



LEGISLATIVE ASSEMBLY OF THE NORTHWEST TERRITORIES

5th Session

9th Assembly

HANSARD

Official Report

WEDNESDAY, MAY 27, 1981

Pages 418 to 458

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

LEGISLATIVE ASSEMBLY OF THE NORTHWEST TERRITORIES

Speaker

The Honourable Donald M. Stewart, M.L.A.
P.O. Box 1877
Hay River, N.W.T., X0E 0R0
(Hay River)

Appaqaq, Mr. Moses, M.L.A.
General Delivery
Sanikiluaq, N.W.T.
X0A 0W0
(Hudson Bay)

Arlooktoo, Mr. Joe, M.L.A.
Lake Harbour, N.W.T.
X0A 0N0
(Baffin South)

Braden, The Hon. George, M.L.A.
P.O. Box 583
Yellowknife, N.W.T.
X0E 1H0
(Yellowknife North)
Leader of the Elected Executive and Minister
of Justice and Public Services

Butters, The Hon. Thomas H., M.L.A.
P.O. Box 1069
Inuvik, N.W.T.
X0E 0T0
(Inuvik)
Minister of Finance and of Economic
Development and Tourism

Curley, Mr. Tagak E.C., M.L.A.
Rankin Inlet, N.W.T.
X0C 0G0
(Keewatin South)

Cournoyea, Ms. Nellie J., M.L.A.
P.O. Box 1184
Inuvik, N.W.T.
X0E 0T0
(Western Arctic)

Evaluarjuk, Mr. Mark, M.L.A.
Igloodik, N.W.T.
X0A 0L0
(Foxye Basin)

Fraser, Mr. Peter C., M.L.A.
P.O. Box 23
Norman Wells, N.W.T.
X0E 0V0
(Mackenzie Great Bear)
Deputy Speaker and Chairman of Committees

Kilabuk, Mr. Ipeelee, M.L.A.
Pangnirtung, N.W.T.
X0A 0R0
(Baffin Central)

McCallum, The Hon. Arnold J., M.L.A.
P.O. Box 454
Fort Smith, N.W.T.
X0E 0P0
(Slave River)
Minister of Health and of Social Services

MacQuarrie, Mr. Robert H., M.L.A.
P.O. Box 2895
Yellowknife, N.W.T.
X0E 1H0
(Yellowknife Centre)

McLaughlin, Mr. Bruce, M.L.A.
P.O. Box 555
Pine Point, N.W.T.
X0E 0W0
(Pine Point)

Nerysoo, The Hon. Richard W., M.L.A.
General Delivery
Yellowknife, N.W.T.
X0E 1H0
(Mackenzie Delta)
Minister of Renewable Resources and of Energy

Noah, Mr. William, M.L.A.
P.O. Box 125
Baker Lake, N.W.T.
X0C 0A0
(Keewatin North)

Patterson, The Hon. Dennis G., M.L.A.
P.O. Box 262
Frobisher Bay, N.W.T.
X0A 0H0
(Frobisher Bay)
Minister of Education

Pudluk, Mr. Ludy, M.L.A.
P.O. Box 22
Resolute Bay, N.W.T.
X0A 0V0
(High Arctic)
Deputy Chairman of Committees

Sayine, Mr. Robert, M.L.A.
General Delivery
Fort Resolution, N.W.T.
X0E 0M0
(Great Slave East)

Sibbeston, Mr. Nick G., M.L.A.
P.O. Box 560
Fort Simpson, N.W.T.
X0E 0N0
(Mackenzie Liard)

Sorensen, Mrs. Lynda M., M.L.A.
P.O. Box 2348
Yellowknife, N.W.T.
X0E 1H0
(Yellowknife South)

Tologanak, The Hon. Kane, M.L.A.
Coppermine, N.W.T.
X0E 0E0
(Central Arctic)
Minister of Government Services

Wah-Shee, The Hon. James J., M.L.A.
P.O. Box 471
Yellowknife, N.W.T.
X1A 2N4
(Rae - Lac la Martre)
Minister of Local Government and of Aboriginal
Rights and Constitutional Development

Officers

Clerk
Mr. W.H. Remnant
Yellowknife, N.W.T.
X0E 1H0

Clerk Assistant
Mr. D.M. Hamilton
Yellowknife, N.W.T.
X0E 1H0

Law Clerk
Mr. E. Johnson
Yellowknife, N.W.T.
X0E 1H0

Editor of Hansard
Mrs. M.J. Coe
Yellowknife, N.W.T.
X0E 1H0

Sergeant-at-Arms
Mr. Jim Miller
Hay River, N.W.T.
X0E 0R0

TABLE OF CONTENTS

27 May 1981

	<u>PAGE</u>
Prayer	418
Oral Questions	418
Questions and Returns	419
Notices of Motion	422
Motions	422
Consideration in Committee of the Whole of:	
- Hudson's Bay Company Operation and Activities in the Northwest Territories	426
Report of the Committee of the Whole of:	
- Hudson's Bay Company Operation and Activities in the Northwest Territories	457
Prorogation	458

HAY RIVER, NORTHWEST TERRITORIES

WEDNESDAY, MAY 27, 1981

MEMBERS PRESENT

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

ITEM NO. 1: PRAYER

---Prayer

SPEAKER (Hon. Don Stewart): Orders of the day for May 27th.

Item 2, replies to the Commissioner's Address.

Item 3, oral questions.

ITEM NO. 3: ORAL QUESTIONS

Ms Cournoyea.

Question 69-81(2): Oil Spill At Camp Farewell On Richards Island

MS COURNOYEA: Mr. Speaker, I have a question to the Commissioner in regard to the 750,000 gallons of oil spilled at Camp Farewell on Richards Island. Could the Commissioner please report to this Assembly what has taken place and what the status is of that oil spill?

MR. SPEAKER: Mr. Commissioner.

Return To Question 69-81(2): Oil Spill At Camp Farewell On Richards Island

COMMISSIONER PARKER: Mr. Speaker, I have a report that came from Inuvik, which I would like to use as a reply if I may, concerning the oil spill at Camp Farewell.

"Inuvik district water resource officer on site at 9:55 a.m., May 25th, 1981. Canmar personnel have set up base camp at Camp Farewell. Mr. Larry Fraser of Dome Petroleum is commanding operations. The majority of fuel has been contained on land within the diked tank farm. Other small dikes have been constructed on land to prevent further seepage. One boom is in place at a major point of entry to the Mackenzie River. Crews are working to contain oil at minor points of entry. The oil entering the river is being contained by ice one to one and a half miles downstream at this time. No sign of sheen past that point. A small portion, estimated at less than 10 barrels of oil, has entered the river at present. Minor quantities have escaped the boom in place. A second boom and boat will be on location as weather permits to provide further containment in case of change in weather and ice conditions. Wind conditions are aiding the operation at this time. Waterfowl are being scared from the area by a monitor on site.

"Possibly two tanks containing diesel fuel, water and sludge have been emptied, calculated at 175,670 gallons, within the diked tank farm. As the level of fuel is lowered within the diked area, the cause will likely become apparent. RCMP will be on site this afternoon." I believe that meant the afternoon of the 25th. "Clean-up is progressing well. One diked area has been emptied, and the second is being pumped out. Fuel is being pumped back into storage tanks. An accurate estimate can be made of fuel loss upon completion.

"Canmar's response team will remain on site for five to 10 days to mop up further oil released by melting snow. Inuvik district water resource officer will continue follow-up. Samples of spilled product collected this morning by Dome personnel."

MR. SPEAKER: Thank you, Mr. Commissioner. Oral questions. Mr. Fraser.

Question 70-81(2): Payment Of Charter From Inuvik To Fort Good Hope

MR. FRASER: Mr. Speaker, I have a question for the Minister of Social Services. Would the Minister tell me if Social Services is prepared to pay a charter that originated from Inuvik to Fort Good Hope, bringing the family of a dying man to the hospital at Inuvik? Apparently some consultation was made through the Inuvik region.

MR. SPEAKER: Mr. McCallum.

Return To Question 70-81(2): Payment Of Charter From Inuvik To Fort Good Hope

HON. ARNOLD McCALLUM: Mr. Speaker, before Members of this House get the wrong impression as to the situation, I would like to clarify it, but I will first answer the question of the Member. No, I am not prepared to pay an unauthorized charter contracted by the chief of the Fort Good Hope band, I think it was a month or so ago. The charter was unauthorized by my department officials, and I am not prepared to pay that bill.

There was a young resident from Good Hope who was in the Inuvik General Hospital, dying of leukemia. His parents were in Inuvik, and a request was made for the department to transport other members of the family to Inuvik to be at the hospital. We denied the request. The chief of the band council took the initiative and chartered a plane to transport these members of the family into Inuvik. He has now, of course, forwarded that bill for that flight to the regional superintendent for payment. I have indicated to my officials that I am not authorizing payment of that particular amount of money for that charter.

We have many requests for compassionate travel and we do react to them. We do transport parents to the bedsides where people are dying. In fact just about a week after this incident I did, at the request of a Member of this House from the Eastern Arctic, approve a transport, for the same particular reason, I think it was from Pond Inlet, to Victoria, where an Inuit girl was dying. We have many particular requests of the same kind for compassionate travel assistance. We try to do it in terms of immediate family, but not the total family.

MR. SPEAKER: Thank you, Mr. Minister. Oral questions. Item 4, questions and returns.

ITEM NO. 4: QUESTIONS AND RETURNS

Are there any written questions for today? Mr. McLaughlin.

Question 71-81(2): Highway Between Enterprise And NWT-Alberta Border

MR. McLAUGHLIN: Thank you, Mr. Speaker. My question concerns the condition of the highway between Enterprise and the Northwest Territories-Alberta border. Will the Commissioner provide any plans which the department of highways has to improve this section of road in order to end the dangers caused by the narrow widths, heavy truck traffic, and dust? Will these plans include a reconstruction of this section of highway, which appears to have a poor base and ditch drainage system, which makes it more costly to maintain and contributes further to the dangers of operating a vehicle on this road, especially in the summer when there is a combination of dust, heavy tourist and transport traffic, and highway maintenance vehicles all on the highway at the same time? Thank you, Mr. Speaker.

MR. SPEAKER: Thank you, Mr. McLaughlin. Any further written questions? Are there any returns for today? Mr. Butters.

Minister's Statement On Uranium Mining In The NWT

HON. TOM BUTTERS: Mr. Speaker, while I recognize that the matter of mining uranium in the Northwest Territories will be an ongoing concern of this House, I would like to use this opportunity to inform the Members of the action that the government will be taking on this matter over the next few months until we meet again.

I think during the debate on uranium development, the speakers placed the most emphasis on the human and environmental safety of the mining, milling and processing of uranium ore. Uranium mine development in the Northwest Territories is likely many years away. For example, if Urangesellschaft decided today to put their Keewatin properties into production, it would take six or more years to get a mine in operation. Given this time frame, there is time for this government to develop legislation and regulations to ensure that the territorial population and environment will be protected. To this end, I will seek to arrange for interested MLA's to visit representative uranium mines in Canada, and it might be possible, too, at the same time, to include a visit to a nuclear generating station.

Second, in consultation with Mr. Nerysoo and Mr. Braden, I will carry out a review of existing federal territorial and provincial legislation and regulations to determine what additional legislation and regulations are required to ensure human safety and environmental protection in the Northwest Territories with regard to the exploration for, and the mining and milling of, uranium.

Third, again in consultation with Mr. Nerysoo and Mr. Braden, I shall arrange that a paper be placed before the Legislative Assembly in 1982 which would recommend legislative and regulatory courses of action which can be taken to ensure health and environmental safety and ensure that the Territories will receive maximum benefits from such development.

MR. SPEAKER: Thank you, Mr. Minister. Any further returns for the day? Mr. McCallum.

Return To Question 44-81(2): Land Use Lease/Permits

HON. ARNOLD McCALLUM: Mr. Speaker, with your permission I would like to table some returns on behalf of my colleague, Mr. Wah-Shee. These are replies to written questions. The first is written Question 44-81(2) asked by Mrs. Sorensen on May the 20th, regarding land use leases and permits.

The Department of Local Government does not have this information readily accessible. It would take one or two months to compile. It would be necessary to hire a casual employee to do this work because it is not the regular duty of

anyone in the department. It would also require co-ordination between the federal and territorial governments. The Department of Local Government is looking into the possibility of providing this information but I cannot give my assurance that it will be made available.

Return To Question 23-81(2): Rental Of Government Premises To Interprovincial Pipe Lines Limited

Further question on behalf, again, of Mr. Wah-Shee to written Question 23-81(2), asked by Mr. Sibbeston on May 15th, regarding rental of government premises to Interprovincial Pipe Lines.

The Government of the Northwest Territories is renting a house to IPL in Wrigley. IPL required a housing unit for a short term and the agreement is on a month to month basis. Either party may terminate by giving 30 days notice. The rental rate is \$710 per month, including utilities. Any cost related to upgrading or maintenance, including charter services, are charged back to IPL.

Return To Question 60-81(2): Construction Of Airstrip, Paulatuk

Reply to written Question 60-81(2), asked by Ms Cournoyea, regarding the airstrip at Paulatuk.

Ministry of Transport plans call for construction of a longer airstrip in Paulatuk in 1983-84. The Department of Local Government has been attempting to move the construction date up to 1982-83 and will again be addressing this matter at an upcoming meeting with Ministry of Transport officials. There was never a possibility of any construction taking place in 1981-82. The Paulatuk council has been fully informed of the construction timetable and will be advised of the results of the upcoming meeting.

Return To Question 63-81(2): Maintenance Of Highway, Pine Point To Hay River

Finally, Mr. Speaker, reply to written Question 63-81(2), asked by Mr. McLaughlin, regarding the maintenance of the highway between Pine Point and Hay River.

The highways division of the Department of Public Works has not accumulated sufficient actual cost experience to prove savings for asphaltic surfacing since the experience will have to relate to the projected six year life of the treatment. Experience to date is favourable and current maintenance standards and unit costs indicate cost effectiveness for the chip seal asphaltic surfacing as opposed to a calcium chloride treated gravel surface.

Other highway sections have been tentatively scheduled for this treatment. However, asphalt prices are anticipated to escalate appreciably and it may well be that proposed projects in future years cannot demonstrate cost effectiveness for this type of surfacing in lieu of repetitive use of dust palliatives. A firm schedule for future projects is indefinite at this time, since negotiations are under way with the federal Department of Indian Affairs and Northern Development to increase the funding level for the road construction program preparatory to turnover of this program to the territorial government. Thank you.

MR. SPEAKER: Thank you, Mr. Minister. Are there any further returns?

Item 5, petitions.

Item 6, tabling of documents.

Item 7, reports of standing and special committees.

Item 8, notices of motion.

ITEM NO. 8: NOTICES OF MOTION

Mr. McLaughlin.

Notice Of Motion 16-81(2): Recognition Of Jeanne Brezinski

MR. McLAUGHLIN: Thank you, Mr. Speaker. At the appropriate time I will be asking for unanimous consent to move the following, seconded by the Member for Mackenzie Great Bear, that Mrs. Jeanne Brezinski receives the recognition of this House for her dedicated and spirited service.

MR. SPEAKER: Thank you. Notices of motion. Mr. Braden.

Notice Of Motion 17-81(2): Appreciation Extended To Support Staff And Residents

HON. GEORGE BRADEN: Mr. Speaker, I will be asking for unanimous consent at the appropriate time for the following motion. Now therefore, I move, seconded by Bruce McLaughlin, that this Assembly express its appreciation to our support staff and to all the residents south of the lake for their hospitality during this session.

---Applause

MR. SPEAKER: Thank you, Mr. Braden. Notices of motion. Item 9, motions.

ITEM NO. 9: MOTIONS

Mr. McLaughlin.

Motion 16-81(2): Recognition Of Jeanne Brezinski

MR. McLAUGHLIN: Thank you, Mr. Speaker.

WHEREAS Mrs. Jeanne Brezinski will be terminating her employment with the Legislative Assembly office;

AND WHEREAS Mrs. Jeanne Brezinski has given excellent service to the Members of the Legislative Assembly since August, 1976;

NOW THEREFORE, I move, seconded by the Member for Mackenzie Great Bear, Mr. Pete Fraser, that Mrs. Jeanne Brezinski receives recognition in this House for her dedicated and spirited service.

MR. SPEAKER: You rushed that a little. I would ask, do we have unanimous consent to deal with the motion?

AN HON. MEMBER: Agreed.

MR. SPEAKER: Agreed? I do not hear any nays. Are you ready for the question? Mr. Patterson.

HON. DENNIS PATTERSON: I have to just very briefly speak, Mr. Speaker, to say that I very much appreciate this motion being made because Mrs. Brezinski has served all Members with equal dedication and efficiency and humour, even those of us who are hard to get hold of, and live some distance away. Perhaps particularly on behalf of those Members, I would like to give my strong support to the motion. Thank you.

MR. SPEAKER: Thank you. To the motion. Mr. Butters.

HON. TOM BUTTERS: Mr. Speaker, I think Members will know that we are not losing Mrs. Brezinski's services because she is coming to work for me as my executive assistant.

AN HON. MEMBER: Boo!

AN HON. MEMBER: Shame, shame!

---Laughter

HON. ARNOLD McCALLUM: You devil! You devil! You devil!

HON. TOM BUTTERS: I would just like to say the old statement about my gain is the Assembly's loss does not apply here. I think that Members will find that the same conscientious attention to detail, the same efficiency and patience and the same drive and desire to serve Members of this House will be demonstrated by Mrs. Brezinski in her new role with the Government of the Northwest Territories.

MR. SPEAKER: Thank you. Mr. Fraser.

MR. FRASER: Thank you, Mr. Speaker. I must say that I thought a lot more about Jeanne than to jump out of the frying pan, I think, right into the fire. Of course, that department might be able to use a little bit of expertise. Maybe we can get something done through Economic Development.

---Laughter

---Applause

I am very sorry to see Jeanne leave the Legislative Assembly. She has been a very faithful servant to the Assembly as far as I am concerned. I have no complaints with Jeanne's work. I only hope that they do not turn the work that she has been doing over to one of those fancy computers they have been talking about.

---Laughter

I am sure that everybody could be replaced, as the saying says, but it is going to take a little while and a little bit of time. When we move the Assembly out of Yellowknife, it is going to take a lot of work to replace Jeanne because she seems to know what she is doing and gets the staff going and keeps the Members happy -- I am not talking about after work, I am talking about sitting.

---Laughter

We have our own Members here for that.

---Laughter

I suppose you are going to declare a conflict of interest now.

---Laughter

Mr. Speaker, I am very sorry, as I said, to see Jeanne leave our employ. I only hope that Mr. Butters can do justice and use her the right way. Thank you.

---Applause

MR. SPEAKER: To the motion.

HON. ARNOLD McCALLUM: Nobody is going to follow that.

Motion 16-81(2), Carried

MR. SPEAKER: Are you ready for the question? All those in favour? Opposed, if any? Let the record indicate it is unanimous.

---Carried

---Applause

Mr. Braden.

HON. GEORGE BRADEN: Mr. Speaker, do I have unanimous consent to proceed with my motion?

MR. SPEAKER: Unanimous consent?

AN HON. MEMBER: Agreed.

MR. SPEAKER: Proceed, Mr. Minister.

Motion 17-81(2): Appreciation Extended To Support Staff And Residents

HON. GEORGE BRADEN: Thank you, Mr. Speaker.

WHEREAS this Assembly has received once again excellent service from its interpreter corps, Legislative Assembly staff, ministerial support staff, Mr. Clerk, Deputy Clerk, Law Clerk;

AND WHEREAS this Assembly and its support staff had the opportunity to meet on many occasions, formally and informally, with many residents and organizations in Hay River, Pine Point, and Fort Resolution;

NOW THEREFORE, I move, seconded by the Member from Pine Point, Mr. McLaughlin, this Assembly express its sincere appreciation to our excellent support staff and to all the residents south of the lake for their hospitality during this session.

SOME HON. MEMBERS: Hear, hear!

MR. SPEAKER: Thank you, Mr. Minister, to the motion. Mr. McLaughlin.

MR. McLAUGHLIN: Thank you, Mr. Speaker, I think after hearing what the Members said about Mrs. Brezinski, as an example of what has been done, and a lot of the other staff who are also behind the scenes do not get much credit and they all work hard. I would like to make just one example of the things -- I am not saying that this person worked harder than anyone else -- but one example of a member of our support staff from the interpreter corps who did a lot of work was Johnaise Akumalik. One thing he did, by example, is the day that the Minister was here, we decided at the last minute that we would move the caucus room from this building to the Ptarmigan Inn, complete with all the equipment and the booth and the microphones and everything. He did that and then moved it, and had it back up and ready to use over here for a meeting later that afternoon. So that is just an example of the excellent support staff that we have and I would just like to second that motion of Mr. Braden's.

HON. ARNOLD McCALLUM: Hear, hear!

MR. SPEAKER: To the motion. Mr. Patterson.

HON. DENNIS PATTERSON: Of course, I support the motion, Mr. Speaker. I would just like to very briefly pay tribute particularly to yourself and Mr. McLaughlin and Mr. Sayine and the people of Hay River for having made arrangements for us to visit and enjoy your communities. Mr. Speaker, since meeting here, there has been some fairly active discussion amongst the eastern Members about whether or not we might, in fact, wish to include Hay River in Nunavut.

---Laughter

---Applause

AN HON. MEMBER: Point of order.

HON. DENNIS PATTERSON: You will have to do something about this terrible weather though, and we tend to agree that we might want to repaint the exterior of the school. I support the motion and again would like to particularly pay tribute to the dedicated staff. Thank you, Mr. Speaker.

MR. SPEAKER: Thank you, Mr. Minister. To the motion. Mr. Butters.

HON. TOM BUTTERS: Just briefly, sir, to use this opportunity to thank the staff of the Clerk and the Clerk and the interpreters for the very excellent service they have given us on this occasion and on many occasions in the past. You are blessed with excellent servants, Mr. Speaker.

AN HON. MEMBER: Hear, hear!

MR. SPEAKER: To the motion. Mr. Kilabuk.

MR. KILABUK: (Translation) I would like to thank the interpreter corps, because they really help us an awful lot. I thank them because they help us with the oral questions and returns. I would like to thank the Clerks for all their help and also the town of Hay River for bringing us here. I would also like to mention that I am glad that the water has finally cleared up. Thank you very much, Mr. Speaker.

MR. SPEAKER: Thank you, Mr. Kilabuk. To the motion. Ready for the question?

AN HON. MEMBER: Question.

Motion 17-81(2), Carried

MR. SPEAKER: All those in favour? Opposed, if any? Let the record show it was unanimous.

---Carried

---Applause

Mr. Fraser.

MR. FRASER: Mr. Speaker, I would like to stand on a point of privilege. I sort of got carried away when you were dealing with Jeanne Brezinski's resignation, but if I may -- when Jeanne was looking for another job she was quite concerned and I just happened to walk in and I said "Well, I have a job for your Jeanne." She said, "How much?" and I said "Three and a half a day". She said "Three and a half what?" and I said "Three meals and half the bed."

---Laughter

She said, "You will save money on me, because I do not eat breakfast and if you are any good in bed, I will miss lunch too."

---Laughter

MR. SPEAKER: Believe me, Mr. Fraser, that is using privilege.

---Laughter

It is a good thing it is the last day.

---Laughter

Item 10, consideration in the committee of the whole of bills, recommendations to the Legislature and other matters.

ITEM NO. 10: CONSIDERATION IN COMMITTEE OF THE WHOLE OF BILLS, RECOMMENDATIONS TO THE LEGISLATURE AND OTHER MATTERS

Hudson's Bay Company operation and activities in the Northwest Territories and Sessional Paper 1-81(2), Principles for the Development of an Agricultural Policy, with Mr. Fraser in the chair.

For the information of the House, the Mace has been broken and cannot be moved, so the Mace will have to stay in its relative position.

---Legislative Assembly resolved into committee of the whole for consideration of Hudson's Bay Company Operation and Activities in the Northwest Territories, with Mr. Fraser in the chair.

PROCEEDINGS IN COMMITTEE OF THE WHOLE TO CONSIDER HUDSON'S BAY COMPANY OPERATION AND ACTIVITIES IN THE NORTHWEST TERRITORIES

CHAIRMAN (Mr. Fraser): The committee will come to order. We are dealing with the Hudson's Bay Company operation and activity in the Northwest Territories. A motion was made in Frobisher Bay by Mr. Kilabuk to have the Hudson's Bay appear before the House. I welcome the Hudson's Bay to this Assembly. I am sure some of the Members have some very interesting questions and it will be most informative to hear what the Hudson's Bay have to say to some of the questions. So with that, I will maybe ask the Sergeant-at-Arms to see that the Hudson's Bay representatives are seated at the witness table.

Before we go into any presentations, I would like to introduce the Hudson's Bay Company witnesses, if you will just stand as I call your name. Marvin Tiller, general manager of national stores.

---Applause

Gordon Harkness, division manager, western division, national stores.

---Applause

George Whitman, public affairs manager.

---Applause

Thank you very much, gentlemen. That is just for the benefit of the Members, if they want to direct a question to any particular manager. Now, we will have to inform you that if you have a presentation to make to the Assembly, before you proceed with your presentation, you will have to talk very slowly, because we have the interpreters who are for the benefit of the Inuit Members here. After we hear your presentation, maybe you have some requests and there will be a question period. So with that, maybe you can proceed with your presentation, if you have a presentation. Thank you very much.

MR. TILLER: Thank you, Mr. Chairman. With your permission, could we ask Mr. Whitman to go up and set up the slide projector?

CHAIRMAN (Mr. Fraser): Is it agreed that we ask Mr. Whitman to set up the slide projector?

SOME HON. MEMBERS: Agreed.

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

---Agreed

This is not a skin show or anything, is it? I wonder if one of the witnesses could tell us if they want to have the presentation with the slide show first and then the question period after. Is that the way you wish to proceed with your presentation?

MR. TILLER: Mr. Chairman, we would like to proceed that way, if we may.

CHAIRMAN (Mr. Fraser): Thank you very much. Proceed then. Somebody blow out the lamp.

---Laughter

Presentation By Hudson's Bay Company Officials

MR. TILLER: Mr. Chairman, Members of the Assembly, thank you for your invitation to appear before you to discuss the Hudson's Bay Company's operations in the Northwest Territories. As I am sure many of you know, we have a long association with the North. Indeed, our company began with fur trading operations in what is now northern Canada more than 300 years ago and we have, we feel, a special relationship with the people of the North. I hope that what I have to say to you today will help to clear away what I think are some misunderstandings about our operations and to provide you with the kind of information that will help you in your task of administering this vast land.

I want to speak directly to some specific statements made by the Assembly at the time of the invitation to appear here and to outline in some detail both our policies and our practices in serving the people of the North.

Before that, however, I think I should say something of the overall operations of the Hudson's Bay Company. Hudson's Bay Company itself is a holding company with investments in merchandising, natural resource operations and land development. The company's land development interests include investments in housing and shopping centre developments in Canada and the United States. Its natural resource interests include investments in Hudson's Bay Oil and Gas Company Limited and Roxy Petroleum Limited. In merchandising, the company operates primarily through three retail groups. They are The Bay, Simpsons Limited and Zeller's Limited. Simpsons and Zeller's operate exclusively in the South, whereas The Bay, of course, has facilities throughout Canada. In total, there are more than 600 stores in the combined retail operations.

The Bay, the principal merchandising arm of the Hudson's Bay Company, operates throughout the North and in many southern communities outside the major metropolitan areas through its national stores department, which is headquartered in Winnipeg. Here is a photo of our building. I am the general manager of this department and am responsible for the operations of the department's 227 stores from as far north as Resolute Bay to as far south as, virtually, the border of the state of Maine.

World's Largest Fur Trading Company

Let me turn now to the North, specifically. I mentioned at the outset that the Hudson's Bay Company began through fur trading. Well, today we are the world's largest fur trading company, with major auction houses in London, England, Montreal and New York. Most of the fur is ranched mink and Persian lamb, which we handle on consignment. In addition, however, other furs, including those we buy in the North, are sold at the auctions. In the Northwest Territories we buy principally beaver, muskrat, mink, otter, squirrel, marten and lynx in the woodland area and above the tree line, white fox and hair seal.

We buy furs for cash. In addition, trappers have the option of placing their furs with the Hudson's Bay Company on consignment for direct sale at the auction. The prices we pay are established at the beginning of the production period and adjusted up or down during the production period in response to market conditions. Fur markets for most varieties tend to peak in the February auction and then decline steadily for the rest of the year. For example, beaver of the same size and quality ranged from a high of \$56 in February last year to a low of \$39 in June. As this is a general pattern in most varieties, fur tariffs seldom increase after the middle of January. The only exception to this seasonal fluctuation is hair seal. Its market changes are generally spread over two to three years of slow increases or declines.

I think it is important to point out here that for decades now, since the 1940's, in fact, we have bought between 35 and 45 per cent of all furs sold in the North. This is especially significant, I think, when you consider that transportation services and market outlets available to trappers have increased dramatically through direct auction selling, co-ops and independent traders. We think that our ability to maintain our share of markets in the face of such new and aggressive competition demonstrates that our prices are fair and that we, too, are competitive.

Perhaps I should mention, in passing, that The Bay also markets a number of other northern and northern related products through its stores. These include, for example, Inuit and Indian art and handicrafts. Most of the carvings and other arts and crafts which we purchase directly from artists in the Northwest Territories are sold worldwide through this modern arts and crafts distribution centre located in Montreal.

Three Classifications Of Retail Operations In The NWT

I would like to discuss, now, our retail operations in the Northwest Territories. As I mentioned, the national stores department is spread over a very large geographical area. As you might expect with so many stores in so many communities, we must maintain a wide range of stores in terms of size, type, merchandise content and so on. In general, however, we group them into three classifications.

The first classification we call inland stores. Inland stores are located in isolated or semi-isolated communities normally not serviced by an all-weather road or rail system. Most are smaller stores with the lines of merchandise carried limited to basic goods appropriate to local needs and include food, clothing, hardware, sundries, firearms, ammunition, boats, motors, ski-doos and other similar types of vehicles. Some examples of inland stores would be Coppermine, as you see here, Repulse Bay, Baker Lake or Rankin Inlet.

The next category is smaller merchandise stores. These ones are generally serviced by all-weather road and/or rail. These are typically one-industry towns with strong local competition and demanding assortments of the department store variety. These markets will often include a food department, but not necessarily. Examples of the second classification of stores would be markets like Pickle Lake or Balmertown or Red Lake, Ontario.

The third classification of stores are what we call larger merchandise stores. These represent more urbanized markets where the demands and taste level of the consumer require us to carry much broader merchandise assortments, with a higher level of fashion content, leisure, recreational and sporting goods. These operations are basically junior department stores reflecting, to a considerable extent, an assortment of merchandise closer to what we might expect to see in the city. Some examples of what we call our larger merchandise stores are Fort McMurray; Marystown, Newfoundland; Yellowknife -- and a few other shots that give you an idea of this type of store.

It would be fair to state that all three types of stores can be found in the Northwest Territories.

The Bay operates a total of 39 stores in the Northwest Territories, with a total of over 556,130 square feet, of which approximately one half is selling space, with the other half being used for non-selling services and warehousing. Individual store sales range from a low of \$300,000 to \$400,000 to over five million dollars. We employ a total of 502 full-time, part-time and casual employees in the Territories, with an annual payroll of approximately \$4.5 million.

Objectives For Operations In The NWT

Our company has a number of important objectives for its operations in the Northwest Territories:

- (1) To provide the inhabitants of this region with the broadest possible selection of merchandise, both foods and dry goods;
- (2) To offer the lowest possible prices;
- (3) To provide comfortable and attractive facilities in which to shop and to work;
- (4) To be a major economic force in the North in terms of employment, development and transportation, and to swiftly adapt to changing environments;
- (5) To be good corporate citizens to the extent that we participate and make meaningful contributions to important social and economic issues;
- (6) To ensure a reasonable return on our investment, to the extent that we will continue to be a viable and productive operation in the North, and be in a position to improve upon our services and facilities for our customers, and enhance benefits and working conditions for our employees.

Assortments

I would now like to take some time and examine our operations relative to these stated objectives. It has been charged in this Assembly that The Bay has never consulted the people of the North on what it sells. Mr. Chairman, we consult the people of the North every day on what they want. That is what being a retailer, a storekeeper, is all about, knowing what your customers want. If you do not know what they want, or do not supply it, somebody else will, and you will be out of business. We have been in business a very long time indeed, and the basic reason is that we listen to our customers.

Throughout the past decade, the demands of the customers of this market have increased considerably. Television, travel, education and mass media exposure have led to a demand for broader assortments, higher fashion taste levels, and much more leisure and recreational merchandise. The Bay has had to respond to these demands with better and larger facilities, and different types of merchandise fixtures. For example, our new two-by-four module with upright shelving allows us to present 30 per cent more merchandise than previously, thereby helping us to meet these new demands for more categories of merchandise. If one examines some of the larger Bay stores in the North, markets such as Inuvik, Yellowknife or Frobisher Bay, the assortments offered and the range of merchandise available is that of a junior department store in any southern market.

The Bay in the North also is required to cater to unique needs and demands of its customers in this area. Working with the people of Bombardier over the past few years, we have developed and begun to market a special skidoo designed for rigorous Arctic environments. It is called the "Nordik". With the introduction of television into many northern communities, we have worked closely with the government agencies to ensure a good understanding of the timing of these programs, and the availability of proper quantities and types of TV's.

We buy and stock certain merchandise which has a unique demand in the North. Some of the items would be wind pants, duffel, ice chisels, trapping equipment and all-terrain vehicles. We recognize unique fashion and colour preferences of our customers in the North and bring the merchandise in accordingly. For example, in the case of parkas, the colour preference in the Northwest Territories is wine, navy or dark green. We do not ship in many pastel colours.

We operate food stores in many northern markets. Over the past 10 years we have expanded and improved our food assortments considerably. We have installed modern refrigeration fixtures, walk-in freezers, and new food gondolas which allow us to maintain good standards with perishables and other foodstuffs. I know that you are interested in our food pricing policies, and I will speak to that in detail in a few minutes. Let me say now, however, that as a general statement we believe our assortments are up-to-date, fresh and current. In addition, savings available to Bay customers throughout Canada from major promotional events are available to our customers in the Northwest Territories; that is, spring and fall Bay days, birthday sales, Christmas sales, and so on.

NWT Facilities

As I mentioned before, The Bay operates a total of 39 stores throughout the Northwest Territories. You can see the stores are pretty well distributed throughout the entire territory from the far side of Baffin Island right across to the Beaufort Sea and up as far north as Resolute Bay. Incidentally, our store in Resolute Bay burned to the ground a few weeks ago, and we are now in the process of organizing to rebuild.

During the past decade, we have undertaken a very ambitious program to build brand new replacement stores, or to upgrade, renovate and expand existing stores. Since 1971 we have spent almost \$16 million on capital projects. Over one half of that total amount was spent on new stores. About \$4.5 million was spent to renovate and expand existing stores, with the remainder being spent on warehouse facilities and dwellings.

As most of you are aware, Yellowknife has been renovated on several occasions, and here are a few slides of our Yellowknife store. We have just completed a much needed renovation in Inuvik, and although I have not yet had a chance to see it, I am told it looks pretty decent.

The largest single capital project ever undertaken by The Bay in the Northwest Territories is the new Frobisher Bay store. The new store has a total of over 56,000 square feet, of which about 30,000 square feet is selling space, and features attractive soft and hard lines, heavy goods, a supermarket, as well as a snack bar. Unfortunately, the dry goods section of this store was not yet open when these slides were taken, so you are seeing mostly the food operation. This store, which just became fully operational this month, required a total capital outlay of \$4.3 million.

We believe this program of upgrading our facilities to improve the environment within our stores, both for our customers and for our staff, to be very important. Shopping has been made easier and much broader assortments of merchandise are being presented. Of the 39 stores in which we operate in the Territories, 17 are brand new stores, which replaced older units; 17 were renovated and expanded and there are still five stores which have to be renovated or completely replaced. We have made provisions to work on those five markets in our five year capital budgets.

Distribution Systems And Pricing Policies

It must be stated that the final cost to the consumer of certain types of merchandise is higher in the Northwest Territories than in the metropolitan areas of the South. This is especially true for perishable food products such as meats, vegetables and fruits. The main reason, of course, is the high cost

of air freight from southern markets. It may interest the Assembly to know that The Bay spent an estimated \$6.6 million on the total freighting of merchandise into and through the Northwest Territories during 1980. The rates continue to increase. For example, the tariff to move general cargo in the Eastern Arctic sea lift has increased by over 25 per cent in 1981. Despite all this, however, The Bay, with its purchasing power and highly developed transportation systems is able to distribute retail goods in the North as cheaply, indeed more cheaply, than any other organization or concern of which I am aware.

Food purchasing agreements are undertaken with suppliers on a corporate basis and include all food to be sold by the company, be it Toronto, Winnipeg or Arctic Bay. Group orders are placed where possible, and this is most often to enable us to buy directly from the source, rather than through a wholesaler or a broker, thereby allowing us to obtain both lower freight rates to the railhead or the major distribution point. We bulk buy on unique merchandise requirements for the North, sometimes up to a one year supply. A couple of examples would be pilot biscuits, in which we would purchase over 90 per cent of the source's total production or Klim, a Danish powdered whole milk product, for which we would purchase over 90 per cent of the source's total production.

There are a large number of transportation and distribution programs undertaken by The Bay, some highly developed, some in the development stage, which result in lower costs with the advantages being passed on directly to the customer through lower prices. Aggressive consolidation of small shipments is taking place throughout our distribution network to avoid minimum billing costs and high cube rate costs. We are improving the use of container shipments to lower freight rates.

Where air freight has to be used, we have moved toward chartered aircraft wherever possible, making up full loads to reduce freight costs and to avoid high regular tariff rates. The Arctic sea lifts and the barge transportation system in the West have matured into operating and cost efficient systems. Rates are negotiated on an annual basis, which means that all staple merchandise moved into the North on these systems remain at the same price throughout the year.

Because we land a full years supply of merchandise into the market annually, it is not subjected to the inflationary price increases which can happen on a frequent basis in the South. This means that prices for staple merchandise can often look pretty good compared to southern prices. I am certain those of you who are coffee drinkers will recall not too long ago that we were selling coffee more cheaply in the Arctic than in the city of Toronto, and all this, by the way, despite the fact that we are obliged to tie up funds for an entire year in our inventory. And you know the cost of money these days.

For the sea lift and barge systems we have moved exclusively to palletization, trailers and containers to avoid damage, theft and excessive handling. This allows us to offer a better commodity at a lower cost. Finally, in the Western Arctic we have developed our own trucking system with service from our Edmonton merchandise centre right up to Inuvik.

National stores operates three merchandise distribution centres, one each in Edmonton, Winnipeg and Montreal. That is the Montreal merchandise centre there. Montreal is the main centre, with a capacity of 230,000 square feet and services all of the Northwest Territories stores. Because suppliers cannot or indeed will not service our remote stores with direct orders in the quantities and packs that they require, we must stock merchandise in these centres to meet the special needs of these stores.

I hope I have now shown that we do, indeed, listen to our customers and that we do make special efforts to meet the special needs of the people of the North.

Pricing Policies

I would now like to turn to the issue of pricing policy and state clearly The Bay's policy for different types of merchandise.

In the case of foods we have two policies, one for non-perishables and one for perishables. In the case of both categories, markups are clearly established and carefully monitored. For example, markups range from 10 per cent on butter and milk to 20 per cent on canned tomatoes, 25 per cent on poultry and up to 30 per cent on meats and frozen packaged goods. Markups for perishables and non-perishables are identical to those in southern markets.

First of all, dealing with non-perishables, retail prices are based on landed costs, using freight rates via the basic route, plus the required markup. The basic route is the least expensive method of moving the goods into the market, whether that be sea lift, waterways or winter road. We attempt to order an annual supply of this type of merchandise. In practice, this is sometimes not possible for such lengthy periods. When more stock is necessary, in the case of basic food items such as flour, sugar, lard, canned milk and tea, it must be brought in via air transport which is extremely costly. In such cases, basic foods are costed at the basic freight rate, for example, sea lift, and retailed accordingly. It is interesting to note that our stock turns in the North average only one to one and one-half times per annum for this type of merchandise as opposed to 11 or 12 stock turns per year in the South. I am sure you will appreciate the added burden this places on our company, considering the current cost of borrowing.

Now, in the case of perishables, perishables include meat, produce, bread and dairy products and must be flown into the market at very high costs. The retail price on these products bears the full freight. However, the markup per cent is taken on the prime cost of the goods, plus the basic or least expensive freight cost for surface transportation. Additional freight costs are then added to establish the selling price. The result of this is that, for example, a five pound bag of potatoes in Pond Inlet retails at \$7.10, with an actual freight cost of \$5.15, or \$1.03 a pound to move it into Pond Inlet. One litre of milk has a local retail price of \$3.34. Of that, \$2.58 represents the freight cost to move it into Pond Inlet.

That brings me to another point which I think needs correction. Once again, in the comments associated with the invitation to appear before this Assembly, it was said that local produce from the Hudson's Bay store in Frobisher Bay costs 70 per cent more than some food items purchased in Montreal. Mr. Chairman, there is no locally grown produce in Frobisher Bay. Secondly, to lay down fresh produce in Frobisher Bay at 70 per cent more than Montreal prices is, in our view, a remarkable achievement of planning and organization.

In the case of basic dry goods, we adhere to the following policy. Prices are centrally established in Winnipeg and equal industry standards. Company policy will not permit northern prices to exceed southern prices by more than 10 per cent, even if the normal markup cannot be achieved. The only exception is on heavy merchandise, such as bicycles, Honda all-terrain vehicles and some heavy hardware items. Secondly, where an item is prepriced on the package or container, the indicated price will be our retail price.

Like basic food items, certain staple retail items such as ammunition, trapping supplies, rubber boots and so on are considered important to the economic base of the community. If and when replenishment orders are required during the year, this merchandise is cost-landed at basic surface freight rates, with excess freight being charged separately against the operation.

We believe our pricing policies in the North to be fair and competitive. However, because of ever increasing cost of freighting into the North, we continue to work for savings which can be passed on to the customer. The Bay has competition in most of its 39 Northwest Territories markets. In fact, there are co-operatives in 25 of these markets. Indeed, we welcome competition, as it provides a bench mark against which to measure our own performance. Our prices are monitored regularly against competition through food pricing surveys, the last one of which was completed in the first quarter of this year. That survey showed that in most cases The Bay's prices were lower than those of the competition.

Native Employment And Management Development

Turning to the subject of our employees, I previously mentioned that we have a total of 502 employees in the Northwest Territories. We are extremely proud of the fact that about 270 of these total employees are Inuit or natives. In native communities, most of our staff are native people, and as a matter of policy we try to maximize our native staff complement. We have been somewhat less successful in recruiting and developing native management to supervise stores or groups of stores. At the moment we have 28 management trainees in this region, and one store manager. As our objective, we would like to see native management in all native communities. We realize that this is not an easy task because of cultural differences and competition from government. Nevertheless, we are continuously working on programs amongst ourselves and with outside consultants and Canada Manpower to improve our performance, and I might add that our company would welcome any assistance from any agency or body that we may get.

Corporate Citizenship

In the area of corporate citizenship, the Hudson's Bay Company began recently to develop an inventory of the opinions of our managers and staff about priority areas of social responsibility, their present involvement in projects both on and off company time, some idea of the contributions being made in money, merchandise or services, and an assessment of our ability to measure progress on any of these projects. Our managers were asked to identify problems specific to their store operations, so possible connections to much broader social needs could be pinpointed. One aim of the inventory is to generate creative ideas and programs that can be useful in resolving community issues before they reach crisis proportions.

An example of a perceived community need has led to the development and implementation of our nutrition upgrading program. Because we are major food retailers in many communities in the Northwest Territories, we are concerned about the health and well-being of our customers. The program's goal is nutritional status improvement. The objectives include increasing consumer nutrition awareness and nutrition knowledge. Thus, consumers will be able to make better informed choices from among the non-indigenous foods. This behaviour, we hope, will ultimately lead to a healthier population. The present focus is on Inuit communities in the Central and Eastern Arctic, where 18 communities are now involved.

The program includes shelf labels based on Canada's Food Guide; sets of native drawn posters, store handouts and monthly newsletters which go to the store manager and staff, settlement council, health committee and the nursing station, the education committee of the school, the adult educator, and the radio society. Theme related colouring sheets which are free with a purchase of good food, provide positive reinforcement and interest regeneration. We feel that this program marks a milestone in co-operation between various levels of government and the private sector, and we have made a major financial commitment to ensure it continues and grows.

We were gratified last month to learn that our chief nutritionist, Marjorie Schurman, was awarded the prestigious General Foods' award for excellence in nutrition communication for her work in the North. The honour was bestowed upon Ms Schurman in the presence of Governor General Edward Schreyer, and it was the first time that this award has gone to the private sector.

Other examples of the company's co-operation with government and the private sector may be cited in the Kissiliriyeet committee, which was formed to address the problems of the sealskin trade. I should like to quote from the committee's text of their booklet. "We will work with the Hudson's Bay Company which has already helped us considerably... we will work with the manufacturers of sealskin products. We will work with fashion designers. We intend to build this industry up to a point where we can all be proud of it." We, too, are proud that the company was able to play a part in this process.

In May of 1980, we initiated meetings with the CBC to discuss a proposal for a joint venture in producing tapes and record albums of several native musicians from the Territories, and we are delighted at the overwhelming success of this project. The Bay is marketing these products through its stores -- and I have a number of albums here if anyone is interested -- and sales of the product at the Cannes music festival in France were most encouraging, with the distribution rights being quickly bought up by representatives of most countries in attendance.

During 1980, in co-operation with government, we supported and gave significant financial assistance to Captain Lewis Voisey of Eskimo Point, toward purchasing a small freighter to establish Tavani Freighting. During 1981 Tavani Freighting Limited of Eskimo Point will be transporting our cargo to Fort Severn, Ontario, and to Repulse Bay, out of Churchill.

We are actively engaged in working with government agencies in the Northwest Territories with respect to energy conservation and energy efficient buildings. At the moment we are involved in joint projects in Frobisher Bay and Rankin Inlet.

Return On Investment

Mr. Chairman, it is not our practice to discuss financial data publicly. However, I would like to make some general comments about our objectives and our performance. The return objective for mature northern stores -- that is, five years and older -- is 20 to 25 per cent on net assets before interest and before

corporate taxes. This objective is the same in the South. If you consider that our average cost of borrowing is about 12 per cent, and our tax rate is 50 per cent, you will note that our net return objective comes to only about five per cent. It is interesting to compare that objective, Mr. Chairman, with current bank savings account rates of about 15 per cent. We have some stores in the Northwest Territories that are meeting or, in fact, doing a little better than that objective, especially mature older operations. We also have many stores that are not achieving it and a few are significantly below it. One can be certain that the new Frobisher Bay store will be some years before we will be able to achieve the return objective. However, our policy dictates that, where our store in the North or in an isolated area is a vital service to the community, we will continue to operate the store even if we are incapable of generating a reasonable return, and we do have some of those situations. Chesterfield Inlet, for example, is a small community which is slowly losing its population base due to outward migration. Overall, there are, perhaps 12 to 15 communities where our operations are not presently achieving our return objectives.

The Hudson's Bay Company strives to provide the people of the Northwest Territories with a modern, efficient, retail distribution service in return for a reasonable return on capital invested. That return is important for several reasons.

It is important to our customers for the quality of store and services we are able to provide. It is important for our employees to give them better compensation and benefits. It is important to our shareholders so that they might continue to invest money over the long term in this part of the country.

Optimistic About The Future Of NWT

We are optimistic about the future of the Northwest Territories: The general health, education and economic opportunities for the people continue to improve; we think traditional forms of transportation will continue to undergo great changes -- especially all-weather air service and road transportation, and this should have a significant and positive social impact; the development of a number of mega projects in this region should lead to shifts in population, both indigenous and new people, all of which will provide new challenges and opportunities.

Mr. Chairman, I came here today to try and set the record straight on my company's policies and practices. I hope that I have succeeded in showing that we as a company value, understand and, to the best of our ability, serve the interests of the people of the North. I hope you will agree with me that the Hudson's Bay Company in the North uses its best efforts to be competitive and fair in what it buys, is principled in what it sells, and conscientious and responsible in all its dealings with the people of the North. Mr. Chairman, I thank you for your invitation to appear before this Assembly.

---Applause

CHAIRMAN (Mr. Fraser): Thank you very much. I am very pleased, and I am sure a lot of work and effort went into this presentation, and I think it is one of the best that I have seen, along with the slides. At this time I am sure some of the Members would want to talk to you. We are going to break for 15 minutes for coffee, then we will come back to a question period after 15 minutes. Thank you very much.

---SHORT RECESS

CHAIRMAN (Mr. Fraser): The Chair recognizes a quorum. Mr. Tiller and Gordon Harkness are, I take it, at the witness table and are prepared to answer any questions from the Members, and if you are finished with your presentation now, is there something else that you would want to say before we proceed into a question period? I am not going to set a time limit on it, but I think an hour should give us plenty of time to go into a question period. If you are finished with your opening remarks, we will go right into the question period.

MR. TILLER: We are finished, Mr. Chairman.

CHAIRMAN (Mr. Fraser): Thank you very much. The floor is open. Mr. Braden.

Location Of Northern Crafts In Southern Stores

HON. GEORGE BRADEN: Thank you, Mr. Chairman. In the Hudson's Bay stores in southern Canada, The Bay has a section called "Canadiana", I believe that is right, and in the Canadiana section they display arts and crafts that have been produced throughout Canada, but I think, Mr. Chairman, that on one of your many trips to Calgary or Edmonton, you will have noticed that they also display a lot of arts and crafts from the Northwest Territories, from very good carvings and wall hangings to parkas.

Now, Mr. Chairman, when I was the Minister of Economic Development, I remember talking to some of my officials who did express some concern about the location of this Canadiana section in Bay stores in southern Canada. I think it is fairly obvious that if the displays are in a high traffic area where there are a lot of customers, the products get much more display and exposure and hopefully sell a lot more. Now, given that the arts and crafts industry is very important to the Northwest Territories, I would just like to ask the witnesses if they have any comment on this, or if they had any discussions with our officials about maybe the possibility of looking into moving the Canadiana section to another appropriate location. I believe the one problem area that my staff raised with me was with an Edmonton store. Thank you, Mr. Chairman.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Braden. The question is directed to any of the witnesses, anyone who feels that they want to answer, just pass that mike back and forth and we will let you answer. Thank you.

MR. TILLER: Thank you, Mr. Chairman. We have made a major commitment in our southern department stores to be the number one retailer of Inuit and native art in 1981. We have developed models, in terms of merchandise content, in terms of location, and in terms of a commitment to appoint a highly specialized individual on a full-time basis to service and man these departments. It is quite correct that as of today, to my knowledge, in Edmonton and in Winnipeg and Vancouver, our departments leave something to be desired. However, in terms of the choice of location, our research and our experience in the retail trade tells us that high traffic density is not an important criteria, in fact can be a negative in the promoting of this highly specialized and very interesting type of art because of the customer.

The customer falls into two categories basically. The number one customer is the collector, the highly knowledgeable individual. The number two customer is the impulsive buyer, buying a low-ticket type of item for a gift. It is important to service both types of customers, but our research has shown us that location is not necessarily in a high density, high traffic area.

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

Northern Consumer Pays More

HON. TOM BUTTERS: Thank you, Mr. Chairman. I wish to join your complimentary remarks to our witnesses regarding their presentation, and the material that they have presented to us, and the pictures and words were most helpful.

I wish to read from the report three items here. You mentioned that "...The Bay spent an estimated \$6.6 million on the total freighting and merchandise into and through the Northwest Territories during 1980". On the same page, "...the tariff to move general cargo in the Eastern Arctic sea lift has increased by over 25 per cent in 1981". And on page 11, "...to lay down fresh produce in Frobisher at only 70 per cent more than Montreal prices is, in our view, a remarkable achievement of planning and organization".

Now, all those statements suggest that the northern consumer is paying an inordinate amount more than his southern colleague, a very remarkable amount more than the southern Canadian who lives two or three blocks from your Edmonton store or your Montreal store. I wonder, sir is the witness aware of presentations that have been made in the North that the territorial government develop a policy of assistance in transportation of food stuffs into the North, similar to that which has been implemented in northern Saskatchewan. Judging on the basis of the company's costs for freight, have they any idea what such a subsidy might cost in the Northwest Territories?

CHAIRMAN (Mr. Fraser): Thank you, Mr. Butters. Did you get the question?

MR. TILLER: Yes, we did. Thank you, Mr. Chairman.

MR. HARKNESS: Yes, I am very familiar with the program that was established in northern Saskatchewan. We work very closely with the department of northern Saskatchewan in implementing that program. It has been highly successful, although it should be pointed out that we are dealing primarily with just four communities. The rest of the communities in northern Saskatchewan are serviced by road, and are not subject to the same high freight costs.

I believe the program in northern Saskatchewan in its first year was subsidized to the tune of something in the region of one million dollars. I am not sure what the cost would be in the Northwest Territories, but it would have to be considerably more. We are dealing with much higher freight rates. As an example, in northern Saskatchewan, we were dealing with air freight rates in the region of about 40 or 45 cents per pound, whereas, in the Northwest Territories, we are dealing with rates which are well over one dollar in many communities, so the cost would be considerable. I do not know what the figure would be, but it would be considerable.

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

HON. TOM BUTTERS: Mr. Chairman, on another matter, on page 10, with regard to pricing policies, just for my own understanding and clarification, is the markup made on the cost of the product at its southern distribution centre, or is the markup made on the cost of the product at, say, Frobisher Bay, or wherever it arrives? In fact, does the markup include the freight?

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

MR. HARKNESS: As indicated by Mr. Tiller, we have two pricing policies. One...

CHAIRMAN (Mr. Fraser): Mr. Harkness...

MR. HARKNESS: I am sorry. My apologies.

CHAIRMAN (Mr. Fraser): You will have to just wait for the interpreters to finish, and then address the Chair. Mr. Harkness, okay.

Two Pricing Policies

MR. HARKNESS: Mr. Chairman, we have in fact two pricing policies which apply in our food department. One applies to what we refer to as dry groceries; those items which we put in by barge on a yearly basis, and just as in the case

in southern Canada, where freight is taken into consideration, our markup is based on the landed cost. As far as our perishables are concerned, we use the basic freight rate which, in most cases, is a barge freight rate, and we apply our markup to that plus the cost of the merchandise, and to that we add the difference between the air freight rate and the barge freight rate.

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

HON. TOM BUTTERS: Just one more question. On page four of the brief, it says that one of the company's important objectives is "to be good corporate citizens to the extent that we participate and make meaningful contributions to important social and economic issues". On page 13, one of the contributions you indicate is the "development and implementation of nutrition upgrading".

I wonder if in view of the fact that a number of your managerial staff in the North are extremely skilled in the operations of business endeavours and initiatives, whether the company has not considered allowing such people in communities where that expertise is not available to offer it in their spare time, as it were, to offer a local businessman some advice on his accounts or his systems or his marketing procedures or just to provide a business expertise to budding entrepreneurs in smaller communities.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Butters. Mr. Harkness, or Mr. Tiller.

MR. TILLER: Thank you, Mr. Chairman. At this point in time, we have not given consideration to such a project, but we would be highly susceptible to working with a body or a community to develop such a program. There have been, on occasions, circumstances in remote inland communities -- not in the Northwest Territories -- where we have moved in and assisted in the establishment of a single free enterprise store or co-operative. So it is not a precedent. We have done it, but we have not yet done it, to my knowledge, as of recent in the Northwest Territories.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Tiller. For your information, Mr. Butters is the Minister of Economic Development. I think he is trying to get a few pointers.

---Laughter

I have Mr. Kilabuk on next, and you will have to use your radios. I think it is on channel four, and Mr. Kilabuk is the one that made the motion to have the Hudson's Bay officials come in, and he has some questions for you. Mr. Kilabuk.

MR. KILABUK: (Translation) Mr. Chairman, I would really like to thank the Hudson's Bay people for coming here. We are sorry that we could not have them in the February session at Frobisher Bay. I am pleased that they are here in Hay River. I have worked with the Hudson's Bay and my father has also worked with them for 35 years. I have seen the achievement of the Hudson's Bay.

Pricing Of Food Items

Our people have asked us to ask you about the prices of sealskins. This matter concerns us quite a bit. I have three or four questions that I want to put forth. The first question is the foods that you carry, sometimes these products do not feel very good, and I think that the prices on produce increased quite a bit. I wonder if you could tell me how you go about pricing the canned goods.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Kilabuk. Mr. Harkness.

MR. HARKNESS: Mr. Chairman, as far as the price of food items in the North is concerned, we use the industry standard markups for our pricing, and in the majority of our communities in the North, our food items are delivered once a year, by barge or by ship in the East. Our pricing is based on the landed cost of getting the merchandise to the store. In other words, what we pay for the merchandise, plus the freight costs of getting it to the store, and to that we apply a markup which as I indicated is what the industry as a whole uses throughout the rest of Canada.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Harkness. I think we have lost a quorum. If we want to sit and ask questions of the witnesses, we are going to have to keep a quorum. We cannot sit in the House without a quorum, so I will ask Members to just wait now until we get a quorum. Mr. McLaughlin, if you would be good enough to count next time, before you leave the House...

---Laughter

...if you know how.

---Laughter

Thank you very much. I am sorry, Mr. Harkness. Were you finished with your answer?

MR. HARKNESS: Yes, Mr. Chairman, I think that adequately answered Mr. Kilabuk's question.

CHAIRMAN (Mr. Fraser): Thank you. Just before we proceed with the next question, I would like to recognize Chief Jim Antoine from Fort Simpson.

---Applause

Mr. Kilabuk, have you another question?

MR. KILABUK: (Translation) Mr. Chairman, I did not understand. The canned goods that came in last year -- I did not really understand, between the ones that came on the last ship, sea lift foods that came, and between the ones that came through air freight, why they put them in the same price category.

CHAIRMAN (Mr. Fraser): Mr. Harkness. I think the Member wants to know why the prices are the same for the goods that came in by ship and goods that came in by air. Is that right, Mr. Kilabuk?

MR. KILABUK: (Translation) Yes, I did not understand why the canned goods that came in last year by sea lift were put in the same price category as the ones that came in by air freight.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Kilabuk. Did you get the question, Mr. Harkness?

Consumer Does Not Pay More During The Year

MR. HARKNESS: Yes, Mr. Chairman, I think I understand what Mr. Kilabuk is getting at. First of all, I would like to point out that when we establish our retail price for food items, after the sea lift, that price stays in effect until such time as we have to supply new stock the following year. In the event that we should run out of some basic items, they are cost slotted again at the barge rate, and the consumer does not pay any additional price. The only change there might be -- if there was a change in the price from the supplier from the time we bought it in the summer of the previous year to the time when it was resupplied sometime before the barge, or the sea lift the next year. That is about the best explanation I can give in that situation, I think.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Harkness. Mr. Kilabuk.

MR. KILABUK: (Translation) What I am trying to say is, even though some of the items that came through the sea lift last year -- people do not like this, when they are finished and they reorder, they just put them through at higher prices, even though some of them were from the last sea lift. Is that understandable?

CHAIRMAN (Mr. Fraser): Thank you. Did you get the question, Mr. Harkness?

MR. HARKNESS: Yes, Mr. Chairman. It is not our policy to increase the price of an item from the time it is received until that stock runs out, and I will be very interested in checking into this particular case. I assume Mr. Kilabuk is talking about Pangnirtung, in this case, and we will be willing and very pleased to check into it and come back and advise on the situation. I do not know exactly what happened in Pangnirtung, but I can say that our policy is that once we establish a price, that price does stay in effect until such time as new stock arrives.

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

Sealskin Prices Not Known

MR. KILABUK: (Translation) Thank you very much, Mr. Chairman. I understand, when I was working, it never used to be handled this way before. I am thinking, I do not know if the people who work for The Bay do this on purpose or not, but Mr. Chairman, I would like to ask this question and would like this to be clarified. The sealskin price, even though it is written down -- our people know about this but the price is never reached. I do not know why, and I never understand this, about the pricing of the sealskins and the fox furs. We never know how much they really are worth when they are being brought to The Bay to get their income from the fox fur or sealskin.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Kilabuk. Mr. Whitman.

Furs And Skins Are Commodities

MR. WHITMAN: Yes, Mr. Chairman. I would like to say that skins and furs are different from merchandise in that they are commodities, and a variation in price depends upon two things, basically. One is the current market price in effect at the time the skin is sold or sent to auction, and, secondly, the condition of the respective skins. Both those are factors, and I think, as we stated earlier, we buy furs either for cash, or we will ship furs to the auction where the buyer takes his chances on the changes in the market.

CHAIRMAN (Mr. Fraser): Thank you.

MR. KILABUK: (Translation) Thank you, Mr. Chairman. I would like to ask another question. The sealskin, in the springtime, we know as Inuit, their fur is not in a good condition at that time. In the springtime they are beautiful -- the quality of the sealskins is not as good in the springtime. The prices seem to go up. We do not understand why. We have this concern. We would really like to know why the price of the sealskins goes up when the quality of the skin is not as good.

CHAIRMAN (Mr. Fraser): Thank you. Mr. Harkness -- Mr. Whitman, I am sorry.

MR. WHITMAN: Thank you, Mr. Chairman. Once again, the fluctuation in price is determined by the demand for that particular skin. At certain times of the year, buyers seem to want to get skins. At other times of the year, the demand is down. I think this is the basic reason for the price difference. We try to make available to all people from whom we buy skins, prices that were in effect at the time of the last auction sale, so that they may wish to either sell at a particular time for cash, or to let us have the skins on consignment.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Whitman. Mr. Kilabuk.

MR. KILABUK: (Translation) Thank you, Mr. Chairman. I know that, but my constituents have told me this. My constituents seem to be the ones that are selling the most. We never know why there is always a big difference between these communities that are close together. The sealskin prices are always different. We have been wondering about this matter.

CHAIRMAN (Mr. Fraser): Mr. Whitman.

Difference In Quality Of Skins

MR. WHITMAN: Yes, indeed, there are great differences in the quality of skins produced by different communities. This was one of the reasons why we participated with this government in the Kissiliriyeet project, so that people who produce skins would learn how to prepare them to get the best dollar for their product. I think you all know that there are certain communities in the Eastern Arctic that produce excellent skins, and there are other communities in other parts of the North who have not yet learned how to process them to the best degree that is possible. I hope that the film that your government has just finished making will go a long way toward helping educate those who handle skins and to prepare them in the best way.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Whitman. Mr. Kilabuk, do you want another question?

MR. KILABUK: (Translation) Thank you, Mr. Chairman. Would you clarify to me, if there are thicker skins than others and how do you judge the quality of the sealskins?

CHAIRMAN (Mr. Fraser): Mr. Whitman.

MR. WHITMAN: I think, Mr. Kilabuk, that it is most important that all of the fat be removed from the skins before they are piled one on top of the other. The staining from the oxidation that occurs to give that golden colour reduces the market value of a skin to almost nothing.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Whitman. Mr. Appaqaq.

MR. APPAQAQ: (Translation) Thank you, Mr. Chairman. I would like first to thank the people that are here from the Hudson's Bay Company. I will speak on behalf of my constituency. The company...

INTERPRETER: Excuse me, but I cannot understand him. I am going to get somebody else.

CHAIRMAN (Mr. Fraser): Thank you very much. Mr. Appaqaq, they are going to get somebody else. They do not understand your dialect. So, I will put you on after we get another interpreter. Thank you. Mr. MacQuarrie, I think you had your hand up first, but I am going to let Lynda Sorensen talk first. Age before beauty. Mrs. Sorensen, go ahead.

---Laughter

MR. MacQUARRIE: Thank you very much, Mr. Chairman. I may never get a chance.

MRS. SORENSEN: That is three, Mr. Fraser.

---Laughter

MR. MacQUARRIE: Was that your idea, Mr. Chairman?

---Laughter

MRS. SORENSEN: But I will not say thank you, Mr. Chairman. First of all, I too would like to say that I enjoyed your presentation. I think it was well presented and certainly I have questions that arise from the presentation itself, but first I would like to refer you to your annual report and in particular to page 14. I will, perhaps, wait until you get a copy of your report.

CHAIRMAN (Mr. Fraser): Do you like that coat, Lynda?

---Laughter

MRS. SORENSEN: You may or may not know that many Members of this Legislature are going to be trying later this year to sell the people of the North on dividing the North into two territories -- two new jurisdictions -- and it seems to me that these Members are going to need some good advertising people and I would like to find out who did that ad for you. It certainly sold me and if, by the way, it is George Whitman, I think he should have a medal. Mr. Fraser, if you do not get it, I will tell you later.

CHAIRMAN (Mr. Fraser): Flattery will get you nowhere.

---Laughter

Lack Of Responsiveness To Complaints From Consumers

MRS. SORENSEN: Mr. Chairman, I would like to talk somewhat about the experience that I have had in my former role as a consumer advocate. First, I would say that I have been aware of the nutrition program that The Bay has undertaken, primarily in the Eastern Arctic, and have followed it with some interest and find that it is, to a large degree, a good program. In my experience as a consumer advocate and in my experience in the work that I did with many small communities with the local people, I found that there was not so much a lack of responsiveness on the part of The Bay to their complaints, but rather, a lack of understanding on the part of the consumer on how to complain. I see that as part of your good corporate citizenship, you have said that you will do work in the whole area of nutrition. I wonder if, number one, you perceive the problem somewhat similarly to the way I do with respect to consumer complaints, and number two, whether The Bay might not consider actively getting involved in the area of teaching their customers how to complain, by perhaps putting out material in the various communities on the proper steps and including with that, the name and address of the head offices, but very definitely including in that pamphlet, or whatever, done in the native languages, the proper steps on how to complain to The Bay. Thank you, Mr. Chairman.

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

MR. WHITMAN: Thank you very much. We would be very pleased to take this latter suggestion of yours under advisement. I completely agree that a part of our educational function should be devoted in this particular line and if you would like, Mrs. Sorensen, I would be pleased to have our nutritionist, Marjorie Schurman, get in touch with you and meet with you so that together you both may plan for the implementation of this particular idea.

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

MRS. SORENSEN: My fee is that coat on page 14.

---Laughter

I would be very pleased to work with the nutritionist, Mr. Whitman. Thank you very much. Now, I would like to move on to another question. You have already responded to the question that Mr. Butters had with respect to the markup on

landed cost and you said that you do it, but you did not carry on to justify it. I find it very difficult to understand why The Bay would see it necessary to provide a percentage markup on that portion of the cost that we know is freight. Could you please provide this House with a justification on that policy?

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

MR. TILLER: Thank you, Mr. Chairman. As we mentioned in our presentation, we do not take markup on all freight. We take markup only on the basic, least expensive method, be it barge, sea lift or winter road. In terms of the exorbitant air freight, we do not take a markup on this. We tack it onto the end and it is added into the retail price with no markup taken on it.

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

MRS. SORENSEN: But you have said that you do provide a markup on freight -- perhaps not the highest freight, but some portion of the freight that you pay -- but I have not heard a justification for that. Why is it necessary? I think that the consumer is prepared to pay the freight costs, and perhaps an equalized freight cost as well, if all things were taken into account, but why does The Bay feel it necessary to put a percentage markup on that portion of its cost?

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

Retail Industry Takes Markup On Freight

MR. TILLER: Mr. Chairman, my response to that question would be that taking a markup on a part of freight is an industry standard that allows the company to pay their bills and achieve a reasonable return on their investment. That is the justification, to pay the bills and to receive a reasonable return. It is standard in any form of retail industry, to take a markup on the freight part of the cost. However, we believe that it is not necessary nor justifiable to mark up expensive air freight and, therefore, we do not do it.

CHAIRMAN (Mr. Fraser): Thank you. Mrs. Sorensen, have you a supplementary?

MRS. SORENSEN: I have one more question.

CHAIRMAN (Mr. Fraser): Mrs. Sorensen.

MRS. SORENSEN: Mr. Chairman, I would just like to further clarify something that Mr. Kilabuk brought onto the floor and that was with respect to the pricing of new merchandise when The Bay store has old merchandise still on the shelves. He, in his experience, has found that the old merchandise was marked up to the new merchandise level, even though it had still been there. You said that that was not the policy. So, are we to expect then that on The Bay shelves this fall we will see two prices, an old price on the old stock and the new higher price -- if that is the way it is -- on the new stock? If that is not so, can we come directly to the highest level in The Bay to complain?

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

MR. TILLER: Thank you, Mr. Chairman. I am going to pass it over to Mr. Harkness in a moment, but I would just like to make a policy statement and that is that I believe we have articulated our policy with respect to the sea lift and the fact that the price remains the same until the merchandise is sold out and/or replaced. We are going to, certainly, investigate the specific complaint that came out of this meeting and I do not have the detail in front of me, but our policy is clear and there is no question about the fact that you have the right to complain if it ever happens. I would like Mr. Harkness to answer the detail of the question, please.

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

Policy On Pricing New Merchandise

MR. HARKNESS: As far as our pricing of new merchandise is concerned, we attempt to bring in sufficient merchandise each year to keep us going for the 12 months. Sometimes we are pretty good at it and sometimes we are not so successful at it. The consumer buying habits change during the year. Sometimes we are left with a carry-over, sometimes we are a little short. However, it is our policy that once our merchandise has arrived in the fall and the price is established, that that price does not change until such time as we run out of stock or we get new merchandise in and I really do not know how to stipulate it any clearer.

The other point I would like to make is that if there are examples where our customers feel that something is not being done correctly, we would certainly like to know about it, so we can take whatever action that is necessary to rectify the situation or at least investigate it and satisfy ourselves that what we are doing is correct.

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

MR. HARKNESS: Thank you.

CHAIRMAN (Mr. Fraser): Mr. Appaqaq, I think we have the interpreters here now. Have you got a question for the witnesses? Mr. Appaqaq.

Buying Food On Credit

MR. APPAQAQ: (Translation) Thank you, Mr. Chairman. First of all, I would like to thank you for coming here, the representatives of the Hudson's Bay Company. I told the people in my constituency about the motion that we made in Frobisher Bay about having the Hudson's Bay people come. I have listened to the complaints, which is one of my jobs with the Legislative Assembly. We will start with the first item. The first question I have come from the community of Sanikiluaq. The people are not informed as to why they are not able to buy food on credit, but credit is allowed on dry goods. They wanted to know why they are not allowed credit on food.

The second question I had is why the Hudson's Bay managers in the communities do not consult with the communities, to keep our communities and the consumers more interested and involved. The third question was, in the Northwest Territories, the people from Sanikiluaq are complaining that some of the time when they buy merchandise at the Hudson's Bay, it is not packaged properly or put into bags.

The last question I had was, when you buy large items such as skidoos or Hondas, even though they are brought in by sea lift, they are still in a crate. Usually, when we buy heavy things like that, it is delivered in crates. Can we ever get a discount for big items like that? Is that one of your policies? I will have to take these answers back to my communities with me.

Another one was something I was supposed to have brought up back in February. Most of the complaints I had were about the sugar that is sold. It is usually very dry and tainted and when you buy sugar like that, you usually have to chop it apart so that you can use it in your coffee. So even when the sugar is bad, they never put a discount on it or lower the price because it is not fresh. I myself have had to chop my sugar a lot of times.

The last thing I had, Mr. Chairman, for a question was -- this is talking about tools. We are not getting the best quality tools, even though they may be more expensive, but why is it that we get the poor quality tools now when we

used to get better ones in the past? The ones that we used to buy in the past would last a longer time, but now we have to keep replacing tools that we buy from The Bay now. I hope that you will be able to answer my questions. Thank you, Mr. Chairman.

CHAIRMAN (Mr. Fraser): Thank you, Mr. Appaqaq. I hope you got the questions all down. Mr. Harkness.

MR. HARKNESS: Thank you, Mr. Chairman. I think the gentleman has raised some very valid points, and I think rather than me trying to answer each and every one of them, I would like to make arrangements for the district manager and the divisional manager involved for looking after that particular community to meet with the people in the community the next time they are there and discuss each and every point that has been brought up here. A lot of these things are local issues to do with that particular store, and I think they can best be resolved by meeting with the store manager, the district manager and the divisional manager at a general meeting with the people of the community. Would that be satisfactory?

CHAIRMAN (Mr. Fraser): Thank you, Mr. Harkness. Mr. Appaqaq.

MR. APPAQAQ: (Translation) Thank you, Mr. Chairman. All the communities have their own views about their own Hudson's Bay store, and if you want to go into my community and discuss the problems that I have raised, it would be most welcome.

CHAIRMAN (Mr. Fraser): Thank you very much. Yes, it is agreeable that they would be glad to see you in the community to settle the community disagreements. Thank you.

MR. HARKNESS: Thank you, Mr. Chairman. We will make arrangements with the people in our Montreal office to visit the community. We will set up a convenient time and have a session with our customers, and hopefully we can resolve some of these points which have been raised. Thank you.

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

Markups And Net Returns

MR. MacQUARRIE: Yes, I would like to follow up a little on the pricing structure, the question of markups. I had the same concern expressed by Mrs. Sorensen. I understood your answer and I presume you are saying that if you did not mark up on the basic freight, then the operations of the stores would simply require a higher markup on the basic item, but I still have a further question about it.

You do have return objectives for the stores. Is there a limit imposed on markups? Do you have suggested markups? I may be wrong but I understand that you have a bonus system for managers who exceed the return objective. I may be wrong on that, and if so, tell me -- but if you do, is it possible that that policy which would be aimed at creating a more efficient store operation might alternatively have the detrimental effect in the community of inducing higher markups?

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

MR. HARKNESS: Thank you, Mr. Chairman. I would like to point out that for every item we sell in the store in the food department, there is a fixed markup for that item, and no store manager has any authority to exceed that markup. That is clearly stated in our pricing policy. It is in our stock books and part of my job as a divisional manager is to ensure that those markups are adhered to. We take that part of our business very seriously and there is no question of it that our store managers have very firm guidelines to follow, and as I have said, that is part of my responsibility to ensure that those policies are followed.

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

MR. MacQUARRIE: With respect to the net return, Mr. Tiller, am I to understand that planning for operations and moneys for capital expansion and money for employees compensation and benefits come out of the five per cent net return that is stated in your presentation?

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

MR. TILLER: Mr. Chairman, the costs of servicing the operations, including all employee benefits, are treated as an operating expense. The five per cent is what is left for the investor and must be used for dividends and capital investment.

CHAIRMAN (Mr. Fraser): Mr. MacQuarrie.

MR. MacQUARRIE: I would say in that case then, Mr. Tiller, I find the material at the bottom of page 16 a little misleading then in that it stated that the reasonable return is important for these other reasons. I would grant that it is important for the last reason, the encouragement to shareholders, but I had believed and I think you just confirmed, that the other things such as the quality of store and services and employee benefits, would already be included in the operations of the store, and you can correct me if I am wrong on that.

Identifying Nutritious Foods

The last point that I want to make, you do have what seems to be a very interesting program in identifying nutritious foods, and I commend you for that and certainly obviously other people have as well. I am wondering though, first of all, what steps are you taking to assess and expand the program, and further are you not only taking steps to identifying nutritious foods, but to ensure that people in communities, to the greatest extent possible, find these foods available and available at costs that they can afford?

CHAIRMAN (Mr. Fraser): Mr. Tiller.

MR. TILLER: Mr. Chairman, I am afraid I did not understand the first part of the question, but in response to the second part, the nutritional program -- we clearly have as our objective, number one, to present the proper type of food; number two, to clearly identify it and communicate not only in the store, but throughout the community the importance of the selection; and number three, we clearly have a policy to keep the prices at the lowest possible level. When we realize improvements in freight rates, which we do through negotiation, through organization, we pass those improvements on to the customer.

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

MR. MACQUARRIE: Yes, and is the program being expanded into other stores? Also, just to explain what I meant with the other, at the bottom of page 16, it does say, "that return is important for several reasons". First, "...to our customers for the quality of store and services we are able to provide". The net return is important for that reason. "It is important for our employees to give them better compensation and benefits" and "it is important to our shareholders...."

I just understood from your earlier answer that actually the net return is not important for the first two and that the operations of the store are included in all the -- you know, they are figured in the costs earlier, and that the net return is finally what goes to the shareholders.

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

MR. TILLER: Mr. Chairman, the intent on page 16 was to use the term "return" in a general sense and includes operating return, and Mr. Chairman, on the food issue, we are continuously adding new foods and nutritional foods to our shelf in the North, and have worked with food suppliers in developing items such as fortified flour, nutritional snacks, lard. We have deliberately moved tinned juices to the front of the shops in an attempt to give them prominence over soft drinks, and things such as this, if I may answer that question, Mr. Chairman.

CHAIRMAN (Mr. Fraser): Proceed. Did you have another answer?

MR. TILLER: I am finished, Mr. Chairman.

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

Service To Communities With No Banking Facilities

MS COURNOYEA: Mr. Chairman, this question relates mainly to the concern for some smaller communities in remoter areas that do not have a banking facility. I am sure that you gentlemen are aware of your role as unofficial bankers in many of those communities. Some of the difficulties we have been facing recently is the lack of availability of cash to cash cheques in your stores, and the general reply that we get from local managers is that the Hudson's Bay discourages holding on to large amounts of cash that would accommodate the community's needs. You had discussed your concern about being good corporate citizens, and I am wondering if you would consider an improvement in that service to the communities that do not have banking facilities.

CHAIRMAN (Mr. Fraser): Mr. Harkness.

MR. HARKNESS: Mr. Chairman, I guess you could say that we are reluctant bankers in most communities. We have no stated policy that we will not provide that service. Naturally we like to keep the amount of money which we carry in the store within a reasonable amount. However, we do increase the amount of money which we bring in at various times each month, such as during family allowance, old age pension, pay periods, and so forth.

We do get stuck occasionally when money does not arrive when we anticipated it arriving at a certain time. There is no doubt about it, there have been occasions when we have calls from our store managers telling us that the money which they ordered to arrive has not shown up, through either delay in mail service, weather, or for some valid reason.

However, we do reluctantly act as bankers and I would say that we do not have a policy which states that we will not carry sufficient funds in the store within reason to service the needs of the community as far as cashing cheques are concerned. If there are any specific examples that you can relate to us, we would be pleased to investigate them and get back to you. Thank you.

CHAIRMAN (Mr. McLaughlin): Thank you, Mr. Harkness. Ms Cournoyea.

MS COURNOYEA: Yes, there are a number of them that I would like to report to you. However, I can do that perhaps without taking the time of this Assembly.

Availability Of Trumilk

In your items for food, you make a statement that the area of buying certain food items such as Klim, you purchase 90 per cent of the available quantity. The favourite item a number of years ago was Trumilk, which had a much more superior quality than the item you are presenting at this time. In our investigation to find out why this item was no longer available to us was that the company that was manufacturing Trumilk said that they really did not have the volume of buying to sustain their operation. I am wondering if you know what happened at the time that you made the decision to maybe support the company providing Klim rather than Trumilk.

CHAIRMAN (Mr. McLaughlin): Thank you, Ms Cournoyea. Mr. Harkness. Mr. Tiller.

MR. TILLER: Mr. Chairman, unfortunately I do not have an answer to your question, but I will certainly look at it through our general merchandise manager who reports to myself.

MR. HARKNESS: If I could perhaps -- are we talking about Trimilk or Trumilk? I am not totally familiar with the product. I know what Trimilk is, but I am not sure about Trumilk.

CHAIRMAN (Mr. McLaughlin): Ms Cournoyea.

MS COURNOYEA: Trumilk is a powder product similar to Klim, but had a much higher density and generally was sold in 50 pound containers.

CHAIRMAN (Mr. McLaughlin): Thank you, Ms Cournoyea. Mr. Harkness.

MR. HARKNESS: Mr. Chairman, now I am familiar with the product. We had a problem from a sanitation point of view in handling that product in that it had to be repackaged at the store level, simply because we could not buy it in less than 50 pound containers. To be honest with you we got considerable flak from various health officers in the manner in which we were handling the product. It is only available in bulk and is not available in smaller packages, and we were really fortunate in discontinuing the product for that reason.

CHAIRMAN (Mr. McLaughlin): Thank you, Mr. Harkness. Ms Cournoyea.

MS COURNOYEA: I believe if you would investigate further that there was a great number of people who are willing to buy it in the 50 pound containers without the store having to repack it, and the company itself was willing at that time, if they had the customers, to repackage it in smaller quantities. However, they felt that they did not have a market for it, and that was why they discontinued or were not able to continue operating.

CHAIRMAN (Mr. McLaughlin): Mr. Harkness.

MR. HARKNESS: We continued to carry the product in the 50 pound drums as long as we could, and as long as there was someone who would buy it in that size, but if I recall correctly we were bringing in, at most, one or two drums per year per store and unless I am mistaken, interest in the product dropped off considerably.

CHAIRMAN (Mr. McLaughlin): Ms Cournoyea.

Marketing Of Skidoos And Records

MS COURNOYEA: You also made some statements of your involvement with two products; working with the people of Bombardier for development of a Nordik skidoo and also the production of recordings. What is specifically that involvement in those two items? What is the Hudson's Bay involvement?

CHAIRMAN (Mr. McLaughlin): Mr. Whitman.

MR. WHITMAN: I will attempt to respond to that. With regard to the Nordik snowmobile, we consulted extensively with Bombardier's engineers in an attempt to have a product design that could be used to meet the needs of the hunter or trapper in the High Arctic. We found that certain lines were not standing up as well to the rigours of constant use on a daily basis, and this is how the Nordik came into being. What was your second question again? Oh, the records. Excuse me.

Our involvement with the CBC in the production of these current records and cassette tapes came about as a result of our having heard these artists on the little 45's, with which I am sure you are quite familiar, that were being played over northern stations. We looked at these, listened to them, and decided that perhaps it might be advisable for us to get involved in a joint venture, for several reasons. One, we felt that we could assist native recording artists in producing an album to allow them to gain publicity and notoriety, to help them on their careers. Secondly, we felt that we could make a profit on the sale of the records, and we are in business to make a profit. Thirdly, we felt that it would be a very interesting experience to have the public sector and the private sector co-operate in a venture of this kind. We also felt that this would create role models in native communities, where children could look with pride to artists of their own culture.

CHAIRMAN (Mr. McLaughlin): Ms Cournoyea.

MS COURNOYEA: While I appreciate the sentiment, I believe what I am more interested in asking and finding out is what was the financial commitment that you put toward these two products. Was there a financial commitment other than a distribution one?

CHAIRMAN (Mr. McLaughlin): Mr. Whitman.

MR. WHITMAN: We were committed to marketing the product.

CHAIRMAN (Mr. McLaughlin): Ms Cournoyea.

MS COURNOYEA: So, in terms of the Nordik and the records, your involvement basically, is just to market it and not really -- you did not put a financial commitment to develop those two items?

CHAIRMAN (Mr. McLaughlin): Mr. Whitman.

MR. WHITMAN: Yes. I do not think it was ever inferred.

CHAIRMAN (Mr. McLaughlin): Ms Cournoyea.

Transportation Of Freight

MS COURNOYEA: Under "Corporate Citizenship" you stated that you made a commitment to Tavani Freighting in Eskimo Point, which is now transporting your cargo for you, and yet, on another portion of your report, you make a statement that you developed your own trucking system to Inuvik. I am wondering if at any point of time that you thought or had encouraged people from the Western Arctic to, perhaps, provide you with that trucking system, rather than developing your own.

CHAIRMAN (Mr. McLaughlin): Mr. Tiller.

MR. TILLER: Thank you, Mr. Chairman. In terms of the freighter that we became involved in for Mr. Voisey, our involvement for him was that we purchased the ship on a special arrangement for him. In terms of the trucking system to Inuvik, our own trucks go only as far as Whitehorse, and we have developed relationships within our system totally with local people for the rest of the way to Inuvik.

CHAIRMAN (Mr. McLaughlin): Ms Cournoyea.

MS COURNOYEA: Then you are saying, in fact, that a local trucking firm other than a trucking firm owned by the Hudson's Bay is transporting your goods to Inuvik?

CHAIRMAN (Mr. McLaughlin): Mr. Tiller.

MR. TILLER: That is correct. We are using private carriers throughout the West in the transportation of our freight to inland stores.

CHAIRMAN (Mr. McLaughlin): Mr. Sibbeston.

Past Actions Of Hudson's Bay Company

MR. SIBBESTON: Mr. Chairman, I realize that the gentlemen here before us are perhaps not responsible for the past historical actions of the Hudson's Bay Company, but I notice that Mr. Tiller is on the board of the Hudson's Bay Company, and that is probably the closest that we will get to Hudson's Bay officials. I know that my constituents would want me to raise a number of historical and more modern grievances.

One of the historical grievances I have, is I come from a town called Fort Simpson, and it apparently was named after a certain Governor Simpson, who was one of the governors of the company, and also, in Simpson the local high school there is named Thomas Simpson, who is apparently a nephew of the governor, and I just want to ask these gentlemen whether they would feel anything to eventually change these names back to a more suitable Dene name. Do they have any feelings about that? Does the Hudson's Bay Company have any attachment to all these names that were perhaps given to some of the locations in the North?

The other point I want to make and it is something that I have just been reminded of by Mr. Jim Antoine, who is the chief of the band council in Simpson has to do with trading practices a long time ago. Apparently there was a trading practice which existed with The Bay in the early days of trade where fur, particularly beaver pelts were stacked up to the height of a musket gun before it was traded, you know, for the pile of fur, and there is some thinking amongst the older residents and Dene people that they were perhaps cheated a bit. There is some thinking too that apparently back in Europe, one of these beaver pelts could buy you seven of these musket guns. So I am pleased to note today that your markup is not as high.

---Laughter

So I would just like to hear some comments from you on those two things.

CHAIRMAN (Mr. McLaughlin): Mr. Tiller.

MR. TILLER: Thank you, Mr. Chairman. I am going to have Mr. Whitman assist me with this, in that I have the misfortune of only having been with the Hudson's Bay Company for five years, and therefore I cannot take responsibility for all those things, but I can say, as a director, that we have no particular emotional attachments to the names of places, aside from their relevance to the community, so that is not a problem as I see it.

MR. WHITMAN: Mr. Chairman, I would like to respond to Mr. Sibbeston's further questions. First, I think I feel like the late John Fitzgerald Kennedy, when he said, "Morality begins today"...

---Laughter

...but I would also like to ask Mr. Sibbeston whether or not his constituents' ancestors would have liked to have continued living in the Stone Age, without the benefit of steel axes, trade goods of various kinds, including muskets. However, to further clarify that particular statement, I would suggest that you read the latest research done by Professor Ray, president of the Minnesota Historical Society, entitled "Indians and the Fur Trade", the research of which was carried out in our own archives. I think you will find, Mr. Sibbeston in fact, the Indians did control the fur trade to a very large degree. I do not wish to belabour that point any further, but does that answer your question satisfactorily?

CHAIRMAN (Mr. McLaughlin): Mr. Sibbeston.

MR. SIBBESTON: Well, you know, it is historical. Depending on what point of view you have, I guess -- maybe the Dene people in those days were happy to have a musket, and some of the items that they derived, but all I was pointing to was the fact that perhaps even in those days, and certainly as people become more aware of -- you know -- civilization or the European -- there is a feeling amongst people that perhaps the Hudson's Bay Company was not as honourable as it is made out to be. Maybe it did cheat the people of the North a bit, and maybe cheating the people of the North was the basis to the large corporate body that it is today. There is just that feeling, and all I am doing is stating some of the things I think my constituents would say. It is difficult to now say whether what the Hudson's Bay did was right or wrong.

Land Belonging To The Dene

Now, I want to raise another matter with you, and this has to do with land. Now, in all the large communities in my area, Fort Liard, Fort Providence, Fort Simpson, Wrigley, in all these communities, the Hudson's Bay, along with the various churches, years ago were given large tracts of land, and usually these were the best lands that were available in the settlement. As time went on, as the settlements became more settled, the churches have divested themselves of a lot of the lands. It seem, in contrast, that the Hudson's Bay Company has not done so. They have hung on to most of the lands that were originally granted to them, and, gentlemen, you may know that the Dene people in this part of the North are now beginning to negotiate aboriginal rights settlement with the federal government, and negotiations will involve returning or identifying lands which will belong to the Dene that up until now have been considered crown lands. Now, would the Hudson's Bay Company be so good or so bold as to, perhaps, give back to the Dene people some of the land that was originally the Dene's anyway?

CHAIRMAN (Mr. McLaughlin): Mr. Tiller.

MR. TILLER: Mr. Chairman, I think I understood the question and I think that I could say with some confidence that we are sensitive to the issue of land and have been working with the governments and have divested ourselves in the last several years of a great deal of land. Any kind of specifics in your area, I cannot respond to today, but I would certainly be pleased to understand and study the thing and see what we can talk about.

CHAIRMAN (Mr. McLaughlin): Mr. Sibbeston.

Incident Involving Hudson's Bay Manager In Fort Liard

MR. SIBBESTON: Now, I want to go to one specific matter. This involved your manager of your store in Fort Liard. This past fall and early winter, I believe you sent a man by the name of, I believe, Mr. Alan Armstrong, to be the manager of your Fort Liard store. It seems that shortly after his arrival in Fort Liard, problems began with your manager, particularly with regard to his relationship with a local person in Liard who also owned a store. It seems your manager, Mr. Armstrong, began bothering and eventually harassed the local store owner to the point where eventually the person hit your manager and had to physically remove him from his store. Your manager charged this other man with assault and eventually there was a court case over it.

Also, the Hudson's Bay in Fort Liard, as part of its operation, runs a small post office on behalf of the federal government and prior to this gentleman's arrival the post office had been run on a fairly informal basis where for instance the settlement or the band council would give materials to be distributed through the post office at no charge, but it seems your man insisted on a stamp being on every piece of mail that went through the post office. So, this irritated and caused a lot of concern in the community and apparently, what also happened is that eventually your store manager wanted or insisted that some of the Hudson's Bay mail be distributed through the post office without any stamps on it. At this point I guess it caused a local furor and resulted in people in Liard being generally upset, both native and non-native.

So, since this time your manager has moved to Fort Norman, but I think there would be a concern from people like myself and other people in the area that a man like this would cause a lot of harm, in a sense, to your company. Because I think basically, there are not any complaints about the people that you send North. Usually they are co-operative and there is a good relationship established, but in a case like this, it seems that it has created a lot of harm to your company. Could you check into this matter and check firstly into the statements that I have made as to this man's stay and operation in Fort Liard and also check about the person who is now located in Fort Norman? I would think that you would be interested, in the interest of your company.

CHAIRMAN (Mr. McLaughlin): Mr. Harkness.

MR. HARKNESS: Mr. Chairman, I am familiar with this particular situation. I was in Liard about a month ago and I suppose the easiest way to put it is there are two sides to every story and some of the things that happened I think happened through misunderstanding. Some of them happened perhaps because of inexperience on the part of our store manager. However, we felt it in the best interest of the community of Fort Liard and also in the best interest of our organization to move this gentleman, and move him to Fort Norman.

We have covered all the points that were raised. We think we have an understanding. We are confident that the problems that arose at Fort Liard will not arise at Fort Norman. However, you have our assurance that we are going to keep very close tabs on him and we will take whatever action that is necessary to ensure that our store is operated according to our policies and in a fair and honest manner at Fort Norman.

CHAIRMAN (Mr. McLaughlin): Mr. Sibbeston.

Hudson's Bay Company Ownership Of Land In Fort Liard

MR. SIBBESTON: Yes. One final matter and this has to do with the Fort Liard Dene band. As Mr. Harkness may know, the Dene people of Fort Liard are in the process of negotiating with the federal government for a reserve. When the Dene people in Fort Liard originally began thinking of a reserve and looking at the lands, they did notice that the Hudson's Bay Company owned a substantial portion of the little settlement. So, they began to be concerned. The Hudson's Bay Company apparently has both the surface and subsurface rights to the lands.

I just spoke this afternoon to Mr. Harry Deneron about the matter and the band council in Liard is interested in having one of your officials go to Liard to discuss with them the whole matter of the Hudson's Bay ownership of lands in the community, what may happen if a reserve is created and also the possibility of having some of the lands returned to the people for a nominal sum. I do not think it would be fair if the Hudson's Bay insisted on selling back the lands -- giving back the lands -- and the government, on behalf of the Dene people, having to pay millions of dollars for the land. So, can you undertake to have one of yourselves or some official go to Liard in the next few weeks or months?

CHAIRMAN (Mr. McLaughlin): Mr. Tiller.

MR. TILLER: Thank you, Mr. Chairman. Yes, we can make that arrangement. We will send one of our senior land and development people in, along with another official.

CHAIRMAN (Mr. McLaughlin): Mr. Patterson.

HON. DENNIS PATTERSON: Thank you, Mr. Chairman. We are delighted with the new store in Frobisher Bay and I congratulate the company for having made that kind of a major investment. The most impressive thing about the new store is the fresh meat that is now available through your butcher there and the dramatic reduction in prices that seem to have resulted through being able to locally wrap it and that sort of thing.

I also commend you for having been willing to come here. I recognize fully that you are not in any way compelled to accept an invitation and I am happy to see you here. It means you are willing to listen, as you say you are, and I hope that, perhaps, you might agree that this kind of dialogue could be worth while to you, as well as it is important to us in trying to represent concerns of our people.

Company Policy Re Northern And Southern Prices

I would like to ask some specific questions, however, Mr. Chairman, and particularly, I really must get some clarification, and I apologize if you have given it earlier, since I was absent part of this afternoon, on the statement in your presentation, on page 12, on pricing policies and the case of basic dry goods, particularly the statement: "Company policy will not permit northern prices to exceed southern prices by more than 10 per cent, even if the normal markup cannot be achieved." You go on to mention certain exceptions, which I can accept because of their weight.

Now, my information -- and this is obtained from research done by the Consumers' Association of Frobisher Bay and given to me by its president, Martine Johnson -- is that not only is there a significant price differential between prices in the South and prices in Frobisher Bay, which is the store we used, but also, there seems to be curious discrepancies between communities in the Baffin region. Particularly, these figures I am going to offer, I think, suggest that maybe you appear to be giving more favourable prices to smaller areas and perhaps at the cost of the area where you have a larger number of consumers, in Frobisher Bay, in Baffin.

I would just like to run over some examples that I have reason to believe are accurate. Woods three star sleeping bags, I guess this would be called dry goods, Montreal, \$275.52; Frobisher Bay, \$449.95; Cape Dorset, \$422.98. I am just going to give you a few more along that line to make my case. Coleman lantern: Montreal, \$28.45; Frobisher Bay, \$46.98; Cape Dorset, \$42.98. Wind pants, \$10 less in Clyde River than in Frobisher Bay. I am sorry, I do not know the retail price on those in Frobisher. A camera advertised at \$60 in your stores in the South, I do not know the model, is \$160 in Frobisher Bay.

Now, really I have two questions. First of all, I do not appear to have understood your 10 per cent price differential between North and South, unless that is after freight, because these prices are dramatically larger than 10 per cent compared to southern prices. Secondly, how can you explain why a remote and smaller place like Cape Dorset has prices that seem to be, in those instances, around 10 per cent lower? I am not saying raise the Dorset prices at all. I am happy that they are getting a better deal, but it is ironic to me, because people from these settlements come into Frobisher Bay to do Christmas shopping and with the new store they are coming in on weekends and I wonder if they know that they would be better advised to stay at home, although there is a poorer selection, it appears. Thank you, Mr. Chairman.

CHAIRMAN (Mr. McLaughlin): Mr. Harkness.

Escalating Prices Because Of Inflation

MR. HARKNESS: All I can say is that our prices do fluctuate, based on the time at which the merchandise was purchased. For instance, I can think of the case of the Woods sleeping bag. It escalated tremendously in price in the last year or so, because of the cost of down. In fact, it has reached the stage where it is almost a prohibitive item. It has got such a high retail value. I should add, just as a matter of interest, that we are looking into an alternative. The Woods three star sleeping bag has been a very important item for hunters and trappers. We are presently looking into an alternative item, which we feel will be less expensive and will do the job just as well.

The only thing I can say about the difference in price between one community and the other is, as you know, we are going through a period of escalating prices because of inflation. Retail prices are increasing, almost on a continuous basis and if a store has had stock which was purchased, let us say, by barge last fall, that price does not change in the store. Whereas, if another store has run out of that particular item and has had to bring it in, obviously it is paying a higher cost and the new retail, which is in effect and which we base our retail at the other inland stores is obviously higher. I would be very interested in pursuing the items which you have listed here and we would very much like to check into it and try and get some explanation for you. Is that fair enough?

CHAIRMAN (Mr. McLaughlin): Thank you, Mr. Harkness. Mr. Patterson.

HON. DENNIS PATTERSON: Thank you, Mr. Chairman. I would be grateful, if you would, particularly since I think that the supply time for dry goods in Frobisher Bay and Cape Dorset is approximately the same season. I would be interested, if you would, in that reply and I would also be interested, supplementary, Mr. Chairman, in getting some explanation of this 10 per cent figure you use.

Basis Of Percentage Differential In Prices

Now, specifically, what I understand from talking with various personnel in your stores that I have spoken to is that the first thing you do when you are basing northern prices on southern prices is that you take the highest price in your southern stores to base your northern price on. If there was a particular item sold across the country that was more expensive in Vancouver than in Montreal you would base your northern price on the highest southern price. I would like

to know if that is true, and I would like to know how you came up with this 10 per cent differential on page 12, and finally, if I am not bombarding you with questions, what a consumer can do if we find an apparent divergence from this policy? Thank you.

CHAIRMAN (Mr. McLaughlin): Mr. Tiller.

MR. TILLER: Thank you, Mr. Chairman. The 10 per cent differential from city retail prices is based specifically on the Hudson's Bay retail stock book. There will be differences in prices in southern markets due to competition, that is quite true. So, our base is our stock book.

In terms of whom you might talk to in specific markets with specific problems when there is any kind of a suspicion of a violation of policy or where there is some assistance that the consumer feels that he or she might be in a position to give the Hudson's Bay Company, we would be happy to leave with this Assembly the address of our three regional offices located in Montreal, servicing the Eastern Arctic; in Winnipeg, servicing the Central Arctic; and in Edmonton, servicing the Western Arctic; and the names of our assistant general managers, each of whom has full profit and loss responsibility for those regions. We would be happy to leave those names and addresses with this group and invite you to contact us at any time.

CHAIRMAN (Mr. McLaughlin): Thank you, Mr. Tiller. Mr. Paterson.

HON. DENNIS PATTERSON: Yes, I am perhaps asking too many questions at once, Mr. Chairman, but I did want an explanation of the 10 per cent. For example, Frobisher Bay, \$449.95, and Montreal, \$275.52, obviously does not appear to be 10 per cent difference. Where would you get the 10 per cent?

CHAIRMAN (Mr. McLaughlin): Mr. Tiller.

MR. TILLER: Thank you. I do not know the basis of these numbers, and I therefore cannot respond to the question. My first question is, is this the Hudson's Bay in Montreal, or a price in Montreal? My second point is that frequently pieces of merchandise, as we call it in the trade, get "footballed" all over the place, and for me to respond to a specific question such as this, concerning a price in Montreal, would be inappropriate and inaccurate. If I can obtain the source of this price, I would be happy to attempt to provide an explanation.

CHAIRMAN (Mr. McLaughlin): Mr. Patterson.

HON. DENNIS PATTERSON: Thank you, Mr. Chairman. Well, I will be happy to provide Mr. Harkness with the details from the Consumers' Association and quite honestly I cannot tell you if that southern price was a Bay price or not. However, what I want to know is, when you said that northern prices will not exceed southern prices by more than 10 per cent, did you mean including freight?

CHAIRMAN (Mr. McLaughlin): Mr. Tiller.

MR. TILLER: We mean the absolute end retail price. So that means, Mr. Chairman, that the actual price to the consumer in Frobisher Bay for this type of merchandise cannot exceed our stock book price in Montreal by more than 10 per cent.

CHAIRMAN (Mr. McLaughlin): Mr. Patterson.

HON. DENNIS PATTERSON: If we can satisfy you that, for any number of reasons, your northern stores are charging more than 10 per cent of the retail price according to your stock book, you would correct the situation. Do I understand correctly that if an item is priced at one dollar in your southern stock book, northern shoppers cannot expect to pay more than \$1.10?

CHAIRMAN (Mr. McLaughlin): Mr. Harkness.

MR. HARKNESS: As a general rule, that statement is correct. There are a few items, because of the freight factor and the weight of the particular items, that are not included in that, but they are stipulated in the notes that you have in front of you there. Generally speaking, the retail price which is used in our southern stores, our northern stores do not exceed that price by more than 10 per cent.

CHAIRMAN (Mr. McLaughlin): Mr. Patterson.

HON. DENNIS PATTERSON: Would you say here now that if consumers can establish to your satisfaction that your northern stores have not been following that policy, that you, as senior management, would remedy the situation upon being satisfied that the particular complaint was well-founded?

CHAIRMAN (Mr. McLaughlin): Mr. Tiller.

MR. TILLER: Mr. Chairman, our responsibility as senior management is to implement our policies and we aggressively pursue that with whatever assistance and sources we have available to us.

CHAIRMAN (Mr. McLaughlin): Mr. Patterson, supplementary, final one.

Profit From Frobisher Bay Store

HON. DENNIS PATTERSON: Oh, dear. Okay. I have so many questions. I have just got to ask this one, Mr. Chairman. I do not pretend for a minute that this is based on fact, but a lot of your northern employees sure are giving credence to this rumour and it is this. I am not an old-timer in Frobisher Bay but I have heard for years now, maybe it is a myth, the suggestion from some of your employees, perhaps not always sober that the Hudson's Bay store in Frobisher Bay is a most profitable store, if not the most profitable store in Canada. When we see that the prices are lower in communities that are much more remote than Frobisher Bay, we cannot help but wonder why this should be so.

I would just like to ask you specifically is it true that the Frobisher Bay store does very well, and also perhaps tack onto that, who is going to pay for that new store? Do the consumers of Frobisher Bay have to pay for that new -- I think you said \$4.3 million -- are consumers in Frobisher Bay going to be expected to pay for that or do the southern operations increase northern capital costs to some extent? So I guess there are two questions buried there in that one, Mr. Chairman.

CHAIRMAN (Mr. McLaughlin): Thank you, Mr. Patterson. Mr. Tiller.

MR. TILLER: Mr. Chairman, I do not have detailed financial statements by individual stores, nor would I be prepared to discuss them right here in this forum, but I can tell you, as a general statement, that the Frobisher Bay store, as a mature store, met our profit objective. I can also tell you that the new store will be probably the least profitable store in all of the Northwest Territories for the next five years.

The customer in the Northwest Territories does not pay for the new store. The pricing policies in Frobisher Bay are the same as they are everywhere else in the Territories and the prices are clearly established in Winnipeg. The store manager has no authority whatsoever to set the retailing on merchandising. So, the answer to the second question is the customer in Frobisher Bay will not pay for the new store, but will pay the same prices according to the same policies as any other consumer in the Northwest Territories.

CHAIRMAN (Mr. McLaughlin): Thank you, Mr. Tiller. There are some Members who have not had an opportunity yet. Mr. Wah-Shee.

HON. ARNOLD McCALLUM: If you let him, they will not.

---Laughter

HON. JAMES WAH-SHEE: We are going to be here all afternoon. Mr. Chairman, I move that we report progress.

CHAIRMAN (Mr. McLaughlin): That motion is not debatable. All those in favour of the motion? Opposed? Motion is carried.

---Carried

I would like to thank the witnesses, Mr. Tiller, Mr. Harkness, and Mr. Whitman, for coming all the way and appearing before us. Thank you very much.

---Applause

MR. SPEAKER: Mr. McLaughlin.

REPORT OF THE COMMITTEE OF THE WHOLE OF HUDSON'S BAY COMPANY OPERATION AND ACTIVITIES IN THE NORTHWEST TERRITORIES

MR. McLAUGHLIN: Your committee has been considering the Hudson's Bay Company operation and activities in the Northwest Territories, and wishes to report this matter concluded.

MR. SPEAKER: Thank you, Mr. McLaughlin. For those who may have further questions, the members from the Hudson's Bay Company will be attending the gathering following prorogation and you may personally be able to ask any other questions that you have. Ms Cournoyea.

MS COURNOYEA: Mr. Speaker, I would like it to be noted that I had a couple of questions that I would have liked to ask on behalf of my constituents, and I was unable to do so because of progress being called. I would like to apologize to the people who have asked me to place those questions before the Hudson's Bay.

MR. SPEAKER: Thank you. There will be a prorogation party on the 17th floor of the Mackenzie Place, known as the Blue Baron, immediately following the closure this evening. Mr. Clerk, will you ascertain whether the Commissioner is ready to prorogue the House?

Commissioner's Closing Remarks

COMMISSIONER PARKER: Please be seated. Mr. Speaker, Members of the Legislature, I would like to thank each and every one of you for the attention that you have paid during this session. I believe that it has been an important and a fruitful session. I would also like to extend my own personal thanks to the people of Hay River for their hospitality. I would like to say what good service we have had from our Pages, and particularly from all of the staff and students at the Diamond Jenness High School. We have intruded on the school, to some extent. I think the school has perhaps taken some advantage of this intrusion through being able to observe the process, which is a very important process in the Northwest Territories. In recognition of the contribution that the school has made and indeed the students from this school and other schools and to recognize this contribution -- after consultation with the Minister of Education and the superintendent of Education for this area, I would like to take this occasion to declare an early closing of all Hay River schools for this coming Friday, May the 29th, the closing to

take effect from approximately the afternoon recess time onward. I would also like to advise you that the mayor of Hay River supports this early closing, although he did leave me with the impression that a date closer to municipal election time would probably be more appropriate. However, when I consulted the Speaker, the Speaker advised me that that would be improper.

---Laughter

Time And Place Of Next Session

It is part of my function to name the time and place of the next session, and I wish to advise that, on advice that I have received and with which I concur, the next session will commence on November the 12th, 1981, in Yellowknife.

ITEM NO. 11: PROROGATION

Now, as Commissioner of the Northwest Territories, I prorogue this session of the Legislature of the Northwest Territories.

---PROROGATION

Available from the
Clerk of the Legislative Assembly of the Northwest Territories,
Yellowknife, N.W.T. at 50¢ per day, \$5.00 per session and \$12.50 per year.
Published under the Authority of the Commissioner
of the Northwest Territories