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## **Standing Committee on Finance**

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**EVIDENCE**

**Tuesday, October 25, 2011**

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**Chair**

**Mr. James Rajotte**



## Standing Committee on Finance

Tuesday, October 25, 2011

• (0930)

[English]

**The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)):** I call this meeting to order.

Good morning, everyone. Welcome to Whitehorse, Yukon.

It's a pleasure to be here. It's my first time, as it is for many committee members. It's wonderful to be here in the territories.

We are continuing on pre-budget consultation 2011.

There are three organizations here with us this morning. We have the Tourism Industry Association of the Yukon, the Prospectors and Developers Association of Canada, and the Yukon Chamber of Commerce to present to us.

Each of you will have five minutes for an opening statement.

We will begin with the Tourism Industry Association of the Yukon, please.

**Ms. Krista Prochazka (Executive Director, Tourism Industry Association of the Yukon):** Good morning, ladies and gentlemen.

My name is Krista Prochazka, and I am the executive director of the Tourism Industry Association of the Yukon. Thank you for allowing me to appear before you today.

As you are aware, tourism is an important contributor to Canada's economy. Tourism is a pillar industry in the Yukon, accounting for up to 7.2% of our GDP and nearly \$200 million in private sector revenues. It is one of the largest private sector employers in the territory, with more than 25% of Yukon businesses reporting revenue from tourism. It has been and continues to be an important industry in our territory.

International tourism is globally one of the fastest-growing industries in the world. Canada is blessed with breathtaking landscapes, world-class attractions, and an incredibly rich heritage and culture. The Canadian brand is number one internationally, but international air travel to Canada has been on the decline for a number of years and domestic overnight travel has been relatively stagnant. Between 2002 and 2010, Canada in fact dropped from sixth in international tourism arrivals to fifteenth, a drop of about four million visitors. We are only one of two countries to drop out of the top ten and the only one to lose in visitations.

A key impediment to reversing this trend is Canada's current aviation cost structure. This structure taxes us out of contention for international visitors and discourages Canadians from exploring their own country. As someone from the Windsor-Detroit border can

attest, it drives Canadians south of the border for flights. Together this contributes to a \$14 billion trade deficit.

Canada is a "fly-to" destination and price competitiveness is vital to attracting visitors. This is even truer in Canada's north. Yukon is the smallest jurisdiction and Whitehorse is the smallest community in North America to receive direct access from Europe. For all northern communities, our quality of life, economic competitiveness, and viability as a choice tourism destination are directly tied to the cost and accessibility of air access.

Under the current cost structure, the taxes and fees imposed on our airline tickets placed Canada 125th out of 138 countries ranked. When combined, airport ground rents, the air traveller security charge, navigation charges, payments to municipalities, and aviation fuel taxes can add upwards of \$160 to the cost of an overseas ticket. Increasingly, airport improvement fees are also added.

Our airports are economic engines that spur growth not only in tourism but in virtually every industry. If Canada is going to regain its position as a top international destination and benefit from the fastest growing industry in the world, we must become competitive again. As such, our recommendation to the committee is for a prompt and comprehensive review of the aviation cost structure in Canada, with a view to achieving a fair and competitive tax and regulatory regime that will allow us to compete on a level playing field with the rest of the world.

We would as well like to recommend to the committee that the federal government revisit the funding model for the Canadian Tourism Commission, with the objective of providing a competitive and stable base for effectively marketing Canada internationally.

The CTC competes for an international tourism market worth \$3 billion a day and yet their core funding has dropped year over year for most of the last decade. At \$72 million, it's 27% less than they received in 2001. By comparison, the new marketing organization in the United States will operate with an estimated budget of over \$200 million.

Like many Canadian jurisdictions, the Yukon relies on our partnership with the CTC to leverage our resources in international markets. The decline in core funding to the CTC not only erodes their capacity, it also inhibits our ability to enter into new and emerging markets and to remain active in crucial markets such as the United States.

Marketing dollars are an investment. Investing in tourism marketing creates a payback to the economy and the government many times over. The return on these dollars is exceptional. In the Yukon, for every marketing dollar spent, 27 new dollars enter the territory. Other countries recognize this and are making large investments, leaving Canada 20th in the world for national tourism organization funding. In this highly competitive marketplace, Canada cannot expect to succeed by relying on its natural endowments and cultural attractions.

• (0935)

While the Canadian brand is currently number one, this cannot continue without competitive and sustainable funding. By providing a competitive and stable base for the CTC, Canada and all of its regions can continue to build a successful tourism marketing commission and can benefit from the tremendous economic potential of international tourism.

Thank you.

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

We'll now hear from the Prospectors and Developers Association of Canada.

**Ms. Tara Christie (Chair, Finance and Taxation Committee, Prospectors and Developers Association of Canada):** Thank you.

Good morning, Mr. Chair and committee members. My name is Tara Christie. I serve on the board of directors of the Prospectors and Developers Association of Canada. I'm also the chair of the finance and taxation committee of the PDAC. I'm the president of a private business, Gimlex Gold Mines, which is based in Dawson City here in the Yukon. I'm also a director of various other public and private companies operating in the mining and exploration business.

I'm here with Philip Bousquet, the PDAC's senior program adviser. We're here to talk to you about the mining and exploration industry.

First of all, welcome to the Yukon. As a Yukoner, I thank you for coming here and also thank you for inviting us to appear before you. I grew up in the mining and exploration business, and despite my father's best advice I continued in the business.

I'm proud to report that mineral exploration is thriving here in the Yukon, with estimates showing that our activity is up from \$150 million, which was spent in 2010, to around \$300 million this year. That's a significant increase for the Yukon. Both here and across Canada, mineral exploration and the mining business is the lifeblood of small rural communities, particularly those that don't have other industries to sustain them.

Throughout the recession that we experienced, exploration and mining companies have continued to invest in Canadian projects, creating jobs and new businesses that support the mining industry. Many of these businesses are aboriginal owned and operated and employ aboriginal and first nations employees. This leads to new opportunities throughout the country.

Our mining industry is a story of success and a fundamental driver of Canada's economy, employing over 306,000 people and

accounting for 3.5% of Canada's GDP. The industry also pays \$5.5 billion in government taxes and royalties.

Mineral exploration is the important first step in the mining cycle and Canada has a number of features that attract investment. We have great geology. We have a skilled and knowledgeable workforce. We have new training initiatives that bring people into the industry. And importantly, we have a competitive tax system that includes flow-through share financing and the mineral exploration tax credit, the METC. Both of these are unique to Canada. This is important, as exploration companies have no production revenue. They rely on investors who are willing to support the high-risk activities of exploration and know that with a lot of effort and some good fortune, projects can succeed and become new mines.

We compete in Canada with other countries for exploration dollars. Many companies have projects both in Canada and elsewhere in the world. The money goes to the best projects. The benefits of flow-through shares is that the money raised can only be spent in Canada. It's a program that allows many projects to continue when markets are unstable and money's hard to get.

Since 2000, the flow-through share program has been supplemented by the METC, the mineral exploration tax credit, which provides a 15% tax credit on top of the flow-through share deduction. During this period, since 2000, Canada has moved into and has retained its position as the top destination for exploration dollars, with between 16% and 19% of the global exploration expenditures being spent in Canada. In an average year the mineral exploration tax credit investors provide companies with \$400 million in new financing. And this is spent on grassroots exploration in Canada. The money is spent here, ensuring that if a mine is discovered, the jobs and other economic opportunities benefit Canadians directly.

I'm going to turn it over to Philip to talk about our association.

• (0940)

**Mr. Philip Bousquet (Senior Program Director, Prospectors and Developers Association of Canada):** Thank you, Tara.

Our association, representing 8,000 members, individual and corporate, exists to protect and promote mineral exploration and to ensure a robust mining industry in Canada.

Our recommendations to this committee are the following.

First, make the current mineral exploration tax credit a permanent feature of the federal tax policy. The credit has been a great success; however, it must be renewed each year in order to continue. It is due to expire on March 31, 2012.

Second, we support continued investment in geoscience. The work of the Geological Survey of Canada, as well as provincial and territorial surveys, has been fundamental to a detailed understanding of the land and resources. Programs such as geo-mapping for energy and minerals encourages new investment and job creation.

Our final recommendation is to promote good social responsibility and environmental practices by clarifying the interpretation of tax rules that govern the eligibility of community consultation and environmental compliance costs.

To conclude, mineral exploration and mining is fundamental to Canada's economic growth and we are world leaders in this industry. The recommendations we ask this committee to consider will help to ensure that exploration dollars continue to be spent in Canada.

Thank you.

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

We'll now hear from the Yukon Chamber of Commerce, please.

**Ms. Sandra Babcock (President, Yukon Chamber of Commerce):** Good morning.

My name is Sandy Babcock, and I'm the president of the Yukon Chamber of Commerce.

I apologize for my tardiness this morning. We have this great, exciting conference starting today, and my phone has not stopped ringing. My apologies.

It is with deepest appreciation that we come before the committee to express our views for consideration in your pre-budget consultations. It's particularly encouraging that you've come to Whitehorse to listen to us speak and give us this opportunity.

The Yukon Chamber of Commerce is the umbrella organization of all Yukon community chambers of commerce, effectively representing over 800 businesses in the territory.

In the fall of 2010 the Yukon government released a report on business and the economy in the territory. They identified that there are over 3,000 businesses in the territory. However, 51% are home-based businesses. I think that gives you some indication of the size of the business community we operate in.

We represent business through the areas of legislation, regulation, infrastructure development, and business and economic development.

As you are aware, the Yukon is one of the very few jurisdictions in Canada that has no net debt and enjoys a healthy financial position. Without federal programs and initiatives, such as Building Canada, and infrastructure and stimulus funding that have greatly benefited the Yukon, this would not be the case.

We support the federal government's commitment to balance its books by 2015-16, while staying the course on promised corporate tax reductions. Through the vision and commitment of Prime Minister Stephen Harper, the north is a priority not only for the federal government but also for corporate Canada.

General Electric recently released a report called "The Business Case for Investing in Canada's Remote Communities". This identified many of the gaps and opportunities across Canada's north. The report identifies and supports three of the top priorities of the Yukon Chamber of Commerce.

Priority number one is investment in a comprehensive economic development strategy. The Government of Canada has developed a

northern strategy, and this strategy has raised awareness and commitment to developing Canada's north. The absence of a comprehensive economic development strategy for the Yukon is seen by us to be detrimental in the execution of the northern strategy.

Our recommendation is that the federal government support and participate in the development of a comprehensive economic development strategy in partnership with the private sector, Yukon government, and Yukon first nations.

Our second priority is investment in infrastructure. The Yukon is a small jurisdiction with limited financial resources; however, our infrastructure needs are large. With the huge demand for resources in the highly active tourism and mining sectors, we have new needs, and the importance of infrastructure cannot be stressed enough.

Our first recommendation in that area would be that the federal government invest in providing the Yukon with the ability to develop a clean and reliable energy strategy that addresses generation and transmission to support economic development. The Yukon is currently a stand-alone transmission system. When our power goes out, life as we know it in the business world comes to a halt. You cannot do business without power. The impact on small business is horrific in terms of computer issues. When the power goes out suddenly, a lot of expense has to be provided by the private sector, out of their funding, to make repairs.

Our next recommendation is that the government invest in broadband infrastructure projects that support economic development. Our broadband telecommunications system is again a stand-alone system. When the system goes down, commerce cannot happen. Debit machines do not operate. Credit card transactions are not available. Stores have to close down until the power goes on. We probably enjoy at least 10 to 12 major power outages per year, which really has a significant impact on our ability to conduct business.

It is these investments that we feel will contribute to the economic sustainability of the Yukon, resulting in us being a net contributor to Canada's economy.

Thank you.

• (0945)

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

We'll begin with questions from members.

Ms. Nash, for a five-minute round, please.

**Ms. Peggy Nash (Parkdale—High Park, NDP):** Thank you.

Thank you, Yukoners, for your hospitality. It's great to be here, even though we're here so briefly.

Let me first begin very quickly with Ms. Babcock for the chamber. When was the last time an overall economic strategy was developed for the Yukon? Can you give us a sense of where your plans originated?

**Ms. Sandra Babcock:** We're not aware there has ever been one.

There has been a strategy for the Yukon, but it's with the Yukon government. They have an internal strategy. There is, however, no Yukon-wide detailed strategy for the territory.

**Ms. Peggy Nash:** Can you give us a sense of what the unemployment rate is like up here? I know a lot of the jobs obviously involve the mining sector, the tourism sector, and the public sector, but is there much unemployment out there?

**Ms. Sandra Babcock:** No, there isn't. I believe the September statistics indicate the unemployment rate is 5.1%, so we enjoy a very comfortable.... However, that does bring new challenges in terms of finding and hiring the people we need to fill the jobs that are available now.

**Ms. Peggy Nash:** I have one last question. You raised a number of interesting issues. And something that the New Democratic Party has been raising is the importance of infrastructure investment, whether it is water and sewage, bridges, broadband, first nations housing, or whatever it is—that now there is an opportunity with low interest rates to invest in the key infrastructure investments so that when the economy is growing we can take advantage of this economic generator. Is that something that makes sense?

**Ms. Sandra Babcock:** Absolutely. I only highlighted the energy and the broadband telecommunications. However, we are challenged with affordable housing and housing that's affordable, which are two different things; one is social and one is general housing. Those are very large issues in the territory due to our increasing population. I believe we're enjoying a net in-migration of about 10% per year, so that's quite substantial for the territory to absorb. Housing, of course, is a huge issue. I know there are northern housing dollars out there to address some of the issues, but it really doesn't address the land development issue and the issue of housing that's affordable.

**Ms. Peggy Nash:** Yes, it's a good time to invest now.

How much time do I have, Mr. Chair?

**The Chair:** You have two and a half minutes.

• (0950)

**Ms. Peggy Nash:** Excellent.

To Ms. Prochazka, we've heard this before, that we're falling in terms of tourism arrivals. We have a great story to tell about Canada, and especially here in the Yukon, that people around the world would probably love to come hear. I support your call for review of the cost for air transportation. Do you think we could be doing a better job of marketing Canada to the world? It seems like we've got a great story to tell—our arts, our wilderness. How do you see us doing a better job as a country?

**Ms. Krista Prochazka:** I think we do absolutely have an incredible story to tell, and I think we've seen some really effective and incredible marketing campaigns coming out of the CTC and out of individual jurisdictions across Canada in recent years. What we don't have is consistent, sustainable funding currently at a level that would allow both the CTC and their partners—because virtually every jurisdiction in Canada buys into partnering with the CTC somewhere in the world—to plan ahead and to be really strategic and to enter some of these really significant growth markets.

One of the big things with the markets that are growing rapidly is we need to really build destination awareness with them. And you need a certain amount of money to keep our presence among countries that are just investing.

**Ms. Peggy Nash:** I'm sorry, I'm going to interrupt you, because I only have 30 seconds.

To our colleagues from the Prospectors and Developers Association of Canada, this is obviously a huge part of the northern economy, and it's difficult, challenging work. Can you tell us, aside from gold and silver, what are some of the key mineral exploration targets that you have here, and some of the plans you have going forward?

**The Chair:** I know we'll probably come back to this in a later round, but could you briefly address that?

**Ms. Tara Christie:** The Yukon has three operating mines now. We have a silver and lead mine in Mayo, which just opened up this year. We have an operating copper mine near Carmacks, and we also have a lead-zinc mine down in the southern Yukon. Yukon went from having no producing hard-rock mines to having three this year, which is a tremendous success story. Certainly precious metals and base metals are potentially in the Yukon.

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

We'll go to Mr.—

Is there a problem with the translation? Let's just test the system, Monsieur Giguère.

[Translation]

**Mr. Alain Giguère (Marc-Aurèle-Fortin, NDP):** There is no French translation of what I am saying in English. A lot is missing. It will be easier if I listen in English.

[English]

I'm listening to the English.

**The Chair:** We'll go to Mr. Leef, please, for a five-minute round.

**Mr. Ryan Leef (Yukon, CPC):** Thank you all for coming.

The first question is tourism-based. I think most people across Canada are surprised—I spread the word now in Ottawa—that the Yukon benefits from direct flights from Frankfurt, Germany, to Whitehorse, from I think Zurich this year to Whitehorse, and in fact I can get to Frankfurt faster than I can get to Ottawa.

Canada invests in maintaining the international designation of the Whitehorse airport. Can you just tell us briefly how important that kind of thing is to maintain for a small market like the Yukon and the importance of continuing the international airport designations?

**Ms. Krista Prochazka:** It's crucial to our market. We do receive direct air flights from Frankfurt, and we did receive direct flights from Zurich this year, although the cost of refuelling in Canada has prohibited Zurich from coming back this coming year. We hope they may change their mind at some point.

Our biggest market outside of the U.S. is Germany and German-speaking Europe. They represent a growing percentage, and I think it's reflective in the fact that tourism numbers in the Yukon, unlike the rest of Canada, have actually grown year over year. We were protected by the recession in a number of ways because of our presence in German-speaking Europe and in France, even though they have had challenges in arrivals in the U.K. Those, for us, are key markets for growth, and we simply could not do that.

We saw this year that direct air arrivals changed from two days a week to one day a week. That alone affected our European numbers. People really want to go direct. As you well know, there's a big difference on that flight from Vancouver to Ottawa if you have to change flights and stop in Toronto in-between. Our tourism business is very dependent upon those direct flights for growth.

• (0955)

**Mr. Ryan Leef:** Thank you.

I will move over to the mining sector now. We heard about some of the exploration growth. And I think dating back as far as 2004 the Yukon was somewhere in the neighbourhood of \$20 million in exploration. So we've gone from \$20 million in 2004 to \$300 million in exploration.

Now we're talking on a national level. We're obviously seeing employment benefiting all of Canada from that exploration growth. Can you expand a bit more on what that means for jobs across Canada, and not just for jobs here? As we heard Ms. Babcock indicate, we're enjoying about a 5% unemployment rate. How are we doing for finding workers here in the Yukon and across the nation to fill that growth?

**Mr. Philip Bousquet:** Thank you.

As we heard, when you're in a period of growth there is a challenge for finding skilled workers, and the mining sector is facing that challenge across the country. We've worked through an organization called the Mining Industry Human Resources Council. It's a sector council based in Ottawa that helps us to identify where the growth is going to be and where the needs are going to be. We have seen a great increase in exploration across the country. You mentioned the Yukon. When you look across Canada, the increase in exploration is up to about \$3.2 billion for 2011, as a Natural Resources Canada estimate. With that is an increasing demand for workers at the exploration stage.

At the production stage we have a demand for all work categories and we are looking at looming retirement in the sector as well. So that organization, the sector council, is identifying exactly where those needs are.

**Mr. Ryan Leef:** How well do you think that's marketed across Canada? Do people open up a paper in the east and know there are jobs up north?

**Ms. Tara Christie:** I guess from the number of résumés that I get from back east, I'd say they do. I do think we can always do a better job. I think another really important thing is some of the former INAC programs for training first nations people have been really successful and they've contributed greatly to our being able to fill some of the gaps that we have.

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

I should have acknowledged Mr. Leef as our member of Parliament here from the Yukon, who will be treating all members of the committee to lunch.

**Mr. Ryan Leef:** I think they figured that out.

**The Chair:** He'll be treating all members of the committee to lunch after the meeting.

**Mr. Ryan Leef:** Right.

**The Chair:** We'll go to Mr. Brison for a five-minute round.

**Hon. Scott Brison (Kings—Hants, Lib.):** I'd like to start with Ms. Prochazka on the tourism side.

You asked for a review of the aviation cost structure. Beyond a review, what are the specific recommendations your organization would make that could potentially help spread the tax burden more broadly among Canadian industry, and not specifically target aviation?

**Ms. Krista Prochazka:** Not specifically target aviation?

**Hon. Scott Brison:** I'm saying to broaden the tax base so it doesn't specifically target aviation.

**Ms. Krista Prochazka:** The tourism industry association is a member with the provincial and territorial industry associations across Canada. This is a priority for all of us. We work with the Tourism Industry Association of Canada and the National Travel and Tourism Coalition and they've done a lot of work in this area.

Their specification recommendations beyond the review would be to eliminate airport rents and municipal taxes imposed on airports and payments in lieu of taxes; to dedicate the proceeds of the excise tax on aviation fuels to aviation infrastructure; to significantly reduce or eliminate the air traveller security charge through greatly expanded funding for aviation security and passenger screening services; and to modify the foreign convention and tour incentive program by reintroducing a tax rebate.

• (1000)

**Hon. Scott Brison:** So for instance on the security side you would say certainly invest in security, but pay for it through general revenue, as opposed to trying to cover the costs of it with this—

**Ms. Krista Prochazka:** Absolutely.

**Hon. Scott Brison:** Thank you.

Does your organization support cabotage?

**Ms. Krista Prochazka:** I'm sorry...?

**Hon. Scott Brison:** Cabotage, the capacity for foreign airlines to fly between domestic locations within Canada.

**Ms. Krista Prochazka:** I would say that my specific organization does not currently have a position on that. We really have an emphasis ourselves in developing northern capacity, and we're really fortunate to have a Yukon-based airline that flies here along with Air Canada and Condor and others. So we've been looking at trying to internally grow our thing.

**Hon. Scott Brison:** Thank you.

To the Prospectors and Developers Association of Canada, we've benefited the last few years from really tremendous commodity prices. Growth in commodity prices was huge and was in many ways our national recovery from the commodity-based industries. With the current volatility in commodity prices, and with drops in demand on the Chinese manufacturing side the last few months, are there some concerns about the capacity to sustain that growth over the next while? You mentioned a copper mine as an example.

To help the committee understand, what do you believe could be the effects on your capacity to continue that growth with this fluctuation, if the volatility continues?

**Ms. Tara Christie:** Thank you.

That's a good question, because that's exactly where the mineral exploration tax credit helps. When markets are unstable, it's an added incentive to get investors to help the juniors raise money for projects that might not be quite as in favour as the metal of the day. So it helps to bridge that gap when markets are unstable.

We're also lucky that some projects have gone from the exploration stage to the mining stage. So their mining and development is going on, and that's a little bit less prone. Once you've moved into the mining stage, it's a little less dependent on the market cycles. The metals may be depressed, but often you're too far in, you're already into the mining production, so—

**Hon. Scott Brison:** It may have a dampening effect.

**Ms. Tara Christie:** It may have a dampening, but I think we've had enough development that some of it will continue even if some exploration in parts of the country does fall off. There are others that will pick it up.

**Hon. Scott Brison:** I'd be interested in the views of the chamber or the tourism industry in terms of the impact of payroll taxes and should we keep payroll taxes frozen where they are, particularly in tourism; it's a very labour-intensive industry, in terms of the hospitality sector particularly.

There's a scheduled payroll tax increase of \$1.2 billion for January. Would your members be better served if we held payroll taxes where they are now?

A response from either the chamber or the tourism—

**The Chair:** Please give a brief response.

**Ms. Sandra Babcock:** In a very competitive job market, it is very difficult to attract good people. We also have to contend with the higher cost of living in the territories when we're trying to attract new skilled labour. That would definitely have an impact on our ability to attract.

**The Chair:** Thank you.

We'll go to Ms. McLeod, please.

**Mrs. Cathy McLeod (Kamloops—Thompson—Cariboo, CPC):** It's certainly my pleasure to be here. It's only my second time. I think the last time I was here, actually, we heard about the long-gun registry. I want to just mention today that we've introduced legislation to get rid of the long-gun registry. I know that was really important to Yukoners. So I think it's a great preamble to come back and note that it's finally happening.

To focus on the issues of the day, I'll start with the tourism association. You're probably aware that we just released a strategy about two weeks ago, and within that strategy we talk about what many in the tourism industry like to say is a disincentive.

First of all, I can't recall what your sales tax is here. How many of your tourists come in organized group tours? How much impact will that have as we work towards a resolution of that issue, which we plan to do in January?

•(1005)

**Ms. Krista Prochazka:** We are extremely fortunate in the territory to pay only GST and to not have a territorial sales tax.

In terms of the number of visitors who come in group travel, it is fairly significant. We have a large number of operators that bring in very small groups. Our largest operator, without a doubt, is Holland America. They bring a tremendous number of visitors to the territory, in groups and buses, from the cruise ports in Alaska. I can certainly speak to my counterparts across the country that the elimination of those taxes would be incredibly beneficial to the territory. Canada is always going to be a relatively expensive place to travel to or visit, so anything that makes Canada more cost-competitive will benefit our territory and our country.

**Mrs. Cathy McLeod:** Coming to a more seamless resolution is important, although I guess it's even more important for some of our other provinces if they have both taxes.

**Ms. Krista Prochazka:** Absolutely.

**Mrs. Cathy McLeod:** Great.

There was a comment by my colleague about payroll taxes. I presume, as well, that for any sort of plan the opposition might put out for a 45-day work year, the consequent impact on EI deductions would be equally or perhaps significantly more of a negative. Is that fair to say? I'll ask all three that question. Does anyone have any comments about payroll taxes? EI is very similar to....

**Ms. Sandra Babcock:** I think Canada overall has a bit of a concern and challenge with productivity, and initiatives such as those are not conducive to increasing Canada's productivity.

**Mrs. Cathy McLeod:** This is my last question. I understand that the Yukon did benefit significantly from the stimulus program. There were some broadband initiatives. I know that we haven't covered all the gaps yet, but can you tell me in a more comprehensive way where you're actually at in terms of the reach and robustness of your broadband so that I have a better understanding of the situation? You talk about it being a challenge. Could you talk a bit more about where you're at?

**Ms. Sandra Babcock:** Actually, that's a really good question, because there are actually two issues on the table. Our penetration for broadband is excellent in the territory. We have very high accessibility and usage, and that creates our other challenge, and that is capacity. With increased usage, we don't have the capacity to support it. Our local broadband provider is currently looking at demand-side management to try to control that, because they don't have access to any southern optics they could supplement the system with. It's very old. It's aging, and not only does it need to be replaced, but we need redundant infrastructure, as well.

**Mrs. Cathy McLeod:** You've managed to get good reach.

**Ms. Sandra Babcock:** Yes.

**Mrs. Cathy McLeod:** My last question would be about mining exploration. I know some of our other communities have had challenges in terms of aboriginal land title rights. It sounds like the Yukon has had some better resolution in those areas than perhaps others have.



**Ms. Tara Christie:** We certainly do have some settled claims, which makes it much easier for mining companies in those areas to work, because there's certainty of tenure. Our first nations are also developing capacity to better communicate with mining companies and come to agreement.

We do still have some unsettled claims, which we hope there will be some resolution to, to provide some greater certainty in those areas as well. There still are some areas where there are some big challenges, though, because of those unsettled claims.

**The Chair:** Thank you.

Thank you, Ms. McLeod.

We'll go to Mr. Marston, please.

**Mr. Wayne Marston (Hamilton East—Stoney Creek, NDP):** Thank you, Mr. Chair.

It is a beautiful place. There's no doubt about it.

Ms. Babcock, you spoke of the number of power outages. Is there a particular cause? Is it failing infrastructure, or is there something about the area we're not aware of?

• (1010)

**Ms. Sandra Babcock:** It is the failing, aging infrastructure. The infrastructure was first developed by the federal government through the Northern Canada Power Commission, and that was in the fifties, I believe. Then it was sold to Yukon after that. The aging equipment is our major problem.

Sometimes there are environmental issues such as storms.

**Mr. Wayne Marston:** But overall it's the—

**Ms. Sandra Babcock:** Typically it's the equipment.

**Mr. Wayne Marston:** I'm from before the fifties, and I'm wearing out too.

Your broadband is privately owned here. Did I understand you correctly?

**Ms. Sandra Babcock:** It is through Northwestel, a subsidiary of Bell Canada.

**Mr. Wayne Marston:** I used to work for Bell Canada. It can't be all bad.

I was thinking in terms of the investment needed and how that could be levered. In your presentation you spoke about supporting the government's balanced budget plan. We've argued that this is the time for the government to do some major infrastructure investment, like the ones that you need, to push out another year perhaps on that balance. This is the time, with the low interest rates, to lever the investment. I wouldn't mind your response to that.

**Ms. Sandra Babcock:** You bring up a good point. We're always cognizant that we don't want more debt in our country, and you have to manage the finances. Then we come on the other hand and we're asking for stuff that costs money.

I think this leads to our first recommendation, and that's the creation of an economic development strategy that will be the road map in terms of what we do.

**Mr. Wayne Marston:** I absolutely agree with you. Having a road map for that investment for a manufacturing strategy is necessary for our country.

Now to the prospectors: do you find the federal government a willing partner? It's very clear that the private sector has invested heavily in this, and the nature of your enterprise requires that. If you had a willing partner, are there the roads or the equipment that may be needed where you would see the federal government coming in? We hear you about the METC, by the way. That was very clear.

In terms of training workers and helping a system get here, that type of thing, would you say they've been a willing partner?

**Ms. Tara Christie:** I think they certainly have worked with our association, and some of the federal programs have been successful. I think they can focus a few more to assist us, particularly with first nations, because a lot of people in our industry who we're able to hire and are available in these rural communities are young first nations, because those are the demographics of the north.

It's not only for first nations. We also need to be able to hire the non-first-nations people and potentially have some programs to assist them.

In terms of infrastructure and assisting on roads and broadband, I certainly think there's a role, particularly in developing some of the feasibility and helping us to develop partners. Once there's a plan and an overall strategy, industry's very good at helping raise the other capital.

Adding to the infrastructure and broadband comment, we're also heavily dependent on satellite in northern Canada, not only in Yukon, but in the rest of the northern territories. The Telesat satellite, which was launched with the help of the Government of Canada many years ago, failed recently and caused huge Internet outages across all northern Canada. There simply is not enough redundancy in the north. We can't be dependent on one cable with Northwestel for the bottom half of the territory and one satellite in the north. It's not safe for the communities or for industry, and it certainly is a big hindrance to our businesses.

**Mr. Wayne Marston:** I'm taking that as a yes.

**Ms. Tara Christie:** Yes.

**The Chair:** One minute.

**Mr. Wayne Marston:** How far away are the cruise ports?

**Ms. Krista Prochazka:** Skagway and Haines, Alaska, both have cruise ports. Haines is about five hours and Skagway is about two, two and a half hours from here, but only about an hour from Carcross, the town south of here.

**Mr. Wayne Marston:** I don't think anybody is old enough at this table, but does the name Harold Marston mean anything? He was a United Church minister here. He's my uncle.

**Ms. Krista Prochazka:** Yes, it does.

**Mr. Wayne Marston:** It's a long time ago, though.

Thank you, Mr. Chair.

**The Chair:** Okay, thank you, Mr. Marston.

We'll go to Mr. Adler, please.

**Mr. Mark Adler (York Centre, CPC):** Thank you, Chair.

I would like to make one correction, Mr. Marston. You're like a fine wine, you just get better with age.

**Voices:** Oh, oh!

**Mr. Wayne Marston:** Please.

**Mr. Mark Adler:** It's such a pleasure to be here in Whitehorse. It's my first visit. Unfortunately, we'll not be here for very long, but I do hope to come back for a more extended period of time.

My first question is to Ms. Babcock.

As you know—and you came out in support of this earlier—our government is committed to balancing the books. Some have come out in favour of raising taxes, of increased deficit spending. In your opinion, what would that do to the Canadian economy at large, and to your members in particular, if we were to go down that latter road?

• (1015)

**Ms. Sandra Babcock:** I think that to the Canadian business community at large it would stifle business growth. For Yukon, it would more than stifle business growth. As I said earlier, we're in a high-cost-of-living area, a high-cost area to do business. Because of our geographic location and our distance to markets, it would cripple our economy. I don't think that's the message we want to be sending to the business community, when global markets are still unstable. People are still nervous, with the global meltdown that we had a couple of years ago.

**Mr. Mark Adler:** Thank you.

To follow up, as you know, since becoming Prime Minister, Prime Minister Harper has made eight visits to the north since 2006; he's made that a priority. And he said back in 2008:

As Canadians, we see ourselves as a northern people. The great white north is as much a part of Canada's identity as the red maple leaf.

He has also outlined a four-point northern strategy for strengthening Canada's Arctic sovereignty, protecting the fragile environment, promoting economic and social development, giving northerners more control over their political and economic destiny.

I am wondering if you could comment on that and the priority this government has given the north, more so than any other government in Canada's history, and how that has benefited the north.

**Ms. Sandra Babcock:** It's incredible, the commitment to the north that the Prime Minister has given. We've never seen that before. I don't even think that with John Diefenbaker we saw this level of commitment and vision for the north.

In terms of the northern strategy, I would probably want to limit my comments to the economic development, but again, it goes back to the detailed economic development strategy that recognizes the uniqueness of each territory, because we are incredibly unique from our sister territories to the east. Our needs are very different. We enjoy a great road infrastructure in the territory that the other two territories don't have. We have probably a more mature government, if you will, at the regional level.

Again, it's that lack of a comprehensive economic development strategy that I really think waters down the northern strategy.

**Mr. Mark Adler:** You mentioned that the unemployment rate is 5.1% in the Yukon. That's virtually full employment.

**Ms. Sandra Babcock:** Yes, it is.

**Mr. Mark Adler:** Our government is also committed to getting rid of red tape and government redundance, in terms of programming and that sort of thing. That's something, I gather, your members would be in favour of.

**Ms. Sandra Babcock:** I think probably Tara could speak a little bit more to the regulatory environment, but yes, I think we have quite a superior regulatory environment we operate in.

In terms of the labour market, the labour market is definitely an issue, our labour force. In the 1990s businesses really downsized in the territories and they went back to being owner-operated. Now, because of all the economic activity, they do not have the capacity to be an owner-operator and they need to develop their staff, which they have not had the ability to do because of the limited economy. In developing their middle management, developing their safety, I think the way we do business has changed over the last twenty years. So labour forces are a big issue for the territory. The Yukon has enjoyed the foreign worker program. We make great use of that program. It has been very, very beneficial to the territory, as well as the nominee program.

**Mr. Mark Adler:** Thank you.

**The Chair:** Thank you.

We'll go to Monsieur Giguère, *s'il vous plaît*.

**Mr. Alain Giguère:** My first question is for the representative of the Prospectors and Developers Association of Canada. Presently what is your problem regarding the value of the Canadian dollar in comparison to the American dollar? Is it a significant problem?

• (1020)

**Ms. Tara Christie:** It certainly is. As a gold producer, we sell our product in U.S. dollars and then convert it to Canadian. We buy our fuel in U.S. dollars and it's converted to Canadian. Our parts often come from the States. So the ever-changing exchange rate certainly causes some problems, particularly when you have suppliers that purchase products when the dollar is one way or the other and then try to resell them in Canada. We certainly see huge fluctuations in prices, and those have been a challenge for us. We have both sides, because we sell our commodities as well as purchasing parts. For an individual company it really depends on what part of the cycle they are at, but recently the hit has been pretty hard at times because there's been such dramatic fluctuation.

I don't know if that answers your question.

**Mr. Alain Giguère:** Okay.

My second question is for Ms. Babcock. I read many reports from many federal agencies. The problems of infrastructure affect all of the great Canadian north and not just Yukon. If you have a problem for the Canadian Coast Guard, a problem with the development of small communities, and problems for telecommunications, do you request a specific program of infrastructure for all of the Canadian north, or just for Yukon?

**Ms. Sandra Babcock:** Today it's just for Yukon. We do work with our colleagues in the other two territories, as well as in northern Labrador. We talk about these infrastructure issues, and we know they exist across the north.

**Mr. Alain Giguère:** Yes, the problems are the same.

Is a specific program for the great north a possible solution?

**Ms. Sandra Babcock:** Open up the wallets.

**Mr. Alain Giguère:** Presently you have many federal programs and many investments in defence, for the Canadian Coast Guard, for the northern governments. You don't have one development plan for the great north.

**Ms. Sandra Babcock:** We do not have a comprehensive strategy. The creation of CanNor has been an asset to the north. It's not been without its challenges. However, it's very new in its life, so we look forward to working with them in terms of accessing dollars or doing the types of studies that need to be done so that we can develop our road map going forward.

**Mr. Alain Giguère:** Thank you very much.

My last question is for the representative of the tourism industry. Presently in the great north, is the price of an airplane ticket a problem, or is it just a small problem for a few agents?

**Ms. Krista Prochazka:** The cost of the ticket is a problem for the entire north. It is a challenge not only in terms of growing international tourism but also in terms of getting Canadians up here. There are a number of times when it is cheaper to fly to Germany from Whitehorse than it would be for me to go to Ottawa or Windsor to see my family. While that's great for building our European market, in terms of growing our key market segments in southern Canada and throughout the U.S. and the rest of the world—because we are active in Southeast Asia as well, as are our partners in the Northwest Territories and to a lesser extent in Nunavut—the cost of that ticket becomes a significant deciding factor.

**Mr. Alain Giguère:** It has been interesting for me. Thank you very much.

**The Chair:** Thank you.

Mr. Van Kesteren, go ahead, please.

**Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC):** It's been a very interesting trip for all of us. I know this is fascinating to me.

I listen to you—no debt, no territorial tax. This is heaven. This is free-market heaven, and I think about how this has evolved. With respect to your road structure, the Alaska Highway was part of that, so you benefited from what the Americans did, but you also benefited from the movement of the logging industry. I say this because it appears to me that your success has been through entrepreneurship. Your success has been through the free-market system.

You've mentioned and we as a government have talked about a strategy for the north. What would you envision that to be? Are you looking for the government to map out which direction you should go in light of what I've just said, in light of your history, or are you looking for just a commitment from the government to do what's necessary to continue this incredible evolution?

I have another question for later.

• (1025)

**Mr. Philip Bousquet:** For the northern strategy, it makes sense for the government to look at where that private sector investment is going, where the opportunities are. Our sector focuses on mineral exploration and mining. When you look at Nunavut, NWT, Yukon, mining is a major industry in each of the territories. There are particular actions that the federal government has taken and can continue to take to assist that investment. We focused on a few that would be public investments.

**Mr. Dave Van Kesteren:** Can I just interrupt for a minute?

The federal government invested \$77 million in infrastructure, in the hydro-electric project. The Prime Minister opened it, the largest GIF project ever completed. Is that the sort of thing you're looking for from the federal government?

**Ms. Tara Christie:** We are looking for partnering with industry. Each of our territories in the north has unique needs, and certainly you need to work with the territorial governments. But being available to partner once projects are conceptually developed, to help get that initial capital, is a really important role for the federal government. The Mayo B project is great; it's certainly adding to our infrastructure, but with three operating mines, it's simply not enough. We're already tapping out our capacity. We need low-cost power for our communities, as well as for our mines and other economic opportunities. We need to start thinking ahead and getting a bit ahead on our infrastructure, because we are falling behind in roads, power, and broadband.

**Mr. Dave Van Kesteren:** The hydro commission in Ontario, I don't think I want to know how many billion dollars in debt they are. What's the situation here in the Yukon? Is it like your territorial government? Is it debt-free, operating on the plus side?

**Ms. Sandra Babcock:** I know they sold debentures for the Mayo B project as well as for transmission lines. I probably shouldn't be speaking to this, but I don't believe they carry debt. It has to go through public utilities, so I think there are some concerns about that.

**Ms. Krista Prochazka:** The Yukon does not have enough energy, and we're facing an energy crisis. So while that may currently be the case, there are some significant investments that will need to happen if we are going to be able to keep the lights on in a few years.

**Mr. Dave Van Kesteren:** I'm just going to ask a question. Obviously you do a lot of border crossings. There must be some trade, and you have to get to the ports in Alaska. How is the border-crossing situation in Alaska?

**Ms. Krista Prochazka:** I would say the border crossing that is our biggest challenge is the Little Gold Creek border crossing between Dawson City and Tok, Alaska. The hours of that border crossing were significantly shortened late last summer, and that has caused tremendous challenges, particularly in a town like Dawson City. It's a challenge for both mining and tourism. People arrive at the border five minutes after closing, with no cellphone and no pay phone, no place to stay, no place to drive to.

• (1030)

**The Chair:** We can come back to this during my round.

Mr. Mai, you are next, please.

**Mr. Hoang Mai (Brossard—La Prairie, NDP):** Thank you, Mr. Chair.

Thank you all for being here this morning.

I'll start with the Chamber of Commerce. You mentioned the lack of an economic development strategy. We agree with that and agree also that we need to invest more in infrastructure. We know there is \$500 billion sitting in the private sector. Maybe you can find ways for the private sector to invest more.

Regarding strategy, we agree with you.

You mentioned clean and renewable or reliable energy. Can you expand on that and say how it would benefit the Yukon?

**Ms. Sandra Babcock:** As Tara mentioned earlier, we are facing future serious shortages in energy—not that we won't have energy, but we will have to rely on burning diesel fuel to supply our energy needs. That is not what the people of the Yukon are wanting. As you see, we live in a beautiful part of the country, and we'd like to keep it that way.

In terms of investing in the Yukon, I have to come back to the economic development strategy and to developing the road map to see where and how best to spend public dollars to bring Yukon into a sustainable economy, as opposed to the boom and bust economy we have experienced in the past.

**Mr. Hoang Mai:** Is there some type of energy that you would want to see pushed forward?

**Ms. Sandra Babcock:** Yukon enjoys eight sedimentary basins of natural gas. Much of this resource has to be further explored, but in the Eagle Plains area, which is north of Whitehorse, there are substantial findings that have been proven true, and work is currently being done looking at the feasibility of liquefying the natural gas to support the residential and commercial population of the territory as well as the industrial users. That's one thing.

In terms of transmission, because we are on a stand-alone grid, I think the possibility of connecting with the B.C. grid or even the Alaska grid system should be investigated.

Another energy possibility in the much longer term, and a very expensive one, would be increased hydro.

**Mr. Hoang Mai:** Thank you very much.

This is for the Prospectors and Developers Association. You mentioned in your recommendations something that the CRA could do that was already recommended back in 2007 and on which nothing has been done. Can you expand on that? You say it's at no cost for the government and is something that can really help the industry. Can you expand on that to tell us maybe why nothing has been done, or why it hasn't been cleared?

**Mr. Philip Bousquet:** Thank you.

The matter you raise and which we have in our brief refers to the eligibility of exploration expenses; matters such as consultation with aboriginal communities and environmental feasibility studies. The PDAC worked with Canada Revenue Agency to clarify the eligibility of expenses, and the result of that was a table, which

CRA developed and we have promoted and communicated to our members, that outlines those costs. But there are still some areas in which there isn't clarity about the interpretation of this matter. We're working with CRA on it. We raised it because it is important to companies. Tara perhaps can speak to the matter of what it means to an individual company.

**Ms. Tara Christie:** Yes. Particularly in the north, the costs are very significant of having consultations with first nations, and the standard for environmental base line work is ever-increasing. Having these as eligible costs is quite important to industry. There has been some success with CRA in clarifying it, but there still may be some differential application and confusion about what is eligible. We need to continue to work on it to make sure these are eligible expenses, because the consultations contribute to corporate social responsibility and our social licence to operate in communities. So it's pretty important.

**Mr. Hoang Mai:** Okay. Thank you.

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

We'll go to Ms. Glover, please.

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

I wanted to say I'm having just a blast here in the Yukon. I wish we had a little more time to do some site visits. There are a number of things of interest to us.

I'm going to start with Ms. Babcock. We were just talking about the need for energy. I reflect on something that is in the budget and would like your opinion on it. That is the accelerated capital cost allowance for clean energy generation. Is it beneficial? Would it help to address some of the situations here in the Yukon? Is it a good measure?

• (1035)

**Ms. Sandra Babcock:** I'm not sure how much impact that would really have in the Yukon. When we're talking large infrastructure projects, unless it were to move to a P3 initiative, private sector dollars would not be that involved to benefit from that.

**Mrs. Shelly Glover:** When Mr. Mai suggests trying to encourage businesses and private sector agencies to lend some of the money they're holding onto because of the worries, what do you say to that?

**Ms. Sandra Babcock:** Typically our business community and our corporate world in the Yukon is very small with very limited financial resources. What we have been very successful doing is partnering with southern companies or international companies, particularly in the mining area with the Chinese government-owned companies and Chinese privately owned companies to invest in the territories.

**Mrs. Shelly Glover:** So you would disagree with the statement made by Mr. Mai that your businesses are sitting on capital that could be used for that purpose?

**Ms. Sandra Babcock:** For projects as large as energy projects, it is my belief that our businesses really don't have the financial capacity to be involved in those.

**Mrs. Shelly Glover:** Okay, very good.

I'd like to ask the prospectors and developers two questions.

You mentioned there were some INAC programs, Ms. Christie, that are actually benefiting this industry. Can you touch on a couple of those you found helpful?

**Ms. Tara Christie:** Well, in all the northern territories, INAC funds mine training associations. The training associations are independent, but they apply for the INAC funds. Certainly I know in my own business I'd applied for some of those funds through the training association. It's been very successful in getting first nation youth employed and training them. There is a cost when a company employs somebody without skills or background. In particular, many of the first nations that we hire may not even have high school and it has significantly offset the cost to train them. It's been very successful. That's certainly a program I think should be continued and even expanded, because it has been working very well. And now that the mine training associations are set up to administer the funds and they're local, one in the Northwest Territories as well here in the Yukon, it's helped our industry considerably.

**Mrs. Shelly Glover:** I'm thrilled to hear that. Providing hope and opportunity, particularly to aboriginal youth, is truly something that needs to be given priority, and we are trying to work with aboriginal communities to make sure that progresses. So it's great news to hear that you're finding that some of the programs now in place—which I take it were not in place prior to our government taking office—are actually helping.

Do you know the stats on how many aboriginal people are working within your industry and what the change has been since the programs have come into place?

**Mr. Philip Bousquet:** The last number that we have through Stats Can was from the 2006 census, and it shows that about 7.5% of the mining workforce is aboriginal. That is certainly higher today. It's an area that as an association we've worked at promoting. One of our objectives is to increase aboriginal participation in the mining industry, and we do that through our program work as well as through our annual convention. I think it's fair to say that it's now higher than 7.5%.

**Mrs. Shelly Glover:** Very good.

Now I want to talk a bit about the 15% mineral exploration tax credit. Can you just tell us how this tax credit has helped your members raise the necessary capital for mineral exploration?

**Ms. Tara Christie:** Particularly at times when the markets are unstable or jittery, it's hard for an investor to decide to put money into an exploration project. There is risk. You do not know whether that money is going to actually result in a new mine being found and developed. That mineral exploration tax credit, that extra 15%, is a bit of an extra reward for that investor to make the decision to invest in exploration companies. It brings in an average of \$400 million and I think it's up to \$700 million this year. Considering the uncertainty in the markets, that's impressive.

• (1040)

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

Ms. Christie, this is my round here, but I did want to give you a brief opportunity to respond to Mr. Van Kesteren's question. I know you wanted to respond to that.

**Ms. Tara Christie:** Thank you very much.

It was about the border crossing, particularly at Little Gold. That's a big challenge, not only for the tourism industry and for Dawson, where I'm a resident. I care about making sure that we get to travel, but it also has significant impact on the cost for the community and the mining industry there, because fuel and other goods are trucked across the border. People work on both sides of the border, and to have an extra 14-hour drive for your fuel, your people, or your supplies because we can't keep the office open a little bit longer or for an extra few weeks until the ferry goes is not going to be fair.

**The Chair:** Thank you.

On the question on the clean energy projects that Ms. Glover raised, I was going to raise that question, but perhaps we can have an ongoing dialogue in the future on this. With 90% of the generation in the Yukon being hydro, it seems to me that the accelerated capital cost allowance for clean energy generation would be a perfect fit. As a committee, it's something we can have a dialogue on with you to see if there's some way to make it a better fit, but it seems to me to be a perfect fit for energy generation here in the Yukon. That's my perspective.

I want to return to the mineral exploration tax credit and flow-through shares. As people know from the prospectors and developers, it's an annual battle, and I know you want to make it permanent. Every year I've been in Parliament, from the year 2000, we've had this battle.

The challenge is that there are economists across the nation who are very pure and say there shouldn't be any type of flow-through shares or tax credits. There's been an abuse of certain types of tax credits in the past that have been flow-through shares, mainly with the film industry. The Department of Finance is properly going through the tax code and says it wants to make it fair for everyone, lower the overall rates, but remove all the loopholes. Groups that have presented to this committee have said that with respect to the natural resource sector, we should eliminate all subsidies, as they term it, to the oil and gas mining sectors. As a federal government, we should not provide subsidies, as they term it, to your sector.

You've provided some facts on the money you've raised and spent and the benefits to the government. Could you and Ms. Christie tell us the difference on the ground in terms of raising capital at that junior level? What does it mean in terms of having these two measures versus not having these two measures?

**Ms. Tara Christie:** What do you mean by "on the ground"?

**The Chair:** On the ground in the sense that we can look at it from 30,000 feet or from Ottawa or put something in a budget, but in terms of actually raising money to do the exploration, what does it mean to an investor to have these two measures versus not having these two measures?

**Ms. Tara Christie:** It makes a difference between whether I can go to work or not and whether I can employ people in the community. The program I had in the Yukon this year, where we employed 20 people, I think over 10% were first nations. We wouldn't have done it if we didn't have flow-through on that. We wouldn't have been able to raise the money. It wouldn't have happened.

Within the film industry, you can often find other ways to raise money, if it's a good project. Finding ways to finance exploration in remote parts of Canada is really hard. We compete with other industries for investment capital. It's a very challenging market.

**The Chair:** People in your sector have told me in the past that the reason is that you don't have a project like a film or a biotech company. You don't have that. You're doing exploration. You don't know whether you're going to hit something.

**Ms. Tara Christie:** Grassroots exploration is full of uncertainties. The people investing need to have faith in the management team, the geologists, and the region where they're doing the exploration. There are no guarantees. It is high-risk capital, but it is what's funding a lot of the economic activity in rural Canada.

**The Chair:** Is the combination of the two measures needed then?

**Ms. Tara Christie:** Yes, absolutely. Without the extra 15%, a lot of investors will pick other sectors. It's a hard market in which to raise money, especially right now.

You can look at the junior exploration market and see the value of people's shares without the mineral exploration tax credit. Those companies won't be raising money.

**The Chair:** I appreciate that.

The last comment I'll make is this. The linkage among the mineral sector, the natural resource sector, and the financial sector has been driven home to me in the last few years. There's a relationship between that sector and every other Canadian.

My time is up. We will have another few rounds.

We'll go to Ms. Nash, please.

• (1045)

**Ms. Peggy Nash:** Thank you, Mr. Chair.

When coming here even briefly, you appreciate that it's a challenging place, with a relatively small population and a massive geography.

Given that the mining sector is such a large part of the economy here, can you very briefly describe some of the challenges you face when world commodity prices decline? We've seen some softening, but it's been up and down. Can you describe what that means? You described your sector as the R and D part of mining. What does it concretely mean for you?

**Ms. Tara Christie:** Concretely, it means that there's less money available to fund our exploration. In certain sectors, such as the base metals, it's been really hard to raise money at all for those projects.

I'll ask Philip to take over; I need a drink of water.

**Mr. Philip Bousquet:** On the exploration side there is, of course, no production revenue. Companies such as Tara's and other

exploration companies rely solely on investor confidence. The past few years, as you've seen such market instability and recession, have affected individual investors' investment decisions, which brings us back to having incentives such as flow-through share financing and mineral exploration tax credits, which provide additional incentive for an individual investor to consider exploration projects even when markets are unstable.

**Ms. Peggy Nash:** Thank you.

Ms. Babcock, I heard you talk about there being ups and down in the mining sector, in any natural resources sector, and you said you were looking to add, through economic development, other kinds of jobs that would help buffer the ups and downs of that sector.

Can you give us an example of some of the jobs that, through an economic strategy, you anticipate might be available here in the Yukon?

**Ms. Sandra Babcock:** I think we have a great opportunity to develop in the information technology sector. We currently have a number of people who live in the Yukon whose business, however, is done all over the world and none of it in the Yukon. So through information technology—

**Ms. Peggy Nash:** They choose to live here because it's so beautiful.

**Ms. Sandra Babcock:** It is; it really is.

I think some investment in education, moving our college from a community college to a university, is a possibility. Our young people have to leave the territory to get their university education, and often they don't come back. They find employment elsewhere, and we don't see them back.

We're currently an aging population in the territory. I can't remember the statistics, but just within the levels of government alone a staggering number of people are expected to retire within the next five years, and it's going to create a whole new challenge for us in the territories. Continuing education is.... You could actually call education a sector, I think, because it brings in people, it brings in skills, and it has service and supply needs.

**Ms. Peggy Nash:** It might help with some of the outreach to first nations as well, because it sounds as though there are very high needs there.

**Ms. Sandra Babcock:** Yes. The cultural industries are a growing sector in the territory, and their development is another possibility. First nations culture is very definitely included within our cultural industries.

**Ms. Peggy Nash:** We've talked about some of the infrastructure needs in the Yukon and the role the federal government could play in this regard. It seems an opportune time right now, given low interest rates, to get access to lower-cost capital to make those investments. But there was discussion earlier about the lack of territorial taxes, about there being no equivalent of a sales tax here. Do you see any link between not having any sales tax here and having a big infrastructure deficit?

I guess that's a question for the territorial politicians, but I ask you that.

**Ms. Sandra Babcock:** I don't see it as significant. With a population of 36,000 people, I really don't see any significant contribution coming from that area.

**Ms. Peggy Nash:** You're going to need the federal investment, then.

**Ms. Sandra Babcock:** Yes.

**Ms. Peggy Nash:** Thank you.

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

Mr. Leef, we'll hear from you again, please.

**Mr. Ryan Leef:** Thank you.

This one will be for the Chamber of Commerce; it's just an opinion-based question.

We've seen an increase over the last five or six years in the territorial transfer payments. I think now we're at something in the neighbourhood of \$745 million, about an additional \$55 million above the transfer payments from previous years. This summer was wonderful for me, with a lot of additional non-targeted funding coming from the federal government in such programs as Skills Canada. I think we announced \$220,000 for a three-year project with Skills Canada.

On top of those kinds of announcement and the \$77 million from the green infrastructure fund with the Mayo B project, how important are the transfer payments the territory is receiving, which are dealt with by the territorial government for the business development of the territory?

• (1050)

**Ms. Sandra Babcock:** They're important. It's not only business development and health care. We've really enjoyed the support of the federal government in financial support for delivering health care services, and when you're trying to attract your labour force, you need a solid health care system in place. You need a solid education system in place. It's reaching far beyond economic development. We like to say the Yukon is a fun place in which to live, work, and play. So how do we keep that, and how do we support the type of infrastructure that's involved? Otherwise we are not going to attract people here. People are not overly attracted to 40 below.

**Mr. Ryan Leef:** Now we'll jump from transfer payments to cruise ships. You mentioned the cruise ships, and I don't know if a lot of people realize we're only about two hours away from the port of Skagway.

Do you have numbers on the cruise ship volumes coming into Skagway, to maybe help us illustrate the importance of the Canada-U.S. border relations, and the need for red tape reduction so businesses in the Yukon can maximize the volume coming in on the cruise ships to the port of Skagway?

**Ms. Krista Prochazka:** I'm going to apologize. My mind is going to draw a blank on the exact numbers coming into Skagway, but to give you some indication, Carcross, which is our community closest to the Skagway border, is a town of 850 people with very limited industry. It receives 100,000 visitors a year out of the port of Skagway. It's astonishing and somewhat overwhelming, and that's a very small fraction of the visitation that comes in, particularly this past year. I don't think we have the final numbers, but the addition of

the Disney cruises to Alaska certainly upped the number of visitors coming in.

Yukon itself and Carcross, which is one of these communities we've been talking about, is largely a first nation community. It's very small. They receive 100,000 people every day throughout the summer, with visitors getting their Canadian adventure every day. Many of those people are there for the day, but quite a number continue on to Whitehorse and up to Dawson for their Yukon experience.

**Mr. Ryan Leef:** Are we doing a good job as a territory or as a government in marketing that, or are we really riding the coattails of the cruise ships, and having them market it on our behalf? Is there a way we can maybe improve? I mean, 100,000—I guess we shouldn't be complaining too much about 100,000 people coming over the course of the summer to a town of 800 people. It seems there's obviously a percentage that we're not capturing.

**Ms. Krista Prochazka:** We're not capturing a tremendous number of them. I think we can.

For context, Holland America spends more to market Alaska and Yukon than the Yukon government does. Their budget is bigger, and they're all over the globe. That's their budget just for our region. We partner with them extensively. I think absolutely we could do more. Part of it would be—and this is where we talk about the opportunity for investment—investing in communities like Carcross and other smaller communities to create reasons for people to come. In terms of economic investment, it is a place where the governments, those of Yukon and Canada, can play a role, because for an investor to come in—at least for the first five or ten years that he is going to be there—the cost of building in the territory and the cost attached to creating a local workforce is a tough sell.

**The Chair:** Thank you.

We go to Mr. Brison, please.

• (1055)

**Hon. Scott Brison:** On the whole issue of energy infrastructure, in terms of transmission, modernization, and energy production as well, has there been much discussion of a regional north-south energy strategy, U.S. and Canada, in terms of region? What are the types of infrastructure investments and proposals out there that have been presented or are being developed?

**Ms. Sandra Babcock:** There have not been a lot of formal discussions on that. However, we just came through a territorial election, and energy was very topical throughout the campaign. There were commitments and suggestions that we connect to the B.C. grid. There was not a lot of discussion about the Alaska grid.

It's unfortunate you don't have more time in the territories. We have our conference starting today, but tomorrow we are having a speaker from the Alaska economic development authority talk about port access and energy, telecommunications, and the synergies between Yukon and Alaska that we could better spend our money on to make it go further.

**Hon. Scott Brison:** Half of Canada-U.S. trade goes through either a pipeline or an electrical grid, so we have a high level of trade in energy currently. The Americans used a significant part of their stimulus to invest in energy transmission and production modernization under Secretary of Energy Chu, and I think that scenario should be a little more focused towards working together in some of those areas.

I have a question on the issue of tourism promotion and the gap between what the Americans are spending and what we are able to spend. In your opinion, should we be looking at regional strategies aimed at attracting people globally to the U.S. and Canada in terms of areas—if you looked, for instance, at the northeastern U.S. and Atlantic Canada; if you looked at parts of New England and Quebec; and in terms of the northwestern U.S., Alaska and the Yukon? Should we be a little more creative in trying to find ways to cross-pollinate and invest jointly in promoting our regions, still having distinct areas of focus but trying to work more closely with American organizations and groups in that regard?

**Ms. Krista Prochazka:** I believe we have to be, and to some extent we are. The dollars that are being invested in growing economies all over the globe to promote themselves mean that we have to be creative, and the best way to leverage the resources we have is through partnership.

The Yukon does partner with Alaska, for instance, to promote our corner of the world. We also partner with our sister territories in the same way, and I think this would really work with our southern partners as well.

While it's a really solid investment, we don't have unlimited resources, and partnering is a great way to leverage what we have.

**Hon. Scott Brison:** You can't really say that you see Russia from your house.

**Ms. Krista Prochazka:** I wouldn't....

**Hon. Scott Brison:** Thank you very much.

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

We'll go to Ms. Glover, please.

**Mrs. Shelly Glover:** Mr. Chair, I am really thrilled about the way the pre-budget consultations have gone so far.

Once again today there is a reiteration of a bit of a theme. I'm just going to touch on it a little bit and then ask you a question, Ms. Babcock, about this theme.

The theme that is repeating itself is the NDP supporting infrastructure investment. We all know that \$56 billion of stimulus was put forward, and the NDP voted against it. It's time to get their support to do these things—for example, the public infrastructure money that was put into the next phase of Canada's economic action plan. We talk about the Dempster Highway, which is essential, I would think, to making sure that businesses flourish.

Is that true, Ms. Babcock? Will doing the extension of the highway help?

• (1100)

**Ms. Sandra Babcock:** The Dempster Highway was an incredible opening up of northern Yukon, and not just of northern Yukon but of

the NWT; it's a great asset to the NWT for Inuvik as well. Now they have road infrastructure to access southern Canada.

I don't think anybody is going to argue that investment in infrastructure projects is a bad investment., but I think that—

**Mrs. Shelly Glover:** I agree.

**Ms. Sandra Babcock:** —for public bodies the return on investment is going to be seen longer term, not in the short term.

**Mrs. Shelly Glover:** I appreciate those comments.

You touched on P3 for just a very short moment. I would like you to tell us, because there are some across the table who would like us to cancel that program—and I know that the Chief Peguis highway in my community, which is Winnipeg, Manitoba, wouldn't exist were it not for a P3—whether you would like to see that eliminated. Or do you support our furthering P3 projects?

**Ms. Sandra Babcock:** The Yukon chamber's position is that we support P3s.

**Mrs. Shelly Glover:** Thanks. And thanks for touching on health as well. I think the move towards a forgiveness of student loans for doctors and health professionals in remote communities is essential to such places as the Yukon.

Do you think it will also benefit the Yukon?

**Ms. Sandra Babcock:** It might bring my daughter home.

**Mrs. Shelly Glover:** What does your daughter do?

**Ms. Sandra Babcock:** She is in nursing, and she's in Alberta because there are great jobs there—or challenging jobs there, put it that way.

**Mrs. Shelly Glover:** Oh, great; that's good to hear.

I'm going to share my time with Ms. McLeod.

**Mrs. Cathy McLeod:** The last thing I'd like to focus on is exploration. The one piece you haven't had an opportunity to expand on is geoscience mapping. Of course, I hear these terms, but since I do not live and breathe mining, can you talk a little bit about what it is accomplishing? Give me some more details around what we've done and where we've gone and why it's important.

**Ms. Tara Christie:** I think it's a great use of public dollars, because it's public geoscience. It is looking and doing the base line exploration that gets people in to look at new areas.

The new discovery in the Yukon, just as an example, the ATAC discovery, was actually a result of public geoscience money. There was a little bit of eight ppm gold, and some people followed up on it. It was in a regional database. People were scouring through that public geoscience and saying “Oh, this is interesting; I'm going to go and follow up on it”, and they did. ATAC last year was a \$900-million market cap company. It has been a tremendous boon; it set up a whole new trend in the Yukon. And that can happen anywhere in the north.



What public geoscience is doing is providing the information that lets new companies go in to explore. Knowing areas of geological potential is also important for such things as land-use planning. While we think we know a lot, we really don't know very much about the geology in the north yet. We have a tremendous amount of work to do before people go in to explore it, before we can determine what areas we should protect. All of that is a great use of public geoscience data.

**Mrs. Cathy McLeod:** So where are we? Apparently, we're mapping significant parts of the country. Are we almost there? Will we come to an end of the need shortly?

**Mr. Philip Bousquet:** When you look at regions such as Nunavut, much of Nunavut is still unmapped. The technology for mapping improves each decade, so the money that Natural Resources Canada committed in 2008—\$100 million over five years to the geomapping for energy and minerals program—has made significant improvements to it.

That program is coming to a close, and that's why it's something we encourage the government to continue.

**Mrs. Cathy McLeod:** Okay, so we're not all mapped yet. Thank you.

**The Chair:** Thank you.

I want to thank the witnesses on behalf of the entire committee for being here today and for your presentations and responses to our questions. It was a very informative session. We thank you for your hospitality as well.

Colleagues, I have just a couple of notes. We will be having lunch next door. My understanding is that the Premier will be joining us at about 11:15; I think we'll all want to be there for that. We have to be on the bus sharply at about noon, so you can plan your time and check out of your rooms as well.

Again, thank you so much for having us here. Please feel free to follow up with any other information you want.

The meeting is adjourned.

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