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# **Standing Committee on Aboriginal Affairs and Northern Development**

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**EVIDENCE**

**Wednesday, November 17, 2010**

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**Chair**

**Mr. Bruce Stanton**



## Standing Committee on Aboriginal Affairs and Northern Development

Wednesday, November 17, 2010

• (1535)

[English]

**The Chair (Mr. Bruce Stanton (Simcoe North, CPC)):** Welcome, members, witnesses, and representatives. We're going to get going fairly quickly. Welcome, guests as well. We're just getting started. Wednesday afternoons are sometimes a little later starting because we're a little later getting out of question period.

We're resuming our study of Nutrition North Canada. One of our witnesses is still to come, so we'll proceed in the order that you have on your agenda today.

For our witnesses, the way this goes, because there are six of you present today, we'll try to stick to about a five-minute opening presentation. We'll proceed through each of the five-minute presentations, and then we will go directly to questions from members.

We'll begin. First I'd like to introduce the two representatives from Canadian North: the president, Tracy Medve, accompanied by Patrick Schmidt, the VP of NorTerra Inc. And I think, Tracy, you're doing the presentation.

Let's begin. Go ahead with your presentation. We'll go from there.

**Ms. Tracy Medve (President, Canadian North):** Thank you very much. Hello everyone. *Bonjour*.

As a key participant in the northern transportation infrastructure with a major impact on the northern economy, Canadian North values very much the invitation to be here today on the motion of Mr. Payne. We commend this government for showing the political courage to do the right thing for the health of all northerners by taking steps to amend the legacy of the food mail program and replacing it with Nutrition North Canada.

The advantages of Nutrition North are many, including a focused eligibility list, which concentrates on perishable, nutritious foods; logistical efficiency arising from the elimination of arbitrary entry points; transparency, to ensure the subsidy is passed along to northerners; and accountability for food quality throughout the delivery process. For these reasons, we strongly support this program. Nunavut is one of the largest users. Canadian North is 50% owned by the Inuit of Nunavut. The other 50% of our shareholders are the Inuvialuit of the western Arctic, many of whom are also users of the program. Our shareholders need this program to ensure they can feed themselves and their families in a healthy and affordable way. We believe Nutrition North will meet this need in a meaningful and sustainable manner.

Furthermore, we support the program, as it creates a market-neutral structure among the air carriers, removing the hand of government from the supply chain. What do I mean by market neutrality? Under the old food mail program, granting a sizeable government-funded contract, which allowed a single airline to provide discounted air freight rates for most of Canada's north for a five-year term and blocked the entry of competitive airlines, was market disruptive.

Imagine a scenario where two airlines may be flying between communities like Iqaluit and Pond Inlet. Both have an equal number of passengers on board similar aircraft types. But one carrier has the advantage of a large, dedicated, and exclusive revenue stream for the carriage of food funded by the government, thereby creating a competitive advantage unattainable by the other carrier. Such a situation cannot serve to benefit any stakeholder. Fortunately, the Nutrition North program corrects this situation by removing government from the equation and forcing each airline to earn their business based on the quality and cost of the service they offer. No longer will the government be in the business of tilting the balance of competitive power in favour of one carrier over another. My colleague at First Air had suggested the northern air transportation system is in a delicate state of balance. We agree with that. The northern economy is based on stable and efficient competition, and the new program will ensure this competition can continue.

Having said this, we believe the Nutrition North Canada program is not about airlines, nor about commercial interests. The program's focus should be on ensuring the subsidy reaches the northern consumer in a fair and accountable manner. That being said, we do believe the program must be respectful of commercial interests by not disrupting the marketplace through contracts of such significant size that they become economic weapons that can stifle healthy competition.

It is exactly upon this open market concept that our economy is founded and it is exactly this competitive process that has created the southern food prices most northerners envy. Change is always difficult for a longstanding program such as food mail. It is easy to become distracted by the unknowns and believe that the worst will happen. But I ask you to look back at the interim report prepared on behalf of INAC, which suggested that only 62% of the subsidy funding under the old program was reaching the intended recipients. Given this conclusion, what could be worse, I ask you, than knowing that for every dollar the government spends, only 62¢ ultimately goes to the consumer? We believe Nutrition North Canada will ensure that the people for whom the subsidy is destined get every dollar of benefit possible.

Thank you.

**The Chair:** Thank you very much.

Now we'll go to Mr. Richard Joubert from Canada Post. Mr. Joubert tells me that he really doesn't have a presentation per se today, but he is glad to be here for questions on the subject we have at hand.

So we'll go to the next speaker.

*Nous souhaitons la bienvenue à Mme Rita Novalinga, directrice générale de la Fédération des coopératives du Nouveau-Québec.*

Madame Novalinga, go ahead with your presentation.

**Ms. Rita Novalinga (General Manager, Fédération des coopératives du Nouveau-Québec):** Thank you, Mr. Chairman, and good afternoon, everyone.

My name is Rita Novalinga, and I am the general manager of the federation of co-ops in Nunavik.

Thank you for your invitation to the Nutrition North Canada study. Since I have only five minutes, I'll go straight to the point and explain why we should amend the subsidy items before the list comes into full force in April 2011 and request a delay, because we will have to get new warehousing in our isolated communities in order for this new initiative to work.

For your information, by the way, I am from Puvimittuq, northern Quebec.

Inuit or northerners who live in the Arctic need a special diet for the north. It is a reality in the south to live with fruits and vegetables, but the Inuit cannot live on that alone, when the average temperature in the winter reaches -65° Celsius with the wind chill factor, especially when people go out on the land to hunt for food. Fruits and vegetables are very delicate food, and when we ship them by air we always have to make sure that the temperature is right, that they are packaged properly, and that they are handled with care, because the food spoils before it reaches its destination. In the winter, when it takes someone an average of 15 minutes to walk home from the Co-op store, fruits and vegetables will already be frozen by the time they get into the house.

Think about the hunters who go out on the land when you have to make decisions for the north. They are, after all, our providers. Condiments such as honey, jam, salt, and sugar that are high in calories are a few examples of food that shields the human body in extreme weather conditions. Tea and coffee, which have been removed from the list that even poverty-stricken Canadians enjoy when they cannot afford other popular drinks, have been removed. Scientific studies show that bird feces pollute the very waters that we drink when they migrate to and from the north, so water should be reinstated and put back on the list.

Nunavik is isolated, in the sense that we have no road access. The 14 communities that we serve are accessible only by air throughout the year. In the summer months, there is an annual sealift going to these communities from July to October. This means that we will have to stock up on canned food for nine months out of the twelve. Co-op stores that we serve are the front-line services in the north. Therefore, to remove items such as rice, noodles, soup mixes, pasta,

etc., from the subsidy is a mistake, because they are the only affordable items that complement our meals of caribou, fish, and other country food that we eat. It's like taking away potatoes, carrots, peas, and asparagus from your main meal, if you exclude them from the subsidy.

By now, I think we all know that there's a housing crunch in the far north. The cooperative members in Nunavik fail to understand why detergent, soap, toothpaste, toothbrushes, toilet paper, diapers, and other cleanliness products have been removed from the subsidy, because more than 50% of households are overcrowded, according to the study made by Statistics Canada in 2006. These products are preventing outbreaks of diseases and sickness across the north. If Inuit families were not so careful in cleanliness, there would be many more sicknesses and diseases in the north today.

We should reflect upon what is happening in the north, because there are three strikes against the Inuit and northerners, which you as policy-makers can change when you understand the global picture.

Strike 1, we have quotas that we have to respect, which will have to be amended to complement our traditional diet of country food in light of Nutrition North Canada. Please see your DFO department for that information.

● (1540)

Strike 2 is that we have the overcrowding and homelessness issue, which the government doesn't see. Homeless people cannot sleep outside in minus weather conditions. Therefore, all cleaning products should be reinstated so that cleanliness will be a priority in overcrowded homes.

Strike 3 is that items that have been removed from the subsidy list are a big setback for the north, because we are going back to the 1970s, when we used to eat canned food and fruits. Even then they were a complement when there was no country food available at certain times of the year. Therefore, give us the funding and the time to build warehouses for these products in our communities.

In conclusion, in order for the Nutrition North Canada project to work, we want to be part of the decision-making for this aspect of the study to decide what should be on the subsidy list, since sealift is open only from July to October. I have included some examples I would like each one of you to see so that you will see the reality of what is happening to prices in the north.

Bear with me. Could you give me one more minute?

I have made photocopies of this, which you will all see. We have done some studies on how much these condiments will cost. I have been given direction from my board of directors not to increase the cost of foods that are not fresh food until February, because they need time to inform the communities and to inform the people of what is happening.

Now, for example, if you take an average bottle of Heinz ketchup, which all of our children enjoy, the new selling price, after the difference, will be \$13.59. That's for a 1.5 kilogram bottle.

•(1545)

[Translation]

**The Chair:** Thank you, Ms. Novalinga. Unfortunately, you are out of time.

[English]

There will be an opportunity to expand on some of those points during the question and answer time for members.

[Translation]

**Mr. Marc Lemay (Abitibi—Témiscamingue, BQ):** Mr. Chair, I have a point of order.

The people appearing are going to submit documents. I would imagine they have briefs, such as the one Ms. Novalinga just read. I would like the witnesses to submit their briefs to the clerk so we can have a copy, once they have been translated, of course.

[English]

**The Chair:** Thank you, Mr. Lemay.

I would point out that the document is in English only. The illustrations, of course, are all there. We'll do our best to get the translation and interpretation done and get it out to members. So there will be an opportunity to get this. We have a rule that all of our documents are distributed in both official languages.

[Translation]

I will now hand the floor over to Peter Fogarty, President of Marché Central du Nord.

**Mr. Peter Fogarty (President, Marché central du Nord):** Good afternoon, and thank you for inviting me. My name is Peter Fogarty, and I am the owner of Marché Central du Nord, a company that has been around for more than 20 years. We ship groceries to people in northern communities, more specifically, nurses, doctors and people in Iqaluit and Kuujuaq.

We prepare grocery orders for people.

I own a grocery store called Metro Fogarty, in Charlemagne. Everything is done on site. We have about 15 employees. They put together grocery orders for people up north. People place an order and send us their grocery list. They could ask for six steaks, an inch-and-a-half thick. We get the order Sunday night or Monday morning. The steaks are frozen and vacuum packed, and extremely high quality. They are on the plane by Tuesday. That is why the company has been around for 20 years. Marché Central du Nord specializes in preparing grocery orders.

Furthermore, I recently made an investment, without knowing what was happening up north. I am building another Metro Fogarty location in Charlemagne. This is a \$10-million investment so that I can provide my Metro and northern customers with more quality products and top-notch service. With more products, we will be able to provide people in northern communities with approximately 15,000 items.

Since the nutrition north Canada program was created, our northern sales have dropped by \$25,000 a week. We are no longer allowed to ship toothpaste, toilet paper and many other products. I put together a chart to show how Metro Fogarty was doing before. I

have another chart showing the decline in sales since the nutrition north program has been around. It is not a good thing for us. Do not forget, we provide jobs to people who prepare the orders.

I have a few questions. Does Marché Central du Nord qualify for the subsidy? Will my business be eligible for the program, according to the Department of Indian and Northern Affairs? What kind of reporting do we have to do for the subsidy? I believe our current file, with Canada Post, is good. Our reports covered every customer and shipping, and I think they were well done. A bit earlier, certain people said that two airlines were necessary. When we used First Air to ship our orders, we were providing top-quality service to people up north. In 20 years of operation, I have never lost a single order. Orders would leave on Sunday, Monday or Tuesday night and get to their destination in excellent condition. Regardless of who is doing the shipping, the quality of our merchandise is first-rate, and that is what matters. And the fact that certain items were removed from the eligibility list has been hard on us.

From a technological standpoint, Marché Central du Nord's computer system is very professional. What are the requirements of the nutrition north Canada program? What are the costs? Up to now, we have been in the dark. Just recently, we invested over \$25,000 to comply with Canada Post's standards. We had to buy new equipment. Is there a way we can continue to use our current systems? Will Canada Post's system be adapted to our new databases? Those are things we want to know.

Can the nutrition north Canada program help suppliers in southern Canada attract and keep customers? We provide a service that establishments up north cannot—personalized, top-quality service. We feel that people in Canada's north are entitled to receive the best, most professional service possible, service that is first-rate. The quality of our shipments is exceptional. Residents up north receive their orders after two or three days. That means a maximum turnaround time of 48 hours for orders that are hand-picked and custom-cut. We want to know if that will still be the case under the nutrition north Canada program. We do not know how we are going to ship orders. Will it be with First Air or some other competitor? How will this new system benefit people in northern communities? Are they better off under the program? I am not so sure. It remains to be seen.

Right now, we are trying to make our way in the dark. Marché Central du Nord employs 15 people, who process, prepare, package and ship grocery orders. We care about our customers, and we want to give them the best service and fresh, quality products. We need to know how this program is going to affect us. In addition, our northern customers are fortunate enough to pay the same prices as customers in the greater Montreal area. We save people in northern Canada money. They receive Metro's flyer and can buy ground beef on sale for \$1.99 a pound, ham for 99¢ a pound. They just have to pay the shipping. All of our northern customers pay the same price as our in-store customers do. If a bottle of Ketchup is on for 99¢ or \$1.99, we charge that same price plus the cost of shipping. There are no hidden costs. We have been doing things that way for 20 years. We have always respected our customers. Many people who come to Montreal from up north shop with us, because they want the quality and prices we can offer.

•(1550)

We do not manipulate prices. We are part of the Metro grocery store chain, we operate under the Metro banner, and we scan the products at the cash, as we would with any other customer. Not to mention, our northern customers receive a service that our in-store customers do not: we package their order with great care, fruits, vegetables, lettuce, tomatoes, all of it. Everything is packaged to ensure that the products arrive at their destination in the same fresh, high-quality condition they left our store in. That has been our goal for 20 years, and for 20 years, we have been successful at it. We do not want to lose our business. A lot of families depend on us for their livelihood, and we provide many families in northern communities with quality products.

**The Chair:** Okay.

**Mr. Peter Fogarty:** Thank you very much.

**The Chair:** Thank you, Mr. Fogarty.

[English]

Now we'll go to Jose Kusugak. Jose is the acting president for Nunavut Tunngavik Inc. Welcome.

I should say that Jose is accompanied by Laurie Pelly, who is also the legal adviser to NTI.

Go ahead with your presentation, sir.

**Mr. Jose Kusugak (Acting President, Nunavut Tunngavik Inc.):** [Witness speaks in Inuktitut]

Thank you, Mr. Chair. Thank you for the opportunity, by the way, to speak to you today.

Nunavut Tunngavik represents the Inuit who live primarily in Nunavut territory in 25 communities and three time zones across Canada's Arctic. Almost 50% of the Nunavut population is under the age of 25 and pose much youthful promise, yet according to the 2008 Inuit children's health survey, over 60% of Nunavut households are moderately to severely food insecure, meaning they do not have enough food for regular sufficient meals. Often they do not eat for days.

You know food security is a human right and a government obligation under international law, so it is a bit shocking and an embarrassment to this great nation, Canada, which is so blessed with so much, to have to report to a parliamentary standing committee that there is widespread real hunger in Nunavut. Please know that Nunavut Tunngavik fully supports the government's effort to improve its food subsidy program, as every penny of the subsidy should go directly to the people who need it to offset the high cost of food.

We have five main recommendations regarding the Nutrition North Canada program.

First, to ensure the NNC meets the needs of Inuit, Nunavut Tunngavik must be an active participant in developing and adjusting the program over time. As a representative of Nunavut Inuit, Nunavut Tunngavik is best placed to notice things that are elemental to the success of the program, such as what should be on the list of eligible items, how a country food element should or could be

developed, and how Health Canada nutrition messaging should be developed and disseminated.

Contrary to article 32 of the Nunavut Land Claims Agreement, INAC has not engaged NTI to participate in the design and development of the NNC. In fact, INAC has not consulted at all with Nunavut Tunngavik on the NNC since May 2009. INAC prepared the eligibility list and country food subsidy in isolation, and currently INAC is preparing a communications plan without NTI input. I have learned about this only through a northern newspaper, by the way.

At the same time, Inuit in the communities have little or no information on NNC, even though they are already being affected by it. This should and must be changed. INAC and Health Canada must partner with NTI on the details of the eligibility list, accountability to consumers, communication, and other matters. After April of 2011, INAC and Health Canada should publish quarterly reports and meet with Nunavut Tunngavik regularly to discuss adjustment to the program.

Second, it must be absolutely certain that every subsidy dollar is being passed on to the consumer. NTI is very concerned that INAC has not shared the details of a proposed accountability mechanism. INAC's internal control mechanism must be fully transparent so that there is complete public confidence that, regardless of the retailer, all the subsidies flow to the consumer.

Third, there must be an effective country food subsidy program. NTI welcomes the concept of subsidies to allow greater distribution and consumption of country food across Nunavut. However, most Inuit do not buy commercially produced country food, so the NNC country food component does not generally work for Inuit. When Inuit harvest, they often share the food both locally and across communities. In today's Arctic, sharing networks are spread across thousands of kilometres because foods like char, caribou, narwhal, and beluga are not evenly distributed or are not available in some of the areas. INAC should continue to explore, in partnership with Inuit, how it should or could subsidize intercommunity trade in country foods.

•(1555)

Fourth, Inuit must not suffer because of price increases resulting from NNC. There is a real possibility that the prices of many items will increase dramatically in coming months. Because of sealift timing, storage, and other issues, retailers have not necessarily adequately stocked newly non-eligible items through other transportation methods. Interim subsidies must be available immediately to alleviate impacts on Inuit, while retailers adjust their procurement processes to reflect the NNC policy shifts.

Finally, ongoing NNC funding must be adequate to meet the needs of Inuit for affordable store-bought foods. While stable funding is important, costs will continue to increase every year. There are many cost unknowns at this time. To avoid a funding shortfall, mechanisms for ensuring adequate funding and funding adjustments over time must be built into the NNC.

Thank you. *Qujannamiik. Merci.*

•(1600)

**The Chair:** Thank you, Mr. Kusugak.

Now we'll proceed to questions from members. I want to thank you all for your presentations.

I should note to the committee that we heard from Mr. Horsman, and unfortunately he is unable to attend. We're not sure of the reason, but we'll accept it in any case.

We'll move ahead with questions.

For our witnesses, I know some of you have been to standing committees before. The first round is a seven-minute question and answer from one representative of each of the parties around the table. And then we go to a five-minute question and answer. Your ability to keep questions and answers as succinct as possible helps us to get more questions in, and I know the members like that.

Let's proceed with Mr. Bagnell.

**Hon. Larry Bagnell (Yukon, Lib.):** Thank you, Mr. Chair. My thanks to everyone for coming. Good to see you again, Jose.

It's shocking, although we've heard it from Nunavut Tunngavik and Marché central, that we're so close to implementation yet so little ready, and so much information is not out there. So no one knows how a lot of things are going to work.

Marché central, you made a good point about all sorts of products that are now not being shipped because they're not eligible. We're going to be looking, for sure, to see substantially increased subsidies and much lower prices on those perishable foods left on the list.

We heard complaints before from government about the quality of food. But you say your food was of a very high quality, Mr. Fogarty, that you had no problem with Canada Post, and that the food got to its destination in good condition.

[*Translation*]

**Mr. Peter Fogarty:** In terms of the quality of the products we ship up north, we get very few complaints. The biggest complaint we get is that these people no longer have access to a lot of products. Many of them have been taken off the eligibility list under the nutrition north Canada program. As for our remaining northern sales, we have noticed a lot of fruits, vegetables and meat, all of which are quality products that are still not available in northern communities.

We do not receive many complaints. First of all, our quality standards are similar to Metro's. Our establishment is well-respected. What we sell to people up north is almost identical to what they used to receive when they would go directly to the butcher's counter to buy fresh meat. The only difference now is that they place their order in writing, via fax or email, to tell us what grade of ground beef or pork loin they want, whether they want stuffed pork loin and so forth. The products they choose from are comparable to those in the flyers you get in the mail at home.

The products are fresh. We get deliveries every day. The products we use on a daily basis are high quality. In any case, we do not sell low-quality products. As a grocer, we cannot sell low-quality products. So the fruits, vegetables and meats we provide to people in these communities is generally better quality. However, as you said

earlier, the rub is that they do not have access to all products under the nutrition north Canada program. A lot of people are upset that some products are no longer on the list.

Did that answer your question?

•(1605)

[*English*]

**Hon. Larry Bagnell:** Yes, very well.

Mr. Joubert, on the same note, I understand that you inspect for quality and that all the food that leaves on Canada Post is of high quality or it wouldn't go on the plane, or truck, or whatever way it goes.

**Mr. Richard Joubert (Director of Transportation, Operations, Canada Post Corporation):** Let me begin by saying that Canada Post has been involved in food mail for many years, and we are quite proud of what we have accomplished with this program. As for the quality of the food mail inspections, we didn't inspect all the food that went to the north, but we were mandated by an act to inspect certain amounts of the food, and the food that we inspected and shipped was of high quality, or met the quality standards when it left the airport. Our responsibility was from origin airport to destination airport.

So I can assure you that we shipped decent-quality food.

**Hon. Larry Bagnell:** We've been led to believe—

**Ms. Jean Crowder (Nanaimo—Cowichan, NDP):** Apparently on ParlVu, this session is being recorded as being in camera. I don't know if we can do anything to fix that.

**The Chair:** So it is not on audio, then?

**Ms. Jean Crowder:** I can't access it. My legislative assistant just e-mailed me and says we are in camera.

**The Chair:** We will check into that, Ms. Crowder. I appreciate your pointing that out, and we will see what we can find out about it.

Let's carry on, Mr. Bagnell.

**Hon. Larry Bagnell:** Thank you.

We have also been led to believe that there are no inspections by the government, that the food doesn't get inspected. So we have no idea what is going up there. My understanding is that you actually inspect to make sure that only eligible items go up. Is that true?

**Mr. Richard Joubert:** That's correct. There are approximately 17 people employed by Canada Post who do food mail inspection at various entry points across the country.

**Hon. Larry Bagnell:** Now, on the shipping pricing, we are led to believe that it could be cheaper. But there's something I don't understand. You have a lot of buying power because you have all the food. I assume you don't set arbitrarily high rates. But you have a whole bunch of little retailers, dozens and dozens of them, who have to negotiate a fee with an airline. That makes it administratively more complicated for the airline. I don't see how that can be cheaper. How have they got more buying power than you? Or do you just set arbitrarily high rates because you have a monopoly, and these new rates will be much lower?

**Mr. Richard Joubert:** No, I would suggest that we set very competitive rates. The contracts we've signed with the airlines were all tendered through an RFP process. There was a competitive marketplace out there and we used it.

I am not familiar enough with the new program to know about the prices, or what the impact will be under the new program with the airlines.

**Hon. Larry Bagnell:** Jose, you talked about new funding adjustments at the end of your presentation. I wasn't sure what you were getting at.

**A witness:** We are suggesting that Inuit may be subject to drastically increased prices that are not intended by the program. If that is the case, then there should be some sort of relief for Inuit, whether it is through an interim subsidy or an emergency subsidy for items that have to be flown in by air. This has to be worked out with INAC in participation with NTI.

• (1610)

**Hon. Larry Bagnell:** Rita, you were right at the end, and I don't think you were finished your presentation. I will give you the rest of my time so that you can do a bit more of what you were doing.

**Ms. Rita Novalinga:** I wanted to point out that some of the basic things that we enjoy down here in the south will be double or triple the price up north. For example, since we all have children or grandchildren, maybe Heinz ketchup should be the first one on the list. The new selling price will be \$13.59 for a 1.25 kilogram weight. Right now I think they are selling at \$7 or \$6, which is reasonable.

**The Chair:** Let's have one more example, and then we have to go on to the next....

**Ms. Rita Novalinga:** Okay.

Another easy one is Pampers. That has to do with cleanliness and hygiene, which has 29 items on the list. The current selling price is \$18.69. The selling price will be \$20.19. I don't know who in Canada can afford \$20 diapers.

[Translation]

**The Chair:** Thank you.

[English]

Before we go to our next speaker, I'll verify to members and confirm that although the categorization of our meeting seems to be in camera, I can assure members, confirmed by our proceedings and verification officer, that the meeting is being transcribed. It will be a full transcription.

We'll investigate how it ended up in that category. But you can be sure that we're getting full transcription, as we normally do.

[Translation]

Mr. Lévesque, you have seven minutes.

**Mr. Yvon Lévesque (Abitibi—Baie-James—Nunavik—Eeyou, BQ):** Thank you, Mr. Chair.

Good afternoon, ladies and gentlemen.

Mr. Joubert, I am very glad to see you here today. Ms. Medve said something that surprised me when she talked about the process that Canada Post uses. If I understand correctly, even if your bid comes in the lowest, you still have to bid under a competitive bidding process. Carriers have to meet certain requirements. I was a bit surprised to hear that it was not the same carrier in every region. I had always been under the impression that it was a single carrier. Please describe briefly your procedure and the requirements carriers have to meet.

**Mr. Richard Joubert:** Around 30 carriers provide the shipping to everyone up north. About 23 of those 30 carriers are also responsible for shipping products under the food mail program. Before a contract goes to any of these suppliers, we run a competitive process. A request for proposals is issued. The bids are assessed according to very specific criteria. We have to respect the criteria set out by the Department of Indian and Northern Affairs with respect to the time, date and frequency that the food has to leave the warehouse every week, as well as the delivery location. Under all of Canada Post's contracts, we ship airport to airport. We were responsible for shipping goods from the Val-d'or airport to the Iqaluit airport, but once the food gets to the airport, the merchants or individuals were responsible for picking it up.

There are very strict criteria regarding the quality of the food and the frequency of flight departures from each location, in order to ensure the continuous flow of shipments under the food mail program. We do not do warehouse storage so we can then ship the food only once a week. There are schedules that have to be followed. The Department of Indian and Northern Affairs determines those schedules, and we stick to them very closely.

**Mr. Yvon Lévesque:** Did you choose the entry points to the north? If I am not mistaken, there are some in the Northwest Territories.

**Mr. Richard Joubert:** There are about 12, including Yellowknife, Whitehorse, Winnipeg, Val-d'Or....

**Mr. Yvon Lévesque:** Are you the ones who choose the entry points?

**Mr. Richard Joubert:** No, not at all. The Department of Indian and Northern Affairs tells us where we can send shipments under the food mail program.

**Mr. Yvon Lévesque:** Did Canadian North bid on the food mail contract?



•(1615)

[English]

**Ms. Tracy Medve:** We did submit a bid. We were the lowest-priced bidder, but I would suggest to you that what has not been demonstrated or explained very clearly is that the requisite for beyond just price was quite complex, and the bar is set very high, to the point where I would suggest to you, under the current system, only the incumbent carrier would be in a position to meet all the requirements. Despite a supposedly competitive bidding system, in fact it becomes non-competitive because no one else could ever meet the standards.

Despite the suggestion that there are a multitude of carriers carrying food into the north, I can tell you that First Air is the only carrier that provides carriage of food mail into the Qikiqtani region of Nunavut. They are the only carrier that provides carriage into the Kitikmeot region of Nunavut, and between First Air and Air Inuit, the Mativik companies carry about 85% of the food mail. I'm not sure who all the other carriers are, but I would suggest to you that it is not quite as represented.

[Translation]

**Mr. Yvon Lévesque:** So are you saying that if not for Canada Post's criteria, you would be able to provide service at a price comparable to First Air's, as far as meeting those criteria goes?

[English]

**Ms. Tracy Medve:** What I'm saying is that in order to meet some of the criteria—and I'm talking primarily about ground-based infrastructure and storage facilities and what have you—because of the cost of building those kinds of structures in the north and the lack of availability of spare space, you would have to have all that in place to qualify to be eligible to carry the food. It's putting the cart before the horse. Canadian North had a plan to invest in all those ground-based infrastructure requirements, and we had the lowest price, so yes, we could compete on price with First Air exactly or better.

[Translation]

**Mr. Yvon Lévesque:** Mr. Joubert, we heard Mr. Fogarty say that right now, an independent retailer is supplying northern communities directly. Up to now, he has been eligible in terms of the products he ships up north, well most of them, anyways.

Under the program we are currently considering, nutrition north Canada, would Mr. Fogarty be able to pay the same price he does now to ship his products?

**The Chair:** Please keep your answer brief.

**Mr. Richard Joubert:** I am not in a position to comment on the new program because I do not know enough about it. My focus is still the program we have been charged with until March 31.

**The Chair:** Thank you, Mr. Lévesque.

Mr. Fogarty, would you like to respond briefly?

**Mr. Peter Fogarty:** He cannot answer the question, and I am not sure whether madam can either, but we are eager to find out. We want to know what will happen. What are we supposed to tell our customers when they ask us what will happen in April 2011? It is

fast approaching, and we have no answers. We are eager to find out what will happen.

[English]

**The Chair:** I'm not sure those kinds of questions are necessarily for our members here today, but we'll get the questions coming from this side and we'll try it that way.

Let's go to Ms. Crowder for seven minutes.

**Ms. Jean Crowder:** Thank you, Mr. Chair, and I want to thank the witnesses for coming today.

I'd like to start with Mr. Kusugak. You raised a number of important points, and we have heard from other witnesses some concerns around understanding what the implications will be for people. One of the things I hear you saying quite clearly is that NTI must be involved in the process. Have you had any involvement with the discussion around what the advisory board would look like?

**Mr. Jose Kusugak:** We had some involvement in the old system.

•(1620)

**Ms. Jean Crowder:** But not in the new one?

**Mr. Jose Kusugak:** Not in the new one.

**Ms. Jean Crowder:** I think there's a lot of uncertainty about what the role of the new advisory board will look like. When the department was here the other day, my understanding was they invited applications of interest in August, I believe was the timeframe, and they're going to make an announcement shortly about who will be on that advisory board.

**Mr. Jose Kusugak:** Well, as a matter of fact, this afternoon I did read in the news that they're developing that advisory committee, and I was wondering exactly that, whether Nunavut Tunngavik would actually be considered for the committee.

**Ms. Laurie Pelly (Legal Advisor, Nunavut Tunngavik Inc.):** NTI was asked by the minister's office to put forward names, possibilities. Some of those people may have applied. We don't yet know who was selected, but that was the extent of NTI's involvement. We weren't involved at all in any development of terms of reference for the committee or how it will operate or anything.

**Ms. Jean Crowder:** Okay, so that's not clear.

I know ITK also submitted a brief, and they've also raised questions about the details and terms and conditions under which the external advisory board will operate. They're concerned about the lack of resources and capacity. They're concerned about the scope of the north, where this advisory board is supposedly going to help oversee the program.

I'm hearing you saying that you also don't have any of that information about the terms and conditions, the responsibilities, or the resources of that advisory board.

**Ms. Laurie Pelly:** That's right. In particular it's the resources. We're very concerned that the board be adequately funded over time and have the necessary secretariat and terms of reference to actually monitor and track what's happening with the program over time in terms of eligible items, and also to involve Inuit organizations.

**Ms. Jean Crowder:** With reference to country foods, I think you probably are also aware that when the department and the minister were here the other day, the minister indicated—and their own notes indicate—that as an initial step they're going to look at subsidizing country foods that are in commercially inspected plants. Of course, we know that access to that is very limited in the north.

You made a couple of recommendations around how country foods must be included. Can you say something about that?

**Mr. Jose Kusugak:** Right now there's very little access to commercial country foods, but where people do share country foods, they often go on community radio to find out who might be travelling from Rankin Inlet to Iqaluit, for example, and whoever is travelling on that certain day will be given a package to deliver to a family. It's the same thing right across the Arctic.

The funny thing is that just a couple of days ago, just before I came here, we got a warning from the RCMP not to accept packages from anybody, because they might have drugs in them. That will eliminate an awful lot of the practice of bringing country foods to different communities, so that has to be done another way.

Although hunger is one thing, there are other things, such as your favourite char. The best char actually comes from Pangnirtung in the central Arctic, for example. The best caribou is from the Keewatin area. The best iguanaq, or fermented walrus, is from the Igloodik area. All the different trades that could be happening are all done by volunteers who are willing to take certain foods on the airlines just because they happen to be travelling.

**Ms. Jean Crowder:** You commented that the cultural practices are important to be included in how the lists are developed and how the communication is developed around the changes, and I'm not sure that's been reflected in the proposed changes.

**Mr. Jose Kusugak:** Well, yes, that's true. As a matter of fact, when there are children who actually haven't eaten for a few days, there are people who....

My wife is a teacher, and she happens to be sitting over there. She was telling us that some of the children do go to school, and when the teacher asks them what they have eaten, they say, "Nothing." A lot of the parents go on the community radio to say, "Well, we will eat maybe in two days, three days. That's why I'm on the radio trying to see if there's anybody interested in buying my carvings so that I can feed my family." And so on.

Even I was very shocked by this. I thought it was more or less a thing of the past, until my wife started teaching a few years ago. The teachers are actually providing a lot of the food themselves. My wife, Nellie, used to bake bread so that she could feed the children she was teaching.

There are a lot of elements, I think, to the people who are affected, and they are the people who are served by Nunavut Tunngavik. We could incorporate a lot of our knowledge into the program.

• (1625)

**Ms. Jean Crowder:** Thank you.

**The Chair:** You have 20 seconds left, Ms. Crowder.

**Ms. Jean Crowder:** I want to thank you for bringing that.

Ms. Pelly, could you respond very quickly?

**Ms. Laurie Pelly:** I would add that what Mr. Kusugak is saying shows that the sheer magnitude of the problem of hunger in Nunavut shows that the investment from Canada must be much greater. The food mail program is just a small part of that.

Thank you.

**The Chair:** Thanks, Ms. Crowder.

I'll go to Ms. Glover for seven minutes.

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

I too want to welcome all of the witnesses. And I apologize; I'll be leaving after this. I have another meeting to go to.

I was particularly surprised by what you said about the children. I thank your wife and the other teachers who are obviously invested in making sure that these children and these families are fed. Unfortunately, the Nutrition North Canada program isn't designed to solve all those social programs, although I agree with Ms. Pelly that there is more to do.

What Nutrition North is designed to do is make it affordable for families to have nutritious food. The old program does not allow us to ensure that it's food that is making its way up to the north. In fact, the Minister of Health was here the other day and explained that it costs 23¢ per pound to transport food by sealift, but it costs \$2.50 per pound to go by air. And who pays for that extra cost? The consumer pays that. It's built into those diapers that Ms. Novalinga was talking about; it's built into the prices.

What this is designed to do is to ship everything we can possibly ship by sea or by winter road, because it's cheaper—which means that consumers benefit from reduced prices—and only ship by air the items that are perishable; and we subsidize that because we want nutritious food to get there quickly.

And we eliminate the jumping to entry points. As the minister described, there are times up north when they have to ship food to an entry point in Winnipeg just so that it can go back to the north, if they want to use the old program. This is silly. By eliminating entry points, by allowing all of our retailers to use the method they want, a competitive method—they could use your airline, they could use First Air—the retailer negotiates, and the savings come to the consumer. Fresh food gets there without interruption. That's what this is about.

I have heard from Mr. Fogarty in particular that he doesn't know what's involved in the program. I encourage all of you to visit the website, first and foremost. I also encourage you to speak with the Government of Canada. We have a number of people working on this who are dedicated to making sure we get this right.

As we've noted, the engagement process was lengthy. I want to remind you, Mr. Kusugak, that there was further engagement with your community; it wasn't only the one time in May that there was exchange. In fact you mentioned May 2009, but on June 10, INAC officials also appeared before the board of directors and spent an hour explaining the program. There was also an exchange of letters.

It's important that you never feel you can't continue to consult. I welcome you to consult and to give your opinion, because we want to get this right.

Mr. Fogarty, you're concerned about not being included. If you were using the food mail program and providing perishable foods as you were before, you will be able to register. But you have to register, and I can assure you that if that community is on the Nutrition North Canada program, you will be able to use it. And I thank you, because I know you are concerned about quality, and that's why we want to allow you to provide that kind of food to those communities in a fast, rapid way, whereby you don't have to worry about spoilage, etc.

But it's the nutritious food we're going to cover. We're not going to cover Ski-Doo parts any more, we're not going to cover tires any more, because the consumer loses when we are subsidizing abuse of the system. And more often than not, that's what was happening.

I want to ask Ms. Novalinga a question about the prices.

Who has told you what the prices are going to be? The diapers, etc., are non-perishables. They can be brought by sea—isn't that right?—or can be brought by winter roads. They should be 23¢ a pound, not \$2.50. They should be lower in price by the time this is done.

Who gave you these forecasted prices—which retailers?

• (1630)

**Ms. Rita Novalinga:** We're in the cooperative movement. We have 14 co-ops, and I'd like to inform you that when the cooperative movement first started out, they decided that the cost in each community would be the same. The northernmost community, Salluit, will not suffer because it's the furthest north, as opposed to Kuujuarapik, which is the most southern. They decided then that in order for people to be treated fairly, they would have the same cost.

That was the decision they made, and that's why we are able to know exactly how much it will cost. Maybe in the future they will change, but as it is...

**Mrs. Shelly Glover:** Yes, I appreciate that, but I believe there may be some errors in the projections. I firmly believe that, because it should cost you less. It just makes sense. If you're shipping, it should be 23¢ a pound as opposed to \$2.50 a pound. We're going to make the retailer show us that you're getting the savings, and if they're not passing the savings on to you, we're going to hold them accountable. This is designed to make sure you get value for dollar and get nutritious foods.

I want to answer the question that Ms. Pelly and Mr. Kusugak had about the advisory boards. The boards will operate with funding levels, and they'll have support staff and secretariat services assigned by INAC and will establish annual work plans and schedules. That is in the plan.

Again, I would like you to visit the website, because this affects all of you. This will help you to understand the program better. You're welcome to phone any time to find out more about it.

I reiterate that this is a list of the engagement. Extensive engagement was done.

I again applaud you for being here.

Before I lose all my time, with reference to the RCMP packages, as a police officer on a leave of absence, I would encourage you, sir, never to take packages from people you don't know. It is a danger. We're not here on that, but it was a big concern for me to hear that you might be taking packages from people you don't know onto a plane, because in this day and age that is a very dangerous thing to do.

**The Chair:** Thank you, Ms. Glover.

This is the same type of format here, but it's five minutes, a little bit shorter. We'll go to Ms. Neville.

**Hon. Anita Neville (Winnipeg South Centre, Lib.):** Thank you, Mr. Chair.

I too want to add my thanks to those of you who are coming. I'm here to listen to you—not to tell you about the program, but to hear your concerns about the program, and I would appreciate it.

My questions right now are directed to Rita—I'm sorry I can't pronounce your last name—and to Jose. They are around the issue of country food.

We heard from Jose about the importance of country food. Is it as much an issue for you as well, Rita? If so, do you have any suggestions or solutions? I would ask the same question of you: do you have any further advice?

The minister was here at the last meeting, and she certainly was concerned about access to country food. I think we need to explore how we as a committee can make recommendations on that issue to the government.

• (1635)

**Ms. Rita Novalinga:** In our case, I come from northern Quebec, where we have 14 Inuit communities. We're a smaller group than his is in Nunavut. It is a lot more vast. Because we are a cooperative movement, it's easier for us to move country food from each community to another. A co-op from Akulivik will send some fish down to Umiujaq for the day. It's more formal, and it's easier for us because we're in a smaller area.

**Hon. Anita Neville:** Maybe I should ask Jose this question. Do you have models or recommendations that might be applied to a larger setting?

**Ms. Rita Novalinga:** One thing we do have, although I'm not sure whether they have it in each community, is a huge community walk-in freezer that we use to share our food. Each community has a walk-in freezer. They put the animals that they do not eat at home into the community freezer, and people from the community will be able to take the country food for their own home free of charge.

That's how we do it in our area, but it would be different for them, because they are more vast and there are more communities.

**Hon. Anita Neville:** Jose, do you have any further suggestions on how the movement of country food might be facilitated?

**Mr. Jose Kusugak:** We have, under the claim, set up the hunters and trappers organizations in every one of the 26 different communities, and they can certainly be utilized to decide exactly how that would be done.

Unfortunately, Shelly Glover is not here anymore. She was saying that you don't accept parcels and she warned.... It's just about impossible, because at the other end people are going to be hungry. So you have to weigh whoever is giving you the package, to decide whether it's safe to take it to the person or not.

But we can do exactly what you're suggesting, contributing to the way this will be done through the hunters and trappers organizations in every community in Nunavut.

**Hon. Anita Neville:** You indicated in your remarks that you have not been consulted. The process is well along, as you are indeed aware. What kind of consultation and input would you like to have, over and above this committee's hearings, into the process at this point?

**Mr. Jose Kusugak:** Madam Shelly Glover was suggesting that we should go to the website. That is not a good consultation process.

I think we want to be actively involved in developing perhaps a website even, to decide exactly what could be included in every aspect of NNC. Since 2009, I think, we have never been involved. As I said earlier, the only way I found out that an NNC list existed was through a newspaper, and I'm normally the regional president of the Inuit association of the Kivalliq region.

**Hon. Anita Neville:** Thank you.

**Mr. Jose Kusugak:** So we haven't been well consulted at all.

**The Chair:** Thanks, Ms. Neville.

Now we have Mr. Payne, and he will be followed by Monsieur Lévesque, then it's Mr. Clarke.

Let's go ahead, Mr. Payne, for five minutes.

**Mr. LaVar Payne (Medicine Hat, CPC):** Thank you, Mr. Chairman.

I thank all the witnesses for coming today. It's a good opportunity for us to hear your responses and the issues you have.

I'd like to do a follow-up on what Ms. Glover said concerning the amount of consultation.

So there was some consultation as opposed to none, which we're hearing. Also, as I understand, Ms. Pelly said that there were requests for names for this advisory committee. Of course, we still don't know who those are, but I think the request has certainly gone in to make sure that in fact you may have that opportunity.

First of all, I'd like to ask Tracy Medve about Canadian North. A couple of meetings ago I was concerned about competition into the north and the service for the food nutrition program. That was one of the reasons I asked to have you come forward. You talked about competition, and one interesting thing you also talked about was the warehousing that you were proposing to look at.

Could you expand on that? With the Nutrition North program, now competition will be available. What are the plans for Air North to be able to give service under the new nutrition program?

• (1640)

**Ms. Tracy Medve:** Thank you for your question.

First of all, I have to say, with respect to country foods, that Canadian North does have a special country food rate for transportation of country foods between communities. That country food rate is as good as or better than the food mail rates currently in effect. We have obviously done a lousy job of getting that word out, but the program exists, it has been in place for a very long time, and there is a way to move igunaq between the communities at an affordable price, I suggest.

The only thing we have is a requirement for packaging, because it can be corrosive, as you can imagine, and it needs to be looked after, but there is a special rate.

Going back to the question of the kinds of activities we'll be involved in to be ready for this program, it's a bit hard to answer that question right now. Because we're in a competitive circumstance under the new program, we don't know exactly the volumes we would be carrying. But based on what we expect to happen and where we expect the flow of goods to go in the most efficient way, we would look at...

You do need some storage. Although you want the food to move as quickly as possible, if you've ever been in the north, sometimes the weather doesn't cooperate, and sometimes the airplanes don't cooperate. So you have circumstances where you require appropriate facilities—and Canada Post would know this—set out to keep frozen goods frozen, to keep fresh goods from freezing, to do all of that. That's really what I'm talking about.

We wouldn't build those kinds of facilities on spec, but we're in a position whereby we can do it, if we know we'll have the revenue stream to support the investment. That's just how the business has to operate. But we're certainly in a position to do this.

**Mr. LaVar Payne:** I have another question for you. We heard from another witness—from First Air, actually—who implied that service to the northern communities will be affected, limiting medical services and potential essential cargo. Can you tell us about the measures this open market process will use, in terms of their effect upon your business?

**Ms. Tracy Medve:** Oh, I would suggest exactly the opposite will happen. I think it will improve access for medical patients. We carry medical patients now and we share that contract with First Air. I think it's a good method.

This Nutrition North program, presuming that we can act competitively and attract retailers to ship with us, will mean two things: increased frequency of service to many of the communities where we fly, primarily in the Qikiqtani and the Kitikmeot, because we will have to increase the frequency of the flights with our smaller aircraft to accommodate the increased volumes of cargo; second, there are communities we do not serve, in the Qikiqtani principally, because there is not enough traffic and ad hoc cargo at this moment to justify service.

With the kinds of volumes that the food mail program can generate, we will see now adding service to communities that we do not serve presently and that have a monopoly service. We know there are complaints about lack of access and high prices to those communities. I suggest to you that we can solve that problem for passenger traffic as well as for our cargo lift.

•(1645)

**The Chair:** That will have to do it, Mr. Payne. Thank you very much.

*Maintenant, monsieur Lévesque, vous aurez encore cinq minutes.*

[Translation]

**Mr. Yvon Lévesque:** Mr. Joubert, I have a strategic question. Ms. Glover said earlier that Nunavik would get the subsidy, in other words, that prices would be lower in Nunavik than in Nunavut because Nunavut is farther away.

Take the current program. Does it affect the prices you pay to ship per kilogram? Will the fact that one region is subsidized more than another affect carriers' bids? Could you also tell me how long the contract is in effect when a carrier has the winning bid?

**Mr. Richard Joubert:** The contracts normally last five years, mostly because it requires a significant amount of infrastructure to meet the needs of northern communities.

Will one community be subsidized more than another? I can speak only to how we have done things in the past, because I do not know what will happen once the new program is in effect. We asked for bids for one flight at a time. The agreement with the supplier, for each flight, was for a rate specific to the region. We always tried to encourage suppliers to submit competitive bids in order to get the best price for the region being served.

**Mr. Yvon Lévesque:** Let's say, for example, that Canadian North submits a new bid, assuming that if it gets the contract, it will be for five years. It could write off its capital investments, while building the same infrastructure that First Air has. Then it could compete with First Air. Is that correct?

**Mr. Richard Joubert:** In theory, yes.

**Mr. Yvon Lévesque:** Ms. Novalinga, do you think you could get the same rate as what you currently pay when a cooperative has to ask carriers for bids in order to meet its needs, because Canada Post will no longer be doing it for all the communities? Basically, every retailer and wholesaler will have to reach its own agreement with a carrier.

[English]

**Ms. Rita Novalinga:** In the Nunavik area, we only have one airline and that's Air Inuit. There is no competition. So we have to negotiate with them. We have no choice.

Where we will hurt the most is in the warehousing. Canned food, for example, will have to be stored. We're going to have to put them on the sealift and keep them in the warehouses until next spring. That is where we will need help. As I said in my speech, we need time to build the warehousing to house the foods that are not eligible to be on the subsidy list.

[Translation]

**Mr. Yvon Lévesque:** You need to have warehouses where you can store goods for eight or nine months per village. Is it unreasonable to think that a single warehouse per village could cost close to \$2 million?

[English]

**Ms. Rita Novalinga:** Very easily. Some communities are bigger and some are smaller. In all cases, it will cost a lot to build the warehouses in those communities.

•(1650)

[Translation]

**Mr. Yvon Lévesque:** So if you are shipping as much food as you have the capacity to store, and if you have to turn around and pay full price for air carriage, that would drive up the cost of every customer's grocery bill. The big loss in your groceries has to do with what people can afford. I think Mr. Kusugak has the same problem. People cannot afford it.

**The Chair:** Mr. Lévesque, your time is up.

Ms. Novalinga, do you want to respond briefly to Mr. Lévesque's question?

[English]

**Ms. Rita Novalinga:** We have been trying to brainstorm how we are going to do this. We have communities that have only 200 people. We're talking about 14 communities. Can they afford a \$2 million warehouse? With bigger stores, it's easier, and at least they can afford more. But smaller communities, how are they going to do that?

**The Chair:** We are out of time.

I see Mr. Fogarty had his hand up. Maybe we'll try to work you in on one of the other questions if we can, Mr. Fogarty.

Let's go to Mr. Clarke, followed by Ms. Crowder. We'll come back.

Go ahead, Mr. Clarke.

**Mr. Rob Clarke (Desnethé—Missinippi—Churchill River, CPC):** Thank you, Mr. Chair. I thank the witnesses for coming in to meet with us here today.

Mr. Fogarty, the new program will provide Marché central du Nord with more flexibility in shipping schedules and routes to help manage its supply chain. The option of flying from Montreal should create benefits for this business. It gets more clarification. As I understand it, the Nutrition North program will open up more distribution points and schedules. My question is, how will this affect your business?

[Translation]

**Mr. Peter Fogarty:** I did not really understand your question.

[English]

**Mr. Rob Clarke:** What I want to know is, with the opening up of the distribution points and with more flexible schedules, how would this affect your business as a whole? Will you see more benefits, more profit? Or will the savings be passed on to the customers?

[Translation]

**Mr. Peter Fogarty:** We cannot answer that question right now. The nutrition north Canada program is not ready. We are really in the dark. How much will it cost? What subsidies will customers get? As we speak, we know what subsidies Canada Post's customers will get in their orders. We do not know what subsidies will be like under the nutrition north Canada program.

Mr. Clarke, we do not know what the subsidy will be. So I cannot say whether the nutrition north Canada program will create more benefits. The program is still not ready to go.

[English]

**Mr. Rob Clarke:** Okay.

I'm going to ask some questions of the airlines. What challenges are you encountering under the food mail program? I want some more clarification, if you could provide it.

**Ms. Tracy Medve:** We don't have any challenges, because currently we don't carry any product under the food mail program. In our current operations, there are no complications in our world.

However, what we will face going forward is having to make sure that we have the appropriate ground-based infrastructure and the right amount of aircraft lift to be able to carry whatever additional volumes we're able to negotiate. But we do that all the time. This is not really a...I don't want to say it's not a big deal. It's an important program. But we're an airline, and that's what we do. We compete for business all the time.

The airlines, left to free competition, have reduced basic airfares by almost 30% since deregulation. I'm going to suggest to you that, left to their own devices, the airlines would see similar reductions in cargo rates and food rates. We're good at that stuff. We deal with these kinds of issues all the time.

For example, in order to meet the requirements to carry medical patients in Nunavut, we had to start service to seven communities in the Qikiqtani region on Baffin Island, and we had six weeks to do it. But we were there with two brand-new airplanes, and seven communities had a new air service in seven weeks. I think we can deal with whatever incremental food mail is out there.

• (1655)

**Mr. Rob Clarke:** Maybe the other airline can answer the question as well.

**The Chair:** We only have one, unfortunately.

**Mr. Rob Clarke:** Only one? Oh, sorry.

**The Chair:** Yes, they didn't—

**Ms. Tracy Medve:** Mr. Horsman is not here.

**Mr. Rob Clarke:** Okay. The question I have probably takes too long to get a response.

**The Chair:** Is that okay, then, Mr. Clarke? Are you finished?

**Mr. Rob Clarke:** Yes, unless Mr. Fogarty has something.

**The Chair:** Do you want to take 30 seconds and pick up on that last question we didn't have time for?

**Mr. Peter Fogarty:** *Oui.*

**The Chair:** *Merci. Allez-y.*

[Translation]

**Mr. Peter Fogarty:** I would like to add something in closing. You talk about building warehouses in various locations, so that products can be delivered by boat. That would be less expensive, according to the lady who left earlier. It's true that some products that can be sent by boat, such as Tide soap or similar products, cost less. But what about all the canned goods that are sent a year in advance?

Our community's turnover in canned goods is high. The sales figures are about \$20 million per year. High product turnover ensures an amazing quality. Cans have expiration dates on them. When canned goods are sent to the north, what will be their quality be in six months or a year?

Products are shipped to the north. Even though we're talking about canned goods, these are still high-quality products packaged two or three weeks prior to being shipped off. When Heinz delivers its ketchup, it doesn't stop producing it on a weekly basis. Metro does not sell six-month-old Heinz ketchup. Heinz ketchup is delivered daily or weekly to Metro's warehouses. You want to buy Heinz ketchup. Nutrition North Canada wants people to buy Heinz ketchup and warehouse it for a year. Where is the quality of service in that approach? We might want to save money to cover costs, but we must consider the people living in the north, we must worry about the quality they are getting.

[English]

**The Chair:** We are out of time, unfortunately, Ms. Novalinga, but I think I'm going to have time to come back to this very point.

Let's go to Ms. Crowder for five minutes, and then I'll take the next question.

**Ms. Jean Crowder:** I have a quick comment before I ask my question.

It is fine to talk about going to the website for information, and I did go to the website and printed it off, but I had more questions than I had answers as a result of going to the website. There are so many things in here that say "per kilogram basis" or "yet to be determined". It goes on and on. The shipping minimum weight per year is to be determined by INAC—this is for eligible southern suppliers. The website is full of questions, not answers.

I can understand the discomfort people in these communities are having about not knowing how businesses are going to operate, about not knowing how people are going to eat, about not knowing whether they can afford things that most of us in the south would consider essential items, such as rice and noodles. Those kinds of things are just part of our daily diets.

Ms. Novalinga, I want to touch on an item here. When the department was here the other day, they told us that all the retailers got sufficient notice to put their orders in for the sealift this year. What we've heard from other witnesses is that there are challenges with storage. Mr. Fogarty pointed out that in terms of controlling for best-before dates and those kinds of things, there are challenges with ordering things that could sit on your shelves for eight or nine months.

Could you say a little bit more about that? It sounds as though time limits on orders are a big storage issue for you.

**Ms. Rita Novalinga:** In the north, because we found out in July that some items were not going to be on the list anymore for October 3, we decided to have a shot at this. We decided that we would put items on the last sealift that can be on the shelf for two months; in other words, we packed the ship with as many items as we possibly could so that at least it would be cheaper for about six months.

Our problem here in the north is that we have best-before dates, and nobody will want to buy after the expiry dates. We don't buy after the expiry dates; we throw them out.

As for the Internet, very often the Internet is down or slow. During business hours you have to download for an hour or two, weather permitting, and then it's down sometimes, so it's unreliable at best here as well.

• (1700)

**Ms. Jean Crowder:** Mr. Kusugak, I wanted to ask you a question about consultation. That's always a big issue for first nations and Inuit. We hear consistently from people that what the government determines is reasonable consultation is not consultation. What we've heard today is that you were consulted at a couple of meetings, I think. In your view, is that consultation?

**Mr. Jose Kusugak:** No. This is the kind of consultation they're talking about when they ask us to look at the websites or comment on the decisions they've made.

Laurie was pointing out to me that since 2009 there has been no involvement of NTI or any other Inuit organization.

**Ms. Laurie Pelly:** That's since mid-2009.

**Ms. Jean Crowder:** You cited article 32 from your agreement.

**Mr. Jose Kusugak:** Yes. Article 32 actually says that on all social issues—like this one, for example—Inuit have to be consulted, and that they will help to develop programs and suggest programs that the government would be working with us on. Most of the time there's absolutely no consultation, in our opinion.

I understand that everybody has an idea of what real consultation is, but for us it means to be involved in actual development of some of these policies, and that doesn't really happen.

**Ms. Jean Crowder:** Am I out of time?

**The Chair:** You've got 15 seconds left.

**Ms. Jean Crowder:** Mr. Fogarty, do you want to quickly throw in that comment about the storage issues you were talking about?

[*Translation*]

**Mr. Peter Fogarty:** That is the biggest concern. Products in our grocery stores have expiration dates on them, be they cookies or canned goods. All products have best-before dates. Even we, the grocers, must be very careful. Everyone here checks the expiration dates on canned goods. If we here, in Ottawa, or in Montreal, were to order canned goods once a year, I'm not sure that we'd carry quality products.

**The Chair:** Thank you, Mr. Fogarty.

[*English*]

Thank you, Ms. Crowder.

I'm going to take one of the government spots.

Monsieur Joubert, what is Canada Post's outlook about this transition from the food mail program to Nutrition North? Is it something Canada Post is welcoming? Do you have an opinion on this change and how the transition has gone?

**Mr. Richard Joubert:** The best comment I can make is that we are working very closely with INAC to ensure that we have the smoothest transition possible. The people of the north are Canada Post customers, and they're going to continue to be Canada Post customers long after the food mail program has changed over to Nutrition North. Therefore, we're going to work very closely with the communities, very closely with our suppliers, and very closely with INAC to ensure as smooth a transition as possible.

**The Chair:** That's until next April; then it wraps up.

**Mr. Richard Joubert:** Absolutely.

**The Chair:** I'll come back to our two retailers who are here today.

Over the several days that we've been doing this study, we have certainly heard a lot of points raised about the difficulties of pricing the non-perishable items. You mentioned some good points around the best-before dates, and so on. We realize that the premise of Nutrition North Canada is to get the non-perishable products that can be warehoused, some of which you mentioned today—canned goods, water, diapers, health products, and things of that nature—to go by sealift or by way of a winter road. Then you can get the price of transportation way down and offer goods to your customers at a much lower price, perhaps even lower than what you would have been able to do with the food mail program. That's a certain premise.

In terms of this perishability issue, you mentioned ketchup, Campbell's soup, canned vegetables, and things of that nature. What are the timelines? Don't they normally have at least a two-year shelf life? I'm thinking that if they have such a long shelf life, in one full-year cycle you would be able to order it in, warehouse it at least for one year's demand, and meet that demand from a warehouse. Wouldn't that be reasonable?

• (1705)

**Ms. Rita Novalinga:** It would be, if we had a warehouse. That's my first answer.

It always depends what it is. For pie filling, it would be one year, but I cannot see anything healthy after one year. How can you have a...?

**The Chair:** Most wouldn't be less than one year, I wouldn't think.

**Ms. Rita Novalinga:** It's six months.

**The Chair:** In some cases it's six months? Okay.

On this warehousing issue, you mention a \$2 million warehouse for a community of 200. That idea, I would agree, is way outside the picture, way outside possibility, but wouldn't it be possible to contract some of the warehousing space that one would need for a community like that, either with the shipper or within the community already? Is that something you've considered?

**Ms. Rita Novalinga:** We would certainly consider that if there was infrastructure. There is a housing crunch up north. All the houses are filled to capacity. There is no infrastructure, Mr. Chairman.

**The Chair:** That's okay.

Now to Mr. Kusugak. Thank you for your answers.

Go ahead, sir. I saw you had your hand up. I've got 30 seconds for your answer as well.

**Mr. Jose Kusugak:** Okay, 30 seconds. Thank you, Mr. Chair.

I want to point out that we are in a great nation, Canada. The Arctic is really not a third world country. As much as I appreciate a year or two years' storage, I think in Canada we ought to be able to have reasonably fresh things to eat. If you go from my community of Rankin Inlet to Ottawa right now, it's amazing how fresh the stuff is at any of your grocery stores here. It's like picking freshly from a tree compared to the stuff we're getting in the communities. Being in a nation like this, I think there ought to be some balance between wherever you are in Canada.

**The Chair:** I agree wholeheartedly. My point was on the non-perishable products. I think we're all agreed that we want to get the perishable stuff, the fresh, high-quality stuff, by way of air, no doubt.

We have time for one more question, and we're going to go to Monsieur Lemay. I have Ms. Smith for a short question as well.

Monsieur Lemay, and then Ms. Smith.

[*Translation*]

**Mr. Marc Lemay:** I don't have an actual question. I listened to all of you. My colleague, Yvon, is very concerned about this situation because he is the MP for Abitibi—James Bay—Nunavik—Eeyou. I am the MP for Abitibi—Témiscamingue. I am very surprised. This is the third meeting on this issue, and it doesn't look like the program was properly thought out before it was sprung on you.

I am glad my colleague asked that we study this matter. I don't want to take up too much time, as I know that we have another short in-camera meeting scheduled, but I would like you to send us questions. We will probably ask department officials to appear again before the committee. I am still stunned. I thought that the program had been better developed and that proper consultations had been held.

I understand, and it has been confirmed, that you can consult the website, but it is very difficult to get Internet access in many parts of northern Quebec and Canada. I would like you to send us any questions you may have. The only promise we can make is that we will monitor the program very closely because \$75 million have been poured into it. We want the consumers to benefit from this investment.

I won't take up any more time, but I think it is important that you share your comments with us. You may be sure that we will take them into consideration.

•(1710)

[*English*]

**The Chair:** Did anybody want to respond briefly?

[*Translation*]

**Mr. Peter Fogarty:** The current problem is that we are told to consult the website, which doesn't actually provide answers to any of the questions I asked you earlier. In the document I'll send you, I listed seven questions for which no answers have been provided. As a retailer, I must personally negotiate future transportation costs. Despite the financial support provided to various communities, transportation costs will make access to food impossible, in my opinion. This is a very important issue. We are told—the lady is unfortunately gone—to go to the website. We have sufficient Internet savvy to know how to consult a website, but the website we are being referred to doesn't currently answer any of our questions.

[*English*]

**The Chair:** I'm sure those questions are very relevant for your organizations. Our mandate as a committee would likely not be to respond in that respect, but certainly that is a good question for the department. I'm sure they would welcome your questions and do their best to answer those questions for you.

Our study as a committee is to look at the program and the intended changes and report to the House of Commons on what we see and what we've heard from witnesses. So we're not in as good a position to be able to respond to those specific questions.

I have Ms. Smith for a short question, and then we'll wrap it up.

Go ahead, Ms. Smith.

**Mrs. Joy Smith (Kildonan—St. Paul, CPC):** Thank you, Mr. Chair. Thank you for allowing me some time to ask a question.

I'm not normally on this committee. I'm a guest, but I'm very interested in this topic.

In my health committee we have done some study on the nutrition challenges that the north faces. Members of my committee actually did visit Nunavut, and we understood a lot of things that were happening.

It is my understanding that INAC is going to release information to answer some of your questions on December 1 of this year. The information will be placed on the website; I know that you utilize the website very much, and of course it's easy to do. That might answer some of the questions that we have today in short order, so I would invite everyone to get on that website.



I was somewhat baffled by a comment made a little earlier. I know there are many different sizes of communities up there. They are not huge, but there is a difference between really small and really large communities, and I believe there was a statement made by Ms. Novalinga about small communities not having the \$2 million to build a warehouse to house all these things. Nutrition in the north is all about the big cost of the good foods that need to be available to the people of the north. The cost is very high, and the foods also sometimes can't get there in a timely manner.

This business of trying to address nutrition needs of northern Canada is of paramount importance. Storage would be one variable that needs to be looked at. When you made the comment that a warehouse might cost \$2 million, I wondered if any analysis had been done to establish the actual cost to build those warehouses.

I think that would be a very important question to answer. Would someone like to comment on that?

• (1715)

[Translation]

**Mr. Peter Fogarty:** Building a warehouse in the province of Quebec or in Ottawa is too expensive. If transportation costs are taken into consideration, imagine how much it would cost to build a warehouse in Nunavut. In Quebec, building a storage facility already costs millions of dollars. We are talking about \$1 million or \$2 million, but that is no longer enough to build a warehouse. A store like mine costs \$10 million to build. Of course, a store contains certain equipment, but \$4 million or \$5 million are needed just for the infrastructure of a 35,000-square-foot grocery store, which isn't even that big if we also want to store products for a year. One million or \$2 million does not get us very far.

[English]

**Mrs. Joy Smith:** I understand that, but my question was whether there has ever been a cost analysis of where these warehouses would be and how much they would cost. In small communities or big communities, should this be something that is done quite quickly to see what the actual costs would be?

Am I running out of time, Mr. Chair?

**The Chair:** You're okay.

**Mrs. Joy Smith:** I know that we're trying to make sure that the cost comes down for the north and that the foods are readily available for the people of the north. Has any organization actually done a cost analysis?

I'm an INTJ personality, so I love to have those kinds of answers.

[Translation]

**Mr. Peter Fogarty:** You're right, doing a cost analysis would be important. Quality is nevertheless an issue, as I said earlier. Warehousing is important, but we must be careful when deciding what to store for a year.

Would you order groceries a year in advance? Would you buy a year's supply of ketchup, mustard and relish? I don't think so. That is what we are asking northern residents to do.

[English]

**The Chair:** Go ahead, Ms. Novalinga, very briefly.

**Ms. Rita Novalinga:** To give you a short and sweet answer, we are planning to build a warehouse in Puvirnituq, in my home community, and that warehouse will cost us \$2 million.

The whole point, as you know, is that during the short summer season, when we ship up all this construction material and they start building these warehouses, we have to import the specialists over here. It's not only that: because it's such a short season, we have to pay them overtime and double time so that they will finish the warehouse in time, before it freezes, because once it's cold up there, they cannot build anymore.

It has to do with all of that. It's everything put together.

**Mrs. Joy Smith:** Thank you, Mr. Chair.

[Translation]

**The Chair:** Thank you, Ms. Smith.

I would like to thank all the witnesses for their testimony.

[English]

Thank you for your responses and presentations.

We're going to suspend the meeting for about two minutes, and then we will be in camera for the next several minutes.

Anybody who is here as a guest, I'd ask you to take your leave. Thank you again for your attention this afternoon.

We'll now suspend.

[Proceedings continue in camera]

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