



LEGISLATIVE ASSEMBLY OF THE NORTHWEST TERRITORIES

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Speaker: The Honourable Donald M. Stewart, M.L.A.

# LEGISLATIVE ASSEMBLY OF THE NORTHWEST TERRITORIES

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YELLOWKNIFE, NORTHWEST TERRITORIES

THURSDAY, FEBRUARY 5TH, 1981

MEMBERS PRESENT

Mr. Appaqaq, Mr. Arlooktoo, Hon. George Braden, Hon. Tom Butters, Ms Cournoyea, Mr. Evaluarjuk, Mr. Fraser, Mr. Kilabuk, Hon. Arnold McCallum, Mr. McLaughlin, Mr. MacQuarrie, Hon. Richard Nerysoo, Mr. Noah, Hon. Dennis Patterson, Mr. Sayine, Mr. Sibbeston, Mrs. Sorensen, Hon. Don Stewart, Hon. Kane Tologanak, Hon. James Wah-Shee

ITEM NO. 1: PRAYER

---Prayer

SPEAKER (Hon. Don Stewart): Turning to the orders of the day, Item 2, replies to the Commissioner's Address. I take it that there are no replies for today.

Item 3, oral questions.

ITEM NO. 3: ORAL QUESTIONS

The hon. Mr. MacQuarrie.

Question 5-8(1): Development Of Energy And Strategy

MR. MACQUARRIE: Thank you, Mr. Speaker. This question is to the Minister responsible for Energy who is not here. Perhaps the Leader of the Elected Executive Committee.

I noticed that the Commissioner in his Address yesterday -- and I am assuming that the Address was more reflective of the speech from the throne in southern jurisdictions and that it was actually prepared by the Executive Committee -- at any rate he said that this government will set as a high priority, "the development of a strategy for energy self-sufficiency which will promote northern access to secure energy supplies". Does this statement indicate that there is an important shift in emphasis and that the Executive Committee has acknowledged that the nucleus of our energy policy or the fundamental goal should be energy security and not energy self-sufficiency as I have maintained all along?

MR. SPEAKER: The Hon. Mr. Braden.

Partial Return To Question 5-81(1): Development Of Energy And Strategy

HON. GEORGE BRADEN: Thank you, Mr. Speaker. The energy strategy is being developed. You will recall that the number of the principles to be used in the development of the strategy were passed at the Frobisher Bay session. Now, as I understand it from my colleague, Mr. Butters, the draft paper was discussed last week in the Executive Committee and he has indicated to me that it will be tabled some time in this session. Now, I am sorry, I cannot answer your specific question on self-sufficiency versus security. But I would be pleased to take that part of your question as notice and have a written reply provided. Thank you.

MR. SPEAKER: Thank you, Mr. Minister. Oral questions? Item 4, written questions and returns. The hon. Mr. Fraser.

MR. FRASER: Thank you, Mr. Speaker. My question is for the Minister of Renewable Resources. I see he is not present right now. Maybe I will just hold the question over.

MR. SPEAKER: Item 4, written questions and returns.

ITEM NO. 4: QUESTIONS AND RETURNS

The hon. Mr. MacQuarrie.

Question 6-81(1): Energy Policy Development

MR. MacQUARRIE: Thank you, Mr. Speaker. This question is for the Minister responsible for Energy, the Hon. Mr. Nerysoo. Will the Minister summarize for this House the developments that have occurred in the area of energy policy since the principles for an energy policy were adopted in Frobisher Bay? Specifically, what preliminary steps has the Government of the Northwest Territories taken towards achieving energy self-sufficiency or security; towards control over renewable and non-renewable resources; towards fair prices; towards bringing energy alternatives onstream; towards conservation?

MR. SPEAKER: Thank you, Mr. MacQuarrie. Written questions. Mr. Fraser.

Question 7-81(1): Grants For Caribou Hunts

MR. FRASER: Thank you, Mr. Speaker. I see the Minister for Renewable Resources has just walked in. I have a question for the Minister. Could the Minister of Renewable Resources give this House the amount of money granted to communities for organized caribou hunts and what communities received these grants?

MR. SPEAKER: Thank you, Mr. Fraser. Written questions. Are there any returns?

Item 5, petitions.

Item 6, tabling of documents.

ITEM NO. 6: TABLING OF DOCUMENTS

The Hon. Mr. Braden.

HON. GEORGE BRADEN: Thank you, Mr. Speaker. In accordance with section 39 of the Interpretation Ordinance, I table Tabled Document 2-81(1), the Consolidated Regulations of the Northwest Territories, number 14 to 16 of volume 1, part I of the Northwest Territories Gazette; numbers 7 and 8 of volume 1 of part II of the Northwest Territories Gazette; and number 3 of volume 1 of part III of the Northwest Territories Gazette; and indices of the regulations of the Northwest Territories; statutory instruments and appointments pursuant to the ordinances of the Northwest Territories that have been made between the 16th of October, 1980 and the 30th of January, 1981. Thank you.

MR. SPEAKER: Thank you, Mr. Minister. Tabling of documents. Item 7, reports of standing and special committees.

ITEM NO. 7: REPORTS OF STANDING AND SPECIAL COMMITTEES

The hon. Mrs. Sorensen.

Standing Committee On Finance Ninth Report To The Legislative Assembly

MRS. SORENSEN: Thank you, Mr. Speaker. On behalf of the standing committee on finance, I would like to give the ninth report of the standing committee to the Legislative Assembly. There is a preamble and then I will read the recommendations that we have made.

Role Of Standing Committee On Finance

After one full year of operation, we have no doubt whatsoever that there is indeed an important and necessary function for your standing committee on finance. With this in mind, we have decided that in order to strengthen our financial expertise, to further develop budgetary political checks, and to help us develop more effective and efficient budgetary and spending review capability, we would plan a workshop to be held May 4th, 5th and 6th. Topics for discussion at that workshop will be the role of the standing committee on finance in consensus government; how to develop and identify priorities for government spending; techniques for review of main estimates and capital expenditures; the role of a public accounts committee; questions such as should we establish one and how; budgeting and financial systems; and what works best for a public interest point of view, and finally, proper use of liaison with the Auditor General.

On May the 7th, your committee will meet to prepare our recommendations for the May session of the Legislative Assembly concerning 1982-83 government spending priorities. During this present session, we will meet to recommend spending priorities for 1982-83 capital spending. We will also meet to review the new Financial Administration Ordinance and we will meet to review the territorial accounts. In addition, we expect that as a result of the public input received during the Frobisher Bay session, the Yellowknife session, the next two sessions following this one, and to our own deliberations, we will be able to table recommendations for government response to the high cost of living in the Northwest Territories, in time for the February, 1982 budget session.

Budget Overview

Now, to give you a bit of a 1981-82 budget overview; the standing committee met January 5th to the 10th in Yellowknife, in order to review the main estimates for the 1981-82 budget. Originally we had planned and arranged to meet December 8th to the 12th, but we were informed by the government leader that the Executive and its administration could not have the detail ready by that date. While the new dates made it difficult for the standing committee, and it has made translation of our report to you today impossible, the finance committee recognizes that there have been extraordinary circumstances which have delayed the financial planning process during 1980. The standing committee has written a letter to the Minister of Finance asking for an explanation and clarification.

It is hoped that our review will be able to take place on schedule next year, sometime during October or November, and that the committee will receive the detail at least two weeks in advance of the review. We are hopeful that with the appointment of a Minister of Finance, these problems can be solved and the budget planning process can meet its deadlines, thus allowing your committee to do its job properly.

Originally, your committee wished to review the program departments first during its January meeting, however, the detail was not ready for some and to accommodate ministerial travel and/or appointments for others, we were not able to follow our carefully planned schedule. Again, with the Minister of Finance, it is hoped that these procedural problems, which can cause last minute difficulties, will be eliminated. Your committee plans on working quite closely with Mr. Butters to achieve that objective.

### Priorities For Government Spending

You will remember that the Legislative Assembly directed that economic development, northern resident training and hiring, language and the Legislative Assembly, particularly with respect to constitutional development, be the priorities for government spending in the 1981-82 Budget -- the budget that you will be reviewing in this session. In each case, particularly with program departments, your committee attempted to establish whether the administration had followed the direction of the Assembly. While the committee certainly acknowledges that an attempt has been made to reflect those priorities, we have not achieved the reorganization necessary to make this budget truly our own, particularly in the whole area of economic development -- and when we say economic development, we do not necessarily mean the Department of Economic Development. We really were talking about responding to renewable and non-renewable resource development in an orderly fashion.

The Executive Committee has determined that a better reflection of our priorities can be achieved through a B level submission to the federal cabinet for more funding. While the committee has not reviewed the detail of that submission, we certainly support the request and would like to assist the Minister of Finance in any way, should he need our support as a finance committee of the Legislature.

With respect to the Legislative Assembly's review of the 1981-82 main estimates, we have recommended to the Minister by letter that the Legislature first receive a broad overview of the capital plan and five year forecast and that it review the detail of each department's capital just before the operation and maintenance of that same department is reviewed. In this way, Members will be made aware of and can ask questions about the implications of specific public works projects on the department's O and M budget. In addition, we have recommended that the program departments be reviewed before the service departments. Mr. Butters has indicated to me that if the Legislature agrees that that is the procedure that it would like to go ahead with for the review, that the government is certainly amenable to that.

### Recommendations Of Finance Committee

With respect to our recommendations, you will notice that not all departments have recommendations and that there are considerably less recommendations than this time last year, so if you will bear with me, I will read through them. There are not that many.

Beginning first with the Financial Management Secretariat, (A1-81): That emergency action be taken to: One, review the staffing and salaries of the Financial Management Secretariat; and, two, fill positions which have been vacant for up to as much as one year.

(A2-81): That the Secretariat develop a futuristic capability to investigate and recommend and/or work with specific consultants regarding financial matters.

With respect to the Department of Finance, (A3-81): That a comprehensive audit of the financial information system computer program be undertaken by the Auditor General, following the implementation of the system and that that audit be tabled in the standing committee of finance and in the Legislature.

With respect to the Department of Personnel, (A4-81): That when the territorial government pays for or assists with the professional training of employees, that a contract for service be signed, which includes a return to service at least two times the amount of paid training time -- a two for one agreement. Also, that the contract be written in such a way as to allow the employer and/or employee to break the contract under certain and/or special circumstances.

(A5-81): That immediate measures be implemented to determine what categories of employees should be in the Hay Plan; what categories of employees should be excluded; and what category should be in the union; and following that determination, that employees should be so categorized.

(A6-81): That a special category should be established for excluded positions and a policy designed to handle those exclusions.

(A7-81): That the Executive continue its policy of northern hire and that it continue its practice of having the departments and Personnel seek approval to hire outside the Territories.

With respect to the Department of Information, (A8-81): That an immediate and formal review of the interpreter corps take place.

With respect to the Department of Economic Development, (A9-81): That the Executive initiate discussions with Alberta to attempt to obtain financial assistance for economic development initiatives should the federal government refuse to assist us with our B level funding requirements in this area.

(A10-81): That the department officials investigate the feasibility of taking part in a recently announced federal program to spend \$350 million over three years, to assist faltering businesses and laid-off workers in hard hit areas of the country -- another Liberal initiative.

With respect to the Department of Health and Social Services, and in particular to Social Services, (A11-81): That the Legislative Assembly discuss ideas and possible programs for potentially dangerous repeat offenders who terrorize communities upon release from prison and who receive shorter terms in confinement because of the lack of the capability of the Northwest Territories correctional system.

With respect to Government Services, (A12-81): That in future, tenders for materials and supply be placed only in the Northwest Territories unless there is no service industry available to supply the product or service required.

(A13-81): That the Government Services devise a list of materials and supplies categories where there are no northern suppliers and make this available to the public.

(A14-81): That there be an increase in the maximum amount for local purchases without tender to account for inflation. That was in the maximum of four local purchases.

(A15-81): That this department and any related department develop a program and procedure for assistance to local entrepreneurs willing to contract bulk fuel delivery and storage in the communities.

With respect to the Department of Renewable Resources, (A16-81): That detailed and ongoing statistics be kept on the value -- I am going to have to stand that recommendation down because we revised it in the standing committee and obviously there is some problem with the typing but there is a recommendation numbered (A16-81) and I will get it to you as soon as possible.

Moving on then to the Department of Justice and Public Services, (A17-81): That a fee for bingo and lottery licences be established.

(A18-81): That there be an increase in the percentage profit given to private enterprise for licensing services.

(A19-81): That the business of issuing all licences including vehicles, bingo, lotteries be tendered.



With respect to the Department of Local Government, (A20-81): That a review of the government's industrial property tax mill rate and/or assessment procedure be conducted with a view to increasing the levy.

With respect to Public Works, (A21-81): That a policy be developed immediately to govern the operation of a capitalized project management group and that the standing committee on finance and the Legislature receive a yearly report and budget breakdown of the operation.

(A22-81): That the department be consulted during the planning stage of each capital project so that estimates on operation and maintenance may be projected and accompany the request for approval.

With respect to the Housing Corporation, (A23-81): That the study conducted by Thorne and Ridell be tabled in the Legislative Assembly before the discussion of the main estimates of the Housing Corporation takes place.

(A24-81): That serious discussion take place in the Legislative Assembly about the value of the creation of a ministry of housing responsible for the Housing Corporation board.

With respect to the Legislative Assembly, (A25-81): That independent financial expertise be made available to the standing committee on finance as needed in specified financial areas.

#### General Recommendations

We have three general recommendations, (A26-81): That the Executive direct each department to do a forecasting of financial needs and demands for the next five years based on internal and external factors.

(A27-81): That the Executive develop an immediate strategy and a detailed plan in order to begin the lobby to have the Northwest Territories government removed from the federal social services envelope to the cabinet envelope for purposes of government funding.

With respect to the capital plan itself, (A28-81): That serious discussion take place in the Legislative Assembly concerning imposing a one year moratorium on capital works, the money to be used for retrofitting and repair of existing buildings.

Attached to the ninth report is a list of reports that your standing committee has made over the past year and these are available upon request to all Members and to the public. We have also included by way of an annual report to the Legislature an indication of how much it has cost the Legislature for the business of the standing committee on finance. And you will note that we have spent \$6353 on travel; \$7685 on living allowances; \$12,943 on per diem; \$100 miscellaneous; \$5000 for our consultant for a total of \$32,081.

#### Motion To Refer Standing Committee On Finance Ninth Report To Committee Of The Whole, Carried

Mr. Speaker, that completes the ninth report of the standing committee on finance to the Legislative Assembly. I move, seconded by the hon. Mr. Fraser, that this report be referred to the committee of the whole for discussion with the main estimates of each department. Thank you.

MR. SPEAKER: I have a motion on the floor. To the motion. Are you ready for the question?

SOME HON. MEMBERS: Question.

MR. SPEAKER: A question being called. All those in favour? Opposed? The motion is carried.

---Carried

MR. SPEAKER: Are there any further reports of standing and special committees? Item 8, notices of motion. Item 9, motions. I do not believe we have any. The hon. Mr. MacQuarrie.

MR. MacQUARRIE: I am sorry, Mr. Speaker. I was involved with something else. Had we already gone by notices of motion?

MR. SPEAKER: We did but we shall return.

MR. MacQUARRIE: We shall? Thank you very much.

MR. SPEAKER: Item 8, notices of motion.

ITEM NO. 8: NOTICES OF MOTION

The hon. Mr. MacQuarrie.

Notice Of Motion 2-81(1): Additional Witnesses, Uranium Discussion

MR. MacQUARRIE: Thank you, Mr. Speaker. I wish to give notice that on Monday, February 9th I will move, seconded by the honourable Member for Frobisher Bay, that in addition to witnesses already invited to appear during the debate on uranium exploration and mining in the Northwest Territories, that the Science Advisory Board, the Northwest Territories Chamber of Mines, the Government of the Northwest Territories Department of Economic Development and Tourism, and the division of safety in the Government of the Northwest Territories Department of Justice and Public Services, be permitted by the Speaker, to produce witnesses for the debate should they wish, and that the British Columbia Medical Association be invited by the Speaker to produce a witness for the debate at the expense of the Legislative Assembly.

MR. SPEAKER: Thank you, Mr. MacQuarrie. Any further notices of motion?

Item 9, motions.

Item 10, notices of motion for first reading of bills.

Item 11, introduction of bills for first reading.

Item 12, second reading of bills.

Item 13, consideration in committee of the whole of bills, recommendations to the Legislature and other matters.

ITEM NO. 13: CONSIDERATION IN COMMITTEE OF THE WHOLE OF BILLS, RECOMMENDATIONS TO THE LEGISLATURE AND OTHER MATTERS

We will resolve then into the committee of the whole to study the cost of living in the Northwest Territories and I will also at this time put Bill 1-81(1), An Ordinance Respecting Expenditures for the Public Service for the Financial Year Ending the 31st Day of March, 1982, to the committee at the same time. Mr. Fraser will be the chairman.

---Legislative Assembly resolved into committee of the whole for consideration of The Cost Of Living In The Northwest Territories and Bill 1-81(1), Appropriation Ordinance, 1981-82, with Mr. Fraser in the chair.

PROCEEDINGS IN COMMITTEE OF THE WHOLE TO CONSIDER THE COST OF LIVING IN THE NORTHWEST TERRITORIES; AND BILL 1-81(1), APPROPRIATION ORDINANCE, 1981-82

CHAIRMAN (Mr. Fraser): The committee will come to order to discuss the cost of living in the Northwest Territories and I believe we have a cost of living submission by one, Consumers' Association, Yellowknife branch; two, hamlet of Pelly Bay; three, Gordon Davidson. It is the wish of this House that we call the witnesses by number? Agreed?

SOME HON. MEMBERS: Agreed.

---Agreed

CHAIRMAN (Mr. Fraser): I wonder if the Clerk could see if the Consumers' Association, Yellowknife branch, is present and the Sergeant-at-Arms, will you bring them to the witness table? Consumers' Association, Yellowknife branch, could you stand so the Sergeant-at-Arms can identify you and bring you to the witness table? Apparently we do not have anyone present from the Yellowknife branch of the Consumers' Association.

The hamlet of Pelly Bay. Are you present? Could you stand please? Thank you very much. The Sergeant-at-Arms will see you to the witness table.

I see we have the witnesses from the hamlet of Pelly Bay. I just wonder if the Clerk Assistant could go over and get your names for the record. Mr. Hamilton, could you provide the reporters with the names? We have Guy Kakkianun, the mayor of Pelly, and we have Mr. Holland with the co-op, I presume, of Pelly Bay.

MR. HOLLAND: Yes, sir.

CHAIRMAN (Mr. Fraser): The other name, I do not think I could pronounce, I will just say Nick...

SOME HON. MEMBERS: Try.

CHAIRMAN (Mr. Fraser): Komunuktuk.

---Laughter

I am very sorry Nick. We will just identify you as Nick as it is very hard to pronounce that word. Have you any opening presentation, and who is going to make the presentation?

MR. HOLLAND: We do have an opening presentation and the mayor of Pelly Bay, Guy...

CHAIRMAN (Mr. Fraser): I beg your pardon, we cannot hear you. You will have to get closer to the mike, and just for the benefit of the interpreters, you will have to speak slowly so they can interpret. Thank you very much. Proceed.

MR. HOLLAND: Yes, we do have a presentation to make and the mayor of Pelly Bay will have an opening speech but first I would like to distribute our report to the Assembly Members.

CHAIRMAN (Mr. Fraser): Thank you very much. One of the Pages could, maybe, get the report. If the mayor of Pelly Bay has any opening presentation, he can go ahead, and while they are passing the papers around he can continue.

#### Concerns Of People Of Pelly Bay

MR. KAKKIANIUN: (Translation) I would like to say thank you, that I was able to attend at Baker Lake. I would like to make my presentation to the Assembly and we are going to talk about the concerns of the people in Pelly Bay. I am here representing the people of Pelly Bay and we are here at the Legislative Assembly to think about what we can say.

We are going to be talking about food, the cost to fly the food in, how much it costs per pound to fly the food in. We are not talking about the cost of flying the food from Yellowknife. Maybe I am not making myself clear, but we would like to talk about the food from Yellowknife to Pelly Bay. I would like the cost of our food to cost the same as the surrounding areas near our settlement. What I am trying to say is that the cost of food in Pelly Bay is very expensive. It is more expensive than in the surrounding area. Number two, that this session of

the Ninth Assembly -- the hamlet of Pelly Bay wanted a subsidy for the food and this is our request. There are 262 people in Pelly Bay. The population is 262. The settlement is run by the hamlet council in Pelly Bay. The oldest store is run by the co-op. The co-op is owned by the people of Pelly Bay.

INTERPRETER: We are having a difficult time because of the dialect difference here.

CHAIRMAN (Mr. Fraser): Mr. Kakkianian, I wonder if you could just hold on a minute. I think the interpreters are having a problem. We just gave them a copy of the presentation. I understand you are reading the presentation almost word for word. I think you are okay now. Thank you very much.

MR. HOLLAND: My name is Aubrey Holland, and I am the general manager for Koomiut Co-op, Pelly Bay, Northwest Territories. I came to this presentation on behalf of the people of Pelly Bay and it is not for the co-op's purposes.

#### Living Costs In Pelly Bay

This presentation is to show you the actual living costs of buying food in Pelly Bay. On page two, "Notes To Food Prices Comparison", the chart on page four shows a shopping list of 25 items. Column one indicates the size of the item. For example, 14 ounce applesauce means 14 fluid ounces. Where pounds and grams are shown, this indicates the net weight of the contents without allowance for the weight of the container. Column two lists the generic name of the product without the brand names. Column three lists the wholesale or initial cost price of each item. These prices are not exact, as wholesale prices are subject to change without notice. Column four lists the gross weight in pounds for each item. It includes what is normally referred as dead weight -- example, the weight of the package or can and the carton in which it is shipped. Column five lists the actual freight for each item based on the freight rate to Pelly Bay of 62 cents a pound. Column six lists the actual cost price of each item landed in Pelly Bay. It is a normal practice in the retail industry to determine the cost landed price before applying a profit margin. Column seven the profit margin is the same for Pelly Bay and Spence Bay. The profit margins of 20 per cent and 30 per cent are used for comparison purposes only, and does not mean that this reflects the actual profit margin in either community. Column eight reflects the price to the consumer in Pelly Bay for each item. Column nine indicates the actual freight cost for each item to Spence Bay, based on the freight rate of 21 cents a pound. Now, this 21 cents a pound is last years barge rate, which includes trucking. We could not get a price for this coming season on barge rates. Column ten lists the actual cost of each item landed in Spence Bay -- see note six on prior page. Column 11 lists the profit margin used to determine retail price in Spence Bay -- see note seven on prior page. Column 12 reflects the price to the consumer in Spence Bay for each item.

#### Basic Needs For Each Family

As you can see, on page four, we have a list of pretty well the basic needs for each family for each day of living. As you can see in column three, the first item, applesauce; the initial cost for a can of 14 ounce applesauce is only 49 cents. The weight of the item is 1.17 pounds. The freight cost to Pelly Bay would be 73 cents on that can of applesauce, so that landed cost is \$1.22. So, with a 30 per cent margin, you are looking at a selling price of \$1.74.

In column nine, you are looking at a freight cost to Spence Bay of only 25 cents, which makes it a 74 cent landed cost item and with the same markup, it would retail for \$1.06. So, you are looking at 68 cents difference. And if you refer to the totals on the bottom of that page, you would see that for 25 items in Pelly Bay, a cost of \$78.58, compared to Spence Bay which is only \$53. \$25.58 less in Spence than in Pelly Bay.

On page five, "Analysis of Food Prices Comparison"; in this comparison of food prices between Pelly Bay and Spence Bay. The initial cost of each item is the same. The weight of each item is the same and the margin used for comparison are the same. The only variance is a difference in freight rates between the two communities. The items selected for the comparisons are standard, basic food items. They also are items of varying costs and weights, which clearly demonstrates the impact of weight on the final selling price. It should be noted that in the comparison, freight costs to Pelly Bay are equal to the initial cost of the items, while in Spence Bay the freight cost is only one third of the initial costs. The cost of freight to Pelly Bay is three times the cost of freight to Spence Bay. The total cost of the items in comparison cost the consumer in Pelly Bay 33 per cent more than they would cost the consumer in Spence Bay.

The impact of profit margin on landed costs must also be noted. Because the profit margin is calculated on the freight, as well on the initial cost of goods, and freight subsidy, would not only reduce the cost of goods by the amount of the subsidy but would further reduce the cost of goods by the amount of the profit margin on the amount which would be subsidized. This would mean that if an item, say 30 cents freight, that means you would reduce the price by an additional three cents.

#### Costs Of Serving A Family

On page six, you would see a list of food which was prepared by home management group in Pelly Bay for us, would show you the breakdown on the cost of serving a family of seven and what it would cost per day. I do not think I will run through the different types of food here but if you look on the bottom you would see that the cost per day is \$50.89 or \$1526.70 per month for the average family of seven in Pelly Bay. The cost in Spence Bay would only be \$34.10 a day or \$1023 per month. That is just over \$500 difference per month between the two settlements. These costs do not indicate coffee, sugar, tea, canned milk or margarine. We feel it is important to subsidize the good foods, foods included in the Canada Food Guide.

#### Transportation And Freight Costs

On page seven -- the mode of transportation and freight costs. The most economical mode of freight transportation to Pelly Bay is by use of the Hercules aircraft chartered from Yellowknife. Goods are purchased in Edmonton, Alberta, and trucked to Yellowknife. While the maximum payload for the Hercules aircraft is 40,000 pounds, the aircraft tends to fill or bulk out before the weight can be reached. A review of seven Hercules charters to Pelly Bay indicates that the average payload is 38,500 pounds. The present cost of a charter from Yellowknife to Pelly Bay includes loading and fuel surcharge is \$17,000. The total freight cost to Pelly Bay, including air charter, trucking costs and handling charges, is 62 cents a pound. A review of interest for goods flown to Pelly Bay by Hercules aircraft indicates that 94 per cent of the weight is food items and that only six per cent is non-food items. In order to maintain the required levels of food product in Pelly Bay, four Hercules charters are required per year. That is the minimum.

The closest neighboring community to Pelly Bay is Spence Bay. Spence Bay receives freight once a year by sealift. Food is purchased in Edmonton, Alberta and trucked to Hay River, Northwest Territories. It then moves via barge to Tuktoyaktuk and by ship to Spence Bay. The cost of freight in Spence Bay by 1980 sealift including all shipping, trucking, handling charges, was 21 cents a pound. The impact of the high freight costs to Pelly Bay can be seen in comparison of food costs on the following page.

### Freight Subsidy On Food

The community of Pelly Bay requires a freight subsidy on food items only and that the amount of the subsidy be the difference between the cost of freight between Pelly Bay and Spence Bay. Freight rate to Pelly Bay is 62 cents per pound. Freight rate to Spence Bay is 21 cents per pound. The subsidy on Pelly Bay freight is 41 cents a pound. The cost of subsidy, the average freight load to Pelly Bay 38,500 pounds. The average non-food freight 2500 pounds. The average weight of food items 36,000 pounds. The subsidy requested is 41 cents a pound. The subsidy on one charter load, \$14,760. Eight charters per year and it totals out that the subsidy would cost in the vicinity of \$118,080 per year. It should be noted that the annual costs of \$118,080 is based on a current air cost and 1980 sealift costs. The actual cost would vary according to changes in these rates.

### Administration Of Subsidy

Administration of subsidy. The province of Saskatchewan provides a subsidy on certain types of food for remote communities in northern Saskatchewan. The people who administer this program advise that several ways of paying the subsidy were considered from paying the subsidy to the retail outlet to use of the government aircraft. The manner decided on was to have the carrier invoice the government of Saskatchewan directly and only requires a few hours administration time for one person per month. In the case of Pelly Bay, if a similar administration of subsidy was decided on, it would only include the payments of eight invoices per year. This is our submission to the Assembly and we are open for answering any questions.

---Applause

CHAIRMAN (Mr. Fraser): Thank you, Mr. Holland. If there are any questions, I think the witnesses are prepared to answer any questions the Members have. I would like to congratulate him on the presentation. He put a lot of work into it and I am sure you will get some questions from the floor, Mr. Holland. Mr. Patterson.

HON. DENNIS PATTERSON: Thank you, Mr. Chairman. Yes, I would like to congratulate the hamlet for an excellent presentation.

### Possibility Of Sealift

The question I have is, do many people in Pelly Bay order goods by sealift? And if not, is there a possibility that citizens in your community would be interested in ordering goods by sealift? I realize you cannot get the fresh stuff on sealift but is there a possibility that people in Pelly Bay might be interested in ordering goods -- more goods by sealift? And particularly if the government could assist in some way in making cash available on a loan basis -- I realize some people have difficulty in paying for sealift because they cannot necessarily get the money together -- but I have been thinking about the possibility in Frobisher Bay of encouraging more people to order food by sealift because it is so much cheaper. Can you give me some reaction to that idea?

MR. HOLLAND: Yes.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Patterson. Okay, Mr. Holland.

MR. HOLLAND: Yes. The problem is that we cannot get a sealift into Pelly Bay because of the ice conditions and the short period that the water is open. They only go as far as Spence Bay so our only means of supply is by air. There is nothing else we can do. We also looked at the point of getting a sealift into Spence Bay, then transporting it by air to Pelly Bay but it works out at a greater cost.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Holland. I believe, Mr. Patterson, they cannot get in with a ship and never have been able to into Pelly Bay. Thank you. Any further questions? Mr. Stewart.

HON. DON STEWART: Yes. I certainly appreciate the problem on the freight costs. But to go a little deeper into the business arrangements, could you tell me what your bad debt write-off was for last year?

MR. HOLLAND: I did not hear that.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Stewart. Mr. Holland.

MR. HOLLAND: I did not fully hear the question.

HON. DON STEWART: Can you tell me what the co-op's write-off last year was for bad debts?

CHAIRMAN (Mr. Fraser): Thank you, Mr. Stewart. Mr. Holland.

MR. HOLLAND: I am not 100 per cent sure but I think it was only about \$8000.

CHAIRMAN (Mr. Fraser): Thank you very much.

HON. DON STEWART: Thank you. Now, if we take the markup that is being used, 30 per cent may be the norm for the area that you are in -- I do not know that -- but generally speaking, the grocery business, that is the staple items, probably 12 per cent is the normal markup rather than 30. And I notice that it is not really a 30 per cent markup that you are using. You must be using the wheel. That actually comes out to about 34 per cent because it does not add up. You must be using that on the actual selling price rather than the wholesale plus landed price. Is that correct?

CHAIRMAN (Mr. Fraser): Thank you, Mr. Stewart. Mr. Holland.

Profit On Cost And Selling

MR. HOLLAND: Yes, that is correct. We use the wheel and there is two sides to that wheel. There is a profit on cost and a profit on selling. We use the profit on selling because it is a few cents more and it helps cover the extreme costs of operation in the North. On the basic items, what I am doing right now is taking generally between 15 to 20 per cent markup and trying to make it up on selling the pop and candy in Pelly Bay. I am trying to get flour, sugar, milk, coffee, tea, produce and that as low as possible for the people because I felt these are the basic things that they need and if they like to buy pop and candy, well they will pay a few cents more for that.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Holland. Mr. Stewart.

HON. DON STEWART: Could you give me an idea of your gross sales in a year, in a place like Pelly Bay?

MR. HOLLAND: Yes, I can.

CHAIRMAN (Mr. Fraser): Mr. Holland.

MR. HOLLAND: Yes, I can. I have my financial statement in front of me here from last year. My total sales for the retail part of the store was \$670,607.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Holland. Any further questions? There being no further questions -- Ms Cournoyea.

MS COURNOYEA: I would like to ask if you are part of the federation of co-ops, and if you are, what is their markup?

CHAIRMAN (Mr. Fraser): Thank you, Ms Cournoyea. Mr. Holland.

MR. HOLLAND: Yes, we are part of the Canadian Arctic Co-operative Federation Limited, and I do not quite understand what you mean by markups.

CHAIRMAN (Mr. Fraser): Ms Cournoyea, could you explain, please?

MS COURNOYEA: What does it cost you to belong to the federation in terms of the handling that they might do in ordering for you, or do you do your own ordering?

MR. HOLLAND: It is seven per cent.

MS COURNOYEA: Thank you.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Holland. Any further questions? Mr. Braden.

Government Recognizes Discrepancies In Costs

HON. GEORGE BRADEN: Thank you very much, Mr. Chairman. I too would like to thank the delegation from Pelly Bay for their presentation. It is very well put together and I think, as we discovered in Frobisher Bay, there are a lot of discrepancies in what consumers have to pay for basic food items throughout the Northwest Territories, and I think that in the presentation they have identified the cost of transporting goods and materials as the major factor in contributing to the high cost of living generally in the Northwest Territories -- it is not just for food items, but many items.

Now, if I may Mr. Chairman, I would indicate that the government recognizes this and in the case of the trucking industry, for example, we have tried to refrain from imposing excessive costs through licensing on that particular industry. For example, our present fees for commercial transport are the lowest in Canada and are approximately one half the national average.

Now, in the case of air transport, which is what we are talking about in Pelly Bay, I am wondering if the delegates from Pelly Bay have any views on any kind of general approach that could be taken, not just with respect to Pelly Bay but throughout the Northwest Territories. For example, it is often -- well, not often -- it has been suggested that one way to possibly overcome the high cost of transportation in the Northwest Territories -- is there a problem with the translation?

CHAIRMAN (Mr. Fraser): I am sorry, Mr. Braden, are you having problems?

MR. AMAUTINUAR: (Translation) I would like to answer George Braden's question.

HON. GEORGE BRADEN: I have not asked the question yet.

MR. AMAUTINUAR: (Translation) Perhaps Mr. Braden could finish with his questions, and I will try to answer his questions later.

CHAIRMAN (Mr. Fraser): Thank you very much. Mr. Braden.



Subsidize Post Office And Mail

HON. GEORGE BRADEN: One possible solution, Mr. Chairman, to the high cost of air transportation in the Northwest Territories to assist in transporting food, materials and passengers, is to further subsidize the post office and mail. This is just a hypothetical situation, but if we were to see a case where the post office highly subsidized the transportation of its mail throughout the Northwest Territories, we could be in a situation where the carriers would have a large portion of their operating costs absorbed and thus would not have to pass it back on to the people who are travelling or people who are sending material or food by air transport. That is just one possible solution to the whole issue. I was wondering Mr. Chairman, given that this is a problem throughout the Northwest Territories, if the government were to subsidize freight in Pelly Bay, we could bet that Repulse Bay or some other community would be saying, well, why not us too? We have a similar problem even though, perhaps not to the same extent as Pelly Bay -- so, my general question then, Mr. Chairman, is do the delegates have any ideas on a scheme or a system which could be applied throughout the Northwest Territories? Thank you.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Braden. Mr. Amautinuar, would you like to answer that?

Fair Subsidy For All Settlements

MR. AMAUTINUAR: (Translation) I will try and answer that question. It was evident that this would be brought up, that the food in Pelly Bay was certainly subsidized and we have also heard in the presentation, Pelly Bay will always continue to be served by air carriers only and that is the only mode of transportation that we have. We know that the cost of air carriers is increasing every year and other communities in the Territories -- we are not trying to seek subsidies that would deny the other communities in the Territories, and we would like to see a fair subsidy that would be equitable to all the settlements in the Territories.

And I would like you to understand, quite frankly, we are not totally asking subsidy; we are just asking that subsidy in transportation. If we were to seek groceries at a lower cost than anywhere else in the Territories, it would not be fair and we are very aware of this. I would like you to understand, quite rightly, that there will be an increase again, no doubt, next year, on any merchandise and whenever there is an increase in cost, all of the merchandise that is flown into Pelly Bay is also increased in cost, and we will continue to try and get a subsidy for food as long as we can. We are not seeking subsidy on hardware, we are seeking from the government to see if there is a possibility that there will be a subsidy on food. We would also like to have comparable prices in food as other communities that are served by sealift.

I am grateful that I was given this opportunity to be here to discuss with you another subsidy, and if there is no possible way we will be given a subsidy on food, no doubt the problem here, we will be seeking the same assistance here again. We are seeking to improve and lower the cost of food in all of the Territories, but right now, at this particular time, we are asking for a subsidy on food that is primarily applicable at this time to Pelly Bay. I would like to take this opportunity to thank you, and if you have any further questions, I will be glad to try to answer them.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Amautinuar. Mr. Holland, have you a subsequent answer for that?

Immediate Solution Needed

MR. HOLLAND: I would like to express also, it is hard to come up with some kind of solution to solve this problem without going to subsidy from the government and I imagine a lot of other communities are listening to this this afternoon and they are going to have the same ideas too. Maybe one solution is to come up with some kind of a program where we can provide more jobs, better paying jobs. Other than trying to create more jobs, I feel that the only other way is asking for subsidy and which I do not feel right in doing personally, but in order for the people, I would say, to survive in the North something has to be done immediately.

I have been living in Pelly Bay for 17 months and, believe me, it hurts my pocketbook because I am not used to eating raw caribou and fish like most native people are -- but still, they are not getting the right nourishments; minerals, nutrition, foods. They cannot afford it, because most of them in Pelly Bay are not working and as you can see in our report, the cost is just over \$50 a day and they cannot afford that kind of money for food. That is all I have to say.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Holland. Any further questions? Mr. Patterson.

HON. DENNIS PATTERSON: Thank you, Mr. Chairman. I think country food provides all the necessary vitamins and minerals that southern food can provide. I might just say, I think Dr. Otto Schaefer has done some work on that. But what I wanted to ask is, has any consideration been given to, or has anyone tried growing greenhouse vegetables or fresh food? Has that ever been tried?

CHAIRMAN (Mr. Fraser): Thank you, Mr. Patterson. Mr. Holland.

MR. HOLLAND: Last year one of the school teachers tried to grow some tomatoes and it did not work out. There was not enough sun. In the summer months you might. This was never tried as far as I know but they tried during the winter with special lights and it just did not work out for them. That could be one part of getting fresh produce in anyway, in vegetables, is try an experimental greenhouse type for the summer but the floor would have to be well insulated because of the permafrost.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Holland. Any further questions? Mr. MacQuarrie.

Food Subsidies In Saskatchewan

MR. MACQUARRIE: Thank you, Mr. Chairman. You have made note of the Saskatchewan experience, the fact that the provincial government of Saskatchewan provides a subsidy on certain types of food. Can you tell me a little bit more about that and why in developing the presentation, you decided to make a presentation that asked for a subsidy on food generally, food items, not distinguishing various kinds of food items? If that was deliberate on your part, would you explain why you decided it was important not just to limit it to certain food items.

CHAIRMAN (Mr. Fraser): Thank you, Mr. MacQuarrie. Mr. Holland.

MR. HOLLAND: Yes. Regarding the food subsidy in northern Saskatchewan, the government provides a subsidy on fresh produce, meats, poultry, eggs, butter, bread, milk. The reason why they only restrict it to these items is because they provide a winter road into each of these communities in northern Saskatchewan so they can get supplies of food in. This here refers mainly to the summer months that they do get their subsidy because the only way in there again is by air, not by road or train. And I guess that is it.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Holland. Mr. Stewart.

HON. DON STEWART: Thank you, Mr. Chairman. I wonder if you could give me a rough estimate of the population of Pelly Bay, please?

CHAIRMAN (Mr. Fraser): Mr. Holland.

MR. HOLLAND: Yes. At present, it is 262 people including the whites.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Holland. Mr. Stewart.

HON. DON STEWART: Could you tell me what type of a power generation you have there? Is it a diesel generation plant?

CHAIRMAN (Mr. Fraser): Mr. Holland.

HON. DON STEWART: You have power in Pelly Bay I presume, do you? What is the plant, a diesel operation?

MR. HOLLAND: Yes, it is.

HON. DON STEWART: Is there any heat recovery being taken from that plant at the present time?

MR. HOLLAND: Not to my knowledge, no.

Communities Faced With Low Volume And High Freight Costs

HON. DON STEWART: Well, there may be something you might be able to have a look at; the possibility of utilizing that heat and then growing fresh stuff by hydroponics which are very highly successful. But you have got to have heat at no cost or else the thing falls to pieces too but if you do have a diesel generated plant there, there is a possibility that you might be able to get into something of that nature, but that only covers fresh stuff.

You see, you are faced with two basic problems as I see it. Number one, low volume -- \$600,000 grocery business is not a very big business and then you are faced also with, of course, the high freight costs. Then you add to that that regardless of how you cut the cake, there are certain inbuilt costs of running a store that you have to have a heated building and so on and so forth to operate and so many clerks. And when you are dealing with such a low volume, your prices naturally have to be that much higher. So you have got the worst of both worlds here. You do not have volume and you have terrible freight rates so you are caught between the devil and the deep blue sea as I see it.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Stewart. Any further questions? Mr. Patterson, did you have your hand up?

HON. DENNIS PATTERSON: Thank you, Mr. Chairman. Yes. I just wanted to know if you have a scheduled air line into Pelly Bay. What is your freight rate, what is that air line and what is your freight rate that way?

CHAIRMAN (Mr. Fraser): Thank you, Mr. Patterson. Mr. Holland.

MR. HOLLAND: The air line is Northwest Territorial Airways. They come in with a DC-3. From Yellowknife to Cambridge Bay the freight rate is \$1.27 a pound. Out of Cambridge Bay it is 87 cents a pound. By the way, I do bring produce up that way every now and then. And giving an example, bananas sell for \$3.50 a pound and I just brought some eggs up last week and I ended up selling them at cost price, \$4, because I felt guilty putting anything higher.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Holland. Any further questions?  
Mr. MacQuarrie.

Availability Of Country Foods

MR. MacQUARRIE: Thank you, Mr. Chairman. I notice that you did distinguish earlier yourself between the markup that you put on certain types of food products that you consider are not particularly important or maybe even detrimental to the health of people. I do not think that you distinguished between those food items and so on in asking for a subsidy but might I presume that you would expect there would be that kind of discrimination if there were to be a subsidy? And the other question which is very important to me is to know right at the present time the condition with respect to the availability of country food in Pelly Bay. Is there a particular crisis at the present time? Are many people in the community, because of the depletion of land resources, thrown back onto the necessity of buying food items at the store?

CHAIRMAN (Mr. Fraser): Thank you, Mr. MacQuarrie. Mr. Holland.

MR. HOLLAND: The first part of your question, if I understand right, you are asking if we got the subsidy, would I still play around with prices?

MR. MacQUARRIE: No, would you expect a subsidy on chocolate bars, pop and things like that or certain food items?

CHAIRMAN (Mr. Fraser): Thank you, Mr. MacQuarrie. Mr. Holland.

MR. HOLLAND: I would have to say probably no at the moment. I really never considered that at all in making up this presentation. But the second part of your question -- there is, I would say, a good supply of caribou around Pelly Bay. The fishing is starting to diminish. The costs of fuel in Pelly Bay for the people to go out and get the caribou is two dollars a gallon now and the cost of a snowmobile is over \$3000, so there again we run into a problem. Do the people have enough money to buy a snowmobile to go out on the land or buy food from the store? They are still caught in between.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Holland. Any further questions?  
Mr. Stewart.

Commercial Fishery

HON. DON STEWART: You have mentioned that the fishing in that area is not particularly good at the present time so I assume from that that there is no possibility of a commercial type of fishery so we can load those Hercules with fish coming out. Is that a reasonable assumption?

CHAIRMAN (Mr. Fraser): Thank you, Mr. Stewart. Mr. Holland.

MR. HOLLAND: No. In the past two years we had a fishing plant operating in Pelly Bay. The previous year I think we sent out about 22,000 pounds of fish. This past summer we sent out 18,000 pounds. This was a government project and they had done surveys in these two years of the rivers and we are still waiting for a final report but they indicate that the fishing stocks are getting low and it is just a question of let them rebuild or to tender the fishing and probably lose them for a number of years.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Holland. Mr. Kakkianun, did you have something to say?

Settlements Depend On Country Foods

MR. KAKKIANIUN: (Translation) Thank you. I would like to respond to one of the Members. He wanted to know if we have country food but all of us of the communities in the North, we have country food but also we would like to have store bought food. Why did you ask why there was country food in our settlement, because we depend a lot on the country food? The people of Pelly Bay wanted the help of the hamlet council to get a subsidy for the food from the store.

Even the people who are employed and not hunters, they buy country food and also store bought food and even if they are making money, they are not making enough to cover, to buy food because of the high prices. Sometimes hunters do not have store bought food for a month. I wanted to answer one of the Members who asked the question about country food.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Kakkianun. Mr. Stewart, any further questions?

HON. DON STEWART: Well, I have quickly worked out your proposition with regard to what you feel you require as a subsidy and bringing it back to your other pages of comparisons, what you are really speaking of, as I see it, is a subsidy for a family of seven of \$5019 a year.

My second question or my question really is, you say that there is not very much work. Can you give me a rough indication of what the percentage is of people in Pelly Bay who are on welfare and do the welfare payments take into effect these higher costs?

CHAIRMAN (Mr. Fraser): Thank you, Mr. Stewart. Mr. Holland.

MR. HOLLAND: I will refer this answer over to Mr. Amautinuvar.

CHAIRMAN (Mr. Fraser): Thank you. Mr. Amautinuvar.

MR. AMAUTINUAR: Thank you. (Translation) Thank you. I did not really hear the question. Can you say it again please?

CHAIRMAN (Mr. Fraser): Mr. Stewart.

HON. DON STEWART: There is an indication that there is very little work at Pelly Bay. How many people in Pelly Bay are receiving social assistance and does the social assistance payment take into account the high cost of food?

CHAIRMAN (Mr. Fraser): Thank you, Mr. Stewart. Mr. Amautinuvar.

Availability Of Social Assistance

MR. AMAUTINUAR: (Translation) There is minor employment there. The people that are working in Pelly Bay are working for the hamlet council, for northern transportation services. The hamlet employs people all year round. The people who are working all year round have a lot of children, something like five, six, seven children to one family. For one year an employed person has been making \$14,100 in one year, and they have a lot of dependants. They have to pay their rent and also the rental of the house is going to be raised. The people who are employed or the houses of the people who are employed are going to be raised. If it is a four bedroom, it is going to cost \$315 to rent a four bedroom house per month. The people with a lot of dependants, let us say for instance -- they are not going to be able to cover the cost of living from caribou hunting. Gas was mentioned. The price of gas is very high. Even if we do go hunting, we are going to need a lot of money because of the cost of gas, the skidoo and the equipment.

Also one question was mentioned and that is about the social services, if social assistance is available to our people. Social assistance is \$132 a month. One of the main concerns in all of the Northwest Territories is those people that have a lot of dependants. They go and apply for social assistance. I went to find out how much I made last month. I have four children and that gives me a little bit over \$500 a month. I would not be eligible for social assistance if I made \$500 last month, if I sold \$500 worth of furs. This is one of our concerns in Pelly Bay and also in the other settlements. If anybody does not understand what I am talking about, I can clarify it for you.

CHAIRMAN (Mr. Fraser): Thank you very much. Any further questions of the witnesses? If there are no further questions, we will take a 15 minute coffee break and come back to the witnesses. I have Mr. Noah next. We will recess for 15 minutes.

---SHORT RECESS

CHAIRMAN (Mr. Fraser): The Chair recognizes a quorum of the committee. Back to order. I have Mr. Noah. Mr. Noah.

MR. NOAH: (Translation) Thank you, Mr. Chairman. I would like to ask a couple of questions of the residents from Pelly Bay. First of all, I would like to ask if there is a store other than the co-op at Pelly Bay? They also mentioned that there is inequality in price between Spence Bay and Pelly Bay. There are only 262 residents in Pelly Bay and it is very small in population. I wonder if moving to Spence Bay has been considered by the Pelly Bay people in view of the fact that the population of Spence Bay is very small. I wonder if they have given any consideration to moving to Spence Bay. Thank you.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Noah. Mr. Nick Amautinuvar.

MR. AMAUTINUAR: (Translation) Thank you. I will answer Mr. Noah's question. First of all, he mentioned if there is another store other than the co-op at Pelly Bay. The co-op is the only store in Pelly Bay and that is the only store that we have in our home. Secondly, due to the fact of the population size of Pelly Bay, I am unable to give you a direct answer today as we have never considered in the past the thought of moving...

CHAIRMAN (Mr. Fraser): I am sorry. We have lost the interpretation here.

SOME HON. MEMBERS: We lost it after the co-op, the answer to the second question.

CHAIRMAN (Mr. Fraser): We lost the interpretation after the co-op, after the reply to the co-op store.

INTERPRETER: Can you hear me now?

CHAIRMAN (Mr. Fraser): Yes. Could you repeat again after the first answer to the question that there is only the one store in Pelly Bay? Could you start from there?

MR. AMAUTINUAR: (Translation) Okay. The second question was, was there any consideration dealing with the possibility of moving to Spence Bay. There are only three of us from Pelly Bay at this time and it is impossible for us to answer that at this time. I personally -- I would have to consult with the population of Pelly Bay first of all before I can answer that second part of the question.

CHAIRMAN (Mr. Fraser): Thank you very much. Mr. Mayor, do you have an answer for Mr. Noah?

Consultation With Residents Before Considering Moving

MR. KAKKIANIUN: (Translation) Thank you. I would like to answer in part. About 1956 or thereabouts consideration was given to the possibility of moving out; a few people have lived around Spence Bay for hundreds of years and it is impossible for the residents to even think about moving out of that settlement. If only for the fact that when population in the community increases, there are problems that we encounter, I think it will be better to consult our people first. We would probably be able to answer that question after we had consulted our people in Pelly Bay. Thank you.

CHAIRMAN (Mr. Fraser): Thank you very much. Mr. Holland, do you have a further reply to that question?

MR. HOLLAND: It is not really a reply. I would just like to ask a question with regard to moving the people from Pelly Bay to Spence Bay. What would happen to the hundreds of thousands of dollars worth of buildings and equipment in Pelly Bay? You cannot move them. The government just spent, last summer, I do not know how many hundreds of thousands of dollars in putting in a new fuel tank facility for Pelly Bay. They upgraded some of the airstrip and the housing association is renovating 10 houses. It would cost the government a great deal more moving the people out of Pelly Bay than to help them out with a subsidy. That is all I would like to say.

CHAIRMAN (Mr. Fraser): Thank you very much, Mr. Holland. I do not think there is much chance of moving you this year. They are pretty short of funds anyway.

---Laughter

Mr. Patterson.

#### Experiments In Raising Food

HON. DENNIS PATTERSON: Thank you, Mr. Chairman. I believe that we could grow vegetables, things like lettuce, tomatoes, in northern communities. I do not think this government has done nearly enough yet to look into that potential for saving on food costs. I know also that back in the old days, there have been some priests who have raised chickens and even, in the old days, have grown fresh greens and the like in very northern locations. I think I heard of an experiment of raising pigs in Rankin Inlet. They were fed fish so the bacon tasted kind of fishy and that did not work very well. What I wanted to ask is -- and I do not want to give the impression that we will not seriously consider this possibility of freight relief -- but what I am interested also in asking is, if technical assistance were given to demonstrate how greenhouses could operate, to show you how chickens could be raised, for example, do you think that people in the community of Pelly Bay even on a per household basis, might be willing to participate and respond and take part in this kind of experimentation? I know it is a new idea but I am particularly wondering how you see the Inuit people might feel about this sort of thing. They like to eat chicken. Do you think that people would be open to the idea of caring for chickens or rabbits? Apparently rabbits are very easy to raise. They certainly know how to produce more rabbits anyway.

---Laughter

But could you give me an idea as to how you feel your community might respond if the government said "Okay, we can help. We have ideas." Or "Here is how to do it." Do you think that people would be willing to participate?

CHAIRMAN (Mr. Fraser): Thank you, Mr. Patterson. Mr. Amautinar.

#### Growing Vegetables In Yellowknife

MR. AMAUTINUAR: (Translation) In trying to answer that question, I do not know what the people of Pelly Bay would think on an experimental basis of greenhouses at Pelly Bay. I would have to ask the people, no doubt. Again, I must emphasize that I cannot answer that question directly. I do not think there is anybody, a real Inuk, who knows about greenhouses and I would personally think that we do order our vegetables from Edmonton. I also think that perhaps we could set up a greenhouse in Yellowknife and that would be -- that would suit the residents of Pelly Bay and that would cut the cost tremendously. Perhaps, I think, taking into account the warmer climate of Yellowknife than Pelly Bay,



perhaps this would cut the cost of the vegetables -- if they were grown in Yellowknife. Is that clear enough? Thank you.

CHAIRMAN (Mr. Fraser): Thank you very much, Mr. Mayor.

MR. KAKKIANIUN: (Translation) Thank you. In addition, to partially answer, we have tried chickens. We have chickens at the co-op and we also grew some tomatoes, but I am not sure what the exact results were. We did not carry on this experiment as we were not sure of the results, and if there was any possibility of continuing on an experimental basis of growing vegetables. Thank you.

CHAIRMAN (Mr. Fraser): Thank you very much. Any further questions? Mr. Appaqaq.

MR. APPAQAQ: (Translation) Thank you. I would like to ask one question. You mentioned that there are houses being built presently at Pelly Bay. Did you mention that? My question is, how are the building materials brought into the community? Are the housing materials flown into the community, and if the housing materials are flown into the community, are there any groceries that are also flown into the community at the same time as the building materials? My question is, how do you get building materials into your community? Are they flown in or is it brought in by sealift?

CHAIRMAN (Mr. Fraser): Thank you Mr. Appaqaq. Mr. Holland.

MR. HOLLAND: Yes, building materials are also flown into Pelly Bay, because air is our only means of resupply. Now, occasionally, if there is a Hercules coming into Pelly Bay that has room on it, whoever is chartering it will generally call me to see if I would want to, more or less, buy that space to get food in. I generally do. It runs about the same price. They work it out per pound, the same as the store does. Sometimes I can get a deal and get a few cents cheaper. And those 10 houses are not being built, they are being renovated.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Holland. Any further questions? Mr. Butters.

#### Assistance From Federation Of Co-operatives

HON. TOM BUTTERS: Mr. Chairman, I too wish to congratulate the witnesses on their excellent presentation and for the distance they have travelled to appear before us this afternoon. I believe it was mentioned earlier that the Pelly Bay co-operative is a member of the co-operative federation, and I am wondering if this subject has not been discussed at federation meetings and whether there may have been some plan or some program developed to provide the type of assistance they are now seeking unilaterally as a sole community. So simply the question is, has the co-op federation developed any plans or put forward any initiatives to achieve the type of objectives that have been recommended to us today?

CHAIRMAN (Mr. Fraser): Thank you, Mr. Butters. Mr. Holland.

MR. HOLLAND: No, they have not. The only part that they had in this presentation was assisting me on the format, the layout. They do not have any future plans on helping to reduce the costs directly. There are plans on trying to lower the transportation costs. This I cannot go into right now, because I do not know the full details, but they are looking in the direction of trying to cut the transportation costs down somewhat. Now, the original cost of the goods, nobody has got control over that except for the manufacturers.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Holland. Mr. Butters.

Program For All Of Canada

HON. TOM BUTTERS: A supplementary question, Mr. Chairman. The concept that the witnesses has put before us today has been spoken of, I think, a number of times. I have heard it discussed on many occasions, but this is the first time it has received the attention of this Assembly in the degree it is receiving this afternoon. I think that all Members will agree that while the situation of Pelly Bay is unique in that they have no access to sea transportation, many northern communities -- I would expect Gjoa Haven, Grise Fiord, Igloolik, some of these communities that are at some distance from the administrative centres likewise experience very high costs for the foodstuffs which they import. So, it would strike me that what we are looking at is not just a response to a single community, which is a very real one, but a policy which might be implemented and applied across the High Arctic, anyway, and in the remote communities.

I think the suggestion today is quite timely, because Frank Oberle recently put a paper before each Member in this House and before the House of Commons, which indicated that the people of the North pay a very, very high differential for the costs of food and other goods which they are required to import to live in the Northwest Territories and the Yukon. It strikes me that the parliament of Canada is becoming more aware of the situation which has been described to us today. I think that with the federation and possibly with an initiative from the Assembly and other groups, we might be able to encourage Canada as a whole to look at some program or policy which would reduce the very high cost of living currently experienced in the remote northern communities. I guess there was no question there, sir. It was mostly a statement.

CHAIRMAN (Mr. Fraser): Thank you very much, Mr. Butters. Any further questions? There being no further questions, we would like to thank the witnesses for the presentation and I understand that you came all the way from Pelly Bay to make this presentation and I appreciate that. We will get to Members after we have heard from the other two witnesses from Consumers' Affairs and Mr. Gordon Davidson, and I am sure the House will come up with some recommendation. Thank you very much.

---Applause

Do you want to make some closing remarks, Mr. Mayor?

MR. KAKKIANIUN: (Translation) Thank you very much for letting us come to the Assembly to make our presentation.

---Applause

Presentation By Mr. Gordon Davidson

CHAIRMAN (Mr. Fraser): The Consumers' Association, the Yellowknife branch, and Mr. Gordon Davidson, are they present? Mr. Gordon Davidson, could you stand? Thank you very much. Mr. Gordon Davidson, I believe.

MR. DAVIDSON: Yes, sir.

CHAIRMAN (Mr. Fraser): Have you any opening remarks to your presentation to the House?

MR. DAVIDSON: I have my presentation here.

CHAIRMAN (Mr. Fraser): Thank you. Proceed with your presentation.

MR. DAVIDSON: Thank you. On Sunday, January 25th, 1981, I went to IGA and listed 77 items and their prices. From this list I chose 12 items that I felt the average economy minded family would purchase.

CHAIRMAN (Mr. Fraser): You will have to slow down and talk more clearly, for the benefit of the interpreters. Thank you very much.

MR. DAVIDSON: On Sunday, January 25th, 1981, I went to IGA and listed 77 items and their prices. From this list I chose 12 items that I felt the average economy minded family would purchase. I then compared them to a Horne and Pitfield wholesale catalogue dated September-October, 1980. Horne and Pitfield, to my knowledge, is the supplier for IGA of dry goods and canned goods. They do not supply meat or dairy products.

After comparing them, I came out with the list on the following two pages. The first column on the first page lists the products, numbered one to 12. Next is the size. Then I have the wholesale cost of each item, Horne and Pitfield's suggested retail price, the price that IGA sold them for, the difference in dollars and cents from the wholesale cost to IGA's price...

MR. MacQUARRIE: Point of order, Mr. Chairman.

CHAIRMAN (Mr. Fraser): Mr. MacQuarrie, point of order.

MR. MacQUARRIE: Could we wait until we get the presentation and then we will be able to follow along? I believe this is what we are receiving now.

CHAIRMAN (Mr. Fraser): I am sorry. I thought everybody had it. Would you just hold on a minute? I think you are going a bit too fast. You get carried away there. We have the interpreters back here who are trying to keep up, and I have a light here that keeps flashing, and I do not like looking at this flashing light.

MR. DAVIDSON: Should I continue on from where I stopped, or would the interpreters like me to start over again?

CHAIRMAN (Mr. Fraser): Continue on from the second paragraph, please. Go ahead, Mr. Davidson.

#### Statistics On Prices

MR. DAVIDSON: After comparing them I came out with the list on the following two pages. On the first page, the first column lists the products numbered one to 12. Next is the size. Then I have the wholesale cost of each item, Horne and Pitfield's suggested retail price, the price that IGA sold them for, the difference in dollars and cents from the wholesale cost to IGA's price, the difference as a percentage and the difference as a percentage from the suggested retail price to the IGA price.

On the next page, I made a mock purchase of 10 cases of each. You now have the columns in this order, numbered one to 12 to indicate which item: The weight of each set of 10 cases, the wholesale cost of each 10 case lot, IGA's take-in after the sale of each of the 10 cases in their store and the difference between the wholesale price and the IGA selling price, all in dollars and cents. After doing this, I totalled each of the columns. I rechecked my figures many times and after satisfying myself as to their correctness, I then took the total of IGA's take-in and subtracted the wholesale cost to obtain the markup figure of 54 per cent.

I phoned Grimshaw Trucking to determine their rates for the transportation of grocery items from Edmonton to Yellowknife. The rates are seen at the bottom of the page of figures. I rounded off the total weight to 2900 pounds and came out with the transportation cost, which I then subtracted from the markup figure to obtain a 40.14 per cent markup. The transportation cost of Grimshaw Trucking was \$17.01 per 100 pounds to 1000 pounds. Over 1000 pounds it was \$15.04 per 100 pounds to 5000 pounds. Over 5000 pounds it was \$9.15 per 100 pounds to 20,000 pounds.

### Figures Related To Average Family

On the fourth page I took this example a few steps further. What I did was, I made a mock thing of 2000 people going to IGA and each of the people spent \$100 in a one week period. This is the average which a family would spend -- this would be families. If 2000 people spent \$100 in a one week period, IGA would take in \$200,000. By using the figures from the last page, 46 per cent was the wholesale cost. I subtracted this and came up with \$108,000, being the 54 per cent markup. Again using the figures from the last page, I found the transportation cost to be \$1280. I did this by using 70 pounds to be the average weight of \$100 for groceries bought by 2000 customers, totalling 14,000 pounds. The cost is \$9.15 per 100 pounds, total, \$1280.

I worked out the salaries in this way...

CHAIRMAN (Mr. Fraser): You will have to slow down. The interpreters cannot keep up to you. I wonder if you could just start again at 2000 people, because you are forgetting, I think. Could you just start again where you started with 2000 people spent \$100?

MR. DAVIDSON: Okay. If 2000 people spent \$100 in a one week period, IGA would take in \$200,000. By using the figures from the last page, 46 per cent was the wholesale cost. I subtracted this and came up with \$108,000, being the 54 per cent markup. Again using the figures from the last page, I found the transportation cost to be \$1280. I did this by using 70 pounds to be the average weight of \$100 worth of groceries, by 2000 customers, totals 14,000 pounds. The cost is \$9.15 per 100 pounds, total, \$1280.

### Breakdown Of Salaries

The next thing I did was I worked out the salaries. I worked out the salaries in this way. I assumed there were 19 employees. Five of them were cashiers at five dollars per hour for 40 hours, total, \$1000. Five shelf stockers at five dollars per hour for 40 hours, for a total of \$1000. Five stock takers, inventory and storage room workers at five dollars per hour for 40 hours, for a total of \$1000. Two butchers at \$10 per hour for 40 hours, for a total of \$800. One manager at \$1500 per week and one assistant manager at \$800 per week, for total managerial salaries of \$6100. I was extra generous in the manager's and the assistant manager's salaries, as I may have missed one or more employees and I feel that the amounts that I put here would cover them.

The miscellaneous costs, which I obtained from the Horne and Pitfield catalogue, included such items as cash register tapes, paper bags, price stickers, cleaning supplies, etc., for a total of \$451. The electricity bill I found out by calling Plains Western Gas and Electric. I told the person I was talking to that I planned on opening a co-op and needed to find out my expenses. If I was told IGA's approximate monthly bill, I would know what my bill would be, as my premises would not be as fancy. I was told the most expensive month would be in the summer, with air conditioning; it would come out to \$5000 per month. I divided this by four to get a weekly cost of \$1250.

To determine the advertising costs, I called CJCD and obtained an estimate of \$180 per week for 24 ads of 30 seconds each, under a one year contract. The Yellowknifer and News of the North went for \$300 for 1000 lines per week, again under a one year agreement, plus an additional \$174 for in-store displays for a total of \$654. Total expenses, \$101,735, left \$98,265, which is 49.13 per cent. At this time I wish to deduct another \$2500 for oil and rent or mortgage, which leaves \$95,765 -- 47.85 per cent markup -- I made a mistake, not markup. That is after expenses, so this would indicate the possibility of it being their profit.

If I now use the figures that show the markup from the suggested retail price to IGA's price I come out with an average of 17.225 per cent markup, which is what IGA is saying is the extra it costs them to get products to their customers. By using the figures I have gone through, I come out with the total expenses being 6.15 per cent, subtracted from 17.225, leaves 11.075 per cent unaccounted for.

#### More Profit On Large Orders

Things to take note of: The suggested retail price is supposed to include overhead and some profit. The wholesale price is on one carton of any product. If certain size orders are made, further discounts happen which allow more possible profit. My order was 14,000 pounds. If the order is over 20,000 pounds the transportation cost per 100 pounds is lower. The larger the order, the lower the transportation cost per 100 pounds, allowing again for more profit.

Now, YK Super A has comparatively the same prices. YK Super A deals with Alberta Grocers Association, with possible lower wholesale costs. YK Super A has its own trucks for transportation. All indications point towards YK Super A making even larger profits than IGA.

I have a further page here that you do not have. I was not able to include this in yours as I did not have time to have them made up, but I took four more products which I thought would be things that the average family would also purchase. These are lunch items like Puritan Frontier, IGA beef stew, Campbell's beef noodle soup, Campbell's scotch broth soup. Now, I checked out the wholesale costs and IGA's selling price and the items went for between 66.7 and 83.2 per cent markup, which caused a six per cent increase in the markup, which brought the markup to 60 per cent, and then the profit part up to 53 per cent.

#### Recommendations Of Witness

My recommendations: One. I recommend an investigation of profits that the businesses in Yellowknife are making, especially IGA and YK Super A, plus rental housing apartments, as these are the major expenses of the residents of Yellowknife, the voters who elected the government of Yellowknife to protect us and solve our problems. My calculations indicate possible hidden profits and exorbitant profits; 47.85 per cent is too much. My recommendation is 25 per cent profit. I get this figure by looking at the average worker. He is a businessman who offers a service and gets a salary. His overhead is his food bill, rent, clothing, maintenance of himself, his family, and his home, etc.

CHAIRMAN (Mr. Fraser): You will have to slow down a bit, please. Okay, continue.

MR. DAVIDSON: After expenses, he is left with 10 to 20 per cent of his yearly salary as clear profit for entertainment, savings, and investments. So I give 25 per cent to the businessman. You may now be thinking that the businessman also has the further expenses of his own rent and food bill, clothing, etc., as well, but going back to my figures, 25 per cent of \$200,000, \$50,000 per week, I think is quite enough.

Two. I further recommend that if the investigation by the government confirms my calculations, that the government enforce some form of pricing controls and profit controls.

Three. The closing of the Consumers' Association office is a step in the wrong direction.

Four. If my calculations prove accurate or show indications of profit problems, I would be willing to apply for government grants to further my investigations on behalf of the government and under the direction of the Consumers' Association.

### Power Of Government Within Legislation

I also have some further recommendations that I collected from the Consumers' Association when I was there and these are things that the government is supposed to be able to do.

One here that I have is an example of an exceptional trade practice. The proposed bill to amend the Combines Investigation Act outlines a procedure that will permit the government to deal with suppliers found to be earning more than their customary profit margin on a product. I say that IGA and YK Super A are the suppliers to the people of Yellowknife. This goes on to explain how the government is supposed to be able to do this and also a way of calculating the profit.

A document that I have here from the Department of Consumer and Corporate Affairs is called "The Backgrounder Documentation". It shows the bill that the government has for any profiteering, and investigation that the government can also do. Then there is a merger, monopolies and specialization agreement. And here I have a book which is the "Report of the Director of Investigation Research: Combines Investigation Act", and it shows here how an inquiry can be initiated.

"Inquiries are initiated pursuant to section 78 and 47 of the act, the text of which appears in appendix 4. The director of investigation and research is required to initiate inquiries whenever he has reason to believe that an offence has been or is about to be committed. In practice, most such inquiries are initiated by the director as a result of informal complaints and other information coming to his attention in an informal way. The minister may direct an inquiry be made and the director is required to commence an inquiry upon receipt of a formal application of six Canadian citizens under section 7 and at the insistence of the Restrictive Trade Practices Commission under section 47."

Under the anticombines act, there are quite a few laws that stop businesses from making too much profit, from ripping off the people and so on and so forth.

### Association's Food Basket Surveys

I have another page here which was a Consumers' Association survey and what they did was a survey since January 1979 to February 1980 in which they did checks on food baskets, the prices and how much the prices went up. I took four items from that survey and those four items give me the indication that there is no competition going on between IGA and Super A. For the price of butter, which was one of the items, there is no price change. There is a little bit of price change in it. In January 1979, butter in Super A was \$1.65 and in IGA it was \$1.60. In June of 1979, it went up to \$1.75 in Super A; \$1.69 in IGA. But then in February of 1980, it was \$1.95 in both. Eggs, grade A medium; January of 1979, in Super A it was \$1.21; in IGA it was \$1.21. In June of 1979, it was \$1.21 in Super A and \$1.25 in IGA. In February of 1980, it was \$1.27 in both. Cheese slices, eight ounce package, Kraft; January of 1979, it was \$1.17 in Super A and \$1.25 in IGA. In June of 1979, it was \$1.29 in Super A and \$1.20 in IGA. In February of 1980, it was \$1.45 in Super A and \$1.35 in IGA. Sugar, four kilogram bag, Alberta sugar; January of 1979, it was \$3.19 in both stores. In June of 1979 it was \$3.05 in Super A and \$2.99 in IGA. And then in February of 1980, it was \$4.39 in both stores.

Beyond this I do not know what the government can do. I would like to hear from you as to what can be done. I also plan on making this public information. I will be sending copies to the media and making copies available to the public. I do not claim my figures to be completely accurate as I have used a three month old catalogue but my figures do indicate a problem. Thank you.

---Applause

CHAIRMAN (Mr. Fraser): Thank you very much, Mr. Davidson. I see you have put a lot of work into this. If you are prepared to answer any questions, the Members may want to question you on this presentation.

MR. DAVIDSON: Yes, I am prepared to answer questions.

CHAIRMAN (Mr. Fraser): Thank you. Mr. Stewart.

False Conclusions Might Be Drawn

HON. DON STEWART: Yes. I appreciate that there has been a lot of work put into this paper. However, using a three month old catalogue -- the figures you have here or are presenting to us really are absolutely useless. The market, especially in the last four or five months, has been going up by leaps and bounds. I would certainly like to see a comparison of actual costs on the same basis of time. But three months right now is really a bad comparison because you can draw too many false conclusions from it.

Secondly, as a matter of business practice because it is a cost to a store, when they are computing their prices, you take your cost landed price and add your markup to that because that is your dollar figure that the store has to put out. You have reversed that and taken the wholesale price, worked it out and then added the freight without any markup on freight. But freight is a cost and it is general business practice to add the markup to the freight. So then, of course, your percentages get out of whack on that basis. A study of this nature could be very, very useful but I think you have got to incorporate into such a study the manner in which business is done so that we get accurate figures. Certainly, as far as I am concerned, a three month old catalogue in this day and age -- you are comparing apples and oranges because there is just too much difference. Then again, it is a matter of how you computed your costs without adding the freight prior to adding your markup.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Stewart. I do not believe there is a question at all there. It is just a statement. Is that right?

HON. DON STEWART: That is right.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Stewart. Ms Cournoyea.

MS COURNOYEA: My understanding is that this is a concern from Yellowknife. The population of Yellowknife is concerned about their prices. Is that my understanding?

MR. DAVIDSON: Yes, it is. But it is not just Yellowknife. Since I started this thing, it spread outside of Yellowknife. A man in Fort Simpson is starting a petition against high pricing there and the CBC Yukon had me do a program for them. The Yukon people are becoming involved as well.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Davidson. Ms Cournoyea.

Calculation Of Income Tax

MS COURNOYEA: I have a supplementary. The question was the study that you gave us was concerned with Yellowknife proper. I mean, I understand there are other studies. Now, why is one section not computed as income tax that a businessman would pay? The taxation; why is that not calculated in your profit gains?

CHAIRMAN (Mr. Fraser): Mr. Davidson.

MR. DAVIDSON: That is one item I missed.

CHAIRMAN (Mr. Fraser): Thank you. Ms Cournoyca. Do you have a supplementary, Ms Cournoyca?

MS COURNOYEA: No, Mr. Chairman.

CHAIRMAN (Mr. Fraser): Mr. MacQuarrie.

MR. MacQUARRIE: Thank you, Mr. Chairman. Certainly, I think we would understand that with a single individual attempting to embark on a study like this that it is impossible to have the most up-to-date figures and to think of everything but I would still disagree with Mr. Stewart that it therefore is absolutely useless. I do not think so at all and I think that if more up-to-date figures would give us a better understanding of what is really happening, then I would invite the stores to give us those figures so that we could get a clearer picture.

As to a question, can you tell me, in your understanding, Mr. Davidson, the success of federal antitrust laws historically at proving price fixing and this sort of thing?

CHAIRMAN (Mr. Fraser): Mr. Davidson.

Difficulty In Proving Cases

MR. DAVIDSON: According to what I have read so far, the government and the anticompanies people have had great difficulty in proving a lot of these cases and that the time factor involved for investigating and studying is quite long. Usually the problem is by the time the thing is solved, the problem has already gotten out of hand and the businesses have made their profit or whatever that they were after. The amount of fines -- it mostly ends up in fines and the fines do not hurt the businessman.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Davidson. Mr. MacQuarrie.

MR. MacQUARRIE: Thank you. The theory of free enterprise, which I have not always been particularly impressed with, but the theory is that this sort of thing that you are suggesting is happening here cannot really happen because if prices are being charged that are excessive, that the way is open for another businessman, perhaps such as yourself, to start a business and sell at lower prices, attract commerce to his own store and still make a profit. Could you offer an explanation as to why you think that is not happening if the opportunity is available for it to happen in Yellowknife?

CHAIRMAN (Mr. Fraser): Mr. Davidson.

Further Study Desired

MR. DAVIDSON: It is hard for me to answer that question because all I have is rumours on what is going on. Rumours are unsubstantiated but I would like to study these rumours and find out if there is substantiation to them. I would also like to do a further investigation under the Consumers' Association. As I said the catalogue is three months old and this is why I need the Consumers' Association to help me with this and to make a further study and to find out for sure.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Davidson. Mr. MacQuarrie.

MR. MacQUARRIE: Mr. Davidson, do you know whether in Yellowknife -- and I do not so I am asking this sincerely -- whether there is a food purchasing co-op in Yellowknife and whether you, yourself, are interested in establishing such a thing? Obviously you feel something like that could be successful if it were embarked upon, that people could realize significant savings.



MR. DAVIDSON: I am looking into two possibilities of alternate sources. A co-op was tried once before that I have heard of but again, rumours have come up about that. I am trying to find out the real reasons as to why the co-op did not work. I am looking for any possible methods of getting lower prices in Yellowknife. I am not just concerned with getting government investigations. I am also looking for alternate sources myself and setting up alternate businesses.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Davidson. Mr. MacQuarrie.

Prices In Other Areas Of Business

MR. MacQUARRIE: Yes, a final one if I may, Mr. Chairman. Do you feel then that there is some legitimate reason for higher prices in the North but that not only in the area of food, but in other business areas we are actually being charged more than is necessary in order for businesses to realize a decent profit? Not only in the food area but other areas as well? Is that your opinion?

CHAIRMAN (Mr. Fraser): Mr. Davidson.

MR. DAVIDSON: Yes. It is not just food prices. It is also housing and clothing, everything. The prices are too high. They do have their costs and so on and so forth that are legitimate, but the amount of profit that they are making, I think, is too much and there is a possibility they are hiding some of the profit in saying that the cost of living and inflation has pushed it up.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Davidson. Mrs. Sorensen.

MRS. SORENSEN: Thank you, Mr. Chairman. I would also join with Mr. MacQuarrie, Mr. Davidson, and say that your information here is useful. I think that you have brought to us information that, at least in your opinion, indicates a problem and I am certainly willing to look at what you have brought before us today.

Have you, yourself, been involved in other areas of Canada with respect to food prices and attempting to get food prices down? And, if so, what has been your success rate?

Business Venture In Toronto

MR. DAVIDSON: In Toronto where I come from, I looked at pricing there and most of the prices that I found in the stores, when I checked them against wholesalers, I found that most of the items could be gotten for one quarter to one half of what they were selling for in the stores. I did try to set up a wholesaler's place myself and to supply some at a lower price. The amount of profit they were making in Toronto I thought was quite exorbitant as well; and that I could survive and create a business and continue a business with much lower profit than most of the businesses in Toronto were making.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Davidson. Mrs. Sorensen.

MRS. SORENSEN: What happened? You say you attempted to set up a co-op. What happened to it?

CHAIRMAN (Mr. Fraser): Mr. Davidson.

MR. DAVIDSON: The problem that showed up was in licensing and co-operation from the wholesalers themselves, from the businesses that supplied the wholesalers. They were not willing to go along with my idea and were unwilling to help me so I was not able to get the products.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Davidson. Mrs. Sorensen.

MRS. SORENSEN: Mr. Davidson, the territorial government just released a spatial price survey on prices that were taken in June 1980 and the figures indicated at that time that there was a 21 per cent difference in the cost of food in Yellowknife stores over those in Edmonton. Do you have any comments on that survey? I know you have seen it. And also, would you say that the cost of food in southern centres is also too high?

Problem Is A Chain Of Profit

MR. DAVIDSON: Yes, I do agree that prices for food and other items as well are too high in the South as well; and that this problem is a chain thing, that also if Horne and Pitfield, the suppliers of IGA, were investigated, we would probably find that they are making also an exorbitant profit. The suppliers to Horne and Pitfield would also. It is a chain event. It seems that everybody is ripping off everybody and the spatial food survey -- that does not indicate too much. All it indicates is that we are paying higher prices up here but it does not tell us why. It includes the amount of profit that they are making as well as by saying 21 per cent higher. How much of that is the profit that these businesses are making? A study has to be made to show why we are paying these higher prices, not showing that we are paying them. Everybody knows we are paying them but we need to know why and do something about it.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Davidson. Any further questions? Mr. Stewart.

Areas Missing From Report

HON. DON STEWART: Yes. Mr. Davidson, I certainly am concerned about high prices too and by being critical of your paper, I am not saying that we do not need to investigate it. But there are certain items that are glaringly missing in this report.

Number one, if you are going to stay in business, you have got a capital cost and you must have a reasonable return on your capital cost. Secondly, when a store stocks merchandise, it should be able to -- that also is a cost that must somewhere show up in the profit margins. If not, you are not going to survive in business. You are going to be out of business. It is just that easy. Money costs money. Interest rates today at 18, 19 per cent make it very difficult for the small business people to operate.

There is another problem. In most of the northern stores and possibly not as great in Yellowknife as it is in other places, it is a matter of volume, where really your overheads are almost the same as a large, say, Safeway store or something located in the city of Edmonton. Yet your volumes are not there to push through. Now, that is one of the basic problems of business in the North. It is your high overhead costs and your capital investment plus your investment in stock and these things all must be considered when you are analysing how much profit is being made. If you do not do that, then of course the figures that you show are not complete. I would certainly like to see a study conducted so all of these things were in there and you could have a good, hard look at them. But without those, I still feel that the figures really just go so far but they are not conclusive so that you can make a logical type of decision of whether or not, indeed, they are ripping anybody off. Or whether they are making a fair and just profit on what they have invested. That is my complaint about the report that you have here.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Stewart.

MR. DAVIDSON: May I give a statement on that? I did not come here as an expert and I did not say that my figures were totally accurate. What I have come here to say is that my figures indicate a problem and that there is a study needed to be done by experts. I say that the Consumers' Association has done studies themselves and that by working with them, I would be able to do a proper study; be able to include all the items that are missing, do a proper investigation and show proper figures and then find out if there is -- what I have indicated here actually is happening.

As to costs and so on and so forth, by my figures there where I showed that IGA was saying that 17.225 per cent was what it was costing them extra to bring stuff up here, and then the calculations that I showed there showed only about six per cent. Now, my six per cent may be wrong but I do not think it would go much higher than 10 per cent, so that would still leave seven per cent there unaccounted for.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Davidson. The time being 4:05, we will have a 15 minute recess, and I have Mr. Patterson next on the list.

---SHORT RECESS

CHAIRMAN (Mr. Fraser): The Chair recognizes the quorum. Any further questions to the witness? Mr. Patterson -- on the ball or on the bus.

HON. DENNIS PATTERSON: Thank you, Mr. Chairman. I think Mr. MacQuarrie asked this question too, but in keeping with your recommendations, I would like to ask our Law Clerk to tell us what powers we might have as a Legislative Assembly to conduct such an investigation as you propose and particularly whether or not we might have powers to summon witnesses and conduct that kind of an investigation. Thank you.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Patterson. Mr. Davidson.

MR. DAVIDSON: I do have something to say about that.

CHAIRMAN (Mr. Fraser): Mr. Davidson, go ahead.

Government Study Needed

MR. DAVIDSON: I think that a government study should be done here, because I have seen some of the government studies that were done elsewhere. An example is one that was done by Ottawa which did a study of how much the weekly average cost of groceries for a four member family at different places -- all of the major cities -- and they quoted that Yellowknife, the average cost weekly for a four member family is \$94, and that is ridiculous. A four member family here is spending a lot more than that, and I think that a government study here would be more effective in showing what it is costing, because Ottawa does not know what goes on here.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Davidson. Mr. Johnson.

LAW CLERK (Mr. Johnson): There is no specific power given in the Northwest Territories Act or in the Council Ordinance to summons witnesses, but it seems to me that it would be a traditional or a historical power that would be possessed by the House similar to the power to preserve order. There is a case that I happened to come across recently, in the Yukon in 1961, where they held that the powers, traditional powers, that were held by provincial legislatures applied to the Territories. So it would be my view you could summon witnesses as long as it was in an area of jurisdiction that this Assembly had, and also subject to the caveat, as far as any rights that might be given, for instance protection of privacy and that sort of thing -- that might raise a few issues there -- but generally speaking, I think that it would be my view that the Assembly would be able to summon witnesses to give evidence in the House.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Johnson. Mr. Patterson.

HON. DENNIS PATTERSON: Thank you, Mr. Chairman. As supplementary, do we have any legal legislative jurisdiction in the field of pricing and consumer matters?

CHAIRMAN (Mr. Fraser): Mr. Johnson.

LAW CLERK (Mr. Johnson): Yes, I think that comes under the heading, local and private nature, and we have passed legislation, for instance the Consumer Protection Ordinance, so I think that clearly would be a matter that this Legislature would have power to deal with.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Johnson. Mr. Patterson.

HON. DENNIS PATTERSON: Thank you. Just one more supplementary, Mr. Chairman. I would like to ask Mr. Davidson, did you try to get any information from either the IGA or the Super A and did you show them your research?

MR. DAVIDSON: No, I did not, because while I was doing the investigation I did not want to tip them off as to what I was doing and cause a disruption in my investigation. But I do have plans in the future of confronting them. Like I said, again, my study here is not done by an expert. I do not say that they are totally correct. When I get another study done, and using the Consumers' Association to help me, and it is done properly, if it shows the indications, then I would be willing to go to IGA and YK, or any other businessman here and speak with them about it.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Davidson. Mr. Butters.

HON. TOM BUTTERS: Mr. Chairman, am I correct in understanding that Mr. Davidson will be the last witness that will be appearing before us on this subject this afternoon?

CHAIRMAN (Mr. Fraser): Mr. Butters, I understand that the Yellowknife Consumers' Association are not going to appear, so Mr. Davidson, I guess, is the last witness we have on the cost of living submission.

Appearance Of Hudson's Bay Official

HON. TOM BUTTERS: It is unfortunate that the Consumers' Association are not here to either corroborate or clarify some of the points Mr. Davidson has made, but I was wondering whether another witness would be appearing later on during the session. I recollect there was a motion at Frobisher Bay that a senior Hudson's Bay official would be invited to appear before this House. Will that individual be appearing during this session?

CHAIRMAN (Mr. Fraser): Mr. Butters, I am informed that we have the witnesses coming in some time this month. We have not got a date of when they are going to appear but they are going to appear before the Assembly some time this month.

HON. TOM BUTTERS: So, we would probably have another opportunity to question some of the costs that are associated with bringing goods into the North and distributing them and selling them. Yes, thank you.

CHAIRMAN (Mr. Fraser): I believe so. Mrs. Sorensen.

Motion To Refer Submissions To Standing Committee On Finance

MRS. SORENSEN: Thank you, Mr. Chairman. At this time I would like to thank Mr. Davidson and to move that the submissions from the mayor of Pelly Bay and Mr. Gordon Davidson be referred to the standing committee on finance.

CHAIRMAN (Mr. Fraser): Thank you, Mrs. Sorensen. We have a motion on the floor. To the motion. Could you read the motion again please, Mrs. Sorensen?

MRS. SORENSEN: Just a motion to thank Mr. Davidson and to refer the submissions that we have received today to the standing committee on finance.

Motion Carried

CHAIRMAN (Mr. Fraser): Thank you, Mrs. Sorensen. To the motion. All in favour? Against? Abstentions. The motion is carried.

---Carried

I would like to thank you, Mr. Davidson, for the presentation and you will probably be hearing from us at a later date. Thank you very much.

MR. DAVIDSON: Thank you.

---Applause

Bill 1-81(1), Appropriation Ordinance, 1981-82

CHAIRMAN (Mr. Fraser): I believe at this time we have Bill 1-81(1). I think the Speaker had put it on the list for the committee of the whole. So we have Bill 1-81(1) dealing with An Ordinance Respecting Expenditures for the Public Service for the Financial Year Ending the 31st Day of March, 1982. Mr. Butters.

HON. TOM BUTTERS: Thank you very much, Mr. Chairman. I would like, at the outset, to thank the chairman of the standing committee...

CHAIRMAN (Mr. Fraser): Mr. Butters, I wonder if you would maybe just get the indulgence of the House to go over your time limit. If I know you, you will probably go over it and I will have to stop you so if you could maybe get unanimous consent to go your time limit, then we will let you carry on.

---Laughter

HON. TOM BUTTERS: That is awfully good thinking. Yes, sir, I will be going over my time limit and I would request the indulgence of the House to so permit.

CHAIRMAN (Mr. Fraser): Any objections? Carry on, Mr. Butters. You have an hour and 45 minutes.

---Laughter

Budget Speech

HON. TOM BUTTERS: I would again thank the chairman of the standing committee of finance and Members. I trust that the co-operation and communication that has existed between myself as the recently appointed Minister of Finance and Mrs. Sorensen and her committee will continue. I see no reason why it should not and I do agree with the suggestion that this is very much a joint effort in attempting to improve the fiscal situation of the Territories and the people that we serve. I again commend the chairman and the committee for their recommendations. We will examine those recommendations with all possible haste and move to implement them as and when we can. I noted that the chairman made a recommendation relative to the FIS, the financial information system, and while I do not make any reference to this in my remarks today, we will certainly abide by the recommendation of the finance committee in that regard.

It is my pleasure today to present to this House and to the people of the Northwest Territories this, my first budget, as Minister of Finance. In our last session in Frobisher Bay, I emphasized that continuing budget restraints is a reality which must be faced in 1981-82. The 1981-82 main estimates submitted for approval by this House totalled \$357,764,000. While this budget includes some priority program funding increases, it is essentially a status quo position for the government.

The current level of government services has been maintained in most departments but some support programs have had to be reduced in order to introduce increased funding levels in three priority areas. These three priority areas, having been identified by Members of this House during the last budget session, were political and constitutional development, renewable resources and economic development. This budget does not allow us the flexibility to significantly amend, modify or enhance existing programs or to develop new ones according to the identified needs of the residents of the Northwest Territories.

The 1981-82 estimates provide for surplus in both the operating and capital accounts. This surplus is expected to be fully required for contingencies; for example, salaries and for establishing the Central Arctic region.

### Financial Position For 1980-81

Before entering into the main text of my budget statement, I would like to comment on our fiscal position for the current 1980-81 fiscal year. Last year, you will recall that this House approved main estimates with a \$14.3 million deficit with assurance of federal support for utilities. Expenditures in the utilities have not been as high as anticipated and full federal funding support for this expenditure is expected in March. After considering the supplementary estimate request to be reviewed during this session, we expect that the deficit on this years operation will be approximately five million dollars. This amount can be fully attributed to the Housing Corporation's cumulative deficits in past years.

### Economic Forecast

The economic forecast for 1981 for the Canadian economy is not bright with inflation projected to be 12 per cent and unemployment hovering around nine per cent. A high jobless rate and a rapidly climbing cost of living will be particularly acute in the Northwest Territories. Fortunately, positive growth factors are projected for our mining and tourism industries. The opening of new mines at Contwoyto Lake and at Cullaton Lake will provide some relief to the labour situation. The tourism industry, despite inflationary pressures, is projecting more expansion in 1981-82.

The government is committed to assisting businesses and individuals in their efforts to maximize income from resource development related projects. In the development of this budget, one million dollars was allocated to the Department of Economic Development and Tourism to allow the department to assist the northern business community and northern residents in maximizing those opportunities.

### Federal-Territorial Financial Negotiations

The 1981-82 federal-territorial financial negotiations have been lengthy but also productive. As I indicated to you at the Frobisher Bay session, the operation and maintenance funding requests received from Ministers and their departments exceeded our initial target funding level from Ottawa by some \$40 million. The guideline increase for federal departments for 1981-82 was 10 per cent but the administration has been able to negotiate an approximate 18 per cent increase in the expenditure level over 1980-81. The federal government has also given a firm commitment to offset the extraordinary costs for energy incurred by this government. The federal government is also currently reviewing a special funding submission for \$10.4 million in the political, resource and economic development areas.

### Formula Based Financing

Over the past three years intergovernmental financing arrangements have not been satisfactory. Funding provided to this government has been substantially determined by federal spending guidelines with no recognition of the special needs of the Northwest Territories or its status as a government. In early 1980, a task force was set up to develop alternative financing arrangements which would address the problem of making funding more predictable and thus allow the territorial government to establish long-term plans and priorities.

A formula based financing arrangement is expected to be proposed to the federal cabinet in February of this year. It would provide the territorial government with a reasonably predictable level of funding early in the budget process. The proposal involves a three year agreement whereby the Government of the Northwest Territories would receive increases to a base level of funding according to the actual percentage increases in provincial, local government expenditures in Canada over a three year period. The base amount of funding on which the calculations would be made would include the total of operations and maintenance and capital funding.

I assure you that this government is not yet committed to this process or a formula. The financial management board will be examining this proposal more thoroughly this month. The financial planning benefits are obvious but there is a requirement to ensure that the overall level of funding provided is adequate and that funding for special items such as major resource development -- that is pipelines, etc., -- are considered outside of the agreement.

Mr. Chairman, the chairman of the standing committee on finance mentioned that I am in receipt of a letter from her on behalf of her committee regarding problems that may have occurred in our budgetary and fiscal development process this past year. I have responded to Mrs. Sorensen and I would like to respond and use this opportunity to reply because I think it is an important enough request and concern to provide Members with the full text of my reply to her letter.

"Dear Mrs. Sorensen:

"Thank you for your letter of February the 2nd, 1981. The Executive Committee is also concerned with difficulties encountered in the development of the 1981-82 budget and critically reviewed this process to determine what improvements may be introduced for 1982-83.

"As outlined in my budget presentation, I believe that the support groups to the financial management board developed an excellent budget plan and had this plan been carried out as scheduled, the process would more than have met all of our expectations. Unfortunately, a number of issues have impacted on this process, some of which were not within our control.

"Firstly, we should all realize that it is practically impossible to realistically plan the financial affairs of this government when its level of funding is not finally determined until one or two months prior to the budget session of the Legislative Assembly.

"You will appreciate that it has been extremely frustrating for the financial management board members to attempt to allocate program funding in this type of environment. During 1980 the Executive Committee was developing its committees structure and getting a new team together. The priorities and planning committee took a while to get off the ground and because Ministers were heavily involved in other matters in the summer months, it took some time for the Ministers to work with their departments and for the financial management board to get together for the final budget reviews.

"We also found that the departments did not make their budget submissions within the timeframes outlined in the budget instructions which did not provide time for reworking and compounded the difficulties in the budget review.

"Finally, the reviews were also frustrated because of the desire of the financial management board to reflect the priorities of the Legislative Assembly within an overall restraint level of funding.

"With respect to the 1982-83 fiscal year, the Government of the Northwest Territories has been participating on a task force with a view to developing a form of "formula based financing" for the territorial government. If the federal government accepts this principle, we will be working toward the implementation of this system for 1982-83 and the following two fiscal years. This type of financing would facilitate financial stability for this government and significantly enhance financial planning with funding levels having a reasonable level of predictability.

"Unfortunately, we must proceed with financial planning for the 1982-83 fiscal year on the same basis as prior years. We are currently developing forecast instructions to identify overall funding requirements for the next fiscal year and perhaps for the succeeding two years. I am working closely with the secretary of the financial management board in the development of the 1982-83 budget process and can assure you that as the Minister of Finance, I will seek to put pressure on my colleagues to ensure that the budget guidelines and deadlines are adhered to.



"I cannot promise that the process will be perfectly smooth, since it will be dependent upon the appropriateness of the overall funding levels provided to this government, the impact of priority setting on the expenditure allocation process and the co-ordinated ministerial departmental presentation. I can assure you that the Executive Committee places a very high priority on the financial planning process for this government and I will be most pleased to receive your suggestions as to how it might be improved."

I apologize for any frustrations that you may have experienced or your committee Members developed in the last year. I realize that you had to re-schedule meetings a number of times to get your input and I will do my best to ensure that the scheduling that is developed in the very near future will be adhered to through the coming fiscal year.

### Capital

In the area of capital, the development of the capital budget does not fall under my responsibility as Minister of Finance. Capital budgeting is the responsibility of the Deputy Commissioner and is handled through his regional operations secretariat. It is very important that operating and capital budgeting work closely together, since capital funding has direct impact on the operating budget, since one-time capital expenditures increase ongoing maintenance expenditures.

Now, as Minister of Finance, and I think I speak also for my fellow colleagues on the financial management board, we are very grateful, and commend the Deputy Commissioner, Bob Pilot, for the excellent organizing work he is doing and the progress he is making to bring some form into this whole process of capital planning and also to integrate and dovetail the capital planning process and procedures with the development of the operations and maintenance aspect of our budget.

### 1981-82 Budget

I would now like to address the area of the 1981-82 budget. No changes are being proposed in rates of taxation. We believe the current tax burden on northerners in relation to the cost of living is inconsistent with the concept of fiscal equity between Canadians. Further study is required to evaluate the real incomes of northerners before significant changes would be made to our tax structure.

In total, the 1981-82 main estimates for operations and maintenance are increasing by, I see increasing by 11.4 per cent over the 1980-81 main estimates. The percentage of funding in these estimates allocated to individual departments has changed from the 1980-81 estimates due to the efforts of the financial management board to increase funding in the major priority areas that have been indicated by this Assembly.

Funding allocated to the priority area of political and constitutional development -- and this includes not only this Legislative Assembly but the Executive Committee dimension of the Government of the Northwest Territories -- has been increased 29 per cent for 1981-82. This increase will provide additional funding for the special committee on education, an improved pension plan for Members of this House, an increase of three staff and funding for the Aboriginal Rights and Constitutional Development Secretariat, and additional funding associated with the expansion of the Executive Committee from five to seven elected Members.

The priority area of resource development was provided a 26 per cent increase in funding to allow the Department of Renewable Resources to assess the impact of resource development on the renewable resources of the Northwest Territories. As well, a 43 per cent increase in outpost camp contributions and a 30 per cent increase in trappers' incentive grants have been funded in these estimates.

---Applause

I agree with the honourable Member who applauded. I think that is a major achievement, and it has taken some years to increase the spending in those two areas.

The priority area of economic development was the third major area identified by the Executive Committee on your direction. As I mentioned previously, the financial management board has allocated an additional one million dollars to the Department of Economic Development and Tourism.

The Department of Local Government's budget includes a 25 per cent increase in the grants to major municipalities, as well as an increase from \$65,000 to \$163,000 for the contribution to the Baffin Regional Council. Generally, those departments which provide services to the government have borne the brunt of the restraint in 1981-82. The net budgetary increase in the Departments of Information, Personnel, Finance, Government Services, Public Works and the Financial Management Secretariat is only four per cent over the 1980-81 main estimates. Other departments generally received average increases to their O and M budget.

#### Energy Costs

In 1981-82, energy costs are expected to increase in Canada by over 20 per cent. Energy conservation for all residents of the Northwest Territories is of vital importance. We are all aware that the cost and supply of energy is the most important economic item facing us in the decade of the 80's. The Hon. Richard Nerysoo is co-ordinating this government's energy conservation program through the Departments of Public Works and Renewable Resources, and the commitment to energy conservation has been accepted by all departments of this government.

The standing committee of finance has played a strong role in the planning for the 1981-82 budget process and I anticipate that it will continue to do so in 1982-83. Its recommendations will be thoroughly reviewed by the financial management board. The financial management board, which currently consists of all elected Executive Members, as well as the Commissioner and Deputy Commissioner, has been very active during the past year. The board members' direct involvement in the federal-territorial negotiations successfully provided the final funding adjustment which enabled this government to propose 1981-82 main estimates, showing a surplus of approximately \$9.5 million for a total O and M and capital.

As this House assembles to review the 1981-82 main estimates, planning is well under way for 1982-83. There are three main areas of concentration for next years process and they are: One, development of a three year forecast for basic program costs for all departments for internal planning and external, that is for our negotiations with the federal government.

Two, refinement of the accountability base budgeting system. The next task is the establishment of performance indicators. This requirement has been made known to me by the chairman and Members of the standing committee on finance. These indicators may be used by departmental management, the financial management board, the standing committee on finance and Members of this House to assist in determining whether we are obtaining value for the money we are spending. Government expenditures are being thoroughly reviewed both in the federal and provincial governments to confirm that efficiency is a component of the delivery of programs.

Third, the final area of concentration will be the substantiation process for our negotiations with the federal government. The northern "premium" which we pay for our programs has to be formally supported and documented so that we will be in the position to obtain the funds required to pay for these costs.

Comments made during this session on how to improve the delivery of services will be seriously considered in the ongoing 1982-83 budget development process. In doing so, however, Members should also be aware that new programs or program enhancements at a significant level can only be accommodated in two ways; that is, by reductions in the costs, in -- the funds allocated to other programs or through revenue rate increases. If it is the desire of this Legislative Assembly to increase program delivery, it must also be prepared to introduce new taxes or increase rates of taxes such as Territorial income tax.

In summary, Mr. Chairman, restraint, responsible fiscal restraint is therefore a 1981-82 reality which must be faced. Although your financial management board has sincerely attempted to respond to Legislative Assembly direction, it will become evident that we have been unable to meet all of the requests for programs and capital items that you have individually and collectively requested. In our decisions, we have sought to exercise responsible fiscal management and we know that the Legislative Assembly will similarly co-operate with us in exercising similar restraint and that when you are recommending new or expanded programs, you will recognize that such direction, when it is provided to the Executive Committee, should also identify and recommend offsetting program reductions, since under current fiscal restraints the introduction of new or enhanced expenditures often required that other programs currently being provided by the Government of the Northwest Territories be reduced or cut back. I personally believe that our board's decisions would be aided if Assembly Members, when requesting new programs, would assist us in determining priorities for programs currently in existence and being offered.

That completes my presentation of the budget. There are a couple of other things I might wish to address before we go into general questions. Responding to the request of the standing committee of finance, I have asked that a capital overview be made available to Members if it can be worked out and I am hoping that such will be possible.

There is one other comment I wish to add relative to the scheduling and that is that the chairman of the standing committee mentioned that the programs would be introduced to the House on the basis of program departments first. At the caucus yesterday, I recollect Mr. Nerysoo recommending that the presentation of the departments would occur on the basis of their appearance in the budget book. I thought that that had been agreed to. If it has not, then I have misunderstood what was communicated yesterday morning.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Butters. I believe there was some discussion on that. As a matter of courtesy, maybe we will let the chairman of the finance committee make a few comments before we open the floor for general comments. Mrs. Sorensen.

MRS. SORENSEN: Thank you, Mr. Chairman. Just with respect to the finance committee's recommendation that we receive an overview of capital, I have consulted with Mr. Pilot and with Mr. Speaker who has agreed that if the Legislature is interested in receiving this overview, and I would certainly recommend that we do, that we will be able to receive it in committee of the whole as a first item tomorrow. What we will do is move back the blue wall and we will move over into the other area still allowing the press and the public to take part and we will be provided with an overhead projector and Mr. Pilot and his officials will present us with this overview. As I said, Mr. Speaker is amenable to that suggestion and I certainly would encourage the Legislative Assembly to agree to that overview.

Program Departments Should Be Considered First

With respect to the order of the departments, it was the feeling of the standing committee on finance that we would like to have program departments first simply because we are fresh, we are "hot to trot" so to speak, and we are not as irritable. If we go by last years experience, by the end of the session we were rushing through the departments and okaying them very quickly, almost before we even could see the page flip by. So it was just our general feeling that because the program departments are very, very important, and that is not to say that the service departments are not important either, but because the program departments are important, we had felt that we would like to see them come first. If the Executive has difficulty with that, we certainly would be willing to sit down with you and negotiate. I am saying that the order in the book is not that important, is it, I mean important that we follow the order in the book? I mean, is there any other reason that you have for not having the program departments first?

CHAIRMAN (Mr. Fraser): Mr. Butters.

HON. TOM BUTTERS: I think that in the planning committee it was suggested that we go by the book. I do not know that it received a great deal of discussion and that was the presentation that the chairman, Mr. Nerysoo, made yesterday. He may wish to point out some of the reasons for putting it in that order. I would imagine that the government would be interested in having a recommendation from the committee and the Members as to the order they would find most preferable. I am easy myself.

THE CHAIRMAN (Mr. Fraser): Thank you, Mr. Butters. Mr. Nerysoo.

HON. RICHARD NERYSOO: Well, I guess it was my impression that we had reached some kind of an agreement yesterday when I mentioned the method by which we would present the budget. I am not particularly hung up on, I guess, what order the budget is presented. I certainly would not mind if we really went and dealt with the budget as accordingly set out. Now, I think that the discussion in the budget is going to be one of giving directions, basically for the new year. There are probably some areas that you will want amendments in but that seems to be how I would like our discussion over the next couple of weeks.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Nerysoo. I have found that we could never go by a format. We set up a format and sometime during the session it is changed anyway. Mr. Braden, have you any comments?

Need For Certainty In Scheduling Departments

HON. GEORGE BRADEN: Mr. Chairman, I would just add that there is some need for certainty in the scheduling in order that we can set up schedules with the necessary officials who have to be present to explain some of the detail which the Ministers cannot explain. We have been working under the assumption since yesterday that this was the order that had been agreed to. Now, if there is going to be a change, I think we would like to know so we can make the appropriate arrangements.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Braden. Mr. Butters.

HON. TOM BUTTERS: Mr. Chairman, I think we have enough time to do this but I would suggest that there may be some general questions to be asked of myself relative to the budget as a whole and if that is so, I would be happy to appear at the witness table and would ask that Mr. Nielsen, Deputy Minister of Finance, be present to answer any general questions regarding the budget,

its compilation and the implications that may arise from it. I believe that the capital overview will take an hour and a half or two hours. I agree with the chairman of the standing committee that it is a most valuable presentation and I think Members will find it to be so in assisting them in their contribution to capital planning. If we looked at, for tomorrow, the Legislative Assembly, which is of very keen interest to all Members, that might give us the business for tomorrow and in the interim, the next 24 hours, the determination of the schedule that the committee might suggest would be most profitable to put forward could be drawn up. We would have it by Friday evening.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Butters. Is the wish of the House then that we call in the witnesses and open the floor for comments of a general nature? Agreed?

SOME HON. MEMBERS: Agreed.

---Agreed

Capital Planning Presentation First Order Of Business

CHAIRMAN (Mr. Fraser): Agreed. Mr. Butters, Mr. Nielsen. We have Mr. Butters and Mr. Nielsen on the witness table and we open the floor for comments of a general nature. I would like to know if it is the wish of the Members that we deal with the capital plan presentation in the Legislative Assembly tomorrow as the first order of business.

MRS. SORENSEN: Agreed.

CHAIRMAN (Mr. Fraser): Agreed?

SOME HON. MEMBERS: Agreed.

---Agreed

CHAIRMAN (Mr. Fraser): Thank you.

AN HON. MEMBER: The floor is open.

CHAIRMAN (Mr. Fraser): Mr. Wah-Shee. Comments, general comments?

HON. JAMES WAH-SHEE: No, I just wanted to...

CHAIRMAN (Mr. Fraser): You are on the air.

HON. JAMES WAH-SHEE: Could you repeat what you just said earlier? I did not catch it.

CHAIRMAN (Mr. Fraser): I asked, Mr. Wah-Shee, if it is the wish of the Members that we proceed tomorrow, first order of business, with the capital planning presentation and the Legislative Assembly budget and it was agreed. I took that there were no nays so it is the first order of business tomorrow. Thank you very much.

HON. JAMES WAH-SHEE: Thank you.

CHAIRMAN (Mr. Fraser): Comments of a general nature? Mr. Butters.

HON. TOM BUTTERS: Mr. Chairman, it might be helpful to just, by way of introduction, provide Members with some description of the budget, again what is here and how it has been put together and what they should find in this book if it is satisfactory to you, sir.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Butters. I think it would be very informative if you want to go ahead and explain the budget, and the way it is presented.

HON. TOM BUTTERS: Yes, the first thing I would ask Mr. Nielsen is if he might handle this chore for me.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Butters. Mr. Nielsen.

Explanation Of Main Estimates Document

MR. NIELSEN: Mr. Chairman, if we all have copies of the main estimate document, I would suggest we could turn to page iii, where it identifies the summary of amounts to be voted. For both the main estimates and the supplementary estimate, we divide the expenditures into two major categories.

CHAIRMAN (Mr. Fraser): I am sorry, Mr. Nielsen, I did not get the page. I did not have my book. I wonder if you could just fill us in on the page again.

MR. NIELSEN: It is small Roman numeral three.

CHAIRMAN (Mr. Fraser): Thank you. Okay, continue.

MR. NIELSEN: Vote one is the operations and maintenance vote and that is divided into items on the left hand side from one to 17. This vote provides the funding for expenditures which are required for the day-to-day operations and maintenance of all government programs. Vote two is for capital, and again on the left hand side of that page, covers items number 18 through 33. This vote provides for the funding for the expenditures required for the construction or acquisition of buildings, works and equipment. Those are the items to be voted and the following pages in the book provide more detail for each of those items. There is additional information in the main estimate document, but this information is not voted. The type of information provided, and staying on the same page at the very bottom, is work performed on behalf of third parties, as one item. This relates to work performed by the Government of the Northwest Territories, generally on behalf of the federal government, and this expenditure is fully offset by revenues.

Another item is loans to municipalities. This item has been voted in prior years but it is covered by separate legislation and we have confirmed with the Auditor General of Canada that this item does not require a vote.

Summary Of The Sources Of Income

On the following few pages we have the summary of the sources of income of the government and these are divided into three major categories, exclusive of the operating grants. The first item, being revenues, over which the Government of the Northwest Territories has reasonable control; recoveries, which are those items for which the government provides a service and obtains a revenue recovery and in the third category, transfer payments, which are those payments received from the federal government as normal payments between levels of government generally to provide for certain services undertaken by the provincial or territorial level types of governments.

The next major item that is covered in the main estimates is man years and that is on small Roman numeral eight page, and nine, and that is simply a summary of the man years for each of the departments. The total of the expenditures in all programs makes up the total expenditure in each category. For example, all operating and maintenance expenditures for all government programs are contained in vote one, and as you will see on the following pages each of the programs -- and perhaps we could refer to the Legislative Assembly as an example, which is on page 1.01 -- each of the programs is divided into activities. In the case of the Legislative Assembly, there is only one activity, and that will have a summary page which is identical to the activity.

In the following pages, for example in the Executive which is on page 2.01, there will be a summary page, followed by a number of activity pages, which will total up to that summary page. The individual pages describe the activity and summarize the major categories of expenditure, operating incomes and man years. During these budget discussions the Legislative Assembly will be asked to review and approve the expenditure levels for each of these activity pages and to vote on the level of funding for each program.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Nielsen. Are there any comments of a general nature? There being no comments, Mr. Butters, have you any further comments?

HON. TOM BUTTERS: No, sir, I do not. I think that if there are no other general questions -- obviously we will respond to Members' questions throughout the budget, both in a general nature and a specific nature as they are introduced and as we are able to respond, but I would suggest, if Members would agree now, that we could probably recognize the clock and begin tomorrow afternoon with the capital overview.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Butters. Is it the wish then that we recognize the clock? Agreed?

SOME HON. MEMBERS: Agreed.

CHAIRMAN (Mr. Fraser): Mr. Patterson, you are too late. Agreed. It was agreed we recognize the clock. Mr. Patterson, go ahead. If you want to recognize the clock the same...

#### Considering Capital Estimates Separately

HON. DENNIS PATTERSON: Well, it is just a short question, Mr. Chairman, of a general nature. I wonder this year again, as I did last year, whether or not any serious consideration has been given to the possibility of considering the capital estimates at a full session, in order that projects can start in time for -- well in advance, so that contractors, etc., can plan their work as is done in the private sector, so that materials can be ordered and to meet sealift deadlines and the like; and so that we may be able to take some advantage of lower prices by initiating projects earlier in the year. I know some discussion has taken place and I am just wondering if you would be able to share with the Assembly what your thinking is on that?

CHAIRMAN (Mr. Fraser): Thank you, Mr. Patterson. Mr. Butters.

HON. TOM BUTTERS: Mr. Chairman, yes, the financial management board did consider -- I believe it was a recommendation of the standing committee on finance that we look at that possibility and it was considered. The decision was that the current arrangement of presenting capital should not prevent the necessary tenders from being placed and goods being ordered and put on the various methods of transportation, so that we felt it would be better to keep both the capital and the O and M together and they be considered at once because of the relationship that exists to these two expenditures. But yes, we did consider it and we did not feel there would be a great disadvantage to suppliers or contractors in continuing to consider capital at the winter session.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Butters. Any further comments or is it the wish that we recognize the clock and go into capital tomorrow as the first order of business? Agreed?

SOME HON. MEMBERS: Agreed.

---Agreed

MR. SPEAKER: Thank you, Mr. Fraser.

REPORT OF THE COMMITTEE OF THE WHOLE OF THE COST OF LIVING IN THE NORTHWEST TERRITORIES; AND BILL 1-81(1), APPROPRIATION ORDINANCE, 1981-82

MR. FRASER: Mr. Speaker, in considering the cost of living topic, I wish to report that this matter has been concluded. Also, the committee has been considering Bill 1-81(1) and wish to report progress.

MR. SPEAKER: Thank you, Mr. Fraser. Mr. Clerk, have you any announcements and the orders of the day?

CLERK OF THE HOUSE (Mr. Remnant): Yes, Mr. Speaker. There will be a meeting tomorrow morning of the special committee on the impact of division at 9:30 a.m. in Katimavik A. Advance notice. There will be a meeting Monday morning at 9:30 a.m. of the special committee on education, also in Katimavik A.

ITEM NO. 14: ORDERS OF THE DAY

Orders of the day, February 6, 1981, 1:00 o'clock p.m., at the Explorer Hotel.

1. Prayer
2. Replies to the Commissioner's Address
3. Oral Questions
4. Questions and Returns
5. Petitions
6. Tabling of Documents
7. Reports of Standing and Special Committees
8. Notices of Motion
9. Motions
10. Notices of Motion for First Reading of Bills
11. Introduction of Bills for First Reading
12. Second Reading of Bills
13. Consideration in Committee of the Whole of Bills, Recommendations to the Legislature and Other Matters: Bill 1-80(1)
14. Orders of the Day

MR. SPEAKER: Thank you, Mr. Clerk. I would hope that tomorrow some person may, if it is the desire of the House, introduce a motion to extend the number of days for replies to the Commissioner's Address. We have only got two or three days left, and if you are going to do that, we should get notice in early so everybody knows how long they will have to reply. This House stands adjourned until 1:00 o'clock p.m., February 6, 1981, at the Explorer Hotel.

---ADJOURNMENT



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