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**Tuesday, November 1, 2005**

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**Chair**

**Mr. Massimo Pacetti**

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• (1405)

[Translation]

**The Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)):** Good afternoon, everyone. Thank you for taking the time to make your presentation. We are meeting pursuant to Standing Order 83.1 in the context of the pre-budget consultations 2005. I'm going to allot each of the groups a period of seven to eight minutes. We ask you to respect that time limit so that committee members can ask you questions. I have the witness list here. I'm going to proceed in the order in which they appear.

Mr. Paul L'Archevêque, from Génome Québec, can you begin?

**Mr. Paul L'archevêque (President and Chief Executive Director, Génome Québec):** Mr. Chairman, distinguished members of the Committee, first of all, I want to thank you for allowing us to highlight our viewpoint during these pre-budgetary consultations. We will use the time given us to demonstrate what an important asset a dynamic life sciences industry is for Canada. In the light of our comments, we hope you will be convinced to recommend to the Finance Minister and his team to continue to invest heavily in research, innovation and its applications; these areas bear great promise for the future of the Canadian economy.

In a context where international competition is livelier than ever, we are counting on the government to create an environment conducive to investment and the development of businesses through innovative and structure-creating activities. In creating Genome Canada and the Genomics Centres six years ago, the federal government clearly signalled its intention to make Canada a leader in genomics and proteomics. So far, this strategy has been extremely profitable in several ways.

The \$600 million in federal funds invested in Genome Canada have had a snowball effect - to the benefit of a great number of citizens across the country. To illustrate this, let me use an example that I know well, Genome Quebec.

Created in 2000 following the creation of Genome Canada, with financial support from the Canadian and Quebec governments, our genomic centre finances major initiatives (in genomics and proteomics) through annual investments of about \$50 million. We do this in partnership with the private and academic sectors. The capital invested in genomics by the Canadian government has already paid off and will continue to pay off in many social and economic benefits for the population. Of the \$600 million provided by the federal government to Genome Canada, \$150 million was transferred to Genome Quebec.

For each dollar, Genome Quebec has obtained a matching dollar - 75% from the Quebec government, and 25% from private partners. In this way, we have invested nearly \$300 million so far, created more than 600 jobs, trained 250 researchers, registered 33 scientific inventions/patents, and published some 360 scientific papers. That's a record that speaks for itself.

In addition, we created the McGill University and Genome Quebec Innovation Centre in 2003. One of the Centre's features is a cutting-edge technology platform, and operating within the Centre are some of the highest-performance technologies in the world, making it a world-class hub. At present, the Innovation Centre houses some 200 researchers, while more than 400 national and international projects are using its resources.

All in all, with a portfolio of nearly \$300 million under management, Quebec ranks second among Canadian provinces in the area of investment in genomics, while out of the 112 projects Genome Canada has financed to date, 25% - or 29 projects - have been or will be undertaken in Quebec. Without the Canadian government's strategic investment in research and development, Quebec could not meet one of its strategic economic targets, despite the fact that the Quebec government is Canada's second-largest investor in genomics and that it recently reaffirmed that this highly strategic sector for the future is a priority.

Genome Quebec is an organization in full flower, of which Canada and Quebec can be proud. We have tested our business model, and it is a formula that works. One hundred percent of the investments in companies are still active. Some of our investments are now attracting the interest of venture capital corporations and pharmaceutical giants. While biotechnology companies have difficulty surviving, the money invested within our genome centre is generating more and more concrete results.

But above and beyond the economic effects, there is this fundamental reason for our existence: to invest in the improvement of quality of life of individuals and populations. Genomics is unique in many regards, and over the last few years it has become a pillar in the area of life sciences research. In the area of human health, several tangible consequences of genomics will allow us to predict and deter the outbreak of certain illnesses, to improve medical diagnoses, to improve treatments, to avoid morbidity and mortality linked to the use of medications.

In the area of forestry, within three or four years, we will have a diagnostic kit that will help solve reforestation problems. In agriculture, we've conducted studies on the resistance to cold of genes and plants. This will make our agriculture more productive.

• (1410)

[English]

Major breakthroughs. There are some, and there will be more and more in the years to come. Moreover, to this effect, I cannot omit referring to a giant step that was accomplished in the comprehension of everyday diseases such as asthma, diabetes, and cancer. You surely must have read in the newspapers or news bulletins of last week that the map of human genetic variations is now completed. This is what we call, in our language, the HapMap project, which is the biggest success—I repeat, the biggest success—since the sequencing of the human genome. And this major scientific breakthrough would not have been made possible without the contribution of Dr. Tom Hudson and Dr. Bartha Knoppers, two Quebecers who played a key role in this gigantic project. I take advantage of this opportunity to tell you that Canada, through Genome Canada, and Quebec, through Génome Québec, are today international leaders in helping our researchers to achieve discoveries of worldwide scope in the genomics field.

Thanks to strategic investments this past year, with its mobilizing effect, fiscal measures, and the capacity to attract distinguished worldwide researchers, Canada has carved itself a niche on the international scene in the knowledge-based economy.

The time has come to capitalize on the foundation issuing from this very high-calibre research. To do so, we must take advantage of the commercial openings that are now offered to us.

Mr. Chairman, none of this could have materialized itself without the support and trust of the Government of Canada in the organization of Genome Canada. And this is only the beginning of a major technological revolution. Canada must continue in this direction and remain one of the world leaders in this sector.

To this effect, we consider your recommendation to the Minister of Finance as a very critical one for the future of research and development, but moreover for the future of the knowledge-based economy.

[Translation]

To be more competitive in the context of the internationalization of exchanges and markets, the Canadian economy must determine the most productive niches, because it is just wishful thinking to try to compete with production costs in emerging economies such as those in China or India. And among the niches that hold considerable potential for development are biotechnology and the life sciences.

The \$600-million investment in Genome Canada has created \$1.2 billion in total investments. Our researchers continue to announce new advances. One after another, provincial governments are shifting into gear, becoming partners in this great Canadian adventure. Our international reputation is more than dazzling.

By banking on Genome Canada, the government built a solid foundation for research and development. The genomics of today will be the biotechnology of tomorrow.

I thank you for your attention, and I will be happy to answer your questions.

**The Chair:** Thank you, Mr. L'Archevêque.

From the Fédération des producteurs du Québec, we welcome Mr. Perreault.

**Mr. Gilbert Perreault (First Vice-President, Fédération des producteurs de lait du Québec):** Good afternoon, ladies and gentlemen.

My name is Gilbert Perreault. I am a dairy producer from the Lanaudière Region and First Vice-Chairman of the Fédération des producteurs de lait du Québec. I am accompanied today by Patrice Dubé, Assistant Director, Economic Studies.

In statistical terms, the Quebec dairy industry is 15,000 producers who own 7,500 farms. It generates 47,000 direct and indirect jobs and nearly \$9 billion in economic activity on an annual basis, 40 percent of dairy production receipts in Canada.

In addition, the dairy industry is an agricultural sector that does not benefit from subsidies. One hundred percent of its revenue comes from the market, and to do that, it needs import controls to protect it, given the enormous subsidies other countries grant their dairy producers.

That said, our presentation before your Committee will cover three major issues: the agricultural negotiations hosted by the World Trade Organization (WTO), the introduction of a long-term dairy policy focusing primarily on Canada's milk production sector and the embargo on Canadian livestock and beef related to Bovine Spongiform Encephalopathy.

With regard to the WTO negotiations, our position on international trade is pretty straightforward. First, we believe that every country should have the right to ensure its food security and, therefore, to protect its agriculture through various market access controls such as tariffs.

Second, those who wish to trade on the so-called "open" international market may do so provided they grant no export subsidies or domestic support to their agricultural sector.

Third, these exporting countries must be offered clear, transparent and equitable minimum market access for their products. In our opinion, the WTO should concentrate on establishing clear rules to govern agricultural trade, that is, about 10 % of world agricultural production, and not interfere with domestic agricultural policies that apply to the remainder of the world's agricultural commodities.

A little over a month from the WTO Ministerial Conference in Hong Kong, China, nothing in the proposals tabled by the various countries or groups of countries points to the adoption of an agreement that would enable the Government of Canada to maintain efficient collective marketing and supply management systems.

Meanwhile, despite the magnitude of announced reductions (60 to 70 % cut in domestic support, etc.) these proposals would continue to allow the United States and the European Union to maintain the programs and policies currently in effect and even to introduce new subsidies if they wish.

We therefore ask the Canadian government to ensure that the following three principles are respected in any future agreement on agriculture.

First, Canada must ensure that over-quota tariffs are maintained at their current levels to provide effective control of imports. Second, the Canadian government must require that all WTO member countries provide real and transparent minimum market access, by product line, equal to 5% of domestic consumption.

Third, the Canadian government must make sure that the future agreement on agriculture recognizes that administered pricing systems, like those that exist in our sector, do not distort trade when coupled with production discipline.

We believe it is in the interest of all Canadians that our government undertake never to sign an agreement on agriculture that would threaten any of the three pillars of our marketing system. Otherwise, in the absence of border controls, it is estimated that the Canadian government would have to invest at least \$ 2.7 billion every year to maintain our industry.

Our second subject is long-term policy. Despite the positive impact of the 1975 and 1985 LTDPs on the growth of the industry, the federal government introduced a change of direction in the early 1990s. At that time, the federal government supported several measures that differed from the spirit of the first two LTDPs in favour of sectors downstream from production.

The adoption of these measures, combined with the economic and political climate prevailing in our sector, contributed to weakening the financial situation of producers, while Canadian dairy processors continued to enjoy a level of profit that is the envy of many countries around the world.

●(1415)

Based on the above, it is clear that a new long-term dairy policy, geared essentially to the production sector, must be implemented to address the needs of Quebec and Canadian dairy farmers.

Canada's next milk production policy should be based on four pillars: a supply management system designed to meet Canadian demand with milk produced in Canada; a set of effective import-control measures; producer target prices and butter and skim milk powder support policies; and WTO -compliant green programs designed to ensure producer income security, as well as to support research and innovation in milk production and the promotion of dairy products made from Canadian milk.

The last subject we want to address with you is the BSE crisis which has hit Canada hard in the last 30 months.

This crisis has clearly shown the fragility of international trade in agriculture. A situation such as currently experienced in the cattle production sector would not occur in dairy production. This is a case

where stakeholders can really appreciate the positive aspects of a supply management system.

Although some measures were introduced that made it possible to partially open the borders, for all practical purposes, the crisis continues to severely affect the dairy cattle sector. The total losses sustained by Quebec dairy producers from the discovery of the first case of BSE in Canada in May 2003 to July 2005 are estimated at approximately \$207 million, or an average loss per farm of about \$ 11,000 on an annual basis, or approximately \$27,000 per farm since the beginning of the crisis. For 2004, these losses represented 53% of returns from livestock sales and 17% of the net income of an average Quebec dairy operation. It is important to emphasize that these amounts do not take into account significant losses sustained by farmers who exported breeding animals and high-value genetic material before the crisis.

Under the circumstances, it is easy to understand why dairy producers in Quebec and across Canada welcomed the compensation programs announced by the federal and provincial governments to help them through the crisis. The total amount of relief measures provided Quebec dairy producers from the start of the crisis to July 2005 is estimated at approximately \$67 million. Since the total losses sustained are in the vicinity of \$207 million, Quebec dairy producers have shouldered more than two-thirds of the total losses caused by the BSE crisis to date.

It should be pointed out that the losses could have been much lower had the Canadian and Quebec governments set a floor price for cull cows across Canada, as proposed by Quebec dairy producers.

Quebec dairy producers therefore sought other solutions to lessen the effects of the crisis. They purchased the only major slaughter plant for cull cows in eastern Canada. With this acquisition, they improved their chances of receiving a fair and equitable price for their cull cows. Nevertheless, it is estimated that they will still incur losses of nearly \$ 45 million each year that the crisis lasts. In our opinion, the Canadian government's strategy must be reviewed and improved.

First, the Federation encourages the Canadian government to continue to intensify diplomatic efforts to have the ban on all Canadian livestock and beef lifted and to encourage our trading partners to adopt the guide developed by the World Organization for Animal Health to determine a country's BSE status.

Second, the FPLQ requests that the federal government quickly announce a compensation program that meets the specific needs of the dairy industry.

Third, we request that the Canadian government introduce a strategic, effective program to help preserve the vitality of the genetic material industry by fully restoring export markets.

Fourth, we call on the Canadian government to quickly provide adequate assistance to help support new slaughtering and processing projects managed by producers or producer groups.

In conclusion, as you can see, the issues confronting our industry have already, and could continue to have, significant budget and tax consequences for the Government of Canada and Canadian taxpayers. We hope you keep this in mind in your deliberations.

Thank you very much. We are available to answer your questions.

• (1420)

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

Ms. Jean.

**Ms. Anne-Marie Jean (General Manager, Culture Montréal):** Mr. Charles-Mathieu Brunelle, a member of the executive committee of Culture Montréal, and I will make this presentation together.

We thank you for the opportunity today to explain, first as representatives of Culture Montréal and as members of the Canadian Arts Coalition, a demand that we made in early September. The main purpose of that demand was that, on the occasion of the fiftieth anniversary of the establishment of the Canada Council for the Arts, the federal government increase that agency's budget to \$300 million, in other words that funding for artistic creation be increased by \$5 per Canadian taxpayer.

I'd briefly like to introduce Culture Montréal, the organization we represent. It is an independent, non-profit organization with more than 600 members involved in promoting culture in all its forms as an essential component of the city's development. Culture Montréal has been officially in existence since February 2002 and takes an active part in demonstrating the contribution of arts and culture to all areas of society. The organization has established working committees on specific cultural themes, including new artists, major land use projects, education, cultural diversity and artistic creation. It is these concerns that have led us to take an active part in the Canadian Arts Coalition.

The Canadian Arts Coalition represents an increasing number of cultural associations and organizations in fields as varied as publishing, the performing arts, arts and crafts, literature and the visual arts. In particular, they include the following organizations: the Canadian Conference of the Arts, the Canadian Crafts Federation, the Union des écrivaines et écrivains québécois, the Writers' Union of Canada, the Canadian Art Museum Directors Organization and the Société des musées québécois.

When Canadians are asked the question, a great many say they are happy to live in a country where culture, creation, artistic research and dissemination of the arts receive a certain level of government assistance and, of course, patronage. Various Ipsos-Reid polls have shown that more than 90 percent of Canadians believe that the arts play an important role in improving the quality of life in their community. Ninety-six percent of Canadians also believe that the arts are an essential component of their children's education, but it must be considered that government assistance is, in the vast majority of cases, in addition to the personal investment, in time, money and energy, of the artists and their families who agree to live in insecure conditions.

The primary funders of culture have always been artists themselves, when they invest thousands of dollars in their training and experimentation, when they make considerable efforts to formulate and carry out their creation plans, when they make

themselves endlessly available to disseminate and popularize their work.

The visionaries who founded the Canada Council for the Arts 50 years ago could not suspect to what extent the lives of Canadians would be deeply transformed by the increasing availability of cultural works and events in virtually all regions of the country. Today, some 600,000 Canadians are employed in the arts and culture sector, which alone generates \$39 billion in economic activity.

• (1425)

**Mr. Charles-Mathieu Brunelle (Executive Vice-President and General Manager, TOHU (Cité des arts du cirque)):** In addition to their creative work, we believe that arts and culture practitioners provide concrete responses to the main challenges encountered by our society. For example, there is considerable talk about the fierce competition our industrial sectors encounter from emerging economies like China, India, Mexico and Brazil. Artists are essentially specialists in cultural dialogue. For decades they have played the role of Canadian culture ambassadors to the peoples of the world, and, in dealing with those ancient cultures, know and have known how to win the hearts and respect of our new trading partners. In fact, they are often the first to open the borders of the foreign countries that will become our economic partners.

For generations, artists created treasures of meaning and interpretation, and those treasures must be even more accessible. One of the potential ways to do that is undoubtedly better dissemination of cultural production to all social classes and all regions of the country. Here again, we must consider a fact that is too often neglected: this country is immense, and the cost to make artists and their works accessible to the public is at times exorbitant. Financial support must therefore be increased for artistic dissemination.

At the grassroots level, we need better education in the arts for all generations through better promotion of artistic works, knowledge of our artists and heritage, including our living heritage. The solutions to these challenges must be bold, and, if the federal government wants to promote interculturalism, protect our heritage and support the arts, it must immediately invest in cultural production and dissemination. This is one of the best ways to do so.

In its upcoming November economic statement, we hope the government will state its intentions with regard to the funding of culture in general and to the budget of the Canada Council for the Arts in particular.

**Ms. Anne-Marie Jean:** Today, thousands of young Canadians are knocking on the doors of the Canada Council and other federal funding agencies, and they're right. They're ready to make the necessary efforts, as we have done, because they know that, with a little support, they too can create wealth that will be added to our collective heritage.

The Canada Council was able to accept only 2,100 grant applications last year and had to turn down 12,000 for lack of adequate financial resources. It must be said that, since 1998, the number of applications from cultural organizations has increased 50 percent, the number of those from artists 30 percent.

If we are unable to respond to the aspirations of the youngest Canadians who hope, in their turn, to assert themselves as artists, or if they don't have an opportunity to acquire skills and experiment with innovation, we'll soon be facing a shortage of new artists that will compromise what we have achieved to date. Even worse, we risk extinguishing the flame that drives these young creators.

In the past 15 years or so, the federal government has opened channels of direct interaction with the municipalities, since cities are increasingly being identified as the drivers of the new economy. They are considered as focal points that attract minds and talents that will determine our success in highly creative industries.

• (1430)

**Mr. Charles-Mathieu Brunelle:** However, as you are no doubt aware, the competitive advantage of our cities is the tolerance, openness, diversity and cultural wealth found there. That's what makes our cities attractive to students from around the world, to the researchers, entrepreneurs and inventors of the new economy, as well as wealthy tourists. Two out of three international tourists visiting Canada take part in a cultural activity. Cities need infrastructure, but they especially need to be filled with the vision and action of artists and institutions. The federal government can play a role in this. The reputations of Vancouver, Toronto and Montreal as creative cities are one of the drivers of Canada's growth in all fields, but it must be fueled. We must all reconsider the relationship between the arts and the economic prosperity of societies.

We have long believed that cultural development was a sub-product of economic development in general. We now know that cultural development is a trigger of economic development. We now know the role that culture plays in urban development. It would be entirely natural for the federal infrastructure works program to have a specific cultural component and for it ultimately to be administered by Canadian Heritage.

**Ms. Anne-Marie Jean:** As choreographer Edward Lock, spokesman for the Canadian Arts Coalition, said in Ottawa last week, money can't create culture, but it can make a difference between its growth and vitality and stagnation. The cultural community has managed to develop and spread a vision that is the natural extension of any society that wishes to define itself to itself and to others.

The money won't be a gift from the state to its creators and interpreters, but rather an investment in a secure undertaking that has proven itself here and elsewhere. An increase in funding for the arts would be consistent with the government priorities of supporting and investing in a community that constantly proves itself, promoting artistic excellence here and outside Canada, raising our international profile and promoting a society that reflects our diversity. Cultural dialogue, artistic leadership and responsibility - taxpayers' money will never have been so well invested.

Ladies and gentlemen, thank you. I'm prepared to answer your questions.

**The Chair:** Thank you, Ms. Jean. We'll move on to the next group. It's the Nunavut Association of Municipalities.

Ms. Sheutiapik, I turn the floor over to you.

[English]

**Ms. Elisapee Sheutiapik (Member, Board of Directors, Nunavut Association of Municipalities):** [Witness speaks in her native language]

Good afternoon.

Mr. Chair, members of the Standing Committee on Finance, thank you for giving the Nunavut Association of Municipalities, NAM, the opportunity to appear before you today.

My name is Elisapee Sheutiapik. I am a NAM regional board member representing the Baffin region of Nunavut, and I am the mayor of the City of Iqaluit, capital of Nunavut. With me here today are NAM CEO Lynda Gunn and Mr. Russell Banta, NAM's contractor, who assisted NAM in the drafting and research of its submission for the Expert Panel on Equalization and Territorial Formula Funding.

NAM is a non-profit organization that serves to represent the interests of its membership, the 25 municipalities of Nunavut. NAM is also a member of the Federation of Canadian Municipalities.

For those of you who are unfamiliar with Nunavut, our population is 29,000 people, approximately 85% Inuit. People of Nunavut refer to themselves as Nunavummiut, the people of Nunavut. Nunavut's footprint makes up one-fifth of Canada's land mass.

For your committee's 2005 pre-budget consultations, we have provided you with input on the investments in the human capital area of the budget focus. We have provided you with an English version of the 2005 *Nunavut Economic Outlook: An Examination of the Nunavut Economy*, a document that was completed and released on October 25, 2005, by the Nunavut Economic Forum, of which NAM is a member.

The 2005 *Nunavut Economic Outlook* defines human capital as often thought of as the stock of human labour, more specifically the quality of the labour force for the wage economy. But in its truest sense, human capital is much broader. Human capital is the overall capacity in terms of health, knowledge, education, and skills of people to be productive, whether it be participating in the wage economy, active in the land-based economy, volunteering, supporting the family, or pursuing education or training opportunities, either traditional or western. Without sufficient levels of human capital, productive activities cannot be performed, thereby reducing society's chance of achieving a high and sustainable quality of life.

NAM rendered an opinion on the state of territorial formula financing for Nunavut and gave recommendations on what needs to be changed for the territory's future CFF allocations in the submission it made to the Expert Panel on Equalization and Territorial Formula Financing in September 2005. A copy of this submission has been given to you in English.

Territorial formula financing has been arbitrarily cut over the years, and funding levels are insufficient to meet our needs. NAM reasons that the expenditure gap is not only a measure in accounting ledgers; it can also be measured in inadequate housing, poor health, low education, and inadequate infrastructure. It is referred to by various names, including a social deficit and wellness gap.

Nunavut's wellness gap indicators include the following: life expectancy for Nunavut Inuit is 68 years, versus the Canadian average of 82 years; infant mortality for Nunavut Inuit is 15 per 100,000, versus the Canadian average of 5.3 per 100,000; suicide deaths for Nunavut Inuit are 79 per 100,000, versus the Canadian average of 13 per 100,000. Tuberculosis is described as a disease of poverty and is said to be more common in third world countries than in wealthy Canada. For Nunavut Inuit, it occurs at a rate of 92 per 100,000 per year, versus the Canadian average of 1.3 per 100,000 per year.

*Nunatsiaq News*, our Nunavut newspaper, issued a particularly disturbing article in its September 30, 2005, issue entitled "One out of two Nunavummiut go hungry". The article communicates that if you asked ten people in Nunavut whether they or someone in their household had gone without enough to eat in the past year because of lack of money, five would say yes. That means seven times as many people per capita in Nunavut have suffered from hunger than in Canada as a whole.

● (1435)

The article tells us that the situation may be worse in communities where jobs and food prices are high. Imagine going to a store where the price of a one-litre box of popular brand liquid orange juice costs \$21.69.

For this news story, someone took a picture of such a product in a Pond Inlet, Nunavut, food store.

In addition, a 1.89 litre of a popular cranberry cocktail juice was selling for \$41.99. Smart shoppers, the article says, could choose to purchase a much less healthier option of a tin of juice crystals for \$52.49, which could make 26 litres of juice.

Such rates are all too frequent when you consider that foodstuffs must be flown into towns and villages across Nunavut after the previous year's sealift supplies have run out.

When NAM appeared before this committee one year ago, NAM reported that Nunavut, as a fledgling jurisdiction, is in dire need of Canada's dedicated attention, not just in physical terms but in resources to help the territory determine its short- and long-term needs in a sustainable fashion, when we reported that within our lifetime the Inuit have been propelled forth from a totally sustaining way of life, with rich and proud cultural roots, to a time where their future is uncertain. Today, the majority of Inuit live in poor socio-economic conditions, likened to a third world economy state of living.

To illustrate just how fast the transition is for many Inuit today, my own mother and father, and Lynda's mother, never attended one day of formal school education. We are first-generation products of Canadian Inuit society, who have been born and raised in towns and villages across the north. These towns and villages are in dire need of your help. Imagine your own town or village having the same

incidence of tuberculosis, the disease of poverty, within your town or village. Imagine if your own town or village had suicide statistics set at a rate that Nunavut communities have. I imagine that if they did, a state of emergency would be called to address this important issue.

Assistance to help Nunavummiut rise out of these conditions seems distant, despite some new federal funds such as territorial formula financing, raising the Nunavut per capita transfer to \$26,000 per person; municipal rural infrastructure funds of \$60 million over five years; the new deal for cities and communities funding of \$37.5 million over five years; the strategic investments in northern economic development program funding of \$30 million over five years; and the northern strategy contribution of \$27 million.

Infrastructure Canada recently announced transit funding that applies to the repair and construction of roads or transit systems for the movement of people for all jurisdictions in Canada. Although Nunavut doesn't have any roads that lead to communities or between them and it doesn't have any public transit systems, the Government of Nunavut is attempting to convince Infrastructure Canada to allow the territory to use its one-time \$800,000 allocation by applying it to the improvement of airport gravel runway surfaces, which 23 of 25 communities' runway surfaces are made of.

Although the \$800,000 is barely enough to do any work on just one runway in Nunavut, the Government of Nunavut is having a tough time convincing Infrastructure Canada to permit them to apply the money to airport runway resurfacing instead of roads.

Last year, the Conference Board of Canada prepared a research paper for NAM entitled "Infrastructure Planning for Nunavut Communities". The paper cited that the territory was projecting an infrastructure investment shortfall of between \$40 million and \$50 million annually for the next five years.

Even with the new federal funding initiative mentioned earlier, more needs to be done. Municipalities of Nunavut have partnered with the territorial government to administer the new deal for cities and communities fund. The partnership is felt to be a positive move forward with respect to how infrastructure fund decisions will be happening for Nunavut communities in the future.

The municipalities want to see the goods and services tax abolished. The municipalities want to be included as a resource royalty-sharing partner in an effort to secure other revenues that would help build much needed infrastructure in their communities, as currently only one of 25 communities in Nunavut has a tax base—that is, the city of Iqaluit.

● (1440)

The 2005 *Nunavut Economic Outlook* says that Nunavut's human capital shows some signs of progress in a few areas, but the progress has been slow. The pace of these improvements will disappoint Nunavummiut and other observers, but this should not deter anyone's resolve on this front.



Serious issues exist with the health status and education of Nunavummiut. The health of women and children seems a particularly serious problem, as is the high rate of smoking. Meanwhile, some inroads have been made in raising the number of high school graduates, but significant work remains in raising the quality of education these diplomas represent.

Now with the private sector spurring on industry growth, the development of human capital is more important than ever if Nunavut is to achieve broad success and ensure Nunavummiut are able to participate in the new economic opportunities.

If you have any questions....

**The Chair:** Thank you.

[Translation]

Our next witness is Mr. Gauthier, from the Canadian Automobile Dealers Association.

**Mr. Richard C. Gauthier (President, Canadian Automobile Dealers Association):** Good afternoon, Mr. Chairman, distinguished committee members. I'd like to thank the committee for allowing the Canadian Automobile Dealers Association to appear here today.

Our industry directly employs more than 570,000 Canadians. In fact, of that number, more than 145,000 are employed by vehicle dealerships across the country. Literally hundreds of thousands of additional jobs depend on our industry. One in seven jobs is created by the automobile industry. These are surprising statistics.

[English]

The biggest concern that the entire industry faces, however, is the proposed "feebate" scheme that was outlined in the 2005 federal budget for possible inclusion in the 2006 federal budget. Feebate is a complex name for a tax on new vehicle sales for less fuel-efficient vehicles or a rebate for more fuel-efficient vehicles. The National Round Table on the Environment and the Economy was tasked by the Minister of Finance to study this issue. The round table will be presenting their findings to this committee later this week.

In advance of their report, I'll take this opportunity to point out the flaws with any feebate plan. To do so, I will use the five criteria outlined in the budget documents to be considered.

The first criteria deals with environmental effectiveness. The bottom-line objection to any proposed feebate tax system is that these systems simply do not accomplish their environmental objectives. Both real-world applications and models demonstrate they do not achieve significant greenhouse gas reductions and have in fact ended up actually increasing the presence of smog where used. The most instructive example is the Ontario tax for fuel conservation, which is the largest working example of a feebate system in the world. The Ontario feebate enacted in 1991 was shown to be a failure in terms of changing consumer behaviour by the National Round Table on the Environment and the Economy's most recent 2005 study of feebates—this despite the fact that the feebate represents a net cost to Ontario taxpayers of over \$30 million annually.

It is also worth noting that feebate systems have been studied but not adopted in Massachusetts, Rhode Island, and Arizona. The systems were rejected over concerns that the tax system would lead

to increased smog and slow consumer purchase of new, cleaner vehicles. No other U.S. or European jurisdiction has a feebate system.

It is also noteworthy that one vehicle produced in the 1980s produces more emissions than 30 new vehicles today. However, these older vehicles would not be affected by the feebate, which would only apply to new vehicle purchases. As such, a feebate would slow the entry of new cleaner vehicles on Canadian roadways. This concern is well recognized by Natural Resources Canada in a study assessing feebates for Canada tabled in 1999. The bottom line remains: feebates are not an effective means of reducing greenhouse gases and air pollution.

The second criterion deals with fiscal impact. The negative fiscal impact of a national feebate scheme should also concern policy-makers. The national round table's 2005 report to stakeholders highlighted a predicted decline in auto industry revenues of \$1.5 billion per year. This staggering loss to the economy should concern decision-makers at all levels, as the implications are clear for decreased GST revenue on lost retail sales and lost corporate income and payroll taxes associated with lost industry revenue. Another important design flaw associated with feebates is the tax leakage associated with the importation of nearly new vehicles from the United States. Such vehicle arbitrage is likely to occur to avoid the feebate tax structure.

The third criteria focuses on economic efficiency. In this area it is noteworthy that Canadians are not big purchasers of large luxury vehicles to begin with. Policy-makers should know that Canadians are already purchasing far more fuel-efficient vehicles than our American counterparts. Specifically, did you know that 61% of vehicle sales in Canada are in the small car category and that only 1% are in the large SUV category? I believe these statistics speak volumes.

The fourth criteria deals with fairness. There are two basic fairness concerns with any proposed feebate plan. First, it inappropriately targets only new car buyers who represent only 8% of the overall vehicle fleet. As such, this not only misses an opportunity to create policy that reaches the entire vehicle market, but it punishes those buyers purchasing the most advanced vehicle technology. Second, by the very nature of the system, large families, farmers, and rural Canadians in western Canada will pay a disproportionate level of feebate taxes.

The final criterion is simplicity. A national feebate program would also fail to meet any reasonable criteria for simplicity. Indeed, a study done in 2000 by the B.C. Ministry of Finance specifically highlights the concerns over public acceptance of a feebate tax program. The report stated that public acceptability concerns were likely to arise from the cumulative effect, regional implications, and relatively low environmental effectiveness. The conclusion is simple: feebates are not the answer.

•(1445)

So what is the answer? Committee members should know that CADA continues to work closely with the federal government to help Canadians reduce emissions. This includes targeted programs such as voluntary vehicle labelling that explain to consumers the fuel economy of each new vehicle.

Our dealers continue to distribute the EnerGuide brochure, which allows consumers to compare vehicle fuel economy so that families can choose the best vehicle in each class.

This year CADA also played a major role in the signing of a new memorandum of understanding between the vehicle manufacturers and the federal government. This MOU commits the auto industry to an unprecedented action to reduce greenhouse gas emissions from Canada's vehicle fleet by 5.3 megatonnes by the end of 2010. This agreement is not only consistent with the GHG reduction goal set out in the government's 2002 *Climate Change Plan for Canada*, but it exceeds it.

There are two other areas for future action that hold real promise and should be considered by Canadian policy-makers. The first is that a vehicle scrappage program aimed at providing incentives for scrapping older, high-emission vehicles should be considered. We need to focus on getting these two million older-technology vehicles off the road. Targeting these vehicles will have the biggest impact on improving emissions and pollution.

Secondly, you should consider targeted tax incentives for the purchase of advanced-technology vehicles. It is ironic that the new energy legislation in the United States creates a major tax credit for a vehicle using hybrid technology. Credits over \$3,000 per vehicle are aimed at increasing demand for leading-edge emission-reducing technology. The United States has not signed Kyoto but is providing massive incentives for advanced-technology vehicles. Canada should do the same.

Thank you for your time.

•(1450)

**The Chair:** Thank you, Monsieur Gauthier.

We're going to start with questions. We'll allow six minutes, because we have plenty of time, but I don't want you to go over on your time.

[*Translation*]

I would like to point out to witnesses that committee members have six to seven minutes to ask questions and get your answers. If you could provide brief answers, that would be appreciated.

Mr. Prentice, over to you.

**Mr. Jim Prentice (Calgary Centre-North, CPC):** Thank you, Mr. Chairman. Welcome, everyone. I'd like to thank you for your efforts.

I am the Conservative Party's Indian and Northern Affairs critic. I want to put my questions to the Nunavut Association of Municipalities. I'm interested in the territories funding formula.

First of all, who sits on the Expert Panel on Equalization? Who sits on that committee?

[*English*]

**Ms. Lynda Gunn (Chief Executive Officer, Nunavut Association of Municipalities):** I'll ask the author of our expert panel for territorial formula financing and equalization to respond to that for you.

[*Translation*]

**Mr. Jim Prentice:** Who sits on the Expert Panel on Equalization? What is that committee?

[*English*]

**Mr. Russell Banta (Representative, Nunavut Association of Municipalities):** The expert panel is one set up by the Prime Minister to review equalization and formula financing. The chair is the former Deputy Minister of Finance for the Province of Alberta.

[*Translation*]

**Mr. Jim Prentice:** This is a good brief, but can you tell me what your recommendation is?

[*English*]

**Mr. Russell Banta:** The key recommendation is that resource revenues in the territories, Nunavut in particular in this case, not be offset by—

**The Chair:** Excuse me Mr. Banta, could you speak a bit louder? We're having a hard time hearing you. Also, could you explain to us your function?

**Mr. Russell Banta:** I'm sorry.

I'm an independent consultant who prepared the report for the Nunavut Association of Municipalities.

The key recommendation is that resource revenues flow to territorial governments and the communities in the territories in the first instance, as they do elsewhere in the country.

The second recommendation is that when the revenues do flow through the territories, they not be reduced by reducing the transfer payments to the territories at the rate of 80¢ on the dollar, as they are now.

•(1455)

[*Translation*]

**Mr. Jim Prentice:** That issue isn't in the agreement with the Government of Canada.

[English]

**Mr. Russell Banta:** Under the existing territorial formula financing, there's no sharing of resource revenues. All the royalties flow directly to the federal government. There is a proportionately small amount of indirect revenue through the territorial taxation regime, but that's the only revenue that's received in the territories, and it is offset by 80% reductions in the incremental amount under the territorial formula financing.

[Translation]

**Mr. Jim Prentice:** I'm going to speak in English.

[English]

Is this the same issue that is faced in the Northwest Territories with the devolution of authority?

**Mr. Russell Banta:** Yes, it is.

**Mr. Jim Prentice:** In a sense, you are seeking control of your own resources in the same way other Canadians are.

**Mr. Russell Banta:** Yes.

[Translation]

**Mr. Jim Prentice:** All right. Thank you.

[English]

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

Monsieur Loubier is next.

[Translation]

**Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ):** Mr. Chairman, I'm going to continue on in the same vein. If I understood correctly, Mr. Banta and the representatives of Nunavut, the territory of Nunavut was created, but not given the means to enable the population to survive there. They were also stripped of their natural resources, but we're unable to give them back a portion of the royalties for that. That's the problem right now.

[English]

**Mr. Russell Banta:** It is. So in that sense it's unlike the situation that faced Newfoundland and Nova Scotia. In their cases, in fact the royalties did flow to them, but they were offset by reductions in the equalization formula. In the territories, they don't even receive the royalties in the first place.

[Translation]

**Mr. Yvan Loubier:** Do you have any idea of the natural resource royalties that were taken away from the population of Nunavut without it being able to take advantage of them?

[English]

**Mr. Russell Banta:** It's very difficult, particularly in the instance of minerals, because you're estimating revenues from resources that, by and large, have not been discovered. One of the rough indicators in that regard is the interest the mining industry has in the geology of the region. It ranks third, after Quebec and Ontario, in terms of Canada; Nunavut ranks 15th of the 53 regions worldwide that the mining industry has geological interest in. Numbers are very hard when it comes to mineral geology, because until you find it, you don't know what you have and whether it's commercially viable.

With regard to oil and gas—and I won't run on too long here—to give you an indication, the two largest gas fields in the Canadian Arctic are on and adjacent to Melville Island. Projects for bringing that gas down were looked at as early as the mid-seventies. There's currently some commercial interest in the feasibility of bringing that gas by liquefied natural gas tanker, and this is tied into the idea of offloading terminals being built in the St. Lawrence Seaway. There haven't been detailed economic feasibility studies of these proposals, but it's giving prices not just as they are now but prices over, say, \$6 a thousand cubic feet from prices around \$12. At \$6 per 1,000 cubic feet, it looks like this would be a viable possibility.

[Translation]

**Mr. Yvan Loubier:** My question is for the representatives of Culture Montréal and TOHU.

This morning, representatives of the Mouvement pour les arts et les lettres appeared before us. They essentially made the same demands as you with regard to the Canada Council for the Arts, that is to say that its budget should be doubled. Most of my colleagues support MAL's stance. I'm not speaking for the Liberals, but for the Conservatives and us.

When you say \$2.7 billion, is that the amount the federal government would spend if import controls, the domestic production system and administered prices were removed? Would that normally be the value of action the federal government would be required to take in the dairy industry to maintain production and land occupancy, for example.

• (1500)

**Mr. Gilbert Perreault:** Yes, that's correct. When you compare with the Americans or the Europeans, you see that their subsidy rate is in the order of \$2.7 billion.

**Mr. Yvan Loubier:** And now you think Canada's position on the new round of WTO negotiations isn't clear, once again. It never is, ultimately, and hasn't been since the 1980s.

**Mr. Gilbert Perreault:** The Canadian position is always somewhat ambiguous in two respects. Currently, we sense there is a softening by negotiators, who are trying to come to an agreement. We know that, on Friday, Europe tabled proposals that don't suit us at all, that, in a way, would make supply management in Canada obsolete. The Americans submitted theirs the week before.

In addition, when the Minister of Agriculture and Agri-Food tells us that the U.S. proposal is a good contribution to the negotiations, we're quite concerned about how events will unfold in the coming weeks in Hong Kong.

**Mr. Yvan Loubier:** Mr. Chairman, I have one final question to ask Mr. L'Archevêque.

In your presentation, you weren't clear about your demands on the federal government. We know that it has nevertheless supported your initiatives for years now.

Exactly what are you requesting of it for this year? Do you want to continue on in the same vein? Are any additional amounts involved?

**Mr. Paul L'archevêque:** Absolutely. We didn't say so directly because we think that Genome Canada also made this submission, but now that you've given me the opportunity, I'm going to give you an option to explore.

Every year, as you said, the government invests in genomics and proteomics. It's an annual investment that isn't constant or repeated. Perhaps it's something to consider for the future, on the one hand.

On the other hand, to offset the shortfall for the coming years, if you will, we would need an additional grant of \$235 million. That's the figure Genome Canada is currently advancing.

**Mr. Yvan Loubier:** And that \$235 million is for...

**Mr. Paul L'archevêque:** That's for the first fiscal year.

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

[English]

Mr. Holland, and then Mr. Solberg.

**Mr. Mark Holland (Ajax—Pickering, Lib.):** Merci beaucoup.

Just to follow up on the last question of Mr. Loubier to Génome Québec, you had said that for the coming years....

First of all, I think we all recognize genomics and the role it's playing in biotechnology, and the enormous potential across just about every sector. But I was just curious when you said that for a certain period of time going forward we'll need to sustain that investment of these past years. Could you give us a sense of the timeframe over which you're looking to sustain that?

**Mr. Paul L'archevêque:** I think this technological revolution is here for a long time. As we know, in this field of activity, it is sustained investment over long periods of time, of 10 to 15 years, that is going to yield results. I think we're now five years into it, and we're starting to see some of the results appearing. I refer to our Génome Québec investments into some of the biopharmaceutical companies, which are yielding some results as we're speaking today. But we're still very early in this process, and this is a long stage that is required to get the full benefits.

**Mr. Mark Holland:** But if I understand you, it's something in the neighbourhood of an additional 10 years, or something in that range, that you think will probably be necessary.

**Mr. Paul L'archevêque:** Well, as an example, if you look at Genentech in the U.S., a huge company, it's taken them 25 years to get to where they are.

So, yes, we certainly need another 15 years.

**Mr. Mark Holland:** If I could just make a couple of comments to the Canadian Automobile Dealers Association....

First of all, I'm very happy with the voluntary agreement that has been worked out. I think it's an example of how, when we work collaboratively, we can achieve great things. And of course the voluntary agreements that have been made in the past with the automotive sector and the federal government have all turned out to be very successful.

I just have a quick point on feebates. One thing you didn't mention, but which I think is also important, is that if you have situations—and I happen to be in one—where you have three

children or five people in your family and you're looking at a vehicle that you need to get, you would potentially be penalizing individuals who simply don't have any other choice. They're going to need to purchase a larger vehicle—something like a minivan—on top of that.

I think there are a lot of ways we can get at reducing greenhouse gas emissions. As seductive as the notion of feebates is, for the reasons you mentioned, and others, I think there are issues with them.

To Culture Montréal, I know Minister Frulla has been very supportive of the particular requests. I'd just say that we've heard from a lot of delegations, and I would just add my voice of support to increasing funding for the Canada Council to the \$300 million mark.

Next, to the Nunavut Association of Municipalities, I am deeply concerned with the figures you've laid out for us. It's a complex problem, and it's one that money, of course, is going to be needed to address. I know there have been a number of agreements that have helped to some degree in that regard. But as you go through some of these different issues, whether infant mortality, the suicide rate, or tuberculosis, or your last point about the \$41 jar of cranberry juice, what specific measures do you think we should take on each of these? Is it just money that is required, or are there other things we can do to remedy some of these particular concerns? Obviously, a number of them are going to be very complicated. For example, you can take the rate of suicide, which is linked to hopelessness and that sort of thing. And infant mortality is directly related to the quality of health care, as is tuberculosis.

I don't know if you have any comment on this.

● (1505)

**Ms. Lynda Gunn:** The Nunavut Association of Municipalities is participating in various initiatives within Nunavut, working in partnership with the Government of Nunavut, in most cases on working groups and panels. Last year, a council was set up to address the issue of suicide solely and how do we encourage kids to embrace life. The name of that particular council is the Embrace Life Council, and NAM has a board representative sitting on the council.

There are many different initiatives that can take place, and they don't always require money. That's what we suggested in our presentation today. We need to be able to be given resources—not always just physical resources, but the tool kit, perhaps through NAM, where municipal governments can effectively address the issues, and mostly with the territorial government. We use the new deal for communities and cities initiative as one prime example of how municipalities are linking up with the territorial government and creating a meaningful link that works effectively for the municipalities. This is what we think anyway.

That's one example of how, if we partner and include municipalities and municipal governments closest to the people, potentially we can make huge changes. It's not always money, but there needs to be the recognition from the federal government that municipalities should be pulled into the exercise in any initiative they take.

**Mr. Mark Holland:** If you could speak on the issue of the shortage of food supply—we were talking about a \$41 bottle of cranberry juice, and this sort of thing, when supplies run out and become very scarce—what can we do to address that?

The next question is this. You talk about wanting the GST to be eliminated—one of you referenced it. Can you say what you mean? It's already been eliminated for municipalities, so where specifically are you talking about wanting to see the GST eliminated?

Could you please speak to those points?

**Ms. Lynda Gunn:** Nunavummiut feel they're being taxed twice on GST. They pay for the shipment of the goods to reach them up north and they pay GST on that. They also pay GST when they make the purchase from the suppliers. In effect, there's a double penalty happening there.

Through the Inuit Tapiriit Kanatami, which is the advocacy group for the Inuit of Canada based out of Ottawa...they've been making this argument for at least the past year. At our NAM AGM this year, mayors called for the abolition of GST at the source in the north. When we go to the stores, we don't want to be faced with paying GST. So it's an abolition of GST within Nunavut.

• (1510)

**Mr. Mark Holland:** Okay.

To my first question on how to deal with this shortage of supply and the huge run-up on prices on everyday grocery items, how do we come to terms with that?

**Ms. Lynda Gunn:** Well, there's no easy answer for that because we rely on airplanes and ships. The climatologists say that up until 2050, when we can pretty much say most of the ice will be gone from the north because of climate change—the greenhouse effect. For the moment anyway, our shipping season is basically from July 1 to the end of October. Some communities only get one shipment—one ship into their community—in that whole season, and it might be right at the tail end of the season in the month of October. So really, there's no getting around that. We're faced with this harsh reality for the moment.

Other than that, we rely on planes to bring our stuff in. If the one fire truck in our community burns down in the municipal garage, hey, we don't have a fire truck. But if we bring a Hercules in, and if our airstrip is long enough to bring it in, then maybe we can get that fire truck flown in. But it's at great cost and great expense.

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

Mr. Solberg.

**Mr. Monte Solberg (Medicine Hat, CPC):** Thanks very much, Mr. Chairman.

Thank you to all of you for your presentations.

I want to start by asking a question of Mr. Gauthier. I looked through your submission, and the one thing I couldn't find—and I'm sure consumers across the country are asking themselves about this—is what types of fees are we looking at if this was ever put into practice? How high would these taxes be basically in order to help the government realize its environmental goals? Do we have any sense of that?

**Mr. Richard C. Gauthier:** Yes, Mr. Solberg, and again, out of respect for the committee's time, of course, we didn't put forth all of the arguments that we have made available to the National Round Table on the Environment and the Economy. We have an extensive submission in that regard. Some of the various matrices that have been studied and examined by the NRT group would have a feebate that goes as high as \$5,000 or \$6,000 on some particular vehicles, which would in effect increase the price of vehicles in Canada as much as 30% to 34%.

**Mr. Monte Solberg:** Wow. That's a lot of money. Has the government actually talked about numbers themselves? Are these just your numbers that you're projecting would be necessary to reach those goals?

**Mr. Richard C. Gauthier:** We are not projecting those numbers. In fact, as you can see from our submission, certainly we are not in favour of the whole concept because we believe it will not achieve its objectives. One of the major flaws of the concept, again, was that when the government mandated NRT to look at this concept, they did indicate that they would want a feebate concept to be revenue neutral—in other words, credits would offset taxes.

But, clearly, we were able to demonstrate during the course of our own presentations that there was about a \$1.8 million gap in the numbers they presented. For instance, on the decline in vehicle sales in Canada, which some have estimated to range from \$1.5 million to \$1.8 million, no one took into account the GST implications on those lost sales, so right away the revenue neutrality mathematics, if you will, went out the window.

**Mr. Monte Solberg:** You mentioned in your submission the tax incentives that are in place in the U.S. I think you said it's about \$3,000 for a hybrid vehicle. I hear a lot of talk back in my riding from people who say maybe it's time to start looking at that, but they are quite a bit more expensive. Do you have a sense of what kind of impact the U.S. tax incentive is having on the sale of those new vehicles?

**Mr. Richard C. Gauthier:** That, Mr. Solberg, is legislation that has just been introduced, so obviously it has not been enacted as of yet. But it can go as high as \$3,400 on some vehicles. Again, it doesn't only target hybrid vehicles; it targets fuel efficiency.

• (1515)

**Mr. Monte Solberg:** Okay. Thank you.

I have a question for the representatives from Nunavut. What kind of unemployment rate do you have in Nunavut? Do you know offhand? Maybe Mr. Banta would know.

**Ms. Lynda Gunn:** Yes, we have that figure with us. It's 38%, double the average Canadian rate.

**Mr. Russell Banta:** Actually, according to the Canadian Institute for Health Information, the unemployment rate for people 15 years old and over is 22% in Nunavut, compared to 7% in the rest of the country.

**Mr. Monte Solberg:** Right.

I can't help but think, when you talk about some of the problems you're facing with respect to suicide rates and that kind of thing, that there would likely be some kind of tie to these high levels of unemployment. I'm sure, for instance, in Iqaluit the unemployment rate would be quite a bit lower, and then in some outlying areas quite a bit higher. Where it's higher, where people don't have something to do that they find meaningful and exciting and interesting and that lets them be able to earn a living, it would be obviously a very tough situation. It would seem to me that's likely.

I guess it underlines the need for economic development as much as more revenues coming from the federal government. Would you agree with that?

**Ms. Lynda Gunn:** Very definitely.

With respect to a simple, basic thing like a community hall, something that would provide the core for people to meet and where there are activities and the promotion of healthy living takes place, as an example, if that centre is missing from a community—and it is in many instances—that is something that is deemed as a crucial element. But from community to community, it depends on what sorts of things you have there for basic infrastructure to help the residents out.

In the forthcoming months, together with the Government of Nunavut, NAM is going to be staging a survey of communities on what their infrastructure situation looks like from community to community, what they deem to be the core needs. At our upcoming AGM in May, we propose to hold a two-day workshop with all the mayors and managers from each community, and we propose to have resource people who can help to facilitate putting together an infrastructure strategy for each and every community. But we want to approach this in a holistic way, so we want to pull in all these other partners who can address things like the sorts of things that can be improved upon for youths in our communities, and so on.

**Mr. Monte Solberg:** Thank you.

Time is short here, but I have one final question. Mr. Banta mentioned the potential for resource development, and I think you touched on this. How prepared is Nunavut in terms of the skills people need to have in order to be able to fill jobs that are created, for instance, by developing natural gas reserves or mineral deposits? I suspect you're probably in the same situation as lots of parts of Canada. We just don't have people with the proper training yet, especially in the trades sector. If you don't, how practical is it to deliver those kinds of skills, that kind of training? Do you have the facilities to do that?

**Ms. Lynda Gunn:** You touch on a very exciting point, actually, and one that I couldn't really address within the short time that we had to present. In fact, we weren't allowed to table the document, but I had my hands on it just this morning.

The Government of Nunavut is just about to release the Nunavut adult learning strategy. Within that document, there are discussions on every facet of preparation for people to equip themselves with the types of education, skills, and knowledge that will be required. The document addresses the issue right down to the K level of education and what the perceived needs are throughout. Again, NAM, the Nunavut Association of Municipalities, was one of the members on the task force that recently completed this strategy.

• (1520)

**The Chair:** Thank you.

**Ms. Lynda Gunn:** Could I just backtrack to a minute ago?

**The Chair:** Quickly, please.

**Ms. Lynda Gunn:** Okay, sorry.

It had to do with your previous question.

**The Chair:** Okay. You can discuss it afterwards. Time is running out and we're going to fall short.

[*Translation*]

Mr. Bouchard.

**Mr. Robert Bouchard (Chicoutimi—Le Fjord, BQ):** Thank you, Mr. Chairman.

Thanks as well to all of you for your excellent presentations.

My first question is for the members of the Fédération des producteurs de lait du Québec. You mentioned the importance of import controls. You said that negotiations were currently underway with the WTO. I also noted that the situation of dairy producers was deteriorating, but that there was an improvement in the situation of processors. Lastly, your demands to the WTO seem quite personal.

I'd like to know whether other countries have instituted import controls at their borders like what you're seeking. Are you able to answer that question?

Then I'll have a second question to ask you.

**Mr. Patrice Dubé (Deputy Director, Economical Research Department, Fédération des producteurs de lait du Québec):** With regard to import controls, today we're mainly talking about milk solids, products like casein, caseinate, butter oil and so on.

Measures are currently in place. There's even a bill, sponsored, among other people, by Senator Clinton, that was tabled in the U.S. Congress to control precisely the same products or the same milk solids as the ones that are a problem for us. However, I couldn't tell you where that bill stands in the U.S. legislative process.

**Mr. Robert Bouchard:** All right.

Could the labelling of products imported to Canada be a solution or a partial solution to the dumping of those products in Canada? Could that compensate for it?

**Mr. Patrice Dubé:** First, we'd have to have very clear statutes and regulations on the use of dairy products, to the effect that Canadian dairy products are made from Canadian products and that dairy products in fact contain milk solids. The use of dairy products is raised in Bill C-27, among others. That's why it's very important for us.

Ultimately, if we properly set up what we do here in Canada, we can have a mark of excellence associated with a Canadian product. In addition, if we identify imported products that do not meet regulations... We would hope they meet regulations, but very often those products unfortunately meet other quality standards and procedures which might not be permitted in Canada. So if we also identify them to enable consumers to have a clear idea of what they're buying, that's good. The purpose of all that is to enable consumers to identify products they buy and to ensure they're really dairy products.

**Mr. Robert Bouchard:** Thank you very much.

My other question is for the representatives of the Nunavut Association of Municipalities.

You've told us about the health and development problems in your communities. I want to tell you about an experiment that people are trying in my region. Some Aboriginal communities have negotiated an agreement in principle called the "Joint Approach" with the Government of Quebec and the federal government. Briefly, the agreement provides those Aboriginal communities with natural resource operating income that may vary from three to five percent.

Do you think it would be possible to introduce rebates on the operation of your natural resources in order to make you a little more independent from your funding sources?

• (1525)

[English]

**Ms. Lynda Gunn:** In Nunavut, 24 out of 25 communities are non-tax-based. Only one is a tax-based municipality, and that's the city of Iqaluit. There is currently no generation of revenues of any means through taxes.

This steers toward that unanswered or unfinished question asked by Monte Solberg. In some of our communities, there is no real economy in terms of a government that helps the local economy by employing individuals. Some of the communities have no government in them at all other than the municipal government, and it's in those communities where you have the higher levels of unemployment, as high as 38%.

Basically we're hoping that resource royalties in the future can be shared equally amongst all municipalities. Currently, if a big mine comes into one community or near that community, only that community and perhaps the neighbouring community will benefit through what they call an Inuit impacts and benefit agreement, or IIBA, through the Nunavut Land Claims Agreement. It's skewed that way right now, and for the future it would be much more beneficial if we could just share—and share evenly—between all communities.

[Translation]

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

Mr. Perreault, my question is a question of a member from an urban riding. I entirely understand the position of the Fédération des producteurs de lait du Québec. However, in your brief, you said that the conference will take place in Hong Kong, China. There has been no agreement on the supply management proposals.

Is there a danger that will change? It seems we have protection in three areas: chicken, milk and another product. As regards milk, is there a risk it will be included in the WTO negotiations?

**Mr. Gilbert Perreault:** Yes. We're operating with tariffs, and we minimize market action, which means that other countries don't have any more than five percent of our market.

As regards open markets, we're afraid there will be a lot of questions on the lowering of our tariffs by 50 or 60 percent. If we lower them, butter produced in New Zealand will automatically enter Canada very easily by paying the tariff, and our market will be flooded. So we'll have to cut our prices.

**The Chair:** Because markets are going to be opened. Is that correct?

**Mr. Gilbert Perreault:** It's precisely that.

**The Chair:** All right. If a country has to consume five percent, is that enough?

**Mr. Gilbert Perreault:** We say it's enough if it's really five percent. Currently, among the industrialized countries around us, Canada has been the best. We've opened our markets since the WTO's 1994 round of negotiations — it was the GATT at the time — to 4.5, 4.75 percent. Other countries, like the United States, are at 2.5 percent, and Europe three percent.

We should start by having a truly open market in the order of five percent for everyone in order to enter a domestic market. Then we could continue the negotiations.

• (1530)

**The Chair:** All right.

Last week, Genome Canada came and made a presentation to us in Western Canada. Today we heard from the representatives of Génome Québec. I simply want to thank the groups for travelling here. Some have come from far away, like the Nunavut Association of Municipalities. Thank you, that was very interesting.

Our challenge is no simple matter. We've received a number of different requests from varied sectors, and we'll have to decide which will appear in the report.

Thank you for your presentations.

[English]

That's it. The meeting is adjourned.







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