



House of Commons
CANADA

Standing Committee on Aboriginal Affairs and Northern Development

AANO • NUMBER 033 • 2nd SESSION • 40th PARLIAMENT

EVIDENCE

Tuesday, October 27, 2009

—
Chair

Mr. Bruce Stanton

Standing Committee on Aboriginal Affairs and Northern Development

Tuesday, October 27, 2009

• (1100)

[Translation]

The Chair (Mr. Bruce Stanton (Simcoe North, CPC)): Good morning everyone. Welcome to the 33rd meeting of the Standing Committee on Aboriginal Affairs and Northern Development.

[English]

This morning we welcome representatives from two departments of government, the first from the Department of Human Resources and Skills Development, the second from the Department of Finance.

This is our second meeting on consideration of the barriers and opportunities or solutions we can identify in advancing the economic development of Canada's north. I say that, members, because as we go through the course of our questioning and hearing from witnesses during this study, I think we need to be mindful of the mandate we have at hand and keep our questioning on the orders of the day. Obviously there are times, particularly depending on the witnesses, when any number of questions may arise. I simply remind members that we need to focus on these important questions, identifying where those gaps may exist, for the purpose of eventually formulating what all committee members believe to be important recommendations that we can recommend to the House and to the government in advancing economic development in Canada's north.

Without taking that any further, I would like to introduce Mr. Thompson, the associate assistant deputy minister of the skills and employment branch of HRSDC; and also Mr. Chris Forbes, the *directeur général, Direction des relations fédérales-provinciales et de la politique sociale du ministère des Finances*. I know that you probably both know we typically allot ten minutes for each presentation. I see that you have circulated your remarks in advance. We appreciate that.

We'll go through each presentation, followed by questions from members. I'm sure you also know that when we get to questions, the first round will be seven minutes—that is for the member's question and for your response. We guide our responses as succinctly as we can.

Monsieur Lévesque, avez-vous une question?

[Translation]

Mr. Yvon Lévesque (Abitibi—Baie-James—Nunavik—Eeyou, BQ): Mr. Chair, could we have the names of the two gentlemen accompanying Mr. Keenan and Mr. Ram, as well as their positions?

[English]

The Chair: Mr. Forbes, in the course of your presentation, perhaps you can introduce the other representatives who are here with you today. They were added at the last minute, and we appreciate your indulgence in that respect.

Monsieur Lemay, avez-vous une question aussi?

• (1105)

[Translation]

Mr. Marc Lemay (Abitibi—Témiscamingue, BQ): I have an important point to make. It does not have to do with our witnesses, so I apologize for taking up some of their time; it is for the committee members.

I was told some things. Mr. Chair, I urge you to call some of our colleagues to order. Last week, when the minister was here, we were served a meal. At least 10 or so people in the room ate when they should not have. I would like you to remind everyone who the food at the back is for, so that it is clear once and for all.

[English]

The Chair: I understand. The food that we provide is for members and their immediate staff. Perhaps we'll put some proper signage on the table in the area of the food, so other guests and witnesses understand that this is the case.

I'd remind members that we do have a time for committee business at the end of today's session. We'll set aside at least ten minutes. There are a couple of other administrative items that we will deal with also.

Gentlemen, we'll be looking to end our questioning at approximately 12:45 today as well.

[Translation]

Thank you, Mr. Lemay.

We will proceed with the presentations.

[English]

First, we'll go to Mr. Thompson, if you wish.

You have the floor for 10 minutes.

[Translation]

Mr. Paul Thompson (Associate Assistant Deputy Minister, Skills and Employment Branch, Department of Human Resources and Skills Development): Thank you, Mr. Chair and honourable members of the Standing Committee on Aboriginal Affairs and Northern Development.

My name is Paul Thompson. I am the Associate Assistant Deputy Minister for the Skills and Employment Branch at Human Resources and Skills Development Canada.

[English]

I am pleased to appear today to provide the committee with information pertaining to our labour market programs that we deliver in the territories as well as to discuss some of the linkages between HRSDC and the new Canadian Northern Economic Development Agency, or CanNor.

But before I outline the current programs that we deliver in the three territories, I would like to begin by outlining some of the labour market challenges in the territories, which are an important context for the programs that we deliver. As may be well known to the committee, the territories experience a number of socio-economic and demographic challenges that impact on the level of economic and labour market development for all the inhabitants.

Northerners inhabit a very thinly populated region in a very vast area. The territories encompass 39% of Canada's land mass, where approximately 100,000 people live spread across 77 communities. This is important information for how we deliver our programs. The northern population growth rate is nearly double the Canadian average, with a large aboriginal—

[Translation]

Mr. Marc Lemay: Can you speak slower?

Mr. Paul Thompson: Yes, of course. I apologize.

[English]

The northern population growth rate is nearly double the Canadian average, with a large aboriginal and youth population, especially in Nunavut and the Northwest Territories, where two-fifths of the population is under the age of 25.

Labour market performance in the territories has been strong overall. However, labour market outcomes for aboriginal Canadians in the north continues to lag. In fact, the unemployment rates of aboriginal Canadians in the territories are more than double those of other northerners. Lower education and literacy skills, remote locations, severe housing shortages, and significant health concerns as well as distance to employment are all factors that contribute to the higher incidence of unemployment.

[Translation]

As the economy rebounds, there will be increased pressure for skilled workers in the north.

[English]

HRSDC has designed a number of programs to ensure that northerners participate in and benefit from economic activity in the territories.

[Translation]

The Government of Canada recognizes that provinces and territories are best placed to design and deliver labour market training to meet their particular regional needs.

[English]

HRSDC provides support to territorial governments through a number of agreements, including labour market development agreements, or LMDAs, labour market agreements, and more recently, the skills training and transition fund, or the STTF, which was introduced through Canada's economic action plan.

HRSDC will provide \$11.3 million to the territories through labour market development agreements in 2009-10. This includes additional funding of \$1.6 million, which was announced in the economic action plan. These benefits were received by individuals who lost their jobs and are eligible to receive employment insurance benefits.

HRSDC also recently signed labour market agreements with all three territories, which are designed to promote greater labour market participation by providing access to employment programs for non-EI-eligible workers. In 2009-10, these agreements totalled \$3.24 million.

Under the economic action plan, HRSDC will also provide the territories with \$4.53 million in support through the new skills training and transition fund in 2009-10. This fund, which is managed through the labour market agreements, helps individuals regardless of their eligibility for EI in sectors, occupations, and communities that are affected by the economic downturn.

• (1110)

[Translation]

Along with this suite of labour market agreements, HRSDC has several national labour market programs that target aboriginal people. The programs are designed to improve the skills and workplace readiness of aboriginals to enable them to fully participate in the economic development of the north.

[English]

The aboriginal human resources development strategy, or AHRDS, is the largest of our labour market programs delivered by HRSDC in the territories, where we have 13 agreements worth approximately \$25 million in 2009-10.

AHRDS is designed to expand the employment opportunities of aboriginal people across Canada through a number of programs and services, including skills development, job creation partnerships, and employment assistance services. Through AHRDS, the program has employed 135,000 aboriginal clients since 1999 and has resulted in over 42,000 aboriginal Canadians returning to school.

Building on the successes of the AHRDS and the need to adjust the program to the new economy, HRSDC is modernizing the AHRDS program to respond to the current economic environment and to the realities with the new successor program, which is known as the aboriginal skills and employment training strategy. This renewed program will come into effect in 2010-11. This new program will focus on three strategic priorities, which include demand-driven skills development, partnerships with stakeholders, and accountability for improved results.

As part of the economic action plan, HRSDC also recently launched a new \$25 million aboriginal skills and training strategic investment fund to support short-term, focused initiatives that are designed to help aboriginal Canadians receive the specific training they require to benefit from immediate employment opportunities. As of November 2009, this fund will support 71 projects across Canada.

Furthermore, budget 2009 provided \$100 million over three years in funding for the aboriginal skills and employment partnership, or ASEP, program, which fosters partnerships between provincial and territorial governments, aboriginal organizations, and the private sector to create training and employment opportunities. The new funds will support up to 20 new partnerships, which will ensure a highly skilled aboriginal workforce and help to secure long-term, sustainable jobs.

HRSDC's efforts in the north through programs like ASEP and AHRDS have resulted in investments in skills upgrading and have led to aboriginal labour market successes. For example, with the help of an ASEP program, currently 25% to 40% of employees in mining industries in Baker Lake and Mary River are Inuit.

[Translation]

HRSDC also delivers national programs that target the territories' largest cohort, youth. Through the Youth Employment Strategy, the department has invested approximately \$1.85 million in 12 youth projects in the territories, this year alone.

[English]

The youth employment strategy includes initiatives such as the skills link program, which successfully assists youth, particularly those facing barriers to employment, in gaining the skills, the work experience, or the abilities that they need to make a successful transition to the workplace.

• (1115)

[Translation]

HRSDC also works directly with employers through sector councils, which provide employers with tools and strategies to attract and retain northerners in the workplace.

[English]

Sector councils are platforms for stakeholders to share ideas, concerns, and perspectives about human resources and skills issues and to find solutions that benefit their sector. Two sector councils have a particular focus on activities in the north. The mining industry attraction, recruitment, and retention strategy, operated by the Mining Industry Human Resources Council, is developing a tool kit for employers to facilitate the attraction, recruitment, and retention of aboriginal people. In addition, the Aboriginal Human Resource Council runs the mastering aboriginal inclusion workshop program, which encourages organizations to incorporate aboriginal people into their workforce and shares best practices on how this can be done.

In September 2008 the Government of Canada announced \$1.94 billion for housing and homeless investments for low-income Canadians over five years, through to March 2014.

[Translation]

As part of that announcement, the Homelessness Partnering Strategy was extended for two years from April 1, 2009 to March 31, 2011, thereby confirming an annual commitment of \$134.8 million to reduce and prevent homelessness in Canada.

In addition, the government committed to consulting with its provincial and territorial partners, as well as community and aboriginal groups, including those in the north, that work to combat homelessness. Consultations will focus on improvements to federal investments in homelessness between 2011 and 2014, the last three years of the five-year period.

[English]

The objective of the five-year funding extension is to continue to assist communities, including those in the north, in providing community-specific, coordinated response to those at risk of homelessness.

Last, I want to speak to the relationship with CanNor, the Canadian Northern Economic Development Agency. HRSDC, as I have indicated, makes important investments in labour market programming in the territories. However, the department continues to ensure that a broad labour market framework relates to other key policy areas, such as economic development, education, and social assistance. To this end, HRSDC is collaborating with other federal departments to ensure that we move forward together to maximize northern participation and benefit from the Canadian economy. The creation of the new agency provides an excellent focal point for federal dialogue and collaboration on these priorities. Given the clear link between the department's social and labour market programs and CanNor's mandate to enhance economic development in the north, we are collaborating in innovative ways and working together.

We are currently negotiating a memorandum of understanding that would see employees of the department co-locate in the CanNor office in Iqaluit. The goal of this co-location is to ensure the effective coordination of economic development efforts and social and labour market programs. These efforts will ensure that programs and initiatives are streamlined in a manner that eliminates duplication and improves labour market efficiencies.

[Translation]

In conclusion, Mr. Chair and honourable members of the committee, I want to thank you again for inviting me to outline the role that HRSDC is playing in labour market development in the north.

[English]

It will be my pleasure to respond to any questions that members may have.

The Chair: Thank you very much, Mr. Thompson. That was a little over time, but we'll certainly allow a similar period for Mr. Forbes. We'll do our best to not go too far after the 10 minutes.

Mr. Forbes, you have the floor.

Mr. Chris Forbes (General Director, Federal-Provincial Relations and Social Policy, Department of Finance): I will be under time.

[*Translation*]

Thank you, Mr. Chair.

I would like to thank the members of the committee for this invitation to appear before you today as a witness on the subject of northern economic development.

I would like to begin by introducing my colleagues. Sean Keenan is the Senior Chief of the Tax Policy Branch at the Department of Finance, and Elisha Ram is the Director of Economic Development, also at the Department of Finance.

[*English*]

Let me begin by talking about the two areas where Finance has direct responsibilities bearing on northern economic development. It would, first, be providing transfers to territorial governments, and also the design of federal tax policies. I'll start with the transfers.

Territorial governments are recipients of the three major legislative transfers administered by the departments. In total, these transfers add up to about \$2.9 billion in 2009-10. This is in addition to other federal support delivered by departments such as HSRDC. So there are three transfers.

First, we have the Canada health transfer, which provides the annual funding for health care and support of the principles of the Canada Health Act.

Second, we have the Canada social transfer, which is an annual federal block transfer. That transfer is in support of post-secondary education, social assistance and social services, and programs for children.

• (1120)

Third, and perhaps most importantly from a territorial perspective, would be the territorial formula financing. The territorial formula financing is the largest single federal expenditure to each of the three territorial governments. In 2009-10, the TFF, as we call it, amounted to \$612 million for the Yukon, \$864 million for the Northwest Territories, and just over \$1 billion to Nunavut. So the total is about \$2.5 billion for 2009-10, and this is the primary revenue source for territorial governments.

The territorial formula financing grant is an unconditional grant from the Government of Canada that takes into account the unique circumstances in the north and the high cost of delivering programs and services. Territorial formula financing enables territorial governments to provide a range of public programs and services that are comparable to those offered by provincial governments at a comparable level of taxation.

Finally, I would mention on the transfer side that Finance Canada is also responsible for the resource revenue-sharing portion of negotiations around the devolution of natural resources to the territories.

With that on transfers, I'll turn to the department's role in designing federal tax policy.

The fundamental role of the tax system is to raise revenues necessary to fund government spending priorities in a manner that balances economic efficiency, fairness, and simplicity. In some circumstances, the tax system can also be used directly to achieve public policy objectives.

With respect to the north, the Income Tax Act contains the northern residents deduction, which is intended to assist in drawing skilled labour to northern and isolated communities by providing recognition for the additional costs faced by residents of these areas. There are, in fact, two income tax deductions available to residents of the north who live in the prescribed northern zone or the intermediate zone for at least six months: a residency reduction, which provides \$8.25 per day per person in the northern zone; and a deduction for employer-paid travel expenses for any number of trips made to obtain medical services, and up to two trips per household member per year for other reasons. The residency component of the northern residents deduction was increased by 10% in 2008.

It's worth noting, too, that the Department of Finance is also responsible for the development of tax policy related to aboriginal issues more generally, for negotiating and administering tax administration agreements with aboriginal governments, and for developing negotiation mandates and for negotiating the tax elements included in comprehensive land claim and self-government agreements—and I have colleagues here who can speak to that if necessary.

My final point would be that the Department of Finance, as you know, is also responsible for providing advice to the minister in the context of the federal budget, budget 2009, tabled last January—the economic action plan. It included a wide range of measures that will benefit the north. Mr. Thompson talked about some of the skills and training initiatives. There are also infrastructure projects, northern economic development such as CanNor, and housing projects for the north. Altogether, those investments from budget 2009 are worth about \$770 million.

Thank you very much. I'd be pleased to answer any questions from the committee.

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

By the way, Mr. Thompson, I wasn't trying to draw any kind of parallel that somehow going over the 10 minutes was a bad thing. Obviously your presentation included many important pieces of information that we need to hear.

With that, we'll begin the first round of seven minutes.

Mr. Bagnell.

Hon. Larry Bagnell (Yukon, Lib.): Thank you.

Mr. Thompson, I was told that the youth at risk programs that are still operating and have been operating for some time for youth employment, which is obviously critical, were cut back either last year—I'm not sure about this year—but from previous years. Do you have any comment on that?

•(1125)

Mr. Paul Thompson: I can share some numbers as to what we're currently spending in 2009-10. I have that program in my notes as well. We're spending a total of \$1.8 million in 2009-10 in the three territories.

What I don't have, though, are their comparatives from the previous year. That is something I would have to follow up on.

Hon. Larry Bagnell: Yes, could you follow up on that and get back to the committee?

We just want to go on record that, of course, we think it was a bad thing to do. Youth at risk could certainly help to fill the labour force, and it's very important that they get jobs.

Relating to aboriginal housing in the north—because everyone knows that's a huge issue—the structure of the most recent funding had some local funding and national funding in it. It turns out that from the national funding, I think the first nations said they believed there would be about \$140,000 for the Yukon, which would build all of one house, which is not very helpful.

Do you have any comments?

Mr. Paul Thompson: Are you referring to programs delivered through Canada Mortgage and Housing Corporation? I suspect that's what you're referring to, which is not an area of programming that I'm familiar with or am able to speak about. My colleague may be able to speak to that broadly.

Mr. Chris Forbes: At a high level, I don't have the specific numbers here by territory, but there was a variety of components of the social housing package in budget 2009. There was a specific northern housing program, which was \$200 million, which went just to the three territories. There was also money for on-reserve housing, which largely went south of 60. There was a renovation and retrofit program, which the territories would have got a share of. I have here that their total share of that money was \$11 million among the three territories. There was also social housing money for low-income seniors and persons with disabilities. It's important to note that there was a separate northern housing program, and CMHC would be able to provide you with more details.

Hon. Larry Bagnell: Okay. The problem was that the first time around the minister had originally promised the allocation for first nations and then ended up going to the territorial government. The first nations got a large chunk of that, but not all of what they were expecting, and then it has been reduced since then. So we certainly encourage that that be kept up at the previous levels.

When you talked about the transfers to the territories, that was good, but there's also a special health transfer, which I think expires on March 31 next year. Are you intending to renew that, as we would like?

Mr. Chris Forbes: I can't speak to what the government will or won't do, obviously, but that does expire at the end of the current fiscal year. That was a five-year territorial health sustainability initiative that was started in 2004. As to the next steps for that program, I couldn't answer that question.

Hon. Larry Bagnell: So you haven't booked it into the fisc?

Mr. Chris Forbes: As to what's in the fisc or what's not in the fisc, the government will have to take a decision, obviously, as to how to proceed once that program expires and what the next steps are.

Hon. Larry Bagnell: So they haven't taken a decision as to that major component of northern health care systems?

Mr. Chris Forbes: I couldn't speak specifically to the decisions the government has taken, but there's no public statement, I don't believe, to that effect.

Hon. Larry Bagnell: In the land claims in the Yukon in particular, the first nations can take down major parts of government, like health care and education, which is right now funded through the territorial government. But if you take a chunk out, the territorial government—you know they guarantee in the land claims that they can't diminish their service—won't be able to pay for the whole thing. Is the federal government prepared to pay for their part of those commitments for first nations?

Mr. Chris Forbes: Can you ask that question again?

Hon. Larry Bagnell: When a first nation takes down a program—let's say the health care system or the education system—there's a cost to that. Is the federal government prepared to pay for that commitment?

Mr. Chris Forbes: In the case of a transfer of a program, if one level of government is doing it and the other level is no longer doing it, then that would be the subject of a funding agreement, I think, between the first nation and the government of the Yukon, would it not?

•(1130)

Hon. Larry Bagnell: Well, the problem is that if you take one school of 50 kids out of the educational system, it doesn't really reduce the cost for the Yukon government that much. There's a lot more cost to the first nation. So the federal government would have to fulfill its responsibility and then make up that gap.

Mr. Chris Forbes: First of all, the agreement would have to be between the Yukon government and the first nation as to what service is getting devolved. So I think from there you would have to look at what the financing implications are. It's hard to make blanket statements about those—

Hon. Larry Bagnell: It's in the signed agreement, so it's a constitutionally protected commitment by the federal government.

I have a question on the northern tax credit. We appreciate that it went up 10%. It went for a lot of years without changing at all, and I think it would be more helpful if it were indexed, so you don't have to periodically, every decade, make this increase. Is that something that is being looked at?

Mr. Sean Keenan (Senior Chief, Personal Income Tax Division, Tax Policy Branch, Department of Finance): The northern resident selection has not been indexed, but it was increased by 10% in budget 2008. I couldn't speculate on—

Hon. Larry Bagnell: I have one last quick question, because I only have a few seconds. It's an easy question. Could the territories become provinces and keep their existing funding formula?

Mr. Chris Forbes: We have a funding formula in place for the territories that recognizes, as I said in my notes, the unique circumstances of the north.

Hon. Larry Bagnell: Those wouldn't change if they became provinces.

Mr. Chris Forbes: Those wouldn't change. Again, I couldn't commit to something, but obviously we have a situation where we do recognize their unique characteristics now.

[Translation]

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

I will now give the floor to Mr. Lévesque, who will have seven minutes.

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

At the last meeting, we met with a representative from CanNor. It was fairly difficult to find out the issues that CanNor was going to work on and the places where it was going to operate. We learned that the head office would be in Iqaluit. But, as for which department CanNor would be doing business with and what its responsibilities would be, the answers were again fairly vague.

You said that some of your offices will be located in the same place as CanNor's. Mr. Forbes, you said that \$2.5 billion in assistance was provided to the territories. Will that money be allocated to local governments in Nunavut, the Northwest Territories and the Yukon? Will local governments administer the funding, or will a portion of it be earmarked for CanNor?

Mr. Chris Forbes: The \$2.5 billion I mentioned is a transfer from the federal government to the territory. It has nothing to do with CanNor. The funding is sent to the territorial government; it is a block transfer. The territory decides how it will be spent.

Mr. Yvon Lévesque: The local government reports to each community on spending and does not have to report to the central government.

Mr. Chris Forbes: In terms of territorial formula financing, that is correct.

Mr. Yvon Lévesque: We know that a lot of money was spent on education. Mr. Thompson or Mr. Forbes mentioned it, I am not sure which. Is the government alone in investing in education? Do businesses involved in developing the territory have any training obligations?

Mr. Paul Thompson: I will try to answer that. Of course, it is the responsibility of the territorial government. However, there is an important relationship with training programs such as the Aboriginal Skills and Employment Partnership Program. Through that program, many employers invest in essential skills training for workers, in order to meet the needs of each employer in the region. So there are partnerships, but education as such is the responsibility of the territories.

• (1135)

Mr. Yvon Lévesque: Mr. Forbes, I think you have concerns that affect me because my riding includes Nunavik. We see that money is invested solely in Nunavut. We also know how close people are and how easy it is to go from one place to another. Are there any reciprocal agreements with Quebec to help people from Nunavik fill

jobs in Nunavut? We all know that Quebec is the one that administers education in Nunavik.

As far as your training program is concerned, are there any reciprocal agreements with Nunavik?

Mr. Chris Forbes: If I understand correctly, that would be a matter for the governments of Nunavut and Quebec to debate. Are there any reciprocal agreements between the two? Our human resources development programs are in all the provinces. We give money to all the provinces and territories to fund all of the programs Mr. Thompson described. So they are available to all Canadians.

Mr. Yvon Lévesque: Money has been set aside for labour force training in Nunavut. Will the same amount of funding go to the Inuit nation? Will Inuit have the opportunity to receive training equivalent to what people in Nunavut will receive, so they can travel between territories and take advantage of work opportunities there?

Mr. Paul Thompson: I can say two things with respect to Nunavik. First, we have a special agreement with that region in terms of the Aboriginal Human Resources Development Strategy, in recognition of the fact that the region has special status. It involves more autonomy with respect to service delivery and a more comprehensive range of services than other service delivery agreements. So there is a special relationship with that region.

Second, we have other projects. I will again mention the Aboriginal Skills and Employment Partnership program. We have just invested \$1.8 million in a mining project, Raglan Mine, to train 400 area Inuit. So they have access to these programs, in addition to the regular ones.

Mr. Yvon Lévesque: I look forward to the day when you will also allow....

The Chair: You do not have enough time for another question.

Mr. Yvon Lévesque: Too bad.

Thank you.

[English]

The Chair: Now we go to Mr. Bevington for seven minutes, followed by Mr. Rickford.

Mr. Dennis Bevington (Western Arctic, NDP): Thank you, and thanks to the witnesses for being here today.

Mr. Forbes, in regard to the northern residents tax deduction, it did go up by 10% but that's not in line with the inflation over 20 years that degraded that. Why did you decide to put it up by only 10%?

Mr. Chris Forbes: I'll have my colleague, Mr. Keenan, answer that question.

Mr. Sean Keenan: The increase by 10% was the first increase that had ever actually occurred in the northern residents deduction. That was a decision taken by the government to increase it.

• (1140)

Mr. Dennis Bevington: By the cabinet then.

Mr. Sean Keenan: Yes, to increase it by 10%.

Mr. Dennis Bevington: Was that a recommendation of your department?

Mr. Sean Keenan: I couldn't comment on that.

Mr. Dennis Bevington: Okay.

The northern residents tax deduction came in before the GST. Has there been any consideration, with this northern residents tax deduction and the GST, of the impact on northern residents? Of course, in many communities the cost of living is double what it is in southern regions, so the impact on the dollar value of the GST on particular items is double what ordinary Canadians would pay. So in some respects, northerners are taxed on a consumption tax much higher than southerners for the same essential things that provide life.

Was that calculation used in your assessment of the northern residents tax deduction?

Mr. Sean Keenan: The purpose of the northern residents tax deduction is to assist employers in attracting skilled labour to northern and isolated communities by providing some recognition for the additional costs they would incur. With respect to the GST, the GST credit is available for low-income individuals across Canada.

Mr. Dennis Bevington: At a uniform level. But when you did the calculation to present to the government for an increase in the northern residents tax deduction, you didn't take into account any other factors other than the cost of inflation over that period of time, did you? You didn't include the GST as part of that calculation, did you?

Mr. Sean Keenan: No.

Mr. Dennis Bevington: Good.

Mr. Chris Forbes: The GST would of course be included in inflation. Any inflation measures that would have increases, decreases, or changes in direct taxes are in there.

Mr. Dennis Bevington: But remember, the GST was instituted after the northern residents tax deduction was put in.

On the issue of your control over of negotiations on the revenue sharing, why has the finance department refused to include the Norman Wells oil field revenues in these calculations?

Mr. Chris Forbes: I wasn't aware that we weren't including the Norman Wells revenues.

Mr. Dennis Bevington: It has been a bone of contention between the Government of the Northwest Territories and the federal government for a number of years that the very large revenues the Government of Canada has accrued from the Norman Wells oil field have not been part of the negotiations. The Department of Finance has not put those into the negotiations with the Government of the Northwest Territories for resource revenue sharing.

Mr. Chris Forbes: I would have to look at that and get back to you. If you're talking about past revenues that have been accrued from different projects, I can certainly look into the situation.

Mr. Dennis Bevington: It's certainly not simply past revenues. The Government of Canada has refused to consider that as part of the shared revenues. I'd like to understand your rationale, so perhaps you could get back to me. It's quite an important item. There have been letters between your department and the Premier of the Northwest Territories over the past number of years.

Mr. Chris Forbes: I will have to look into that and determine what the question is there. We'll get back to you.

Mr. Dennis Bevington: On the formula financing arrangement, in their submission to the formula financing group that was undertaking the study of this, the territorial premiers suggested there was a need for some cost of service analysis of formula financing rather than simply per capita analysis.

In the Canada health transfer, do you consider the actual cost of providing services to northern communities in relation to the dollars you provide?

Mr. Chris Forbes: There are two questions there, so I'll try to answer them both.

In the submissions, I think you're referring to the O'Brien panel, which was looking at equalization and the territorial formula financing. The government adopted many of the recommendations the panel made on the territorial formula financing. The fact that we have a unique transfer for the north gives some recognition of the higher costs associated with the north. You can see it in the per capita support that goes to the northern territories compared to the provinces. The territories receive much larger per capita support than even the poorest of the equalization-receiving provinces.

On the question of the Canada health transfer, it is calculated based on a combined cash and tax point transfer. We are moving further toward equal per capita cash across all jurisdictions by 2014-15. That will mean the same dollars per person, with no adjustments for anything other than population.

● (1145)

The Chair: Very good.

That's about it, Mr. Bevington. Thank you very much.

Thank you, Mr. Forbes.

Now we will go to Mr. Rickford for seven minutes.

Mr. Greg Rickford (Kenora, CPC): Thank you, Mr. Chair, and thank you to the witnesses.

I'm going to take my seven minutes probably to speak mostly with you, Mr. Thompson. I appreciate your words today, and I'm going to try to go a little bit more into the specifics because I feel, respectfully, that you understated the important role that you do play in northern regions. It's just an amazing job, not just coordinating with other departments like INAC and, in my case, coming from the great Kenora riding, FedNor. HRSDC has to always have its finger on the pulse of what's happening with respect to the activities of other departments, but growth and diversification within the economies in those regions.... In the great Kenora riding we have 25 isolated communities, and we've come to understand, particularly quite recently, that priorities moving forward with respect to first nations communities deal with making sure they have the skills capacity to complete significant projects going on in their communities. So now through SLAAMB, which you may very well be aware of, out of Sioux Lookout, there is a great opportunity to account and reconcile for decades of carpentry work done by first nations in their own communities and actually get important tickets for that. I applaud HRSDC's role in that.

Furthermore, there was a recent announcement through the community adjustment fund in Pikangikum, where we're setting up classrooms and training people, with partnerships in a regional college, in an effort to ensure they have the best chance at full participation in an extraordinary forestry initiative that is indeed, beyond harvesting and diversification, into value-added deals with forestry management, tourism, and wardenship of historical lands, not just for the nations, but that contain a lot of important information as to the history of that forest in northwestern Ontario.

So with that as a preamble, and recognizing the important social and labour market investments that you make, and by way of example in the great Kenora riding, we're focusing, as the chair pointed out earlier, on economic development in the north. And I always qualify that. My riding is also on the shores of Hudsons Bay, very much north but within another jurisdiction.

I would like it if you could describe in a little bit more detail how you have been and will continue to be that focal point for coordinating and responding to the role of other departments. I know, like in my riding and the territories, you are interested in the skills development not just for first nations people but for another catchment or constituent as well. How will you continue to play an important coordinating role with other departments in some of these initiatives? And take the time as well to refer, if you would like, to specific first nations skills and employment partnership programs that you have in mind.

Thank you.

Mr. Paul Thompson: I'd be happy to respond to that.

I think you're speaking to two major issues here: one, the importance of coordination of investments, and the other, making sure those investments are actually aligned with local needs and priorities. Those are both huge priorities for us. We're not just doing skills development for the sake of skills development. It's skills development with a purpose that's aligned with broader strategies.

In terms of coordination, we've been working particularly closely with our colleagues at Indian and Northern Affairs in all their domains, but most recently with an intensive focus on the economic development framework that they've been bringing forward, so that the significant skills investment that the government is making is actually aligned with and supportive of the business and strategic investments coming out of economic development, and you can get the synergy and the connection between those.

We've been coordinating at a national level. We have a coordinating committee of assistant deputy ministers, but that coordination falls through into the local level through the federal and territorial councils that exist. More recently, as I noted in my remarks, there's a new player to the game too, with CanNor. So now there are three partners collaborating closely in better understanding the challenges and coordinating the investments to meet them.

On the issue of aligning to local needs, you spoke about some of the projects in your riding. We've been an active player in some of those, with the Whitefeather project. That's quite a successful and positive project. But there are projects like these across the north. I'm hesitant to say our department is at the focal point of all the planning; we're trying to facilitate the partnerships. Through programs like

ASEP, we actually create a new partnership that brings together all levels of government and the local employer to have an impetus on its own to plan and meet the needs. Within the Northwest Territories we have three very exciting projects: one with the Deh Cho first nation around construction and petroleum exploration; one with the Mine Training Society in N.W.T. with the major players in the diamond mining industry, which is giving very specific job opportunities to aboriginal people; and one with the Inuvialuit in the Mackenzie Delta and Beaufort Sea on construction and transportation. All of these have specific job targets. We have similar projects in the other two territories as well.

• (1150)

Mr. Greg Rickford: Thank you, Mr. Thompson. I just have one minute left. This may be more of a comment than a question.

You mentioned Canada's economic action plan as being an important source of new resources for some of these programs. I just want to point out that I think that the MPs, particularly in northern ridings, can play a really important role in helping to coordinate these activities, at the very least by being sensitive to what's going on in the communities, what their priorities are, and some of the broader regional economic development strategies moving forward. Canada's economic action plan has accomplished two important things in that regard. First of all, we have identified some of the basic infrastructure components of different communities that they require to be able to be sustainable and have capacity for growth. Second, giving communities an opportunity to make adjustments, whether it's diversification within a sector or...

I'm sorry. Am I being cut off?

The Chair: We're over time. There's time for a short response to that, but could you complete your question?

Mr. Greg Rickford: Okay.

Mr. Paul Thompson: I'll just briefly add that in our training investments we're not only trying to align with private sector demand, we're trying to align with basic infrastructure investments too, so that the infrastructure spending that Mr. Forbes was explaining, we think, has considerable skills dimensions around it. So we're trying to align the training investments to meet those.

Mr. Greg Rickford: Local people for local projects, because in the north we can't always do that, given their skill.

Thank you, Mr. Chair.

[Translation]

The Chair: Thank you, Mr. Rickford and Mr. Thompson.

We will now start the second round with Mr. Russell, who has five minutes.

[English]

Mr. Todd Russell (Labrador, Lib.): Thank you, Mr. Chair, and good morning to each of our witnesses.

Being from Labrador, I certainly share the understanding of my colleague that we don't always fit into the definition of northern, at least in terms of this particular strategy, but I think that some of the things we'll talk about affecting the territories in this particular study will have some impact upon my riding or other northern regions, or the provincial north, as we shall say.

I want to touch base on a couple of points raised.

Mr. Thompson, in your presentation you talk about AHRDS. Of course it's been around for quite some time. You note that it is probably one of the more substantial programs in terms of the amount of money that is invested in aboriginal labour force development—13 agreements, \$25 million. You say you're transitioning or building on this great success of AHRDS. Can you tell us what the nature of the aboriginal skills and employment training strategy is in this new strategy? There have been some concerns raised about delivery, whether you'll be going to call for proposals to deliver the program. I don't see how that would necessarily jive with the fact that you can say on one hand that it's been tremendously successful and then on the other hand say that it may go to a different type of delivery mechanism, in terms of requests for proposals.

• (1155)

Mr. Paul Thompson: A number of new directions will be the focal point for the new strategy. One relates to two of the themes I was just speaking about, the importance of partnership approaches and demand-driven training investments. There are a lot of innovative approaches across the country under the AHRDS. We want to make that approach a little more systematic in the new round, in the successor programs, so we'll be looking for strategies that link the local labour market conditions and demonstrate the kinds of partnerships that are essential to meeting the kinds of outcomes the program is intended to meet.

The other big area of focus for the new strategy will be around accountability and demonstrating the results of the investment. Here again, there are those service delivery organizations that have done an exemplary job; others are more challenged for a variety of reasons. We'd like to be able to work very actively with the service providers to improve the service delivery and ensure that results are measured very carefully and made available transparently so there are clear indications of the effectiveness of the investment.

Those are the three broad themes we are pursuing: the new strategy partnerships, demand-driven programs, and improved accountability.

Mr. Todd Russell: Then there is no sense that you'll call for proposals for service delivery.

Mr. Paul Thompson: The way the service delivery is going to be implemented is that there is a requirement for business plans. We're

not having a competitive request for proposals, but we expect an organization that wants to continue to deliver services in a given geographic catchment area will submit a business plan. We may see some reconfigurations of service delivery if two service delivery organizations want to group together to achieve economy of scale, but the critical factor is that there is a business plan that demonstrates those three themes I was speaking to: the partnerships, the demand-driven programming, and the accountability.

Mr. Todd Russell: Very quickly. Mr. Forbes, you say the TFF is probably one of the most important mechanisms from a territorial perspective and it is supposed to make sure we provide a range of public programs and services to territories that are comparable to those offered by provincial governments at comparable levels of taxation. Is it working? How would we know?

Mr. Chris Forbes: In some sense, what we're giving is a block transfer to the territories based on our measure of need, which is a measure of expenditure need less our estimate of what revenues they could raise, similar to the revenue-raising measure we use under equalization. It then is up to the territorial governments to spend that as they see appropriate, targeting the priorities of their residents.

Are they able to provide comparable services? Certainly in some areas they can. Do they in all areas? I couldn't answer that question, but they do have those funds available to make choices as to education, health care, etc., and how much they want to put into various areas.

I would point out that it is a significant amount of money for each territory.

The Chair: Thank you very much, Mr. Russell and Mr. Forbes. It goes very quickly.

Let's go to Mr. Duncan for five minutes. Then if other members wish to get on the list, please so indicate.

Mr. John Duncan (Vancouver Island North, CPC): Thank you, and good morning.

I'd like to talk about some specifics.

Mr. Thompson, you talked about the ASETS programs at Baker Lake and Mary River. I understand Baker Lake is a going concern, with about 600 employees, and they'd like to ramp up to about 1,000. They are going to be producing their first product in January. It's a big gold mine. It's 100% Canadian owned. It's a real showpiece for Canadian ingenuity and talent, and I don't know the number for the Inuit content in the workforce. I have heard it is anything from 25% to 40%. Mary River is another operation that is a little longer term, I understand, but all the permitting is in place at this point. The real issue is getting enough people to do everything that is required.

Can you explain in practical terms how ASETS operates in that environment, how it's delivered? That would be fascinating.

•(1200)

Mr. Paul Thompson: I'd be happy to, because it's a fairly innovative approach to program delivery that is proving itself to be quite effective. At its foundation, as I was noting, is the whole concept of partnership. This isn't one player taking ownership of the issue. It's all the players coming together and actually forming a new incorporated entity with a board of directors that would include representatives from the employer, from the local community, from training providers, from territorial governments, and from funding partners.

Through that partnership, there's a very detailed proposal and plan put together with a number of targets. There would be a target for the number of individuals to be trained, and then there would be targets for the number of permanent jobs that will come out of this training. It is all with a view to maximizing participation of aboriginal people in these employment opportunities. We are in the 25% to 40% range in the Baker Lake project that you were mentioning. It's those kinds of results that we're really striving to see.

These programs are long-term investments too. The ASEP programs generally last four years, and there's a planning period. There are actually the intensive training investments, which are done in collaboration with the existing service providers too, so the AHRDS agreement holders, which have the ongoing agreements to deliver training. They are key partners in this too, because they can do intake as well as the local colleges and training institutions. There's quite a broad-based partnership to identify the clients, train them, and place them in sustainable jobs.

Mr. John Duncan: How many people would be in that program at any one time at an operation like Baker Lake?

Mr. Paul Thompson: I don't have the Baker Lake numbers right in front of me, but I can speak to some of the other projects. For example, we have a very large project with the Yukon Mine Training Association. There are training opportunities for 500 aboriginal people in that program, targeting close to 300 long-term jobs. That's throughout Yukon and stretches into northern British Columbia as well. We have another very large one in mining in the Northwest Territories with the diamond mining companies, with over 570 people receiving training for, again, close to 300 sustainable jobs. Those are fairly large numbers in terms of both individuals trained and the sustainable jobs coming from that initiative.

Mr. John Duncan: Is that my time already?

The Chair: It truly is. It goes rather quickly.

Thank you, Mr. Duncan.

[Translation]

Mr. Lemay.

Mr. Marc Lemay: To follow up on what Mr. Duncan was saying, I encourage the committee to go to Baker Lake. I had asked before if we could go, but we cannot, given how far it is. Still, it would be very useful for the committee to visit.

I am a bit concerned because I have always subscribed to the notion that we should adapt programs to the regions and not the other way around. So my question is simple. How will you go about adapting programs to regions in such a vast area? I am thinking about HRSDC, in particular. I would think it would be very difficult.

I am well acquainted with the leaders of Agnico-Eagle who are working on the Baker Lake project, because it is also in my riding, even though a large part is located in my colleague Yvon's riding. All of the resources in the north are being exploited or have the potential to be, but, as aboriginal communities have said, the programs are not being adapted to them. The programs are being thrust upon them from above. Are they wrong in their perception, or are we able to adapt the programs to the regions, taking into account regional characteristics and distances?

Lastly, I have a question for both of you, or even all four of you. What is the biggest barrier to northern economic development, whether in the Yukon, Nunavut, Nunavik or the Northwest Territories?

•(1205)

Mr. Paul Thompson: That is a very complex question.

Mr. Marc Lemay: I'll make it simpler. What is the biggest barrier for you?

Mr. Paul Thompson: The social and economic challenges are intertwined. It is very hard to identify them one by one. It is important to work with partners and adopt a consistent approach and, I hope, as with the kind of program I have just described, a partnership-based approach. Programs can be adapted at the local level. I hope that the strategy that will replace the AHRDS will give us enough flexibility. The only things we need are a knowledge of local conditions and a strategy to form partnerships. Investment decisions are not made at the national level. Decisions and priorities really unfold on the ground.

I am talking about aboriginal programs, but we also have territorial transfer programs, because the territories are in a better position to set their own priorities.

So not much in the way of investment is decided....

Mr. Marc Lemay: I understand what you are saying, but I want to delve a bit further.

Let's assume that the budget is \$1 billion. We know how to undertake education for first nations in the south. They need schools and so forth. But do we know what to do in the north? I am talking about education, but it also applies to social services. In your case, it is mostly training.

When goose-hunting season starts, they all go hunting. So don't assume that school can start at 9 a.m. That is not their experience, going to school at 9 a.m. Do your programs allow for that kind of flexibility?

Mr. Paul Thompson: Yes, there is flexibility, as well as measures to fully understand the needs of residents and employers, and to try to find solutions that are acceptable to both parties. I mentioned our sector council on aboriginal labour. It works very closely with large companies to understand the traditional aspects of life in the north and to adapt to that kind of situation.

The Chair: Thank you, Mr. Lemay and Mr. Thompson.

Mr. Dreeshen.

[English]

Mr. Earl Dreeshen (Red Deer, CPC): Thank you very much. I think what I'll do is just expand on what Mr. Lemay was speaking of.

There was discussion earlier with respect to the role of aboriginal skills and employment partnership programs. I'm wondering if you could speak to the opportunities for private industry to partner with government in order to deliver training programs.

First, though, perhaps you could comment on the literacy concerns there are in trying to get to that stage, so that they are able to better utilize the types of training programs that might be presented.

• (1210)

Mr. Paul Thompson: I've mentioned a number of the ASEP projects that we already have in place. There is some new funding, and we're continuing to look at proposals. There remain further opportunities for investment in the north. We're optimistic in particular about the future of the natural resource sector in the north and all the employment opportunities that come from that. So we are looking at further investment opportunities with ASEP.

I did mention that ASEP was a longer-term initiative. I think that would be even more so in the north. Many of the challenges are, as I was indicating, very interrelated. There perhaps is more in-depth training required if the local labour force is not job-ready. There has to be some deeper investment in essential skills to get to the point where the individual is job-ready. It may require more than classroom training; it may require more innovative approaches, such as coaching and mentoring.

One thing that all these ASEP projects are resulting in is that they're learning from each other as they go too. For some of these innovative approaches, both for the delivery of training and retaining aboriginal people in the workforce, the best practices are frequently shared and identified amongst the players so that we can get even better results out of the programs.

Mr. Earl Dreeshen: That's great. Again, my thoughts as an educator are that you want to make sure you have literacy there at the beginning, so that they're able to utilize as much as they possibly can afterwards.

I have another question having to do with post-secondary education. I'm new on the committee and I'm not 100% sure what types of opportunities exist for those from the northern communities. Is assistance available for people when they leave their communities to pursue post-secondary education?

Mr. Chris Forbes: There are a couple of things.

First of all, we do provide assistance through the larger block transfers. We have the territorial formula financing, which the territories have the flexibility to use as they see fit. We have the Canada social transfer, a portion of which is to cover post-secondary education. Then you move into specific programs at the federal level, such as Canada student loans program, which Mr. Thompson can talk about.

Mr. Paul Thompson: There's a suite of measures that are delivered collaboratively with provincial and territorial governments around student financial assistance and the Canada student loans. They underwent a significant reform and renewal in budget 2008,

with the availability of a much larger grant for lower-income recipients, so a significant range of programming is available as financial support for people across the country, including the territories.

Mr. Earl Dreeshen: Good.

The other thing I wanted to bring to people's attention is the different modes of educational delivery that are coming. Hopefully people will be able to tie some of that in. It's not the old days of the correspondence schools. Although they had some significance for those in remote areas, a lot of other things are out there, especially the opportunities we have over the Internet. Could you expand on those delivery methods? I would hope that somewhere along the line people are trying to tie these things in. Perhaps industry is looking at it as well, and saying it is important to them. That's really my comment.

In whatever time we have left, could you comment on that aspect?

Mr. Paul Thompson: Absolutely.

We're seeing some very innovative approaches being developed across the country, developments that blur the lines between formal classroom training followed by an abrupt transition into the workplace. That's not the model that generates results all the time, so we are looking at models that have a much more active role for the workplace in delivering training and that make much more active use of technology to deliver the training.

I'm repeating myself, but those kinds of new approaches are really based on the partnerships that can be developed among employers, educational institutions, and training providers, so that we can see who's best placed with the technology and the infrastructure to meet the needs. We're seeing those examples coming out of different projects.

• (1215)

The Chair: Thanks, Mr. Dreeshen. I appreciate it.

Let's go now to Mr. Bevington, who will be followed by Mr. Payne.

Go ahead, Mr. Bevington.

Mr. Dennis Bevington: Some of the tax incentives in place for the mining industry in the north are pretty good. They get a break on royalties until their capital costs are written off, correct?

Mr. Chris Forbes: I'm not actually familiar with the corporate tax system. I'd have to get back to you on that aspect.

Mr. Dennis Bevington: Okay.

Right now our Government of the Northwest Territories is engaged in developing a hydroelectric system to service the mines in the Slave geological province. Is there room within that provision to provide that same capital cost writeoff to the provision of services to the mine, or would there be a necessity for the mining company to actually own the capital infrastructure of that development? It's a technical issue, and if you can come back to us with an answer—

Mr. Chris Forbes: We'll have to come back to you on that question also. It's a bit technical.

Mr. Dennis Bevington: Okay, thanks.

Another issue deals with the net fiscal benefit. Can you describe the government's position now on net fiscal benefits to the north? If it is under negotiation, what is its status?

Mr. Chris Forbes: The negotiations between the government and the Northwest Territories on devolution more broadly are ongoing. Those are led by Indian and Northern Affairs Canada on behalf of the Government of Canada.

On our approach on resource revenue sharing, the principles and the net fiscal benefit were actually laid out in the budget 2007. I can read that to you, if you like. Those are there, and they're consistent with the approach we've taken under equalization, the 50% inclusion under equalization.

Mr. Dennis Bevington: Under the present formula, if the territorial governments raise taxes, is there still a measure of clawback engaged with new taxation in the Northwest Territories, the Yukon, or Nunavut?

Mr. Chris Forbes: The way the formula works is that we're measuring their gross expenditure needs. We have a measure of their expenditure needs that starts with their 2006-07 base, and we grow that forward. Then we deduct from that what we call their revenue-raising capacity. The extent to which the economy expands or contracts in the north is what affects their revenue measure under the formula.

There is a 30% economic development incentive. They do get to keep 30% of that measured revenue capacity as the economy expands. So there is incentive there.

Mr. Dennis Bevington: In the case now, if you had a declining economy and governments wanted to raise taxes to balance their potential deficits, how would that play out?

Mr. Chris Forbes: There are two things. First of all, the territories are protected from about 70% of the economic decline because it's measured as the shrinking capacity. So they're exposed to 30%. But if they raised their taxes they would keep that, and it would help them offset any fiscal costs.

Mr. Dennis Bevington: You outline the dollars you provide to the three territories. What is the corresponding return to the federal government through resources, taxation, and all other sources?

Mr. Chris Forbes: I don't have any information with me. I'd have to check whether the provincial economic accounts divide those up with the territories. I don't have any numbers in front of me, for example, for tax revenues from the territories. I have nothing with me, so I couldn't really answer that.

• (1220)

Mr. Dennis Bevington: That might be something else to provide to the committee as a clear indication of how well the territories are doing in returning tax or revenue to the federal government, in terms of that formula.

Mr. Chris Forbes: Again, the purpose of the formula is largely to help provide services. So we're not looking for, if you will, a direct return on that. But certainly we could provide you with information about estimates. I'll have to check if Statistics Canada breaks down revenues from each provincial jurisdiction.

The Chair: Thank you, Mr. Bevington.

We'll go to the last questioner in the second round. We'll go to Mr. Payne, and then we'll have time for probably two or three more questions.

Mr. Payne, for five minutes.

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

I welcome you to this session. You have provided our committee with some pretty important information.

I'm interested in some of the programs HRSDC has been talking about, in particular through the aboriginal human resources development strategy. I noted in your comments that you indicated that since 1999, 42,000 aboriginal Canadians have returned to school. In that regard, I'm wondering if you could expand on how you are actually reaching out and targeting the youth for some of these programs in the north.

Mr. Paul Thompson: Yes, a number of our programs have particular application to the north. As I was indicating earlier, one of our largest investments is indeed through AHRDS, in which we have over \$340 million per year across the country in aboriginal labour market development. You cited the numbers, that it resulted in 42,000 aboriginal Canadians returning to school and over 135,000 clients returning to work. So there have been some fairly significant numbers as a result.

These programs are delivered through 400 points of service nationally. I think this speaks to a theme that was raised earlier about the importance of local flexibility. Youth programming is a priority area within the AHRDS, and there is some autonomy on the ground to determine the extent to which they invest in that area. But given the demographics of the aboriginal population anywhere in the country, particularly in the north, we're seeing that a very significant portion of programming through AHRDS is actually serving the needs of youth.

On top of that, there are other investments specifically targeted for youth. We spoke earlier about the youth employment strategy, which is a critical instrument, with various component parts that meet the needs of young people across the country, including in the north.

Mr. LaVar Payne: I was also wondering if you could maybe expand on the importance of partnerships with educational institutions, such as Yukon College, and the training they offer in particular, and where they would be provided on a local basis.

Mr. Paul Thompson: In any of the partnership projects under ASEP that I mentioned, the local training providers like Yukon College would be key players in delivering the training. We don't want to develop a training capacity from scratch when there's a training provider on the spot. They are a key player with the Yukon Mine Training Association in the ASEP-supported project I mentioned, which has some pretty significant numbers around it, aiming to train 500 aboriginal Canadians. That is key.

Another program I haven't spoken of, though, which actually brings in a lot of training providers too, is our literacy and essential skills program. One of the priorities of that program, which invests over \$40 million a year, is aboriginal essential skills, which speaks to a question from your colleague just moments ago. What we're doing through this program is really trying to target some of that investment in aboriginal-specific projects, where they look at innovative ways of bringing together the training providers to get the kind of innovation needed on the ground. So we are not taking typical classroom approaches that haven't demonstrated success, but are looking at new ways that are more culturally sensitive, and maybe more geared towards blurring that distinction between the workplace and the school, including distance delivery and different kinds of innovations like that, so they can take root. Then we try to have those replicated across the country where we see the successes.

So those are a couple of the ways we're working with training providers.

• (1225)

The Chair: There's time for a very short question, about 40 seconds or so.

Mr. LaVar Payne: Briefly, could you tell me a little bit more about how the economic companies in the north provide the information, or work together with HRSDC, in figuring out what jobs are going to be needed now and in the future?

Mr. Paul Thompson: We deal directly with a number of significant companies, but if approached by a company, we would immediately encourage them to go on the ground to build the partnerships they need and then to come back to us with a partnership-based proposal as to how all of the players are going to work together to meet the specific needs. We've done that with a number of mining companies of late.

It takes time to develop these partnerships. They don't emerge instantaneously, but when they do, they're quite powerful in terms of getting results on the ground.

So we're seeing these ASEP projects and are expecting to see a few more. These additional projects are really geared towards capturing the economic recovery and ensuring that as many of those jobs as possible go to northerners.

The Chair: Thank you, Mr. Payne.

Now we'll have a few more questions, and we'll go to Mr. Russell, who I think is going to split his time with Mr. Bagnell.

Mr. Bagnell will go first. Go ahead.

Hon. Larry Bagnell: I just have a quick question. You mentioned the resource revenue sharing, and I'm wondering how the negotiations are going with Northwest Territories and Nunavut to get them into regimes like that as part of a devolution package, I assume.

Mr. Chris Forbes: I can't comment on the specifics of the negotiations other than to say that Indian and Northern Affairs is in negotiations with the Government of the Northwest Territories on devolution right now—well, not right now, but the department is in ongoing negotiations, and as part of those, we would have discussions on the net fiscal benefit side of the equation.

Hon. Larry Bagnell: We're studying economic development and how we can improve it. Do any of the witnesses have any suggestions for us as to what barriers you see northerners may face that others don't, and what we as a committee could recommend to deal with those barriers?

Mr. Chris Forbes: I think that's akin to the earlier question. I think there are a lot of issues. It's a hard question to answer; there's no one piece of information or one single obstacle. You have to look at the whole picture of what makes an economy strong: it's education, it's infrastructure, but there are also social issues around there that need to be looked at. So it's hard for me to give you a single answer on that.

The Chair: Go ahead, Paul.

Mr. Paul Thompson: I'm just going to add one point. Having an understanding of the specific job opportunities that are emerging is a critical foundational piece of information. If you have a sense of where the jobs are going to be in the future, and if you have that information early enough to actually make the upfront investments, it is one of the critical foundations.

The Chair: Go ahead, Mr. Russell.

Mr. Todd Russell: Just following on what my colleague Larry was saying, from the finance department's perspective, you must look at different types of options that are available to you to advance economic development, to help economic development. Are there other things we should be aware besides what's just before us, in terms of...?

Mr. Chris Forbes: We've certainly put out a few economic documents over the years on that.

I think the framing questions, quite frankly, are the same questions you ask throughout the country. What are the preconditions for a strong economy? What do you need? Well, you need a skilled workforce, you need infrastructure, you need a competitive tax system, and all of those things.

Now, does the north have specific needs in those areas, or does it have some areas where it's stronger or weaker than the rest of the country? It's hard to answer in a simple way, but I think the same frame that we apply to the economy as a whole you could apply to the north.

Mr. Todd Russell: I think there's already recognition that there are unique circumstances associated with the north. You have the TFF as one, the northern residents deduction is another one, and there are other specific programs targeted at the north. All of that would lead us to believe there are specific challenges.

So I'm just wondering what you can suggest to us as a committee, from a finance department perspective, on how we can frame our study or how we can move forward. It's a huge undertaking for us as well.

• (1230)

Mr. Chris Forbes: Yes, I appreciate what you're taking on.

Again, I think the frame is still there, and I think you can go to some of the things we've done and say, clearly, housing is an issue in the north, perhaps more than in the south. We recognized that in the last budget by providing a specific fund for housing in the north—\$100 million for Nunavut, and \$50 million for the Yukon and the Northwest Territories—recognizing that the housing needs of the north are greater than they are in the south.

Clearly, in some of our other programs we offer specific aboriginal training because it's a different issue.

I still think that in the end we would come back in the department to the overall frame, though, and say, do we have a good infrastructure in place, and are the skills there? I go to Mr. Thompson's question about whether the skills there are matched with the job opportunities out there. These are the questions that we'd ask more broadly when laying out an economic plan for the country, and I think you could ask those questions at micro level, if you will, for the north.

The Chair: Thank you both.

I'm just going to take one of the government slots here for a moment and ask for a couple of points of clarification.

To Mr. Thompson, first of all, you mentioned in your opening comments that there were 71 projects under the aboriginal skills and training strategic investment fund. Could you give an example of what one of those projects might look like, and does it cover all three territories?

Mr. Paul Thompson: There will be projects announced in the coming weeks around those. They are the ones that were recently approved and that will be rolled out in the coming weeks, but there are a number of strong projects in the north, including in all three territories.

The Chair: Could you give an example?

Mr. Paul Thompson: This component of the economic action plan was intended to capture some of the approaches in ASEP, but where there are immediate, concrete employment opportunities on the ground and where there is an ability to train people in a very short timeframe. They're shorter in duration and are usually smaller operations. The ASEP projects tend to be large mining companies, large initiatives. This is more for immediate, smaller-scale employment opportunities.

The Chair: They are at the community level.

Mr. Paul Thompson: They are at the community level, yes.

The Chair: Second, in one of your remarks, you mentioned the notion of encouraging organizations to incorporate aboriginals into the workforce. Actually, it came up again in questioning. What sorts of measures do you put in place for this to happen? Is that an incentive for a business or an organization, or is it for specific programs?

Mr. Paul Thompson: We have 34 sector councils. Most of these are industry specific. One of them is a horizontal council that focuses on aboriginal issues. Their major initiative is on aboriginal inclusion. It essentially provides major employers with tool kits and strategies on how to approach and build partnerships with aboriginal people. Once you've attracted them, how do you retain them? How do you be culturally sensitive?

The Chair: It's really training, counselling, encouraging—call it what you will—and working with businesses to incorporate more aboriginal....

Mr. Paul Thompson: It is to improve mutual understanding of aboriginal needs and business needs.

The Chair: This may be to Mr. Forbes.

I wanted to make sure we had some clarification on a couple of comments. I think Mr. Bevington mentioned or referred to this notion of it being double the cost of living in the north. Is that founded in data? Is that supportable?

Mr. Chris Forbes: I wouldn't have thought that it was double. I don't have any numbers in front of me on what the consumer price is, on average. It's going to vary, obviously, from community to community as well. The price levels in Yellowknife versus Baker Lake are going to be quite different. Certainly Statistics Canada would have information on price levels across all communities, but not on all that many.

The Chair: We'll follow up on that.

Along the same lines, we may want to take a look in terms of what the differences are on the compensation side as well. I think most people would expect that the cost of living situation is going to be considerably higher in the north. As to where that is and what other compensating circumstances are in place to counter that, I think that is a question we'll drill down to a little further on too.

Mr. Chris Forbes: I think you'll find—and again, I can speak about Yellowknife—that Yellowknife has one of the highest, if not the highest, per capita incomes for a city in this country. There's a push-pull thing there. You know, how much of that is reflecting the costs? But it does have one of the higher, if not the highest, per capita income.

• (1235)

The Chair: That's the point. I think we have to look at the total picture.

Finally, Mr. Forbes, on the notion of transfers, there were the three main planks of the transfer program. Are those tabulated on a per capita basis, or would you work that out on a per capita plus formula?

Mr. Chris Forbes: The health and social transfer is on a per capita basis and is available to the provinces and the territories.

The territorial formula for financing is a separate one that goes to just the three territories, as I said. It totals about \$2.5 billion. That one is calculated differently. It takes into account a measure of what we call the gross expenditure base, which is some measure of the expenditure needs of the territories, and then it reduces that by an estimate of their capacity to raise revenues. It fills the gap, if you will, between those two, which is somewhat different.

The provinces have the equalization program, which looks at the revenue side only and tries to bring revenues up to some sort of national standard. The territorial transfer program is a bit different in that regard.

The Chair: It looks at revenues as well as capacity.

Mr. Chris Forbes: It is on the spending side, yes.

The Chair: Okay. Very good. Thank you very much. We are just on time.

[Translation]

Mr. Lévesque, you have another five minutes.

Mr. Yvon Lévesque: First off, Mr. Chair, I want to say that when you talk about twice the price, I can tell you from experience that it is much closer to three times the price. For example, last year, a pound of butter that sold for \$2.99 here in the region was selling for \$7.80 there. That is just one example. There is a reason that we generally ask Airpost Mail for help so that people can have access to fresh products; it is extremely expensive.

Usually, I understand things quickly, but I need a lot of explanation. Earlier, you introduced Elisha as the director of economic development. Is he the director of northern economic development, Canadian economic development or economic development in the Skills Branch? I would like that clarified.

[English]

Mr. Elisha Ram (Director, Microeconomic Policy Analysis, Economic Development and Corporate Finance, Department of Finance): Sure. Thank you for the opportunity to say something.

Our branch in the Department of Finance is the economic development and corporate finance branch, and we're responsible for the overall microeconomic policy of the government. That includes the north, of course, but it also includes all other regions of the country.

[Translation]

Mr. Yvon Lévesque: So, it is Canadian economic development for the north. In that case, what is your relationship with CanNor?

[English]

Mr. Elisha Ram: That's a good question as well.

Our job is to advise the Minister of Finance on issues related to economic development across Canada and in various regions. We work closely with the agencies that deliver economic development programming to ensure they are living within their means and that their activities are consistent with the economic policies of the government at large.

We are also responsible for helping the minister and providing him with advice as to any additional resources that may be required in different areas of the country. So our relationship to CanNor is one of oversight as well as a challenge function should they wish to enhance or expand their activities.

[Translation]

Mr. Yvon Lévesque: You did not speak very often, but it was worth listening when you did. Thank you, that is what I wanted to know.

[English]

The Vice-Chair (Mr. Todd Russell): Thank you, Monsieur Lévesque.

We'll go to our next speaker on the list, and that's Mr. Clarke, for five minutes.

Mr. Rob Clarke (Desnethé—Mississippi—Churchill River, CPC): Thank you, Mr. Chair.

I'd like to thank the witnesses for coming in today.

Can you describe the level of coordination that currently exists between the federal departments on the investments and/or the projects of the north? How would the investments in the projects benefit from improved coordination?

Mr. Paul Thompson: Why don't I start on that one?

The collaboration takes place at various levels and stages in the process. We work very closely with our partners at Indian and Northern Affairs, particularly the economic development branch of Indian and Northern Affairs, where we've been coordinating our new policy initiatives.

I spoke about the successor program to AHRDS. When we were bringing that forward through the design stages, we were working very closely to ensure it was designed in a way that was complementary to the economic development programming, whether it's the community economic development officers who are supported across the country or whether it's some of the new investments in aboriginal economic development across the country. So there's complementarity in the design of the programs, looking at making sure there are connections in governance and decision-making as the programs are rolled out. So at the national level, assistant deputy ministers have a governance structure that ensures the investments and the decisions, so we're able to make those connections as we go.

On the ground, every one of our programs, whether it's AHRDS or ASEP, has a strong local presence. Our colleagues in Service Canada are the ones who administer on a day-to-day basis the agreements with our recipients, including those who deliver AHRDS. They serve on the ground as another means of collaboration with local levels, whether it's with officials in CanNor in this case or with territorial governments.

So there's local-level collaboration and national-level collaboration on the frameworks and the broad strategies.

• (1240)

The Chair: Another two or three minutes.

Mr. Rob Clarke: I'll share my time.

The Chair: Sure, go ahead.

Mr. John Duncan: Mr. Forbes, I'm wondering if you have anything to do with the federal employees in remote and isolated places, in terms of their top-ups.

Mr. Chris Forbes: That would be the Treasury Board Secretariat that you'd need to talk to about that.

Mr. John Duncan: Treasury Board. Is there any tie-in between their calculations and northern residents allowance?

Mr. Chris Forbes: To be honest with you, I don't know. You'd have to talk to someone from the compensation group at Treasury Board Secretariat about that.

Mr. John Duncan: We do have parts of the lower 60 that at one time got what was called a northern allowance, and the federal employees still get top-ups, but the population at large gets no benefit. So this has become somewhat of an issue, but I won't pursue that questioning with you.

I notice the mandate related to economic development for HRSDC, Mr. Thompson, includes reducing barriers to interprovincial labour mobility. I'm just wondering how that translates when you're talking about the territories. Obviously, on its face it doesn't apply, but there must be some implications in terms of how things operate in the north.

Mr. Paul Thompson: Absolutely. The work we do on improving labour mobility is done through the Forum of Labour Market Ministers. It is done at the ministerial level and at the officials level. All three territories are active participants. Whether it's the negotiations and the implementation of the new Agreement on Internal Trade and its provisions for labour mobility, or whether it's the newer initiative that first ministers have launched on the recognition of foreign qualifications, they are all done collaboratively with provinces, territories, and federal officials. They are bringing forward proposals to reduce those barriers and see that we recognize credentials as readily, effectively, and efficiently as possible. We are committed to minimizing the unnecessary barriers that exist. There are always some acceptable public interest issues that are unique to a given jurisdiction, but there are definitions to restrict them. As for artificial barriers, our policy objective is to remove them.

The Chair: Thank you, Mr. Duncan, Mr. Clarke, and Mr. Thompson.

[*Translation*]

The last question goes to Mr. Bevington.

[*English*]

Mr. Dennis Bevington: I want to caution you against picking out communities. If you pick out Yellowknife, you're going to pick out a

community with a high percentage of highly paid people. But it also has a component of poorly paid people. So when you look at the statistics, you have to look at what that statistic actually means in relation to the types of jobs provided there. You may have a high wage scale in some communities. But that doesn't always apply to everyone in the territory.

● (1245)

Mr. Chris Forbes: That's an excellent point. I agree. You can't pick one number and say that it means everything is okay or not okay. You need to look at what's behind the numbers. Certainly that's true in this case.

Mr. Dennis Bevington: You have to be very careful about comparing costs of living. Many of the costs in the north are climate-related and distance-related. The prices and materials required to live there are sometimes very different from those in more southern areas.

Mr. Chris Forbes: Agreed. That's a good point.

Mr. Dennis Bevington: I just wanted to clarify that.

The Chair: Good. That's it?

Thank you, Mr. Bevington.

Members, my compliments on all of your questions here today.

Witnesses, we appreciate the time you've taken and the work you have undertaken to make your presentations. This is important and will inform the report that we'll eventually have in front of us.

We have some committee business to conduct, so we'll bid you adieu and carry on with it.

Members, in the interest of time, I don't think we'll recess; we'll continue on with committee business. As is customary, we'll go in camera for our committee business. I'll also let you know that we have just now circulated the draft list of witnesses for the territorial hearings.

Let's take a brief recess here, members. We need to go in camera, so we will need a time out. We'll suspend momentarily.

[*Proceedings continue in camera*]

MAIL  POSTE

Canada Post Corporation / Société canadienne des postes

Postage paid

Port payé

Lettermail

Poste-lettre

**1782711
Ottawa**

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

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

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

SPEAKER'S PERMISSION

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

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

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

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

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

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

PERMISSION DU PRÉSIDENT

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

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

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

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

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