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Chair

Mr. David Christopherson

Standing Committee on Public Accounts

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• (1530)

[English]

The Chair (Mr. David Christopherson (Hamilton Centre, NDP)): I now call meeting 51 of the Standing Committee on Public Accounts to order.

Colleagues, there are just a couple of small matters before we move to the orders of the day. One is just a little housekeeping to welcome Mr. Bevington, the member for Northwest Territories, who's joining our committee today, and also Ms. Perkins, the member for Whitby—Oshawa, who is one of our newer members of the House.

Welcome. I hope you enjoy your time here.

Mrs. Pat Perkins (Whitby—Oshawa, CPC): Thank you very much.

The Chair: Also just a reminder that at our next meeting we'll resume the study of the draft report on chapter 3, “Mental Health Services for Veterans” of the 2014 fall report of the Auditor General of Canada.

Also, we are pleased to welcome friends and colleagues from the federal state of Amhara regional council in Ethiopia. There will be a short half-hour informal meeting afterwards that all members are welcome to stay for. I know you're busy. I will be meeting with them, as will the staff, but you're quite welcome to join us if your schedule permits.

Maybe we could give a warm welcome to our guests and say how honoured we are to have them here.

Some hon. members: Hear, hear!

The Chair: We look forward to our meeting after this one.

With that, we will now begin our public hearing on chapter 6, “Nutrition North Canada—Aboriginal Affairs and Northern Development Canada” of the fall 2014 report of the Auditor General of Canada.

Without further ado, I will turn first, as we always do, to our Auditor General, Mr. Michael Ferguson, to introduce his delegation, make his presentation, and then we'll move to the deputy and I'll ask her to do the same.

With that, Mr. Ferguson, you now have the floor, sir.

[Translation]

Mr. Michael Ferguson (Auditor General of Canada, Office of the Auditor General of Canada): Mr. Chair, thank you for this

opportunity to discuss chapter 6, Nutrition North Canada—Aboriginal Affairs and Northern Development Canada, from our 2014 fall report.

Joining me at the table is Glenn Wheeler, Principal, who was responsible for the audit.

Many communities across Canada's three territories, as well as in the northern parts of several provinces, are accessible only by air for part or all of the year. Necessities such as perishable foods must be flown into these communities, and this increases the prices of these items on store shelves.

According to Statistics Canada, feeding a household in Nunavut costs, on average, twice as much as it does elsewhere in Canada. Since the late 1960s, the federal government has managed programs to help reduce the high cost of food in the North.

[English]

In April 2011, Aboriginal Affairs and Northern Development Canada introduced the nutrition north Canada program. The program has an annual budget of \$60 million. A subsidy is provided directly to northern retailers through contribution agreements to help lower the prices of nutritious foods. Retailers are responsible for passing the full subsidy on to consumers by reducing their prices on eligible foods. We examined whether the department has managed the nutrition north Canada program to meet its objective of making healthy foods more accessible and affordable. We also examined whether the department obtained the information needed to verify that the subsidy is fully passed on to consumers. We did not audit the northern retailers.

• (1535)

[Translation]

We found that the department has not managed the Nutrition North Canada program to meet its objective of making healthy foods more accessible, as it has not identified eligible communities on the basis of need. For example, there are two communities in northern Ontario that are about 20 kilometres apart and are similarly isolated. One is eligible for a full subsidy of \$1.60 per kilogram of food, while the other is eligible for only a partial subsidy of 5 cents per kilogram.

We also found that the department has not managed the program to meet its objective of making healthy foods more affordable, as it has not defined affordability or verified that northern retailers are passing the full subsidy on to consumers.

[English]

The impact of the subsidy may be negated if the profit margin is subsequently increased. Therefore, in our opinion, determining whether the entire amount of the subsidy is being deducted from the selling price of a food item requires an examination of profit margins, both current and over time. However, the department did not require information on profit margins, either in its contribution agreements with retailers or through its compliance reviews of retailers.

Department officials told us that information from the northern retailers' monthly reports on food prices, which are used to calculate the cost of the revised northern food basket, allows the department to verify that the full subsidy is passed on.

We have a different view. We found that the department had limited assurance of the accuracy of these prices provided by the retailers, as it did not systematically verify the accuracy of prices reported. Furthermore, at least 30 stores were excluded from the calculation of the food basket because their price data was unavailable. Finally, this information did not allow the department to know whether the full subsidy was being passed on to consumers because the food basket included prices for both eligible and ineligible items.

If Aboriginal Affairs and Northern Development Canada could verify that the full subsidy is being passed on to consumers, some of the public skepticism surrounding the nutrition north Canada program might be lessened. This would benefit the department, northern retailers, and the residents of Canada's north.

[Translation]

The department has agreed with our recommendations, and it has prepared an action plan to address each of our recommendations.

Mr. Chair, this concludes my opening remarks. We would be pleased to answer any questions the committee may have.

Thank you.

[English]

The Chair: *Très bien. Merci.*

Now we'll move over to Ms. Colleen Swords, who is the deputy minister of Aboriginal Affairs and Northern Development Canada. Welcome. I'd ask you also to introduce your delegation and provide your opening remarks to the committee. You now have the floor, ma'am.

Ms. Colleen Swords (Deputy Minister, Department of Indian Affairs and Northern Development): Thank you very much, Mr. Chair. Thank you for the invitation to appear before this committee to discuss the nutrition north Canada program, especially in relation to the recommendations from the Office of the Auditor General, which were issued last fall.

I'm accompanied today by Stephen Van Dine, who's the assistant deputy minister for northern affairs at the department.

The nutrition north Canada program, or NNC, was introduced in April of 2011. It replaced the food mail program, which had been in operation since the late 1960s and had a number of efficiencies and

weaknesses. In fact, it was also the subject of a 2002 report from the Auditor General. The food mail program targeted less nutritious items, lacked accountability, and had no monitoring in place to ensure the subsidy was being passed on to consumers.

By comparison, nutrition north Canada focuses on perishable, nutritious foods, and provides greater transparency and accountability than there had been under the previous program. Whereas food mail was a transportation subsidy—funds went to Canada Post to subsidize the postal costs—nutrition north funds go directly to retailers, wholesalers, and northern processors and distributors of country foods, providing an incentive for retailers to support healthier, more nutritious foods, and to make the most cost-effective decisions to get the eligible items to communities.

• (1540)

[Translation]

Another change was the establishment of the Nutrition North Canada Advisory Board. The Nutrition North Canada Advisory Board has the mandate to improve program governance and give northerners a direct voice in the program. The members of the board collectively represent a wide range of the northern perspective. Their experience will inform the management and effectiveness of Nutrition North Canada.

[English]

One thing that did not change significantly was the communities that had been benefiting from the subsidy. For ease of initial implementation, the communities eligible for nutrition north Canada were those that made the most use of food mail. We're now reviewing the requirements for eligibility to ensure that the program is working to help meet the needs of northerners and to better understand the challenges they face in accessing perishable, nutritious food.

The program's initial funding of \$60 million a year was increased by \$11.3 million for the fiscal year 2015-16. As well, the government has announced that a 5% annual escalator will be applied to the subsidy budget in future years to help the program keep pace with the growing demand. This funding supports 103 isolated northern communities, stretching from Old Crow, Yukon, to Nain, northern Labrador, and taking in all three territories and the northern regions of five provinces.

[Translation]

Since its inception, Nutrition North Canada has achieved measurable results, demonstrating its effectiveness in reducing food prices on eligible items from the previous program.

[English]

Between March 2011 and March 2014, for example, the cost of the revised northern food basket for a family of four in communities eligible for a full subsidy under nutrition north Canada fell by an average of 7.2%, from \$438 to \$406 per week. That translates into a saving of approximately \$137 per month for a family of four. According to the consumer price index, food prices elsewhere in Canada increased by approximately 5.5% over the same period. Furthermore, the average volume of eligible items shipped to northern remote communities increased by approximately 25% over the first three years of the program.

Notwithstanding these positive effects, we are not standing still and we welcome the constructive recommendations for improvement from the Office of the Auditor General, all of which the department has accepted. A management action plan was provided to the Office of the Auditor General in the fall of 2014.

[Translation]

For example, a detailed review of remote communities has been under way for the past year to better understand what they face due to isolation in accessing perishable nutritious food. We anticipate that the information on isolated northern communities will be completed and posted on our website by summer 2015.

The recommendations to specify that retailers provide information on profit margins, and that profit margins over time be set out in contribution agreements as well as part of compliance reviews are being implemented.

[English]

While all financial information has always been a requirement, for greater clarity a new clause to this effect will be added to all funding agreements with retailers and suppliers beginning this coming April 1. This new clause specifies that recipients must provide all the information on eligible items, including current profit margins and profit margins over time. By adding this new clause, the department will be able to review the information and verify that the full subsidy is passed on to consumers. In addition, the statement of work for audit firms engaged to conduct compliance reviews has been amended in a similar fashion, and 2014-15 compliance reviews are being conducted accordingly.

The Auditor General's report also recommended that the department review and update the nutrition north program's performance measurement strategy, again reinforcing the findings of an internal evaluation we had done in 2013. The strategy was reviewed and updated in September 2014 and is posted on the department's website.

It focuses on ensuring that performance indicators and data collection methods are well defined and in place to support program monitoring. Key activities in the performance measurement strategy include providing, monitoring, and verifying subsidies for eligible foods and promoting program awareness, outreach, and engagement.

A final recommendation dealt with the importance of the department considering all options in implementing its cost containment strategy for the nutrition north program. The Minister of Aboriginal Affairs and Northern Development has considered and

continues to consider all options related to cost containment, especially how any such decisions may affect northerners. The department will continue to apply cost containment in a manner that supports the program objective.

• (1545)

[Translation]

This is why the minister announced on November 21, 2014, that the Government of Canada and the Nutrition North Canada Advisory Board will be engaging northerners, retailers and suppliers on ideas to keep the program on a sustainable path. Meetings with retailers began in December and the public engagement process is planned to start this spring.

In conclusion, I would reiterate that Nutrition North Canada is achieving real results—contributing to food security and better nutrition in isolated northern communities while respecting the funds provided by the taxpayers of Canada.

Thank you, Mr. Chair.

The Chair: Thank you to both of you.

[English]

Colleagues, we'll now begin our questions in the rotation that is our standard format. We'll begin with Mr. Hayes.

You, sir, now have the floor.

Mr. Bryan Hayes (Sault Ste. Marie, CPC): Thank you, Mr. Chair.

I'm going to direct my question to Mr. Ferguson. Specifically in your report, in section 6.18, you state, "We found that the Department has not established community eligibility criteria that are fair and accessible." Obviously you have come to that determination. I'm trying to understand it. If what has been established isn't "fair and accessible" in your opinion—and obviously we all value your advice and guidance—can you identify for the committee what eligibility criteria you feel would be fair and accessible?

Mr. Michael Ferguson: We made a recommendation in paragraph 21 that the department should review its eligibility criteria for the nutrition north Canada program to base the criteria on need, and it should assess the eligibility of communities accordingly.

I think the issue that we raised in the audit was simply the fact that the decision of what communities should be included seemed to be one of continuation of those that were making the most use of the food mail program, as opposed to this being a new program starting up that should look at the basis of need and should establish criteria on the basis of need, not just on the basis of who was making the most use of the former program.

Mr. Bryan Hayes: My fear is that if the department establishes these new eligibility criteria that are fair and accessible and you don't review those until another three years down the road, you might at that time state that they really aren't exactly what you were looking for and that they're still not fair and accessible. I'm wondering if there's something that can be done in a mitigating step, so that, say, six months down the road the department could present to you, Auditor General, and say, these are our new criteria that we feel are fair and accessible and we'd like your advice on those prior to us moving forward and implementing them.

Would it be reasonable for the department to do that?

• (1550)

Mr. Michael Ferguson: We never want to put ourselves in the position of approving or setting policy for departments. I think what we would expect to see is simply a thorough analysis that the department determined how to set fair criteria. Accessible I think is probably a little easier to assess, but we would expect that the department would have done enough of a review to determine how to establish criteria that would be fair and that in that process they considered where there might be questions of fairness and how to resolve them. I don't think we would come along and say at the end of the day that we felt it was fair or not fair in that instance. What we would want to do is see that there was a fulsome analysis done by the department to say, "You know what? This is how we have arrived at what's fair."

Mr. Bryan Hayes: At this stage of the game you wouldn't offer any insight, or be able to offer any insight, on what that analysis should consist of. You would leave that up to the department and then you would have a look at it from that point.

Mr. Michael Ferguson: Again, what we would be looking for is to make sure that the department seemed to have done a fulsome analysis, that they considered fairness from a number of different angles, and that they've arrived at whatever decisions they arrived at. We might then say, "Did you consider this, did you consider that?" But I think to the extent that the analysis appeared to be fulsome, that would be all we'd be looking for.

Mr. Bryan Hayes: That being said, the action plan was given to you in the fall of 2014 and I anticipate you would not be in a position to comment on the action plan. The reason I ask is that this speaks again to the analysis. Within the action plan it talked about:

A common template and criteria were developed to allow for comparison of data collected, such as: community demographics, the number of grocery stores in each community, amount of time isolated, nature and condition of surface access when it exists and distance to supply centre by air.

Information will be posted in the summer of 2015...

That sounds like if that were done, it would be a pretty significant analysis, to take into consideration all those. Can I get your comments on the type of analysis they proposed doing?

Mr. Michael Ferguson: I think your opening comments were right. We haven't audited the action plan. Certainly we're happy to see the action plan has touched on all the different areas we have made recommendations on.

I think the types of things you're talking about are certainly what you would expect to see in the analysis of fairness. I think, though, we would also like to see that perhaps there was thought about all the different aspects that could go into fairness. Some they have decided

to include in the calculation; some they have decided not to include for reasons of reasonable consideration.

Again, it's just a matter of what we would want to do, to look and see that this analysis seemed to be complete.

The Chair: Thank you both.

Moving along, Mr. Giguère. You have the floor, sir.

[*Translation*]

Mr. Alain Giguère (Marc-Aurèle-Fortin, NDP): Thank you, Mr. Chair.

My thanks to the panel of witnesses for appearing before the committee.

This is an extremely important issue. The Auditor General and UN officials analyzed these projects specifically. According to the analysis, 70% of adults in Nunavut are experiencing food insecurity and, for 8.4% of them, this is a serious problem. It's not simply that they don't have food a few days a month. These people's health is compromised because they have nothing to eat. They are forced to go to landfills. That's not because they come from an Aboriginal culture, but because the government is not delivering on its responsibilities to ensure that they have enough to eat.

This is a particularly important issue. In 2011, the Auditor General raised this problem in section 6.4 of his report. Four years later and after a change in the program, the same problem has come up. Regardless of how you describe the changes to the Nutrition North Canada program, could you tell me how it will ensure that 8.4% of the population is not experiencing this serious food shortage, even starving. In 2015, it is not normal to have people starving in Canada.

• (1555)

Ms. Colleen Swords: Mr. Chair, food security in the north is very important for the government and for those who live in the north.

[*English*]

The nutrition north Canada program is not a cost of living subsidy overall. Many factors affect the price of food in the north: isolated communities, the distance to transport food, the size of the communities, the cost of power, wages, competitive markets, world market trends.

The nutrition north Canada program is really a small part of the overall cost of living in the north, and it's an attempt to try to decrease the cost of perishable, nutritious food, and make it more accessible, but it's not the answer to all the problems on the cost of living in the north.

It's basically a market-driven model. We're trying to promote a more efficient, cost-effective, transparent manner to increase access to nutritious and perishable food, and the information we've been able to gather suggests that, indeed, it is accomplishing that.

It's one way we had tried to address issues around food security and the cost of living. It's not the only way in which the federal government supports the north. There are transfer payments for health, social, territorial financing in the amounts of close to \$1 billion, and in the case of Nunavut, \$1.5 billion a year. There are other parts of federal government funding that address issues related to the cost of living in the north.

We do want northerners to have quality, nutritious food, and our sense is that by the way we have changed—

[Translation]

Mr. Alain Giguère: Madam, it is good to develop a program, but people are hungry. You have implemented a program designed to reduce food prices. However, the Auditor General and UN officials have told us that you failed to meet your objective. Food prices have not gone down. Instead, they have gone up by 2%.

You are giving us figures showing that food prices have gone down by 8%, but according to the audit done by the Government of Nunavut, prices have increased. You are the only ones to talk about a drop in prices. When we ask you to be transparent and tell us where the figures come from, you are unable to do so. At any rate, you have not provided them to the Auditor General.

You don't have the technical means to check whether the prices are actually going down. I think that is a serious problem. You are spending \$80 million to ensure that people have access to quality food at a lower price. However, the Auditor General and the UN auditor have come to the same conclusion that you did not meet your objective.

[English]

The Chair: Ask your question very quickly.

[Translation]

Mr. Alain Giguère: How will you assure us that the prices are actually dropping?

[English]

Ms. Colleen Swords: I don't think the Auditor General said that prices haven't gone down. He was addressing whether or not we were able to establish whether the subsidy is passed on; whether we've looked at the eligible communities sufficiently, accurately, and carefully; and whether we have the right performance measures. In fact, there's been a 25% increase in the volume of the eligible foods going up north in the past three years. In and of itself, somebody is buying that food, so there's an increase in the amount of nutritious food that's going up.

The Chair: Thank you. Time has expired.

We'll go over to Mr. Falk. You have the floor, sir.

Mr. Ted Falk (Provencher, CPC): Thank you, Mr. Chairman.

Just in response to the comments of my colleague on the other side, has the northern food basket cost not come down? So the cost of food hasn't been going up in the north. The cost of food has actually been coming down.

• (1600)

Ms. Colleen Swords: According to the data we have, indeed, the cost of food has gone down. Between March 2011 and March 2014, the revised northern food basket fell by an average of 7.2%—

Mr. Ted Falk: Okay, and that includes both foods that are eligible under the nutrition north program and other food.

Ms. Colleen Swords: Yes. There are 67 items in the northern food basket—it's adjusted to be more relevant in the north—and 45 of those are eligible for subsidy and 22 are not. But it's the same as the food basket that was being tracked under the food mail program, so it allows us to compare with—

Mr. Ted Falk: It's a consistent comparison.

Ms. Colleen Swords: Yes.

Mr. Ted Falk: Good, thank you.

Mr. Auditor General, I'd like to ask you for some clarification. In paragraph 6.19 on page 5, the second part of that paragraph, it states that the full subsidy is \$1.60 per kilogram, and a partial subsidy would be five cents per kilogram. Is that a range that has been established, or is that either \$1.60 or five cents?

Mr. Michael Ferguson: Just to make sure that I get the answer exactly right, I'll ask Mr. Wheeler to respond.

Mr. Glenn Wheeler (Principal, Office of the Auditor General of Canada): Mr. Chair, the example we're referring to in paragraph 6.19 refers to a number that's right on. It's \$1.60 per kilogram for the full subsidy for one community, and it's five cents per kilogram for the subsidy for the other community. Those numbers don't vary.

Mr. Ted Falk: Is that the range of all subsidies?

Mr. Glenn Wheeler: No. The subsidy rates vary by community.

Mr. Ted Falk: Okay.

Then you're helping me answer my question, because in paragraph 6.8, I see there's a community of Grise Fiord, Nunavut, which gets a \$16 per kilogram subsidy. Is that accurate?

Mr. Glenn Wheeler: That's correct.

Mr. Ted Falk: So it is community based, right?

Mr. Glenn Wheeler: Yes, it varies by community.

Mr. Ted Falk: Okay, very good. Thank you for that clarification.

Your recommendation in 6.29 talks about confirming whether or not the subsidy that is being issued through nutrition north is actually reaching the intended recipients, which would be the consumers or the end users of the products that are being purchased under the program. The last part of the recommendation says that:

...retailers must provide all the information on eligible items, including current profit margins and profit margins over time, to determine whether the retailers are passing on the full subsidy to consumers.

I believe that's important, that we can confirm the subsidy is being passed on to the consumers. That's the intent of the program.

But I'm wondering about the whole issue of transparency of profit margins by the retailers. I'm wondering if you can expand on that a little bit. I think you're working with three major retailers in the north that account for about 80% of the program volume. Would making their profit margins transparent actually compromise the competitiveness of these firms or even the integrity of the program?

Mr. Michael Ferguson: In this recommendation, and I believe in the report, we're talking about making those profit margins accessible by the department. We're not asking the retailers to make any of those profit margins public or anything like that, just to make that information available to the department so it can do compliance reviews and can make sure.... Again, it's part of the information that we feel is needed to really understand whether the subsidy is in fact ending up in the price that the consumer sees on the shelf. We're not in any way asking that there be a requirement for the retailers to make those profit margins public.

Mr. Ted Falk: That gives me some of the assurance I'm looking for.

I guess I'm also concerned that we are going to get to the point where we as a government are going to determine a fair profit margin or how much money a retailer should make or is entitled to make.

Mr. Michael Ferguson: Again, the intention of the recommendation is to make sure that it's possible to determine whether that full subsidy is showing up in that final price. As we explain in the audit, a number of different factors go into that. We feel it's not sufficient simply to say that this is the landed cost of a product, this is the subsidy amount, so therefore all the subsidy is getting passed on to the consumer, because more factors go into that pricing before it gets to the consumer.

I think it ends up being a certain reality when a government is involved in this type of a market and is doing something that affects final prices. Because of that decision to do something to affect the final prices, the government has to have the way of making sure it knows whether it's having the impact it intended to have or not. The fact that the program exists means there has to be a good way of determining whether the program is in fact doing what it was intended to do.

• (1605)

The Chair: I'm sorry, time has expired. Time flies when you're having fun.

Mr. Ted Falk: I wasn't.

The Chair: I can tell.

We'll move over now to Mr. Bevington.

You now have the floor, sir.

Mr. Dennis Bevington (Northwest Territories, NDP): Thank you, Mr. Chair.

Thank you to the witnesses for coming today; I appreciate it.

This is a very serious and important topic for northerners, people who live in isolated and remote communities where the cost of food is simply out of sight these days. That includes many of the communities that I represent in the Northwest Territories. Some of which, like Lutsel K'e, only get a five cent per kilogram subsidy

even though they're far away from any road system. Others are in similar situations. Some don't receive any subsidy at all.

When this program was set up to take over from food mail, was there any consideration of the fairness to the communities when you chose simply to take the communities that were using food mail to the greatest extent and apply that across the board to all of them, even though many of them would have retailers that would be able to use this subsidy correctly, as you had put it in? Most of those communities that don't have the subsidy probably have a store that would be available. Why would you think that you could initiate a program that was not fairly and equitably cast across northern Canada? What was the rationale in the department to make a move like that when quite clearly, as Canadians and as representatives of the Government of Canada, we have to deal with people fairly and equally across this country? Why was that decision made in the fashion that you took it?

Ms. Colleen Swords: When we moved from food mail to nutrition north, it was very clear some communities weren't using food mail at all. The recommendation that was provided was that because some communities weren't needing it, and if you're basing it on need and fairness and you're looking at the cost of transportation as the primary consideration in what the subsidy should be, if they weren't using it then, why would they necessarily use it in the future?

We've discovered that when you make changes to any of these programs—the subsidy rate, the amount—there's a lot of interest. I think if we had made wholesale changes to the program at that point we would have had some issues. We wanted to see how it was working and developed. If you look to the future—as the Auditor General has pointed out—we need to look at how we manage it going forward.

Mr. Dennis Bevington: So your rationale was, if they weren't using it, then they don't get it. I think if you applied that kind of rationale to the tax system in this country as government you'd have a revolt on your hands.

How could you possibly have taken the decision that you did? Was there political pressure on you to continue the program simply with the communities that already had it?

Ms. Colleen Swords: No, the rationale was that those that were using it obviously needed it, and if they weren't using it, it was taken as a proxy for not needing it. But if you look to the future what we're doing now is we're gathering information—

Mr. Dennis Bevington: In the report from the Auditor General—

The Chair: To be fair, give her a little bit more time to answer that. She didn't even get to it.

But please be brief, the member doesn't have much time.

Ms. Colleen Swords: Basically the program.... It's a new program and we brought it into place. We're identifying issues that we need to address and community eligibility is one of the issues. We've put in our response to the Auditor General and in our action plan how we're planning on doing that methodologically.

•(1610)

Mr. Dennis Bevington: Fair enough. When the Auditor General came and talked to you, your department knew that there were 50 communities that weren't being served by this program, so you obviously had done your homework there. You knew that it was going to cost \$7 million to service them. You knew very well what was going on with these communities, that they weren't being serviced, that there was a cost attached to it, that the cost would have had to come out of the existing budget, and that you would have had trouble with the communities that already were getting the subsidy if you spread it out a little thinner.

Did you not feel that you had some responsibility to the other communities? Did you not feel that as a government agency you had a responsibility to treat Canadians fairly?

Ms. Colleen Swords: That's why we're doing the survey that we're doing and gathering the information methodologically and consistently so that we have information on all possible communities. We'll be publishing the information that we get, we hope, some time this summer so that we can verify it and allow communities an opportunity to indicate whether they think it accurately represents their situation or not. Based on that we'll be making recommendations.

The Chair: Sorry, your time has expired.

We now move to Mr. Albas. You have the floor, sir.

Mr. Dan Albas (Okanagan—Coquihalla, CPC): Thank you, Mr. Chair.

I just want to thank all of our witnesses today for providing their insights into this program.

Obviously for any program, Mr. Chair, you want to know two things: is the policy and programming effective and is it also efficient?

From reading some of the testimony we've had here I see there's been a 25% increase of shipments of healthy food, and as the official said, someone's eating that. That's a good sign because the program was designed for that. Second to that, Mr. Chair, the lowering of the cost of the food basket for a family of four is a good sign.

I think what we're talking about is the efficiency. How do we make sure there is full transparency? Most of us are very supportive of that, but I think it behooves us to just take a step back. I would like to ask a few questions to the officials because, again, as a new member of Parliament this program came in relatively around the same time as I did, so I would like to ask some questions about the old program.

I understand the previous food mail program wasn't only subsidizing food. In fact, there were other non-food items such as equipment, personal hygiene items, and machinery. To the officials, can you confirm if that was the case?

Ms. Colleen Swords: Yes, that is the case and it was one of the complaints and criticisms of the old program. It had some categories of things like equipment that are necessary for food. Over time snowmobiles got included in that, so there were parts for snowmobiles going up under food mail because, legitimately, hunters were going out and getting food.

It became so broad that it wasn't focusing and highlighting the perishable nutritious food that really is the highest cost in the north. We were trying to separate out food that could come up by boat in the summertime and therefore wasn't perishable. We tried to target and tailor a bit more to really get at the perishable nutritious part of food.

Mr. Dan Albas: Do you have any documentation of the percentage of the food mail program that was actually funding nutritious, perishable food? Do you have any percentages you can share?

Ms. Colleen Swords: I can give you a percentage but it is not perfectly accurate. I think if the Auditor General looked at it he might find that there are some variations, but around 80% was perishable food but there was about 20% that seemed to be going to these categories related to food.

Mr. Dan Albas: What was the average budget for food mail previously?

Ms. Colleen Swords: It was about \$57 million I believe.

Am I correct?

Mr. Stephen Van Dine (Assistant Deputy Minister, Northern Affairs, Department of Indian Affairs and Northern Development): It was appropriated at about \$28 million and we were spending about \$57 million to \$58 million in the last year of the operation of the program.

Mr. Dan Albas: Do we know how much of the budget was spent on subsidizing the cost of food as opposed to non-food items?

Mr. Stephen Van Dine: We have the figures that the deputy pointed to in terms of the rough approximation of volume of activity, so 80% of the volume went to nutritious and perishable. About 20%.... We would have to do some additional analysis to break down the dollar figure.

Mr. Dan Albas: In my thinking—and please feel free to add to this—the Government of Canada had a program through your agency. The decision was made that the particular program was not effective in making sure that perishable, healthy foods were being made available to northerners in a way that increased the quality of life. The old program wasn't delivering on that, and to be more effective, it moved to nutrition north Canada. Is that correct?

•(1615)

Ms. Colleen Swords: Certainly one of the main objectives was to try to make sure the money was well spent on perishable, nutritious food and not on things that could get to their destination in ways other than through expensive airlift.

Mr. Dan Albas: Now I just have another question, Mr. Chair.

Member Bevington raised this. It seems from his line of questioning that he was almost articulating that somehow there is an inherent lack of fairness in how the program was structured. To me, I think he raised questions about why specific communities received a larger subsidy compared to ones that didn't, and to me, I think you answered that. A lot of it has to do with transportation costs, the accessibility, or whatnot.

There is a formula, and these things are taken very seriously, I'm sure, by the department. Is that correct?

Ms. Colleen Swords: Yes indeed. I can ask my colleague to explain the formula a bit, if you'd like him to do that.

Mr. Dan Albas: I certainly would appreciate that.

Mr. Stephen Van Dine: The formula by which we apply the subsidies took into account in the base year the lowest shipping rate for each community of the three biggest providers. From that we took into account a small variation, to take into account, over and above transportation, the higher cost of operating and providing retail establishments in the community. That determined the general approach to setting the initial rates. We then increased those rates the year following, and those rates haven't been adjusted since.

Mr. Dan Albas: What you are saying is that there was a criterion

The Chair: Your time has expired.

Mr. Dan Albas: Thank you, Mr. Chair.

The Chair: You're welcome.

We're moving over now to Ms. Jones. You, ma'am, now have the floor.

Ms. Yvonne Jones (Labrador, Lib.): Thank you, Mr. Chair.

I thank our guests today for their presentations.

As most of you will know, I represent a region of the country that is very dependent on the nutrition north program. All the things we're discussing here today are very relevant in terms of ensuring that we have a sufficient and affordable food supply in many of these communities.

Today I can tell you that is not the case. Despite the greatest efforts that we have seen with nutrition north, we consistently hear from communities and from individuals across the north that food is still not affordable. We saw explicit examples these past few months in the media coming out of the Nunavut region, but out of other regions as well. Consistently, when I travel through communities in my own riding and others across the north, the number one concern for families remains access to healthy food and affordability of the food. We can never undermine that.

We know that food mail was not perfect, but I think we also know now that nutrition north is not perfect. Anytime we can have \$60 million to \$70 million in a subsidy going into providing healthy food to people in the north but it's still not reaching them and we can't confirm the subsidies are being passed on, then we have a problem.

My question will be on a couple of things. Unfortunately, we don't have time to get into all the things I want to get into, but first of all I want to ask this. There was a contractor hired by nutrition north to complete a compliance review of the program. It was highlighted in the AG's report under section 6.30. There are a couple of things I want to know with regard to that report. Who was the contractor? What information was provided under the compliance review?

We just want to know, for each year: who was hired to conduct these reviews, how much do these contracts cost the department, and why were those inadequacies not picked up in those compliance reviews?

Ms. Colleen Swords: I don't have the name of the contractor, but I can certainly get that for you.

We do put all the compliance reports online after they're translated, so you'll find the compliance reports online. We have actually done 16 of the 32 recipients, but that represents about 94% of the volume of food that's going up, so it's almost 100%.

I did want to point out that those compliance reviews do look at whether or not the subsidy is being passed on, but the Auditor General has pointed out that they can't always provide the data and the information to establish the basis on which they're making their conclusion. It is in there, and it is indicating...so you can actually get online and read all the compliance reports. Anyone who is in the north can do so.

• (1620)

Ms. Yvonne Jones: Okay.

The other piece with regard to the compliance reports is that they went on from 2011 to 2014, so if there was no way to measure whether the subsidy was passed on, why did the department not make changes? Why did you have to wait for the AG report?

Second, I understand now that there is an RFP to develop a subsidy model to support the engagement of communities in nutrition north and I would ask if there is an intention right now to develop a new model of providing the subsidy to northern regions. If so, have there been any submissions or when do you expect to have those submissions? It's my understanding from this that you are looking a little further down the road at what could potentially be a different model of passing the subsidy along.

Ms. Colleen Swords: All the compliance reviews we have done since 2011 look at whether or not the subsidy has been passed on and they come to a conclusion about whether it's been passed on or not.

The issue that the Auditor General has pointed out is that the underlying work to substantiate that conclusion is not always evident. I've got one here. It's done by Samson and Associates, so I think that's the contractor on that one. If you look online you can find the contractor for each one.

The beginning is passing on the subsidy; they've been asked to verify the recipient's passing on the value of the subsidy. The review concludes that the recipient is passing on the value of the subsidy to the purchaser of eligible nutrition north in that case. In some other cases they're finding there's not enough data for them to reach that conclusion. The Auditor General has pointed out to us that we need to reinforce and make it absolutely clear that they have to keep the information, that they have to provide it, and we have that specific now in our contribution agreement and in our contracts with the auditors.

The Chair: Thank you. Sorry, time has expired.

We'll move over now to Mr. Aspin. You have the floor, sir.

Mr. Jay Aspin (Nipissing—Timiskaming, CPC): Thank you, Chair, and welcome to our guests today.

As my colleague Mr. Albas has said, this is a relatively new program, established in 2011, so if you stand back more nutrition is going up north. The cost of the food basket is coming down, so you're meeting your basic objectives of the program. According to the Auditor General, obviously some tweaks need to be made. There's some question about focusing on the need of communities; perhaps that should be tweaked. Also, in terms of accountability, there needs to be some sharpening of the tools. Is that fair in summing up where you're at with NNC?

Ms. Colleen Swords: Yes, I think that's fair and I think the things the Auditor General has pointed out to us will help us to try to reassure the public that's benefiting from the subsidy that we're doing everything we can to make it accountable and that the subsidy is being passed on.

There is an information gap. There is a lot of concern; prices are high in the north. Nutrition north's objective isn't to make the prices exactly the same as they are in the south. By reducing the prices of perishable nutritious food somewhat, the objective is to provide a subsidy to try to help in that regard. Indeed, we've been trying to make the program as good as we can and that's why you'll find in our action plan some of the things we're proposing over the next little while to make the improvements that we see could help.

Mr. Jay Aspin: In addition to the helpful advice and guidance of the Auditor General, you have this NNC advisory board, which is new. Could you identify or elaborate on the purpose of that board and how it would perhaps configure into this arrangement?

Ms. Colleen Swords: This is one of the changes from the old food mail program. We put in place an advisory board to help advise the minister on all aspects of the program. All the details of their terms of reference are available online on the nutrition north website, so people can read it there.

It consists of up to seven members—I believe there are currently four—and a technical adviser. They're people who represent the north and who live in the north. They meet at least three times a year in person and when they meet in person they have an event that's open to the public, and then they meet by phone fairly frequently as well.

Their objectives are to draw on the experience and expertise of organizations and individuals involved in transportation, distribution, nutrition, public health, government agencies, community development, and retail—it's a long list of those engaged in the provision to northern communities that they're supposed to gather information from—and to advise the Minister of Aboriginal Affairs on various matters, including, but not exclusive to, program performance, communications and public awareness, health and nutrition strategies, transportation systems, food supply chain management, food pricing, and food eligibility.

•(1625)

Mr. Jay Aspin: I'm going to interrupt as I have minimal time.

Would they have any influence with regard to helping you with need identification or the type of accountability measures that the Auditor General is suggesting?

Ms. Colleen Swords: They certainly can help us in trying to identify areas around the levels of subsidy and the types of foods that need it most, what's most needed in the north, and they do meet

frequently with the Minister—they met with him in early February—and they provide their views. They are people who live in the north and they provide a good grounded set of suggestions.

Mr. Jay Aspin: Okay, and I have one quick question, if I may, Chair.

Why did you change the program from a transportation subsidy to a retail subsidy? I recall you mentioned something about a subsidy being involved with snowmobiles and this kind of thing, but what's the basic reason for that?

Ms. Colleen Swords: Well, the basic reason was that air transport is the major cost, the reason for the increased cost, but there are a lot of other factors that lead to the high cost of food in the north. Some relate to the size of the communities. They're relatively small. Another factor is hydro power. It's very expensive to keep a store going. Wages are higher because people have a higher cost of living to deal with. World markets trends.... There are all kinds of factors that affect the price. It's not just the cost of transportation alone.

The Chair: Thank you. The time has expired. You timed that nicely.

Now we go back over to Mr. Bevington. You have the floor again, sir.

Mr. Dennis Bevington: Thank you, Mr. Chair.

I would like to talk a little bit about the actual monies that were spent on this program. Could you tell me what monies were spent this year, 2014-15?

Ms. Colleen Swords: I'll ask my colleague to give exact figures.

Mr. Stephen Van Dine: We'll be spending just over \$62 million for the subsidy component.

Mr. Dennis Bevington: That's all in.

Mr. Stephen Van Dine: That's the subsidy component. That doesn't take into account the small portion that we provide to Health Canada to allow it to do its nutrition education programming, the dollars associated with the processing of the payments, and a little bit for the advisory board and other overhead.

Mr. Dennis Bevington: Would that amount to a couple of million dollars?

Mr. Stephen Van Dine: That is about \$3 million and change for Health Canada, as a top-up, and that would be about \$2 million and a bit for the rest of it.

Mr. Dennis Bevington: Within the time of the food mail program, we saw the budget go from \$33 million to \$59 million over a seven-year period. Since the nutrition north program has been in place, the budget has gone from \$57 million—it actually dropped the first year of the nutrition north program from \$59 million down to \$57 million—and it is now at about \$65 million total.

So you see, we don't see the rapid increases that we saw in the food mail program over those years. I think you'd see that the percentage is smaller for these last three or four years. Yet at the same time we have two factors that come into play when it comes to the cost of food. One is, of course, the cost of the food. Then with the populations in the communities, there are more mouths to feed. Do you actually do an analysis of what costs are required to maintain a balanced program? It seems that over the years of the food mail program we saw a very substantial increase every year, and I think that's one of the problems we see with this program now. It has fallen behind in the amount of dollars that are available for the kinds of cost increases that are in the system.

Have you done an analysis in that regard?

• (1630)

Ms. Colleen Swords: I think that's the reason there was an announcement in November about an increase of an amount for the nutrition north program and an automatic 5% escalator. That escalator is based on the increased volume of nutritious perishable food that the subsidy program is supporting. It has been around that amount, partly because of demographics and partly because of people finding that it's worthwhile to buy that food.

Mr. Dennis Bevington: Well, that announcement in November for 2014-15, according to your calculations, left it at about the same amount as the previous year, 2013-14, where you had spent \$63,879,000.

There wasn't really any increase in November. You just simply added the money that you normally add into the program.

Ms. Colleen Swords: It puts it on a sustainable basis.

Mr. Dennis Bevington: It was presented as an increase.

Ms. Colleen Swords: The 5% escalator is an increase that will be compounding year after year.

Mr. Dennis Bevington: Okay, but you agree that there wasn't a real increase in the amount that was added in November. It didn't amount to a real increase in the program.

Mr. Stephen Van Dine: I think it's important to distinguish...and I think the earlier questions help point to the distinctions. The original program was set for grants and contributions and subsidies of \$53.9 million. As has been uncovered, we were spending slightly more than \$53.9 million on the subsidy component. What the announcement in November pointed to was adjusting that base for the subsidy program up by \$11.3 million to capture that and point it on a sustainable path for 5% annually as it moves forward.

The other components of the program—approximately \$6 million—that went on were unaffected by that increase and are continuing to operate the program in terms of the claims process, the advisory board, the Health Canada contributions, and the other services.

Mr. Dennis Bevington: Mr. Ferguson, I know we've been leaving you out of this, but I'm curious.... I've heard this figure of 10% for administration of the program. Could you give me some reality on that?

Mr. Michael Ferguson: I think the department can probably give you the more precise numbers. Certainly I think we have identified in paragraph 6.6 that the fixed budget at the time we were quoting those numbers was about \$60 million, of which \$53.9 was the

subsidy component. Therefore, roughly the other \$6.1 million would have been for the things that have been mentioned, including the administration.

The Chair: Thank you, time has expired.

Moving along, we go over to Mr. Falk again.

You have the floor, sir.

Mr. Ted Falk: Thank you, Mr. Chairman.

I neglected before to thank the witnesses for coming to committee today, so thank you.

I'm going to get back to this whole idea of scrutinizing profit levels inside your retailers.

Ms. Swords, I'm going to direct a few questions towards you.

First of all, I see that your department has agreed with the recommendations of the Auditor General. Do you ever disagree?

Ms. Colleen Swords: I'd have to go back in time to be absolutely accurate about that. Usually the Auditor General has useful refinements and suggestions. The context is one where we're dealing with actually having to manage a program. Their context is different. Their context is looking at it from a different angle.

We agree with the suggestions. It's really a question of the timing of how we'll be able to do it. It will take a lot of public consultation to accomplish many of the things that are being suggested.

Mr. Ted Falk: Okay.

Your submission here today states that from this April 1, in about eight days, the agreements signed with the retailers going forward are going to include clauses of transparency about information on eligible items as to profit margins and all that. Can you tell me and this committee a little bit about some of your conversations with the retailers on that clause? Are you getting some push-back or is there acceptance of that?

• (1635)

Ms. Colleen Swords: In fact, the existing contribution agreement requires that they provide all financial information and have it available for audit to determine compliance reviews. We always interpreted that to mean that they had to be prepared to provide information on profits. In fact, we did ask auditors to gather that information. It appears that when the auditors went out to gather the information, they didn't get documents that showed something and they weren't able to establish that. The records that some companies had were incomplete.

What we're doing is making our expectations absolutely clear and absolutely specific, which we thought we had before but apparently they need to be reinforced and made more clear. So far the companies that we've talked to have not had a problem with that. Their issue would be from a competitiveness point of view if we were making it all public, but actually telling a professional auditor the amount is not an issue.

Mr. Ted Falk: Okay.

I'll tell you what my concern is. This program's intent is to drive down the cost of nutritional food for northerners. Is that correct?

Ms. Colleen Swords: That's right.

Mr. Ted Falk: Under the proposed arrangement, as far as monitoring profit levels and so forth is concerned, you're really not creating an incentive for your retailers to drive down the costs. You're creating an environment where they are going to manage the profit, and that doesn't necessarily drive down the cost of the food.

Ms. Colleen Swords: Except that the information we gather for the revised food basket is based on the way it was under the food mail program, so what we're doing is tracking against what it was in the past.

If it starts going up and we know the subsidy is consistent and we know what hydro rates are and we know all the other factors, it will look like something's going on with profit margins, no question.

Mr. Ted Falk: That was another question I had. Monitoring profit margins over time also means monitoring them from a historical perspective, not just going forward, right?

Ms. Colleen Swords: That's correct.

Mr. Ted Falk: You're confident this will give you the tools to make sure we can continue to provide low-cost nutritious foods to northerners?

Ms. Colleen Swords: Northerners are concerned that there is a subsidy that's being paid, and they want to make sure it's being passed on. We're putting in place a way in which there will be compliance reviews that we hope will provide the kind of assurance that will satisfy the Auditor General, the people who are benefiting from nutrition north, and Canadian taxpayers that indeed the subsidy isn't being eaten up by retailers.

Retailers do have a tough time in a lot of the northern communities. It's not an easy environment. Costs are extremely high, and people don't always appreciate why costs have to be so high.

Mr. Ted Falk: Okay.

The Chair: You have half a minute. Go ahead.

Mr. Ted Falk: I see you also added ice cream, bacon, and Cheez Whiz. Is that due to demand, or is that because there's an element of nutrition in those things?

Ms. Colleen Swords: I'm smiling because you mentioned bacon. It was originally thought that bacon isn't nutritious and it was going to be taken off the list, and my reaction was that if you want eggs, you want bacon. This is Canada, guys.

I think the sense was that bacon actually is nutritious in some respects, in that it goes with a lot of nutritious food like eggs. Second, it's used a lot in the north apparently with some of the country foods to act as a lard or suet type of thing over your meat. I don't know about you, but my mother used to put bacon on top of cuts of beef that weren't very tender in order to try to get some fat out of it, so it's a complement to food that is nutritious.

The inclusion of Cheese Whiz was because of pure, absolute demand.

Mr. Ted Falk: Good. I'm very—

The Chair: Sorry, Mr. Falk. Your time's expired. Thank you.

Cheez Whiz is included, eh?

Back over to you, ma'am. Ms. Jones, you have the floor again.

Ms. Yvonne Jones: Thank you.

You were talking obviously about some of the items that are included. I think we all received a submission from Ms. Angnakak who made a presentation to the legislature in Nunavut and shared it with our committee, or at least I did.

One of the things she asked is that they start re-examining the issue of essential non-food items that are eligible for subsidy under the program. She pointed out things like diapers and other things you need for the care of children, and I wonder if the committee is considering that.

Second, in my last round of questioning I asked about the RFP that was put out asking for communities to get engaged and provide for different subsidy models. I didn't get a response, but is it the intent of the department to look at a different program or a different way of providing for the subsidy, and has there been any interest or any submission made?

• (1640)

Ms. Colleen Swords: With respect to the last question, since it follows on a previous one, the RFP for that has been awarded now. It's going to Interis. It is starting work this month, March 2015. It is basically looking at types of methodologies you could use to set subsidy rates, all kinds of different possibilities, and it is also looking at a plan for how you would engage with communities to have a discussion about that.

So far there hasn't been a desire to move from the overall objective, which is to focus on perishable nutritious food, except in Old Crow, where they have absolutely no access at any time of the year. You actually can get a subsidy for some things like diapers there, but that's the only community that falls into that category right now.

The issue is that, when you have a certain amount of funds and you want to focus on perishable and nutritious, if a community has a winter road, or it has access to the sealift, then the desire is to try to get it to use that for things like diapers. It takes a certain amount of planning in advance so you would get your year's worth at one time, but that's the theory.

Ms. Yvonne Jones: I have a couple of other things as well, because she made some really good points in her address. One of them is that she suggested that retailers have been able to negotiate cargo rates with the airlines that are sufficiently low and it allows the retailers to actually make a profit on the difference between what they would normally have to pay to ship the food and what they would receive from the federal government through the nutrition north program.

Is this known to you? Are you aware that this may be the case in certain situations? If so, have you been addressing that particular issue?

Ms. Colleen Swords: Generally speaking, there is probably a need to look at subsidy rates overall, depending on what the rates are. Indeed, there was an intention to try to get retailers to negotiate for the best rates, but then to pass them on to the consumer. That's the trick. How can you determine that the best rates are being passed on? That's why we're trying to get at some sense of assurance on profit margins.

Ms. Yvonne Jones: Obviously, their concern is that it's happening, but the retailer is getting a greater profit and that profit is not being passed on.

The other thing I found very interesting, which they pointed out, was that information that was currently being published by nutrition north Canada stated that if a customer in an eligible community wishes to purchase perishable items or food from a direct supplier in the south instead of a northern retailer, then they can. We all know that for individuals this is difficult. You have to have the financial ability up front, which very few do. But for certain programs in schools or restaurants they might be able to do direct orders.

What I found interesting is that while you promoted the program, they indicated that there's currently only one Ottawa-based registered southern supplier that would allow for direct shipping into the Nunavut region. That being the case, obviously, there is no competition. If they choose that route, they really only have one option. I'm wondering why you would put that out there. Obviously, it would work if there were competition, but without the competition or some kind of impact on developing further competition it's really not going to work to the advantage of the consumers in the north.

Ms. Colleen Swords: Under the old food mail program, there were personal orders and there was a desire on the part of some to continue it in some fashion where you could do it yourself. But the way we're operating now, with much greater compliance and information needed on who's getting the subsidy and what's being done with it, what it's translated into is that those suppliers have to be registered with us and they have to have a contribution agreement with the department, and they have to provide us with the information that we require in order for them to be eligible for the subsidy. There's a choice that has to be made by the suppliers as to whether or not they want to fulfill those requirements.

• (1645)

The Chair: Okay, thank you. Time has expired.

Back over to Mr. Aspin, who now has the floor.

Mr. Jay Aspin: Thank you, Chair.

Ms. Swords, in response to my colleague, Mr. Bevington, with regard to program increases, you alluded to the fact that in November of last year the parliamentary secretary announced increases of 5%, an escalator-type arrangement. Could you elaborate on that? That seems like a fairly healthy increase. You made some reference to sustainability. If you could just elaborate on that, I'd appreciate it.

Ms. Colleen Swords: I should probably make sure I spoke correctly in my opening statement. The announcement that was made of the additional \$11.3 million was for 2014-15, so for this year, and then 5% every year compounded thereafter. The 5% is a recognition that demographically there are increases in the north and of the success of the program. We've had 25% more nutritious

perishable food. The volume's gone up. The demand is there and it's increasing. We don't expect that to change. It's reflecting the historic trend over the last three years of the nutrition north program, which is showing that there's demand.

Because of all the information that we're insisting on, and the compliance requirements, we know that subsidy is going to nutritious perishable food and not things that could otherwise be sent up in other modes of transportation.

Mr. Jay Aspin: Just to be clear, a 5% escalator, year after year, in an inflationary environment of about 1% to 2% is pretty healthy.

Ms. Colleen Swords: It is meant to cover the demographic. The population is increasing, and of course, the population is often young, and you want to make sure they're getting nutritious perishable food. They're the ones we try to focus on, so it's worthwhile keeping that demographic in mind.

Mr. Jay Aspin: Mr. Ferguson, I guess you've indicated the constraints you recommended to the department in evaluating the services. What would your office do to ensure the subsidy is being passed on to the consumer?

Mr. Michael Ferguson: Again, we have recommended that the department make sure that they have access to the information they need to know whether the subsidy is being passed on to the consumer and to make sure that's built into their compliance contracts, and that they focus on understanding how to evaluate that this subsidy is being passed on to the consumer.

We've heard a couple of times about a significant increase in the volume of food shipped. While that may be one thing to keep on eye on and certainly is an indicator, the problem is that it tells you how much is shipped but not how much is purchased. Again, I think it's about making sure there are ways for the department to have a better assurance that these subsidies are being passed on.

Mr. Jay Aspin: Do you, sir, offer an assessment of this model, as opposed to the other model? Is that part of your department's analysis? Can you do that for us today?

Mr. Michael Ferguson: That was not the purpose of the audit, so we did not do a comparison of the two models. We looked at the nutrition north program, its goals and objectives, and whether the department had the information to indicate whether those goals and objectives were being met.

Mr. Jay Aspin: Okay, but you're confident, assuming your recommendations, that the department will meet its goals and objectives for this program?

Mr. Michael Ferguson: Something like ensuring that a subsidy is being passed on to consumers, and while it's easy for us to make recommendations, we understand that putting those recommendations in place and having enough information to be able to demonstrate that the subsidies are being passed on is not an easy thing to do.

We're very happy that the department has agreed with our recommendations and they recognize that there's more work to do. Again, as I think we've stated in the audit, it's to the benefit of everybody—the department, the retailers, and the people who live in these isolated communities—to have confidence that the program is achieving what it's intended to achieve.

•(1650)

Mr. Jay Aspin: Thank you, Chair.

The Chair: Thank you. That's very good; your timing is impeccable, sir.

We'll move back now to the NDP.

I understand that you'd like to split the time and that, Mr. Giguère, you're going to lead off. With that, you have the floor.

[*Translation*]

Mr. Alain Giguère: Thank you, Mr. Chair.

Good afternoon, Mr. Ferguson.

I listened to the officials from Aboriginal Affairs and Northern Development Canada, and I have the sinking feeling that they are completely in denial.

In section 6.48 of your report, you indicated that there was no decrease in the cost, but rather an increase. The department official said that the commercial information was too sensitive to be released. However, you dismissed that argument in section 6.32.

In terms of whether the full subsidy is actually being passed on, in section 6.28, you refute the statement of the Aboriginal Affairs and Northern Development Canada officials.

The department official is still talking about an increase in volume. However, in section 6.43, you said that the number of kilograms of food transferred decreased. That means that nutrition is not being improved and that the amount of food is being reduced.

In section 6.20, you said that it would cost \$7 million to give about 50 communities full access and that 5% will not be sufficient to address the food shortage in those communities.

I find your criticism quite harsh in your conclusion, in sections 6.57 and 6.58. I feel that there is some denial. In light of the testimony you have heard, am I completely wrong to think that? Are there in fact two contradictory stories?

[*English*]

Mr. Michael Ferguson: Again, the way I would characterize it is that it's very important for the department to know whether the subsidy is being passed on. The department has indicated things like volume in some places. Our response to volume is that it's just volume shipped; that's not necessarily food purchased.

I think the other thing is concerning the northern food basket, which has been mentioned a few times. We have indicated that we have some concerns with the northern food basket as well. There's not a way to verify that the prices that are collected during that process are accurate. There are 30 retailers that are not included, and that type of thing.

We're satisfied that the department has accepted our recommendations and recognized that there's more work to do. Again, it's about trying to get to understanding whether that subsidy is being passed on. I don't think anybody should underestimate how much work has to go into being able to get to that answer of whether or not that subsidy is being passed on.

[*Translation*]

Mr. Alain Giguère: Mr. Chair, since my colleague has questions and personally knows people who are starving, I will allow him to conclude.

[*English*]

The Chair: Mr. Bevington, you have the floor.

Mr. Dennis Bevington: I want to talk about a couple of things when we come to verifying the program. One of them is volume versus weight, which is of course an air freight issue. In your report, Ms. Swords, you talked about annual average volume going up, but actually it was the average annual weight that went up. There is a difference that you have to take into account, because of course we've changed the food items that are being subsidized and that changes the picture completely.

Air freight is based on two things. One of them is weight and one of them is volume. We can't really compare the two accurately sometimes, so I think there's some need to do that kind of work as well. When you remove lighter-weight items and replace them with heavier-weight items, that may not change the relationship of the pricing as much as you would consider, because they are two different things when it comes to air freight. I think it's something that has to be taken into account. You've changed the items that are being subsidized.

When average people go into the store in a remote community, they take the money out of their pocket and pay for the things they have to buy. What they see is the end result of that.

•(1655)

The Chair: Ask a question, please.

Mr. Dennis Bevington: If you've taken items out that have a very high cost of freighting, like Pampers, do you not see that this ends up with those people having less in their pockets to buy the other items?

Ms. Colleen Swords: I should correct myself. It's weight, not volume. The issue is that if there are alternative ways to transport things that are not perishable—i.e., by rail, by car, by truck, sealift, or whatever—then there are ways in which you can reduce costs overall by stocking up and thinking ahead. It doesn't necessarily mean that things will cost more.

The things that cost the most are the perishable nutritious foods like milk and eggs, which you can't stock up on using other transportation methods.

The Chair: Thank you. The time has expired.

We go back now to Mr. Albas. You have the floor again, sir.

Mr. Dan Albas: Thank you very much, Mr. Chair.

Again, I appreciate the insight from our witnesses today.

Auditor General, you mentioned earlier to my colleague Mr. Aspin that we should not mistake the shipped amount versus the purchased amount of goods. Can you just revisit that? I just want to get a better understanding of your thinking.

Mr. Michael Ferguson: Again, when you're talking about what's shipped, you're talking about what is brought in by the retailers. At the end of the day, to make sure that people in these isolated northern communities are getting more access to the food, what matters is what's purchased. Of course, you would hope that there's a very close relationship between what's shipped in and what's purchased by the consumer, but again, I think it's important to make sure that's happening.

You see that, for example, in the department's performance measurement strategy, when they recognize that things like spoilage rates are important things to monitor. During the period of this audit, that wasn't being closely monitored either, so there are other components between shipped and purchased.

Mr. Dan Albas: I'm very glad you raised the spoilage issue because that is a very practical concern. Overall, when you have shipments of perishable nutritious food, obviously it doesn't matter what kind of subsidy you offer to the retailers. If they don't sell it, if it's not a product that community wants or the consumers who shop there want, they're going to be unprofitable. While spoilage seems to me to be a legitimate concern—and it should be properly tracked because we are talking about perishable foods—I would also point out that ultimately there's a market base here. The foods that are being made available by the retailer.... I think there's no other way to measure that.

Moving on, I'd like to go to some of Mr. Bevington's comments again, Mr. Chair, because I want to get a better understanding of this.

When I budget for a kitchen reno, I put a number on how much I'm going to spend. Often you don't know some of the other costs. Obviously, my kitchen is very limited; my wife tells me that all the time. But government programs.... Sometimes you have unanticipated things, such as what retailers bring in because of what consumers want. As Ms. Swords said earlier, sometimes some communities have different tastes than others.

Is it possible to budget, let's say, \$60 million and then have that exceeded? That's, I think, the rationale for the increase Parliamentary Secretary Strahl announced last November. Is that the case?

Ms. Colleen Swords: I think that would be a correct explanation.

We were operating on trends. We could see that the trend was around \$60 million a year, going up slightly as the program became more and more popular.

• (1700)

Mr. Dan Albas: I look at the escalator. Let's say we start with a base of \$65 million. If you add 5%, you're at \$68 million. The next year you add 5% and you're at \$71 million. Add another year and you're at \$75 million. Add another year and you're at \$79 million. Add another year and five years into it, you're at almost \$83 million. I think the 5% escalator is a serious amount of support to be budgeted.

Again, going back to his earlier points, when we talk about transferring the food mail program to the current nutrition north, we had ineligible items like snowmobile parts being utilized. Those obviously weigh more and I'm sure they're quite a size. When we suddenly switch to a new model where we're only talking about perishable nutritious foods, I would think that's probably why there

was the initial dip. But we have seen a 25% increase in shipments. That's obviously showing that people are accessing the program more and more often, or else those retailers probably wouldn't be in business. Is that a fair assessment?

Ms. Colleen Swords: That does seem to be what the data is showing. The prices are such that people are buying more.

Recently a study on retail foods in the north was put up on the website. Anecdotally they're indicating that people are finding that the perishable food tends to be in better condition than it was in the past under the old program. Retailers seem to have a better incentive to provide better quality food.

The Chair: Be really quick, if you can.

Mr. Dan Albas: I will.

You've raised the transparency of the program, consultations. It's important for the public. Some of the action plan initiatives are going to be on your website. Can you give us a quick rundown? That seems to be very important to the department. Any government program, Mr. Chair, has to have the support of the majority of the citizens for it to be supported year after year, at least in theory.

Can you talk about some of the things you're doing for that, whether it be public consultation or making sure there's more information on the website so the average Canadian, whether a northerner or not, can know that this program exists and that it's working to improve?

The Chair: Reply very briefly, please.

Ms. Colleen Swords: Yes, there's a lot on the website. I encourage you to look at it. It's pretty fulsome.

We are discussing with the nutrition advisory committee. They're anxious to make sure people in the store can see something about the cost and whether the subsidy has been passed on. We're looking at whether there are more ways to improve the information that's available right in the store.

The Chair: Thank you. That's the time.

Madam Jones.

Ms. Yvonne Jones: Could I make a point?

The Chair: You're looking for the floor, but the issue I'm going to deal with is exactly that. Hang on one moment, if you will, because I think I know where you're going.

Ms. Yvonne Jones: Okay.

The Chair: That concludes our regular rotation. It's five o'clock. We have at least one member who has another question, but I'm in your hands always as to what the will of the committee is vis-à-vis continuing or not.

Would you like to make a suggestion, Ms. Jones?

Ms. Yvonne Jones: I just wanted to make a point. I have many questions, but in fairness, there is one point that I wanted to make. If I could have the indulgence of the committee just for one second, I think it's important that it be on the record.

The Chair: Okay, I can do that. I suspect then I'm going to get a hand from the other party.

The issue is in front of us now as to whether or not we're going to continue. There's at least one more question, and again it's the committee's decision

Mr. Bevington, your thoughts....

Mr. Dennis Bevington: I'd move that we continue with another round of questions including all parties.

The Chair: Are you suggesting one more question for each caucus, another five minutes for each caucus?

Mr. Dennis Bevington: Yes.

The Chair: Okay.

You are moving that and you're subbed in, correct?

Mr. Dennis Bevington: That's right.

The Chair: Good. That motion is in order.

Discussion?

Mr. Dan Albas: I don't think we'll be supporting this. However, maybe we can deal with the business at hand and maybe we'll suggest some sort of compromise.

Thank you.

The Chair: Is there anybody further on the motion?

(Motion negatived)

The Chair: The floor is open.

Mr. Dan Albas: Mr. Chair, again, I think that the member had two opportunities to address questions today even though, again, she's one member on the committee. I certainly think she's had a chance.

Obviously in the last round we saw the two NDP members share their time. I would just simply point out that if she wants a five-minute slot or if she wants to share that with the opposition, that's fine, but our members seem to be satisfied with what we've had today.

I'll leave it to the opposition as to how they want to figure out that five-minute slot.

• (1705)

The Chair: The floor is open. Is there further discussion?

Is that what we're agreeing on? We're going to do another five minutes. We're going to do two and a half minutes, first of all, for Ms. Jones, and then another two and a half minutes for the official opposition. Correct?

Some hon. members: Agreed.

The Chair: That's unanimous. Therefore, Ms. Jones, you now have the floor for two and a half minutes.

Ms. Yvonne Jones: Thank you.

I really appreciate the support of the committee on this, but the point I want to make is in response to the 25% increase in the program.

I wouldn't attribute the changes to the fact that the program is a great program or the subsidy is reaching people. If you live in the north you're going to understand that the diet of northerners is

changing. Our access to country food is changing. We have regions across the north right now where we have bans on caribou altogether. It's a huge part of the diet of northerners that is lost. The food chain has changed for our people. It has changed immensely. If I were to look at where the 25% increase is coming from, it would be attributed to the fact that it's much harder for many regions to be able to access their traditional foods, so they're forced into the grocery store and more dependent upon grocery stores to be able to feed their families.

In the address I noticed that you're doing some public meetings and that officials from the department are meeting with the public in various regions around the country. I think that is necessary if you're going to repair the trust with those regions and repair the relationship that's there.

Northerners are very skeptical. They do not believe right now that the subsidy of this program is actually reaching them. They do not feel that they're getting affordable food. There is a reason for that. When you live in a community like they do in my riding and you walk into a grocery store and in order to buy a chicken, which is what you have to buy when you can't get deer meat, and you know that you have to spend \$40 and \$45 for that chicken, it is really hard for families to believe that this is subsidized. When you have to pay extremely high costs for all other foods that you're going to consume, it's really hard to believe. You have to be in their shoes.

What I would say to you is that there are 103 isolated communities under this program right now. In how many of those communities are your officials going to visit and sit down and talk to people? How often have you actually sat and listened to the families that are dependent upon this program?

As good as we all would like to say that this works and that the money is reaching people, it is not. I think everyone here wants the same thing, and that is to make this program work. What the Auditor General has done for us here—

The Chair: Wrap it up please, Ms. Jones.

Ms. Yvonne Jones: —is blatantly put it in front of our faces that it's not working and more action needs to be taken.

So those are my questions and the point I wanted to make.

Thank you.

The Chair: All right.

Is there an answer?

Ms. Colleen Swords: Just briefly, one of the changes when we went from food mail to nutrition north is that a country food program is also eligible for the subsidies. That's online; you can read about it. That's our attempt to try to support country food.

Ms. Yvonne Jones: That's what I'm telling you, there is no access.

Ms. Colleen Swords: With respect to engagement, we're still working out the engagement plan. We don't have all the details yet. We're trying to do it in a way that will reach the most people possible and at the same time be as cost effective as we can make it.

The Chair: Thank you.

Now over to the official opposition, Mr. Bevington, you have the floor.

Mr. Dennis Bevington: Thanks.

I have just one question. Most food subsidy programs are generally done by subsidy to the consumer. When you look at this program in the future, there's the opportunity to create an electronic card, some measure that would allow you to directly subsidize the consumer. Have you, at any time, considered a direct-to-consumer subsidy for the nutrition north program?

Ms. Colleen Swords: Sorry, I'm just checking with my colleague. I don't know the answer to that.

I do know that we looked at a few other countries and how they were providing subsidies to remote areas, but I don't know that we've looked at a consumer card. I do know that, for the federal government, if you're working in the north there's a salary supplement—so it's kind of the opposite—to account for the high cost of living.

• (1710)

Mr. Dennis Bevington: Yes, and of course, there are many people who visit communities and would take advantage of any subsidy that was to the retailer, so you're not always targeting the right people with a subsidy to the retailer. You're targeting everyone who eats in the north, rather than those who actually live there and eat. That's one thing you might take into account.

The concept of fairness would apply there, too, and the record of the sale of food would be much easier for the department. You would have food that was being delivered at cost in the community, so the cost of food would be well understood. The subsidy would be with the consumer. The consumers could then purchase the items they need to reduce the cost of their overall food bill.

Why would we necessarily want to stick it with the retailers so that we make an artificial system of delivering food into those communities?

Ms. Colleen Swords: I'm just going to ask my colleague to answer the question of whether or not we looked at that in the past.

Mr. Stephen Van Dine: During the review of the former program, a number of different areas were looked at in terms of the application

of the subsidy. As the deputy pointed out, other countries have looked at the food subsidy or food assistance in a number of different ways. We didn't go too far down that path. We kept to the core of what was being offered in the north. Questions pop up as you determine who gets a card and who doesn't get a card. It's an area of query and fairness questions arise there too.

The program remains similar to the food mail program, which was a program of general benefit, so that means everyone gets access to the program. That carried forward into the new program, so we are not distinguishing between who accesses it and who does not. Those who are not eligible to get the program are mining camps. Mining camps that are operating in the north cannot go into a community store and pull everything off the shelf and move it out to the camp site. That's one of the safeguards we have in place.

The Chair: Very good, thank you.

The agreed-upon time has expired. I thank colleagues for their cooperation.

I thank our guests on behalf of the committee for taking the time to be here. We appreciate the forthright answers.

One question, Mr. Ferguson, is process. Sometimes on highly sensitive or important files, you'll have already made a decision that you're going to be doing a follow-up, given the fact that any audits you do, of course, are your independent decision to make. You'll receive recommendations, but you make the decision.

Have you made that decision in this particular case or is that something you'll look at going forward?

Mr. Michael Ferguson: Thank you, Mr. Chair.

We have not made that decision yet, but obviously this is a file of a lot of interest to a lot of people, so we're going to be monitoring it quite closely and we'll make that decision some time in the future.

The Chair: Very good, thank you, and thank you all again.

With that thanks, this committee now stands adjourned.

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