 number to ensure control.

[English]

Mr. Jamie Tibbetts: And we'll use a risk framework to analyze who should be audited more than others and make sure that we're looking at those claims.

[Translation]

Mr. Marc Lemay: All right, thank you.

[English]

The Chair: Members, I have six on the list here, and we need to deal with the question on the motion as well. I know that some of you have not had a chance to speak yet, while some have already spoken, but let's go as quickly as we can, with a couple of short questions, maybe two minutes maximum. Let's move on as best we can.

Ms. Glover, go ahead.

Mrs. Shelly Glover (Saint Boniface, CPC): Thank you, Mr. Chair.

I want to also bring up the fact that we are looking at a motion that would ask us to suspend Nutrition North Canada for a year. I appreciate that in your speech you've actually addressed some of the reasons why it would be next to impossible to do this: contracts are ending, Canada Post is obviously transitioning out, and employees are being transferred. You've also talked about potential legal implications for the crown.

Then you mentioned financial interests, which I find very interesting: you say that some of the views of the committee witnesses really may have been as a result of some financial interests. Never was that more clear, for me anyway, than when Canadian North was here to say that they are not able to get contracts under the old food mail program and that First Air almost has a monopoly in their area. Then, of course, First Air came and said they want to continue the way they are. Well, of course they do, because their financial interests are being vocalized in this forum, and I appreciate that; they have every right to do that.

But in the long term, is this about how we get the food to the table? Is this not about getting nutritious food to the table at a reasonable price for northerners? Isn't it about the consumer and not about the retailer?

Mr. Patrick Borbey: Yes, I have to agree with you. If there were a way for us to press a button and to have the consumer at the other end get the subsidy...we would love to have gone down that route. Right now, the technology did not allow us to be able to have that kind of direct contact.

I would say that in the future, with advances in terms of technology at the till, where in some of our big chains now you can see how much you saved on your bill, I would certainly want to see that evolution. But for now, on the best way we could change the dynamics of the way the program works... And as you said, focus less about how it gets up there and let the market decide that, and focus more on what exactly is being consumed and measuring the outcomes in the longer term as well in terms of, we hope, better health outcomes of the program, rather than measuring whether airlines are satisfied or not...that's where we want to focus our energy.

• (1710)

Mrs. Shelly Glover: Right.

I still have another question.

The Chair: One more.

Mrs. Shelly Glover: That ties into my last question for you. It's running down the same track that Mr. Lemay was running down with regard to, once again, people coming to committee and suggesting they need points of entry because jobs might be lost there, or there are going to be rotten bananas that are going to get up north, and we have to have a way to hold people to account for that.

But under the old program there was no accountability for rotten food because there was no insurance. Is that right?

Mr. Patrick Borbey: That's right.

Mrs. Shelly Glover: And yet, under Nutrition North Canada, when we hold the retailer to account, they have insurance, so the

consumer now has the option of compensation—if I'm correct in what I've learned in committee—because there is some insurance.

How would we go back with this motion that Monsieur Lévesque is suggesting? How would that affect points of entry? Wouldn't it just collapse entirely the progress we've made on Nutrition North if we adopted this motion and put points of entry, etc., back in place? We'd lose the insurance. We'd lose everything that we've made progress on for the consumer, wouldn't we?

Mr. Patrick Borbey: I think you're answering your own question—

Mrs. Shelly Glover: I just might be.

Mr. Patrick Borbey: As I said, my job is to loyally implement what the government has asked me to do and to explain, clarify, and defend how we're doing it, making sure that on April 1, it's all in place. My feeling, based on the work we've done, is that we would have some serious difficulties moving the clock back and some significant cost implications that at the end of the day would affect the consumer.

Mrs. Shelly Glover: Am I right about the insurance?

Mr. Patrick Borbey: Again, I'll let Jamie comment on that, but the ultimate insurance for a consumer is to not buy the food. Or if you buy the food, and the food makes you sick, you do as we would do. You go back and say, hey, you're selling bad meat or whatever. We function the same way.

Jamie, is there anything you want to add on that?

Mr. Jamie Tibbetts: The shipping industry has ways of offsetting a product that doesn't make it correctly within the agreements those retailers and wholesalers will have with the shipping industry.

To add to your analysis, though, the 36¢, which we opened up with on that table, accounts for \$7 million. The other \$7 million is a result of delisting non-perishable and non-food items. That adds up to \$14 million.

Without any accountability and the data provisions that are in the existing program, there is probably anywhere from \$14 million to \$20 million to \$25 million—who knows?—a third of the program that could be going to interests that are not being passed on to the consumer. There is no way I can sit here and say that the majority of these funds are going through to the consumer, whereas in Nutrition North Canada, I'll be able to do that. It may not be 100%, but it certainly would be 95% plus.

The Chair: Thank you, Ms. Glover.

I have Mr. Bagnell, then Mr. Weston, Mr. D'Amours, and Mr. Russell.

Go ahead, Mr. Bagnell.

Hon. Larry Bagnell: We don't have much time, and I have a bunch of questions, so please give really short answers.

Are there any costs in the new program, out of the \$60 million or whatever it is, that are INAC costs?

Mr. Patrick Borbey: We already had a small envelope for our costs. We had a small team. So yes, we continue to have some of those costs to cover INAC salaries and operations.

Hon. Larry Bagnell: It was the same in the old program as it will be in the new program, roughly?

Mr. Patrick Borbey: It's going to be a little bit more in the new program. Again, it depends on how the claims processing goes ahead. At the beginning, we'll be doing more manual work. That means having a little bit more staff than we had in the past, yes.

Hon. Larry Bagnell: But it will be no more than \$1 million or \$2 million?

Mr. Jamie Tibbetts: Actually, when you add up Canada Post employees monitoring the program, plus INAC's former food mail employees, it's actually lower. I have approval for 14 resources. It was 17.5 under the old program.

Hon. Larry Bagnell: We had a chart showing that in the old program what was actually spent was approaching \$60 million. That's what's being set aside in the new program in the first year, \$60 million, right?

A voice: Yes.

Hon. Larry Bagnell: Okay.

How many registered retailers are there in Yukon, in Dawson and Whitehorse? You mentioned that you had some.

Mr. Jamie Tibbetts: We talked to at least 12. The one in Dawson—

• (1715)

Hon. Larry Bagnell: How many are registered?

Mr. Jamie Tibbetts: None have registered yet, because we haven't started the technical part of signing up applicants, but several have expressed interest.

Hon. Larry Bagnell: Okay. That's good.

We were under the assumption the whole time that the reason they're getting rid of these non-perishable goods is so that this money could go to perishable goods. But I just asked the prices and you said that they are almost the same as they were before. In fact, the savings of \$7 million, instead of going to perishable goods, is going to pay for education and promotion, the advisory board, and the country foods. I'm not sure that people want their bills higher in the north just so they can pay for these extra programs that the government should be doing anyway.

Mr. Patrick Borbey: Well, these are improvements that were asked for by northerners—

Hon. Larry Bagnell: Yes, but you're taking it out of their food subsidy—

Mr. Patrick Borbey: They would like to see more country food subsidized and we have said that we're open to that as long as it meets the same kinds of standards that you would expect when going to your grocery store here in the south. So we're actually trying to build some flexibility into the program so that we can do more of what the northerners have asked us to do.

We're anticipating some growth in consumption as a result of this, so we also have to be careful. Because we don't want to be in a

situation such that, if the program is really successful next year, we come back and say that it's no longer \$60 million, that it's \$62 million or \$65 million. In our estimations, we have already made some projections for some of that \$7 million to help deal with some of the growth.

Yes, the rates are going to be comparable and may be slightly lower. That also doesn't take into account the savings that we've just demonstrated the retailers and shippers may be able to realize, which will actually then bring down that price of a pint of milk, we hope. That's our ultimate objective.

Hon. Larry Bagnell: But it's not right now: they get a whole bunch of things they don't get paid for anymore, and for the things that they do get paid for—the perishables—they're getting roughly the same rates.

I have a last question. How would it go if you were using the Old Crow system, where they go to the retailers and they send up...? There's only one airline. There's only one way to go, except that now you're going to have to monitor a whole bunch of retailers instead of one shipper. How would it go from \$58 million to \$158 million? Are you saying that we're starving Arctic people so that they're getting one third of the perishable foods they should get and now they're going to go from \$58 million to \$158 million?

Mr. Patrick Borbey: We have 100,000 clients served by this program: 100,000 Canadians depend on this program one way or another. If every single one of them flies down south, goes to a retailer, and brings their bundle of foods to the airline counter to be shipped, imagine the logistic nightmare that would create.

Old Crow has a population of 230 so we recognize that there's a special circumstance there and we're trying to adapt to it. We can't create that kind of situation for 100,000 people across the country.

Hon. Larry Bagnell: Yes, but it's absurd. The people in the Arctic aren't going to spend \$5,000 to go down and go to the grocery store...and still, it's a lot quicker.

One last...?

The Chair: No, we have to move on.

Hon. Larry Bagnell: Okay.

Mr. Patrick Borbey: It's a lot easier for them to pick up the phone or go on the Internet and order their foods through a personal order and have that shipped.

The Chair: Thank you.

I'm going to come to Mr. Lévesque at the end.

I have Mr. Weston, Mr. D'Amours, and Mr. Russell. I'm trying to make sure that this is as even as possible.

Let's go to Mr. Weston.

Just for a couple of minutes, if we can, Mr. Weston, two or three minutes.

Mr. John Weston (West Vancouver—Sunshine Coast—Sea to Sky Country, CPC): Thanks, Mr. Chair.

I'm just confused by my colleague Mr. Bagnell. I mean, the last few comments would suggest that there's no actual advantage to perishables under the new regime, but it seems that everything is conspiring to give perishables—healthy food—more of an advantage.

In that respect, I see that other rumours without substance are circulating. There was a report in the *Kivalliq News* on December 8 saying that individuals making personal orders from the south would have to pay the full cost of shipping, keep their receipts, and then ask to be reimbursed by the government.

It sounds to me and to other members of this committee as if that's not true. Can you please clarify?

Mr. Patrick Borbey: No, it's not. They will be able to receive their personal order and we will have an arrangement with the southern supplier to compensate for the subsidy.

Mr. John Weston: Yes, and you've said that already. I know you're repeating yourself, but I just keep hearing these things coming out.

That's all for me, Mr. Chair.

[Translation]

The Chair: Mr. D'Amours.

Mr. Jean-Claude D'Amours (Madawaska—Restigouche, Lib.): Thank you very much, Mr. Chairman.

Unless I'm mistaken, you are going to grant an initial amount that will make it possible to purchase food. After that, you'll ask retailers to provide you with proof or documents so that you can issue payment. Is that correct?

Mr. Patrick Borbey: We're going to sign a contribution agreement with each of the retailers. The agreement will determine an estimate based on past consumption and use of the subsidy. That could be \$100,000 for one retailer in a particular community. Under the fund transfer policy, we can grant advance payments to finance transitional issues or things like that.

So that's what we're going to do. We're going to apply the policy so that, at the start of the contribution agreement, we can address this period of uncertainty of one month or six weeks, which is currently permitted in—

• (1720)

Mr. Jean-Claude D'Amours: And afterward?

Mr. Patrick Borbey: Afterward, that will eventually catch up. We're also doing—

Mr. Jean-Claude D'Amours: Afterward, how will payments be made? Will they be made on presentation of a document to the minister by the retailer?

Mr. Patrick Borbey: That's correct. The proof of application of the subsidy will be provided electronically.

Then we'll be able to do a check and make the payments. We'll have a claims processor who can ensure that that meets the conditions. Then payments will be issued monthly.

Mr. Jean-Claude D'Amours: How many retailers will you have?

Mr. Patrick Borbey: In the north, we have 110 or 115 retailers. You have to add the retailers in the south.

Mr. Jamie Tibbetts: Between 25 and 40—

Mr. Jean-Claude D'Amours: That means you're entering into contribution agreements with approximately 200 people.

Mr. Patrick Borbey: That's because most of the retailers in the north come from three major chains. So those three chains cover more than 75% of volume. After that, we add the small retailers in the north. Then a number of retailers in the south will qualify for personal orders.

Mr. Jean-Claude D'Amours: When you say "major retailers", let's get this straight: they're the ones that have solid operations. Do we agree on that?

Mr. Patrick Borbey: Well, they're the ones—

Mr. Jean-Claude D'Amours: As a general rule. Perhaps you don't want to agree. As a general rule, they're the ones that have solid operations. The remaining 25%, the smallest ones, are on a less solid footing. If the current trend is to balance the operation of the government's contribution agreements, and it takes two to six months for a payment to be made... I'm not talking about the first one, I'm talking about the others, subsequently. The small retailers, the remaining 25% aren't on a sufficiently solid footing to operate that way. In spite of that, the department has decided that that's the normal process for dealing with 200 businesses that will be making regular claims. That means that, as you said, one person will be designated to handle that. That person will have to check all the requests one by one.

That person will have two, three, four...? These are perishable foodstuffs. If they're not paid for the following week, there will be a problem because retailers will have no more money. If they have no more money, they can't buy any more food. If it takes two months for them to be able to pay their small retailers, and the small retailers can't pay their suppliers, what happens to the population of the north?

I understand: you're saying that will be the problem, the retailer's fault. People will complain to it. Yes, but how will you guarantee that payment isn't made just as it's being made right now, that is to say in two to six months?

Mr. Patrick Borbey: It's our challenge as officials to ensure that our system works, that payments are made in advance.

Mr. Jean-Claude D'Amours: Mr. Borbey, that's the challenge of all officials and all departments right now. It's hard to understand why, but it's not producing results. In a few months, you're going to establish a new program, and it's as though, with a wave of a magic wand, the system is going to work well.

Mr. Patrick Borbey: We're professionals. At our department, we distribute a lot of subsidies and contributions. We know how it's done. We're able to establish a program that will make it possible to make payments in advance so that retailers don't have any problems financing their products. Then we'll make sure that payments are made on time, in a predictable manner. We anticipate no problems in that regard. There will have to be a transition, and that's why we have the payments policy so that we can make payments in advance.

Mr. Jean-Claude D'Amours: I have one final question, Mr. Chairman.

You talk about monthly payment, but goods have to be paid for on a weekly basis. That means that retailers will have to wait at least four weeks before they receive a new payment. You should reflect on that.

[*English*]

The Chair: Thank you.

Mr. Russell, for two minutes, please. Then we're going to Monsieur Lévesque.

• (1725)

Mr. Todd Russell (Labrador, Lib.): This program will only be applicable for those who go through an application process, is that right?

A voice: Retailers.

Mr. Todd Russell: Retailers and wholesalers?

Mr. Patrick Borbey: All of the retailers of the north are automatically eligible. With respect to southern retailers, we will have a process to qualify them as personal order retailers.

Mr. Todd Russell: So if I'm a resident of the north making a personal food order, I'd only be eligible for that subsidy if there were a southern supplier who had signed up?

Mr. Patrick Borbey: We'll make sure a variety of suppliers are available to that person, including taking into consideration things such as—

Mr. Todd Russell: That's the way it will be. It will be an application, so the southern wholesaler or retailer will have to apply

Mr. Patrick Borbey: Yes.

Mr. Todd Russell: —in order for this to be successful?

Mr. Jamie Tibbetts: Many of these communities have a full-service grocery store of some sort, so those stores will be signed up. In the independent case you just heard about, they will be ordering from a signed-up southern wholesaler.

That wholesaler will pass the subsidy on to the independent retailer. The independent retailer will not have to supply any paperwork to me; they will not have an agreement with me, but will be getting their supplies through their regular chain and their southern supplier.

Mr. Todd Russell: I'm neither convinced this is the panacea it's supposed to be or that the food mail program was the devil that it's made out to be. We'll have to see what time will bring on this new program.

The Chair: Before we go to Mr. Lévesque, I just have one question.

Is there anything stopping a small independent retailer in a remote community from sourcing, for example, a North West store in Iqaluit as their supplier and using them as a wholesaler, if you will?

Mr. Jamie Tibbetts: It's entirely possible. Most of them get their products from somewhere in the food chain now. Where they are in direct competition, likely not, so....

The Chair: Not everybody has to source everything from southern suppliers—I guess that's what you're getting at.

Mr. Jamie Tibbetts: That's right.

The Chair: Okay.

[*Translation*]

Mr. Lévesque, you have the last five minutes.

Mr. Yvon Lévesque: Thank you, Mr. Chairman.

First, you tell me that the cost of the new Nutrition North Canada Program is approximately the same as that of Food Mail.

So you acknowledge that, to make the Nutrition North Canada Program competitive, the quantity of food that the first nations and Inuit peoples currently receive will have to be reduced. There will be less of it and the program will cost less. In actual fact, its cost is still the same.

In this area, you didn't consider that food withdrawn from the program will have to be stored and that it will be up to the communities or to the retailers to deal with that.

You're also telling us that the calculation of the subsidies is important for you. What's important for you is to ensure that the subsidy the department provides is applied to the food in question when it's paid for at the cash.

You're not considering that transportation may cost more. For example, take a pound of butter that costs \$8.49 and retails for \$9.60 or \$9.65 under the new program because the retailer doesn't have the same bargaining power. It's not true that it will have the same bargaining power, and, as First Air told us, it could cost more. If a pound of butter costs \$9.67 instead of \$8.49, that's not that important to you, provided the amount of the subsidy is applied to that pound of butter. Is that correct?

Mr. Patrick Borbey: That's what we want to see; these are prices that will stabilize or decline.

Mr. Yvon Lévesque: That's not what I'm asking you.

Mr. Patrick Borbey: We want to ensure that the subsidy has been adequately applied to the pound of butter or to other products.

Mr. Yvon Lévesque: All right.

Incidentally, I remind Ms. Glover that there is accountability for the Food Mail Program. The carrier has an obligation to take the food, the freshness of which is checked when it's loaded on the aircraft and, in a limited period of time transported to the destination in good condition. That's the responsibility of the business.

You also opened a door to me with regard to your loyalty. This is entirely to your credit, but, at the same time, it can present an enormous danger. I hope you wouldn't be prepared to deliver blankets contaminated with small pox in the north to get rid of the first nations. I hope your loyalty doesn't go that far.

• (1730)

Mr. Patrick Borbey: I'll choose not to answer the last question, but I will be pleased to answer the others.

With regard to eliminating the subsidy for non-perishable foods and non-foods, I simply want to recall that we previously showed before this committee that, from an economic standpoint, for both consumer and taxpayer, it wasn't a bargain to ship products such as diapers by air. It costs much less to send them by boat.

The storage issue was also raised. Additional storage expenses will definitely be incurred by retailers in the north.

However, I believe I've previously told the committee that, for less than \$1,000, the shipping company will leave a container in the community to add to the storage capacity of the business.

I would also invite people to go and visit the retailers in the north to see how much space is reserved for carbonated drinks and their non-nutritional food items in the warehouses. We sent out a notice of change in May. These retailers should have changed storage space allocation priorities. They aren't the majority; I believe only two haven't done so. All the other retailers in the north have made the necessary changes to make room for products that will no longer be covered and to place their annual orders through Sealift, as it's called.

Then you mentioned checks. Canada Post doesn't check everything 100%. Only a small portion of foods are checked to ensure that their quality is still good when they reach the community. Canada Post doesn't check 100%. That's not part of the contract, part of the service offered.

[English]

The Chair: Thank you. We have to end it there.

Is it the wish of the committee to entertain the question now or would you like to move it to the first order of business on Wednesday?

Mrs. Shelly Glover: Now.

An hon. member: Yes, let's do it now.

The Chair: Okay. There are no other speakers. All those in favour of the motion?

(Motion negatived)

The Chair: Members, thank you for your indulgence and patience this afternoon.

Thank you to our witnesses, who were patiently waiting out in the hallway for the first part of our meeting. I appreciate that, as always. This is a very interesting topic.

Enjoy your evening, members. We'll see you back here on Wednesday at 3:30.

The meeting is adjourned.

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