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# Standing Committee on Agriculture and Agri- Food

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**Tuesday, November 2, 2004**

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**Chair**

**Mr. Paul Steckle**

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•(1110)

[English]

**The Chair (Mr. Paul Steckle (Huron—Bruce, Lib.)):** I call the meeting to order. We apologize for the delay, but we had to await the termination of another meeting.

This morning we are gathered to look at the main estimates. We have before us the Honourable Andy Mitchell, the Minister of Agriculture. He's going to be with us until 12 o'clock, at which time he has to leave for a cabinet meeting, so we want to get right on with it.

Certainly there will be other witnesses this morning, following the presentation by the minister. As well, we have at the table a number of other people who will probably give assistance to the minister in his response to questions.

We have with us from the Department of Agriculture and Agri-Food, Leonard J. Edwards, the Deputy Minister, as well as Bruce Deacon, the Assistant Deputy Minister, Corporate Management Branch; and from the CFIA, Richard Fadden.

We will be meeting after 12 o'clock with the CFIA and with the department, so we'll have people remaining after the minister leaves. You might want to direct your questions to the minister, while he is here, more directly to the program as it relates to the estimates and take your other related questions to the associate members who will remain after he has gone.

At this time I welcome the minister and I would ask him to proceed with his presentation.

I will now call vote 1 in order that we may begin our review of the main estimates.

Mr. Minister.

**Hon. Andy Mitchell (Minister of Agriculture and Agri-Food):** Thank you very much, Mr. Chair, and my thanks to all of the committee members who are here today. I appreciate the opportunity to be able to provide some comments and then to answer some questions.

This is my first opportunity to be in front of this committee as the minister. I've been here before as the Secretary of State for Rural Development, but I'm pleased to be here in my new role as the minister. In that vein, I'm going to talk for just a couple of minutes about some general things, and then I will move on to some specifics. Of course, I will have an opportunity in the questions and answers to deal with some of the specific items that members may want to bring up.

First of all, Mr. Chair, in taking over the portfolio and this particular task, there are three broad principles that I intend to employ as I approach my job.

The first one is that despite the complexity of the portfolio—and there are a lot of complexities to it—and the vastness of it, when you get right down to it, one of the fundamental principles that I need in guiding our actions is for us to work towards creating an environment that will allow producers to earn a living. At the end of the day, if producers can't earn a living, they won't be producing, and that's a diminishment not just to the producers or to rural Canadians but also to all Canadians—and indeed, from my perspective, to all of the world. So to me, that is a first fundamental principle that's essential.

Second, in taking the broader responsibilities that I have for the industry as a whole, I think it's also important to be taking measures that will allow all of the agrifood industry to be profitable in many of the actions we take, or measures that lend themselves to that.

Thirdly, Mr. Chair, and this probably comes as no surprise to those who know my former roles in this House, is the importance of ensuring the sustainability of those communities that support our natural resource industries, particularly our agricultural industry in this case. If we don't have that network of communities supporting our producers, then it will be very difficult for them to continue on with their task. One of the principles that underlies what I do is ensuring the long-term sustainability of that network of rural communities that support our agricultural industry.

Those, Mr. Chair, are three fundamental principles that I measure the task I'm presented with.

In terms of some approaches I intend to take in trying to achieve those objectives and principles, first of all—and those of you who have heard me give a speech before have heard me use this phrase, and it's with all due understanding to everybody—all knowledge is not resident on the ninth floor of the Sir John Carling Building. What I mean by that, Mr. Chair, is that there is a great wealth of knowledge held in the communities, held by producers, and held by members of the industry. As we move forward, in my view, it is absolutely essential to call upon that wealth of knowledge, to call upon that experience, to call upon those individuals to assist in developing the approaches we need to take.

This leads to a second approach that I very much believe in, and that's a collaborative approach. If we're going to be successful, if we're going to achieve the objectives we want to achieve as a department and as a Parliament, then I believe taking a collaborative approach is essential. Obviously, agriculture is a shared responsibility, first of all, between the federal government and the provinces, so there needs to be a collaborative approach between the two levels of government. But even more important, and beyond that, is the collaboration that needs to take place between governments, producers, and the organizations that represent producers. As we move forward in either developing policy or responding to the issues of the day, I believe that collaboration has to be a hallmark of how we move forward.

Thirdly, in terms of approaches, is the willingness to change. Simply because we've done something in a particular way for a particular period of time is no reason in and of itself that that's the way we're going to continue to do things as we move forward. I think that's an important approach to take.

• (1115)

Fourth is the importance of thinking outside the box. This relates back to the willingness to change. There are times when we need to be creative, when we need to be innovative, when we're faced with different types of challenges that call for different types of responses. We need to be willing to do that. That's not always an easy thing to do, Mr. Chairman, to be willing to think outside the box, to be willing to change and to move off what may have become the status quo.

Finally, in terms of approaches, I think it's absolutely essential that we all remember that at the end of the day it's all about people. It's about the men and women who each and every day go out in their operations, onto their farms; who need to work; who meet the significant challenges that face our agriculture industry. We owe, in my view, a debt of gratitude to those people, because what they do is not just advantageous to themselves, it's advantageous to all Canadians. I am very proud as the Minister of Agriculture to see the kind of dedication and the kinds of men and women we have in our industry.

Obviously, Mr. Chairman, there have been a number of very key issues that I have been dealing with since assuming my position some three and a half months ago. I'm going to touch briefly on those—there are others, and if colleagues want to talk about those, they should bring them up.

First of all is the whole response to BSE, the subsequent border closings, and the types of things we need to do in respect of that.

Also, Mr. Chair, there is the issue of our WTO negotiations. That has very significant ramifications for our industry. They are entering into a very intense phase of negotiations.

Third—and this is something that both of my predecessors, I know, talked to this committee about on a number of occasions—is the implementation of the agricultural policy framework.

I think all of those are key issues as we move forward.

I had an opportunity on September 10 to make a particular announcement about BSE to help reposition the industry. As I said at

the time, it's designed to ensure that we can return profitability to the industry with or without an increased border opening. The plan was built in close collaboration with the provinces and with the industry. We tried to make sure we designed it in a way that would respond to the needs they were facing and to do it in a way that provided flexibility, recognizing that the industry is not the same, doesn't operate the same way, in different regions of the country.

It has five main components to it.

First is a continued and significant effort directed at the United States to work with them and urge them to open the U.S. border. It also contains an initiative to create new slaughter capacity, both on the financial side and on the regulatory side. Third, it allows for adjustments in the industry in the interim, while we're trying to build the increased slaughter capacity, and that includes a fed cattle set-aside, a feeder cattle set-aside, and a managing older animals component. Finally, Mr. Chair, there are efforts to increase our ability to penetrate foreign markets and to diversify those markets beyond simply the United States.

In terms of the World Trade Organization, Mr. Chair, there are three fundamental principles that Canada is working for in those negotiations, which form part of the framework that we agreed to at the end of July. First is the elimination of export subsidies, second is the reduction of domestic subsidies, and third is the issue of increased market access.

I should say, Mr. Chair, in trying to achieve those principles that collectively our producers and our industry wish us to pursue, there is also the need to ensure that producers have the opportunity to choose the method they wish to use for domestic marketing. I believe that also has to be part of what we include as we move forward.

In terms of the agricultural policy framework, we're working to implement our business risk management, which has changed under the APF, both in terms of our production insurance and our income support program, the CAIS program. We're also at the same time rolling out the other four pillars of the agricultural policy framework, again doing this in conjunction with the provinces.

• (1120)

As with any new initiative, Mr. Chair, it's important to examine it to judge how you're moving forward, so we will be having an annual review, a process that's being put in place. This review process will include representatives from the federal and provincial governments, and 50% of those people involved will be from the industry.

I should say I view APF as a three-legged stool—the federal government, the provincial governments, and the industry—and if one of those legs were missing it would be very difficult for that stool to stand upright.

Finally, I should mention just a couple of things about CFIA and their determination to protect the health and safety of Canadians through the work they do on plant and animal health. They do this work vigorously and have done yeoman's service, I believe, in both the situation we faced with avian influenza as well as in terms of BSE. We need to do that in the context of efficient operation, and I know my officials understand the need to do that as well.

Finally, I'd like to close, Mr. Chair, by thanking the men and women who work for both the CFIA and Agriculture Canada. They spend a great amount of time with producers right across this country, and they are very dedicated individuals. I just thought it would be appropriate to take an opportunity publicly to thank them.

I'd be happy to answer any questions.

**The Chair:** Thank you very much, Mr. Minister.

We'll now move to questions. In the interest of time, since we want to accommodate all four parties in questions to the minister, if we can be succinct in our questions, succinct in our responses, all four parties will have their opportunity to question the minister.

We'll start with Gerry Ritz for seven minutes, and I believe you want to share your time with your colleague, Mr. Anderson.

**Mr. Gerry Ritz (Battlefords—Lloydminster, CPC):** Thank you, Mr. Chairman.

Mr. Minister, it's good to have you here. I'm sure an hour won't be enough. We'll have to have you back, sir.

I liked your analogy about the three-legged stool, and I agree with you. The problem is, two of those legs are short and the third one is broken right off in the way the programs are developed and designed at this moment.

You said also, and I quote, that you're "willing to change and move off the status quo". We've had the APF as the so-called status quo for the last two years of a five-year program, and it's still not implemented. If you're very fortunate as a producer you might be able to trigger a cash advance on some portion of it.

The program—the APF and the CAIS business risk portion of it—has been sorely tested by a BSE outbreak and the avian flu and found lacking by primary producers in both of those areas. If you talk to them directly you'll hear that.

You're the third Liberal minister in less than a year to talk about a review of CAIS. My first question is on when that will start and the timeframe you have in mind for when we'll see a report.

**Hon. Andy Mitchell:** I would like to see the review begin on or about December 1, and the target would be to have a report to provincial and federal ministers when they meet in their formal conference next June.

**Mr. Gerry Ritz:** We've had ad hoc program after ad hoc program developed under CAIS and the APF rolled out there in announcement after announcement.

The problem is—and your own bureaucrats told us this the other day—of that \$1.5 billion that producers could access, \$250 million is all that's been triggered. Of the roughly 300,000 producers out there, fewer than 10% have actually triggered some sort of payment. You can argue on the size of those payments.

Is that good enough?

**Hon. Andy Mitchell:** What will be good enough is when CAIS is able to respond to all producers.

Mr. Chair, let me just speak to this for a minute.

First of all, the CAIS program is an income support program that deals with income positions as of the previous year. What we're mostly dealing with right now is the result of production year 2003. As producers reconcile their books and have a loss that would trigger CAIS, they make application.

The reality is that ministers collectively, provincial and federal, extended the deadline for making application, so it would be hard to make your case, Mr. Ritz, that the program isn't working when we haven't even finished the period of time for the first year of CAIS that producers can make application. We have about 120,000 producers who've indicated that they intend, at some point in time, in that period, to make application for CAIS. About \$280 million has been disbursed. When CAIS for the 2003 year is completed, it's estimated that there will be payments of around \$1.3 billion.

I should also mention, and Mr. Ritz mentioned, the ad hoc programs. It's important that we remember what CAIS is and what it isn't. CAIS is a program that deals with an outcome. It deals with a result—basically, a loss of income. There are things that happen that cause that need. Sometimes they are things for which we have very little control. It could be a drought, it could be an infestation of insects, it could be a frost. It could be a series of things over which we have no control. CAIS is a program that deals with the result. There are, though, instances where you may have an opportunity to deal directly with what is causing the problem. That's why from time to time you will see a specific program targeted in a specific way. That's why you've seen the programming to deal with BSE. CAIS is a program that deals with the outcome, but occasionally you will need to deal with the structural or other problem that's causing that outcome, and that's why there have been those programs for BSE.

To date, something in the order of \$2 billion in federal-provincial dollars have been pledged to deal specifically with BSE. I wouldn't throw them overboard because there's a bunch of ad hoc programs. I think they are important programs, I think they are meaningful programs, and I think they help the cattle industry. And that's \$2.1 billion before CAIS even begins to come online.

• (1125)

**Mr. Gerry Ritz:** Before I turn this over to my colleague, I'll close with this: pledges and announcements aren't bankable, Mr. Minister.

**The Chair:** Mr. Anderson.

**Mr. David Anderson (Cypress Hills—Grasslands, CPC):** Thank you, Mr. Chairman.

I too would like to recognize the work of the people who are working for you at CFIA, but we're also getting some tremendous concerns from them about the problems that are taking place inside your department right now.

I spent a couple of years trying to deal with the fallout from the reorganization in the department. It goes down as small as, for example, some of the science and research positions that can't be filled at the local level. They have to be approved at the highest level of your department. This means that some of our research projects and summer projects were put in jeopardy because the department was not even able to deal with summer positions.

A larger issue, I'm told, is that your teams are still in a state of flux and conflict almost two years after they were reorganized. You had the old silo structure, and your employees told me they were competing with each other. One of them actually told me that they talk about having culverts, where they're still competing with each other; it didn't open up those lines of communication.

I could say a lot more. For instance, a lot of managers are holding acting positions rather than permanent positions, and they are afraid to criticize programs and deal with the problems they find in the department.

Just quickly, how is that chaos and reorganization in the department right now affecting the delivery of the massive amount of money that you supposedly have announced and delivered to the farmers? And what are you doing to correct that?

**Hon. Andy Mitchell:** Thank you, Mr. Anderson, for reiterating the "supposed" side, because I intend to address that.

The BSE recovery program of over \$500 million: that has been delivered. The cull animal program: a good part of that has been delivered. The TIS program: it's been delivered. I know you want to try to make a case that these are simply announcements and not dollars that have been delivered, but those dollars have been delivered. They are in the hands of producers. I think that's important for everybody to recognize.

On your other question, in terms of the organization of the department, you're right, there was a horizontal approach implemented in the Department of Agriculture to try to make it more effective. In many respects that has had its desired impact. As with any change, however, it does not happen without a need to adjust as you go through it.

The deputy minister has primary responsibility in terms of how the organization is done, and he and I have spoken. We understand the importance of maximizing the efficiencies of the human resources we have, and we will continue to work on that.

I say to all members, to all parties—and many of you have known me for a number of years, so you know that I say this always—that if there's a specific problem or a specific issue, whether that be with the output of the department or with the difficulty a producer is facing, I'm very prepared to deal with that, and I will deal with that.

● (1130)

**Mr. David Anderson:** Your employees have been gagged from the top.

**The Chair:** We'll move to the Bloc, with Madam Poirier-Rivard.  
[Translation]

**Ms. Denise Poirier-Rivard (Châteauguay—Saint-Constant, BQ):** Mr. Minister, we met with you two weeks ago and at that time you said that you were in favour of changing structures in order to resolve the mad cow crisis in Quebec.

However, the press release issued by your department last Friday, October 28, is entitled "BSE strategy implementation is underway." You discuss the establishment of the Fed Cattle Set Aside Program and of the Feeder Calf Set Aside Program. According to your press release, those programs were made available to producers in Alberta, Saskatchewan, Manitoba, Ontario and British Columbia.

Your release indicates further that in the six provinces where the program is administered by the federal government, letters have been sent to more than 34,000 eligible cattle producers to inform them of the amount that could be paid to them as a special advance.

Your release does not specifically mention Quebec producers. You say that in total over \$209 million will be available in the form of advances and that as of November 22, more than 4,500 producers had already applied.

Going by your press release, it would seem that Quebec producers are not part of the program. We would like you to tell us what you are doing for Quebec, as you have done for the western provinces and for Ontario. Can you announce today a specific program for Quebec which would assist cull cow producers in particular?

[English]

**Hon. Andy Mitchell:** Thank you very much.

Let me respond on a couple of levels. First of all, in terms of the fed cattle program and the feeder cattle program, the Government of Quebec made a request of myself and of the federal government to examine the possibilities of using their existing delivery systems for these programs. That presented a bit of an issue in the sense that we're trying to have a national program, but I was quite prepared to examine that and to enter into discussions with the Government of Quebec. I've indicated to them that we have found a suitable way for them to use their delivery systems to deliver both of those programs in the province of Quebec. I'm waiting for Quebec to respond to that, and I say that not because I think they're being tardy, but simply because I understand there's a process they have to go through within their own government, and I believe that's in fact taking place.

We are also having discussions with Quebec and other organizations, and we will of course have to have them with other provinces, on the whole issue of cull cows from the dairy herds. There is a need, I believe, to deal with that particular issue. There are a number of suggestions on how to do it. I want to make sure we follow a process that will address the issue and that is targeted to producers. I want producers to benefit from what we do. I think that needs to be key.

Also, I should mention that Quebec is doing regular CAIS advances—the regular program—and they're doing a special CAIS advance of \$100 per animal. Quebec is very much engaged in this, and they will have the opportunity on the building of new slaughter capacity to benefit from that portion of the program. So we've worked very hard with the Province of Quebec, as we have with other provinces, to understand the unique nature of the industry they face and to try to structure the actual delivery of the program in a way that tries to address some of those unique challenges.

• (1135)

[*Translation*]

**Ms. Denise Poirier-Rivard:** Does the Minister of Agriculture intend to take steps to put in place the necessary mechanisms to set a minimum price for cull cows, in order to return to producers a part of the enormous profits made by packers? Setting a minimum price would not cost anything to the taxpayer nor to government, and would allow for the structural changes the Minister of Agriculture wishes to see.

[*English*]

**Hon. Andy Mitchell:** One of the suggestions that has been made is a floor price. I'll be very clear that I have not ruled that out. On the other hand, I'm taking a look at a variety of options. There are a number of ways that there continues to be value or there needs to be a recognition of cull cows. One is what the marketplace will produce, and obviously there is a consensus that the marketplace is not producing an appropriate amount for those animals. As you know, the Canadian Dairy Commission, I think it's twice a year, establishes pricing. One of the component parts of that pricing is the value of the animals. That mechanism has not been used that extensively in the past because we're again facing a fairly unique situation where the value of those animals has dropped dramatically. They tended to have a fairly constant value prior to May 2003. So that component part has to be looked at. The third component part is direct action by the government.

I want to make clear to all members the importance of ensuring that any action we take results in the benefit going to producers. I want to make sure that whatever structure we have results in that. As I said before, I'm quite willing to work with yourself and your party, and with all parties around this table, and again with the province and with producers. This is not simply a Quebec issue, although there's a significant portion in Quebec because of the size of the dairy, but there's also dairy in other provinces, including my home province of Ontario.

[*Translation*]

**Ms. Denise Poirier-Rivard:** Thank you, Mr. Minister. I note your comments carefully.

[*English*]

**The Chair:** Your time has expired.

We move on to the government side.

Mr. Drouin.

[*Translation*]

**Hon. Claude Drouin (Beauce, Lib.):** Thank you very much, Mr. Chairman. Mr. Mitchell, I want to thank you as well as your associates for having come here this morning.

We are aware of the situation our producers are experiencing at the moment. Today, however, we did not speak about a problem which has often been brought to my attention, and that is the plight of the new generation of producers. I would like you to let us know how Agriculture Canada is dealing with this very important issue. Afterwards, I will get back to the matter of cull cows.

As you said, the money is available, but it is not coming very quickly. Would it be possible to review the process to ensure that our

producers can access those funds? I know that advances are being granted. Is this being done under revenue stabilization? Do people have to wait to have all of the figures in hand to be able to help the producers, whose backs are often up against the wall? Those are my questions, Mr. Minister.

[*English*]

**Hon. Andy Mitchell:** First of all, on the issue of young farmers, I think that in part goes back to that first principle I spoke to. If there's a young individual who is looking at farming as a potential occupation and they don't have a belief they can earn a living doing it, it would come as no surprise that they may choose to do something else. I think clearly one of our objectives—and this is a big part of the APF, not just the business risk management but the other four pillars as well—is to create an industry that can be profitable into the future, where individual producers can in fact earn a living from farming and will make the choice to stay in.

There's an issue, though, that goes way beyond simply what a business risk management issue would do. Several sectors of the industry are experiencing long-term historic declines in farm income. I think that's an issue we need to deal with very clearly. For instance, I believe the Canadian Federation of Agriculture is holding a symposium later this month on just that issue. I've assigned to my parliamentary secretary, Mr. Easter, a particular project within the department to deal with those issues of long-term decline in farm income and to develop recommendations and proposals to deal with them.

On the issue of providing income or payments to producers under the CAIS program, essentially the way CAIS is designed, it responds or reacts to a loss of income that a producer has in a particular year. The producer completes their financial records, completes their books, and then the program responds to that.

It was envisioned, though, that there would be issues where producers were facing liquidity issues almost immediately in a given year and they needed to have that liquidity issue dealt with before their books were reconciled in the following year. On that basis, the whole idea of having advances or interim payments was developed.

A producer, for instance, in 2004 who is finding that they have liquidity problems and they have made a determination that in fact when the year is all said and done they're going to experience a loss that will trigger CAIS, then rather than having to wait for sometime in 2005, they can trigger an advance payment in this year so they can deal with liquidity.

Beyond that, in particular for cattle and beef producers, there was a need. They were experiencing significant liquidity issues beyond all of the structural issues. As part of the announcement we made on September 10 there was a special advance calculated very simply that was able to be processed expeditiously. Letters went out in the last two weeks of October to whomever we saw as eligible for this special advance, inviting them to come forward. Those replies are coming in right now. As of the end of last week, I believe there were 4,500 replies, and I am quite prepared to update the committee. I know there are reports on all of our programs that come to the committee. I think we should also, on the special CAIS advance, incorporate that in our reporting to the committee so they can see this happening on an ongoing basis.

• (1140)

[Translation]

**Hon. Claude Drouin:** Thank you, Mr. Minister. As to the minimum price, you said earlier that we could avail ourselves of that measure and of others as well. However, in light of the situation that producers are experiencing currently, that is to say that the consumer continues to pay the same price or approximately the same price while the producer is pocketing almost nothing—I'm thinking in particular of cull cow producers—wouldn't there be some way of bringing in this minimum price quickly and ensuring a decent income to our producers so that they can survive this crisis?

Mr. Minister, I have already raised the following question in committee.

Would it have been advisable to test all of our animals, rather than putting in place these programs which, even though they are valuable and are intended to support our agricultural sector, cause delays and necessitate organization and communication?

You said yourself that the Quebec government was waiting for answers concerning financial support for other sectors. In order to deal with the BSE crisis, wouldn't it be a good thing to bring in a program to allow the federal government, the provinces and the producers to pay for the testing together, so as to reassure the population, as well as our foreign buyers?

[English]

**Hon. Andy Mitchell:** Let me respond to that in a number of ways.

First of all, I want to make something clear. Our delay in Quebec is not the responsibility of the Government of Quebec. There was a need for increased discussions on how to deliver it—I don't want anybody to be under any illusion of that—on testing and on a number of things.

First of all, there is no scientific basis for doing 100% testing. People who have employed it have done it, in some cases, because they want to try to instill consumer confidence. That hasn't been the issue in Canada. The reality in Canada has been that our consumption of beef after the BSE actually increased. It wasn't an issue of having to provide consumer confidence in Canada with 100% testing. Canadians had clearly demonstrated, by their buying habits and by their consumption habits, that they had confidence in our beef supply—and they should have, because it is safe.

Our largest export market, the United States, is not going to 100% testing. In terms of trying to assuage foreign markets, the United States isn't there. Even the Japanese, who were there, are moving from that. In fact, they're going through a regulatory change in their country where they will be moving away from 100% testing.

I don't think there's any scientific reason to do it. Certainly domestically there's no need to do it to assure our consumers. They are assured. Our major international marketplaces are not demanding 100% testing. I don't believe we should be entering into it for those reasons. So that's the approach.

I would not want to get ourselves into a position where we inadvertently provide a non-tariff barrier that could be employed against us by countries that would all of a sudden say, if you're doing

100% testing, that must mean it's good, so we want you to do 100% testing in our marketplace, when they've never asked for it before. I don't want anybody to be able to be in a position to use a decision we took here as an excuse for creating a barrier to the export of our beef.

• (1145)

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

We'll move to Mr. Angus, from the NDP party, for seven minutes.

**Mr. Charlie Angus (Timmins—James Bay, NDP):** Thank you, Mr. Minister, for coming here today.

My first question would be in terms of the slaughter capacity, because we all know that is a crucial element. I'm concerned about the effectiveness of loan-loss guarantees in a time of crisis. I have talked with some business people who are looking to move forward with slaughter capacity. They say the banks won't touch them. Certainly, why would the banks touch them in a time of crisis?

We're looking at ramping up numbers; we see numbers ramping up. How much of that ramping up is coming from the few big packing companies that have made a killing, continue to make a killing, and are well positioned to put that money back onto the killing floor? What's the percentage coming from them, and what's the percentage coming from new slaughter capacity?

**Hon. Andy Mitchell:** Let me give you the numbers right now. I'll do these in weekly totals.

We're operating at around 81,000 per week. That's up from about 75,000. Most of those have come from existing plants that have been able to maximize their output.

We need to get to around 105,000. That will get us to where we need to be, plus a little bit more, because it's probably not reasonable to think we can operate at 100% capacity all the time. That's the objective; that's where we want to go.

There are certain things that I believe are important as we build slaughter capacity. I think proposals that come forward need to make good business sense. They need to be proposals that suggest that when a new plant is up and operating, it can actually operate profitably, that it can actually process animals and be able to service whatever debt it may have incurred and be able to continue to operate. If it doesn't have that ability, it is not going to last.

I think the second principle is that it needs to be sustainable. That means a business plan has been created where that plant will continue to operate even after we have access for live animals into the United States. To do otherwise would be a very poor investment, to pour \$10 million, \$12 million, or \$14 million into a plant that would operate for a short period of time until you had a border reopening, and then that's all sunk investment. I don't think that makes a lot of sense. Those have to be underpinning principles.

We're using the vehicle of the loan-loss reserve so that we cannot replace private sector investment, but rather entice private sector investment. A \$38-million loan-loss reserve, if it works well, should trigger about \$120 million worth of investment. They can't get it right down to exact...but people who have done the analysis suggest \$120 million worth of investment will make up that difference between \$81 million and \$105 million. That's what you're trying to accomplish.

We released the details of the programs to the chartered banks and to others. I should make the point that it's not just chartered banks that are eligible to participate in this; others are as well.

I took the opportunity to speak to the senior agriculture lenders personally in a number of those institutions last week, to describe the program to them. I have agreed to have a collective meeting later this week, after they've had a chance to review the details, and to have a discussion with them about where they might have some concerns, where they might feel that things work well, just to understand from their perspective, basically, and to understand the way they want to proceed on it.

I don't think we should forget the other half of the new slaughter capacity—that is, the regulatory side—because it's not just the building that has to be built; it has to be built in a way that maintains the health and safety part of it.

We have also provided increased resources to the CFIA so that they can respond in a timely manner.

I should make this clear, that the money is for them to respond more efficiently, not to slacken or lessen the health and safety standards. I don't think any Canadians want to see us do that, but they do want to see us be able to proceed as quickly as we can.

• (1150)

**Mr. Charlie Angus:** But do we have numbers? Is the increase from where we were before—75,000, 79,000, or 85,000?

**Hon. Andy Mitchell:** Most of that has come from the larger ones, people who have had the ability within their operations to increase their capacity.

**Mr. Charlie Angus:** The big ones, right, but we haven't really seen much impact in terms of putting regional capacity in place yet.

**Hon. Andy Mitchell:** No.

One of the realities is—and this is why the need for the set-aside programs in the short term—to balance the number of animals with the capacity that's there, because a decision taken even four weeks ago or eight weeks ago to build a new plant, to come to fruition, is going to take 16 to 24 months before it's online. That's just the reality of doing it. That's why it wasn't simply a matter of it being a way of creating new slaughter capacity, but also the importance of bringing some rationality to the marketplace in the short term.

To a certain extent, we have had some success with that, because from when we first started talking about our plan in the middle of August, up until to today, we've seen some recovery on both our fed prices and our feeder prices. That's what we were hoping to see. Obviously we haven't returned to pre-May 2003 levels, and of course that's our objective. Since the middle of August the trend on pricing has been one of recovery.

**Mr. Charlie Angus:** In terms of beef, we have seen some stabilization, but what we're seeing in dairy continues to be very bleak.

I have two questions: first, when will a decision be made on dealing with the cull cow problem; and secondly, are there any plans in place to help dairy producers with the incredible breakdown of equity they're suffering right now if they're dealing with banks?

**Hon. Andy Mitchell:** There are really three components to taking a look at this. One is to have an understanding of what the marketplace continues to pay. I think there's general acceptance that it's not the value of the animal.

The second one is to have an understanding of what the Canadian Dairy Commission will do in terms of responding to the loss of equity in terms of animals. In setting the price, that's one of the ingredients they need, and having seen that, we need to determine what type of shortfall might still exist.

I'm not trying to evade the question in the sense of how we will do it. I want to make sure we do it in a way that the money and the support goes to the producers and not elsewhere into the system. I want to make sure that as we develop it...

I've met with the Dairy Farmers of Canada, I've met with my provincial colleagues, and I'm going to meet with them again, I believe, tomorrow and then again on Thursday, and we will work this through.

I understand the importance of doing this expeditiously. There are people out there who are facing serious challenges, and I'm determined to work as quickly as possible to try to address that. I made that commitment when I came in, in July; we put forward our program on September 10. I understand that we still have an issue with the dairy cull cows, and I'm determined to address it.

• (1155)

**The Chair:** Thank you, Mr. Angus and Minister.

We have time for one more questioner.

Mr. Bezan, if you want to take the five minutes, fine; if not, then share. But you have five minutes. I'm going to allow the minister to leave on time.

**Mr. James Bezan (Selkirk—Interlake, CPC):** Mr. Minister, I just want to point out one of the comments you made that I think is an error in government thinking, which is that you're still working under the assumption that the border is going to open, and that's the reason for not participating more fully in packing plants. I think we really have to realize that we have no control over what's happening south of the border and that the border may be closed indefinitely. We have to move quickly rather than rest on our laurels and hope and still assume that the border is going to open. We have to look hard at that.

I want to follow up on the questioning on managing the older animals—cull cows. In questioning we had last week with Agriculture and Agri-Food Canada, they admitted that the goal of reaching the 100,000-head-a-week slaughter capacity does not account for the killing of mature animals. I want to know what the plans are to make sure we have an increase in facilities to handle the mature animals, because they're the ones that are least likely to ever cross the border, if there is ever a border opening.

**Hon. Andy Mitchell:** That is a very good question. First of all—and I'll take the blame for this if it hasn't been communicated properly—the September 10 program is what you say it should be, Mr. Bezan. It is a determination to get away from a series of programs.

Hindsight is always 20/20, isn't it? When we first experienced BSE, the idea was that we had a very short-term problem. We wanted to put programming together to assist producers in the short term; then we would get a reopening of the border and it would be turned back to the way it was.

That's not the intent of the September 10 program. The September 10 program is designed to do exactly what you believe needs to be done—and it's a belief I share—and that is to restructure the industry so that it can be profitable with or without the border opening. That's the idea behind it. That's why we are encouraging the building of new slaughter capacity. It's why we've tried to bring some rationality to the market in the short term until that comes about.

Having said that, we're still going to continue to work on getting the U.S. border open. I'm not giving up, because I think it's a positive thing for Canadian producers if we can get that border open, and we will continue to work on it.

You are quite right in insisting that as we take a look at building slaughter capacity we have to relate it to the what ifs. I mentioned before, in my answer to one of the questions, that we want to make sure a plant is sustainable if and when we get a U.S. border opening.

You bring up another point that's important. We have to understand that within the macro numbers there are also some micro issues we need to deal with. The rule change being contemplated by the United States right now is one for live animals under 30 months. When that goes through, we still have a longer-term issue dealing with the older animals. That needs to be part of the planning as we go forward.

As for managing the older animals, we have made the invitation to the provinces to participate. I believe Manitoba has agreed to participate. Others are still contemplating it. The design of how we actually deal with this issue will be dependent on the number of provinces and how individual provinces are going to manage.

One of the things I've tried to do with this program is not, as the federal minister, to say, "It shall be exactly this way." I've tried to enter into discussions with my provincial counterparts, as in the discussions I described with Quebec, to make sure we do it in a way that makes sense for them. We will deal with the provinces. I realize that your province has indicated a desire to participate, so it is certainly going to happen in Manitoba.

**The Chair:** Do you have a short question, Mr. Miller?

**Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC):** No, nothing.

**The Chair:** I'm going to cut it off. We're at our time limit.

I want to inform the committee that over the next two meetings... on November 4 we will be dealing specifically with CAIS; on November 16, following the break, we're bringing back the minister. We will be discussing APF and whatever other issues might be associated with it. We'll have the minister back for another hour. All the parties have had an opportunity to ask him at least one series of questions this morning, and we'll continue that in a couple of weeks.

That is all for the minister this morning. Thank you, Mr. Minister, for coming and being forthright. We appreciate your presence and

we look forward to seeing you in a couple of weeks. Obviously, we'll continue the discussion then.

• (1200)

**Hon. Andy Mitchell:** I always enjoy visiting the committee, Mr. Chair. As all members know, we don't have to wait for a formal opportunity. As colleagues know, if there are issues, I'm quite prepared to deal with them as they come up, and I'm pleased to address them.

Thank you.

**The Chair:** We appreciate your openness and your forthrightness. Thank you very much.

For the next half hour we're going to be dealing with the Department of Agriculture. The gentlemen who are involved with the department can remain at the table and we'll continue.

At 12:30 we will continue with the discussions surrounding the issue of the Canadian Food Inspection Agency.

Would those people who are involved in the next segment please take your places at the table.

We'll suspend for a few minutes.

• (1202)

\_\_\_\_\_ (Pause) \_\_\_\_\_

• (1204)

**The Chair:** [*Inaudible—Editor*]...of the department. But first, Mr. Deacon, who is on to give your comment? It will have to be brief, because we only have half an hour.

Welcome, Mr. Marsland, Mr. Deacon, Ms. Komarynsky, and Mr. Migie.

**Mr. Bruce Deacon (Assistant Deputy Minister, Corporate Management Branch, Department of Agriculture and Agri-Food):** Mr. Chairman, in light of the minister's opening comments, I think we'll not add anything further but just take questions from members, if that is agreeable to you.

**The Chair:** Sure. I appreciate that.

We'll move on to Mr. Gaudet for five minutes. These will be five-minute rounds.

[*Translation*]

**Mr. Roger Gaudet (Montcalm, BQ):** Thank you, Mr. Chairman.

What do you think of the strengthening of import controls? As concerns the tariff control of casein-containing products, there has been a 306 per cent increase since 1996. Similarly, for lactalbumin there has been a 4,752 per cent increase. For lactoserum products, the increase has been 27 per cent, 186 per cent for butter oil and sugar mixes and 655 per cent for chocolate milk and other milk drinks. This tariff control has meant \$200 million in losses for Canadian dairy producers from June 2003 to May 2004. What do you think about this?

If we continue to open our doors, Canadian dairy producers are going to be paying the price. They have already lost \$200 million in one year.

•(1205)

[English]

**Mr. Andrew Marsland (Assistant Deputy Minister, Market and Industry Services Branch, Department of Agriculture and Agri-Food):** We have reviewed our import control measures and tariffs and continue to do so, consistent with our obligations and the WTO. We continue to consult with the industry with respect to those specific issues.

[Translation]

**Mr. Roger Gaudet:** It seems to me that you aren't reacting very much to what I have just said. Two hundred million dollars a year in losses for our dairy producers, that is a considerable sum.

There is also the use of dairy images and terms. Let's take popcorn as an example. It says "butter popcorn" but in very small print they add "butter-flavoured popcorn". So, how many ingredients are coming into Canada? Our dairy producers are suffering from this situation. What will your policy be in future in this regard? If you don't have a policy, we might as well say that all of our dairy producers are going to go bankrupt.

[English]

**Mr. Andrew Marsland:** Our policy is to have in place measures that are consistent with the provisions of our obligations under the WTO. We continue, as new products develop, to review them, and we work with industry to make sure our measures are as effective as possible in protecting our system, albeit consistent with our international obligations.

[Translation]

**Mr. Roger Gaudet:** It seems to me that your measures aren't very consistent. For instance, recently, the Americans imposed a 15 per cent tariff on our pork. However, Canada never takes firm measures against another country's imports. How is it that all of the other countries, be it New Zealand with our butter or Brazil with American cotton, have taken measures? Is Canada afraid to take measures against other importing countries?

[English]

**Mr. Andrew Marsland:** Not at all. We continue to defend our industry using all means possible. In terms of the court case, we are working with industry in fighting the countervail duty and also the anti-dumping case.

Those issues are still at play within the U.S. system. We don't hesitate to use our own approaches, which are similar to those available to the U.S., where we feel our trading partners are not living up to their obligations.

[Translation]

**Mr. Roger Gaudet:** Two years ago I wasn't following international policy with all of the attention I do now, so I may be mistaken. However, how is it that we never hear about measures such as the ones the Americans recently took concerning pork, or the ones Brazil took with regard to cotton? When was the last time Canada took any measures against an importing country?

[English]

**Mr. Andrew Marsland:** As I mentioned, we continue to work with the industries affected. We don't hesitate to make use of those

legal remedies available where it appears our trading partners are not trading in accordance with their obligations.

Where action is taken against us—for example, in this one case with the Wheat Board—we fight vigorously to defend our industry's interest. I think we've demonstrated some success with respect to the Wheat Board time and time again when it's been challenged.

**The Chair:** The purpose of this meeting is to deal with the estimates. Because we have the department people here, if we could refer our questioning in lines that relate somewhat to questions we may have on the estimates, it would be in keeping with the intent of this meeting.

At this time I'm going to call on the Liberal side, Mr. Easter.

•(1210)

**Hon. Wayne Easter (Malpeque, Lib.):** Thank you, Mr. Chair.

I do want to get to estimates, but Mr. Gaudet's point is a very important one. I think what Mr. Gaudet is really saying is that there are some serious games being played by importers of dairy substitutes into this country. The example of butter on popcorn is a real one, where some of the importers and some of the exporters from other countries are getting around the integrity of our dairy system by saying it's butter when it really isn't.

I know its implications are in agriculture, but trade is where the problem lies. All I want to say is if we're going to protect the integrity of the dairy industry, we have to move aggressively on those kinds of issues. I'm sure you'll find support on this side of the House for doing that. So we do have to get after trade.

If you go through the estimates, to be honest, they don't tell you a whole heck of a lot in terms of what is happening out there. I met with a number of producers yesterday who were quite critical of our lack of information out there on what we're actually doing, like on the BSE issue. I mean, if you go to the estimates, the amount of programming we've done is certainly not in there.

I wonder if there's any way the representatives here could lay before us, in a concrete fashion, the numbers on what we're actually getting out there to the farm community, because it's not well known what we're actually putting out there in dollars.

I wonder if Bruce or Mary could give us the details so they're on the record.

**Mrs. Mary Komarynsky (Assistant Deputy Minister, Farm Financial Programs Branch, Department of Agriculture and Agri-Food):** Thank you, Mr. Chair.

I can give some numbers for what has been paid out for some of the business risk management programs and some of the BSE programs. In addition, I can probably talk a little bit about some of the APF programs.

Let me start with the business risk management programs. In terms of CAIS, I think our minister this morning indicated that since the beginning of the calendar year—and I remind the committee members that for CAIS the program year for 2003 actually began when the final implementation agreement was signed in December 2003—so since January, CAIS has paid out, in 2003 interims, final payments for 2003, and interims for the 2004 year, over \$280 million.

Production insurance for 2004—what was formerly known as crop insurance—is usually paid out at the end of the calendar year. For the 2004 crop year we are predicting that approximately \$976 million in federal-provincial payments will go out to producers.

On the BSE recovery program, which I think committee members were informed of last year, the majority of the payments were made in the 2003 calendar year, but to date we have paid out over \$444 million—that's federal and provincial. The program allotment was \$520 million.

On the cull animal program—this is the previous cull animal program, not the one that was announced on September 10 by our minister—most of those payments were made in the 2004 calendar year. To date, the federal government has paid out over \$103 million. This was a program where provinces were asked to participate—some chose not to. The provincial payout was \$1.8 million.

There was another program that I think the minister also referred to this morning, the transitional industry support program payment. This payment was announced in March 2004. The payments are 100% from the federal government. An allocated amount was allowed for direct payments to cattle and ruminant producers, and there were general payments that were based on eligible net sales. The majority of payments were made last spring and this summer. We recently topped up the payments. Because there is a fixed allotment we paid out 70%, and we recently paid out the remainder. As the minister indicated this morning, the full amount has been paid out. That will come to about \$880 million.

There are some other cash advance programs available to producers. One is called the spring credit advance program. It essentially flows up to \$50,000 interest free to producers in the early spring. In 2003, the amount of money that went out to producers under the spring credit advance was \$727 million, at an interest-free cost of \$13.7 million. This year in the spring, for 2004, over \$500 million went out to producers, with \$3.6 million interest free.

In addition, in cash advance programs to producers we have a fall advance program. It allows producers to essentially store their crops in the bin. It provides cashflow and allows producers to market or sell their produce at the highest prices possible, so they determine when they can get the best price. For 2004—this program is going on right now because it is a fall cash advance—to date we've paid out \$37 million in advances, which are loan guarantees, with \$2.3 million interest free.

•(1215)

So that is an example of some money that has gone out.

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

We're going to Mr. Angus, and in the next round we're going to accommodate all those who haven't spoken before, before we go back to the second-party questioners.

Mr. Angus.

**Mr. Charlie Angus:** I don't actually mind. I would like everyone to get a chance in this round, sir.

**The Chair:** All right.

Then we'll go to Mr. Miller.

**Mr. Larry Miller:** Thank you, Mr. Chair.

The first question I have for you deals with administration, and it's dealing with the various programs but more specific to CAIS. First of all, a comment. I think the amount of dollars allocated to go out should be that figure and the administration figure over and above it.

The question is, can you give me an exact figure on the way this program was designed? What percentage of administration costs are coming out of that?

**Mrs. Mary Komarynsky:** In terms of CAIS administration costs, first of all, as I indicated, the CAIS 2003 program year began at the beginning of the calendar year. What this means is that the majority of CAIS payments will be made in 2004-2005 fiscal year, and that is because while final payments begin in the summer, the bulk of the payments, as the minister indicated, will go out between October and December.

So in terms of administrative costs for 2004-2005, we are projecting—given that we're halfway through the year—for the full year \$87 million of administrative costs, that is, total national delivery costs. As the member may know, the federal government delivers on behalf of six provinces, and four other provinces also deliver the CAIS program. So the \$87 million is the full estimate for CAIS.

In terms of what we're projecting for CAIS payments for 2003, we are currently projecting in the range of \$1.2 billion to \$1.5 billion. I think as our forecasts become more accurate, it's closer to \$1.4 billion. So in terms of costs per form, that would be about \$586 per form to complete an application form and process it on behalf of governments.

•(1220)

**Mr. Larry Miller:** Thank you.

In terms of your 2005 BSE contingency ad hoc fund, there's no line in there for that whatsoever. Can you explain that?

**Mr. Bruce Deacon:** This will be appearing as part of supplementary estimates. The supplementary estimates will be tabled, I believe, in a couple of days. That's why it doesn't appear in these accounts. It's purely a question of timing.

**Mr. Larry Miller:** Within a few days.

**Mr. Bruce Deacon:** I believe supplementary estimates (A)—

**The Chair:** Mr. Deacon, I know the date for the supplementary estimates is imminent, but I'm not sure what the timing is on that.

**Mr. Bruce Deacon:** I believe it's in the very near future—a matter of days or next week sometime.

**Mr. Larry Miller:** I'm looking forward to that.

I'll turn it over to my colleague, Mr. Chair.

**The Chair:** Mr. Anderson, do you want to make a comment?

**Mr. David Anderson:** I'd like to follow up on that.

**The Chair:** Yes. We have some time here.

**Mr. David Anderson:** Last year I think you put \$69 million into BSE. That was the line item that was given to programs for that. You've had to come back several times with ad hoc programs to try to help out in that industry.

Basically, the first two programs you brought out collapsed the markets at the time, and for this fall's program the jury is still out on how much impact it's going to have in the market. But I want to know what you're going to do next year. The minister said this morning that we can't expect CAIS to fill all the holes.

So given the fact that in the past we've been looking at the border to be open—it's going to be open next month, next month—and that has stopped you, I suppose, from making longer-term plans, what do you plan to do for next year? What kind of commitment is being made? What kinds of programs are going to be in place for next year? Or are you going to go with what you did last year, which is a small amount at the beginning, and then just hope to power your way through with some ad hoc programs?

**Mr. Bruce Deacon:** In the supplementary estimates you will see for this year that if you add up the totals of the grants and contributions portion plus the statutory component, it will total about \$1.4 billion. What that does is it includes effectively specific programming under grants and contributions, which are voted, and an additional approximately \$1.1 billion, which is the statutory base. From that, a number of programs are then funded. By the nature of the fact that these are statutory and they're indicated in the estimates with an "S" in front of them, it effectively means they draw on an amount that is put in for information. But because it is statutory, whatever is triggered under those programs will be paid out in a particular year.

In the past we relied much more heavily on ad hoc programming, and this is the first year we will have significantly established a different statutory base for agricultural programming. It is approximately nearly double what it was in the past. That adds an enormous amount of flexibility in terms of responding to the needs of farmers, and it will allow the flexibility to pay out according to need and according to the trigger of the various programs. Effectively in the department we have a business risk management program with its sets of Ts and Cs under which there are a number of program elements, and we have another suite of programs, which are often called non-BRM or voted programs. In order to plan for the future, my simple answer would be that we've laid a new foundation for a statutory base that should enable us to respond much more effectively to the needs of farmers as triggered.

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

We'll go to Mr. Kilgour for the final five minutes of this segment.

**Hon. David Kilgour (Edmonton—Mill Woods—Beaumont, Lib.):** In terms of Mr. Easter's question, Mr. Chairman, do I take it that for fiscal 2003-2004 the supplementary estimates were \$3.568 billion? Is that correct? It's on this chart. You probably have it there.

**Mr. Bruce Deacon:** Yes, the—

**Hon. David Kilgour:** The yellow and green one. For 2004-2005 the supplementary estimates will be about \$385 million?

**Mr. Bruce Deacon:** That's supplementary estimates (A).

**Hon. David Kilgour:** What would (B) be?

**Mr. Bruce Deacon:** In 2003-2004 that includes the amount for supplementary estimates (A) and (B).

• (1225)

**Hon. David Kilgour:** Can you tell us about 2004-2005?

**Mr. Bruce Deacon:** The estimate, as you said, is \$385.3 million, which is the amount for supplementary estimates (A).

**Hon. David Kilgour:** You probably don't want to disclose what supplementary (B) is going to be.

**Mr. Bruce Deacon:** We don't know at this point in time. There are many adjustments that occur during the year—new programming, new decisions. I should also add that if during the year statutory programming actually exceeds—if the actual expenditures or estimates of expenditures exceed—the amount that was put in for information, then we report back to Parliament at an appropriate time. So last year, for example, in the chart you were referring to, we reported a significant increase in the amount that was paid out under CAIS programming.

**Hon. David Kilgour:** The producers, the 90,000 cow-calf and 300 or 400 backgrounders in feedlots appreciate all of that help enormously. But again, there's a crisis out there and I don't know that everybody in Ottawa really understands just how severe it is.

Ralph Ashmead, the consulting economist for Serecon Consulting of Calgary, gave us these figures in Saskatchewan and Alberta recently, a couple of weeks ago: cow-calf operators' equity loss, estimated at \$3 billion; direct losses to the industry as of last fall, approximately \$5 billion; meat sale losses to the end of August, approximately \$1 billion; live cattle sales losses to the end of August, approximately \$2.5 billion; the regional indirect loss to restaurants, to gas stations, and that sort of thing, \$700 million. He also told us that the aid package, including the set-aside feature, presupposes that the U.S. border will open quickly. We could talk about that.

Do any of you have any comments you can make either on his figures or on the absolute massive extent of the crisis, affecting tens of thousands of families in prairie Canada, Ontario, Quebec, and Atlantic Canada?

**Mr. Howard Migie (Acting Assistant Deputy Minister, Strategic Policy Branch, Department of Agriculture and Agri-Food):** Thank you very much for the question.

Certainly, there is a very significant loss occurring in the cattle industry, and that's really why there is the recognition that our existing programs that we just put in place did not do enough, even though we feel they are very good programs, and that's why we added a lot to them.

In the current programs we have right now, our goal is to have sufficient capacity being developed by the end of next year, or at least into the 2006 period, that we will have sufficient capacity and not have to rely on other countries' capacity to slaughter the animals without reducing the herd. The measures of the two set-asides are keeping the prices much higher than they would otherwise be. We've had that verified by third parties. It's having a significant effect that helps to minimize the reduction in equity. But there can be no doubt that there are substantial losses that just can't be covered by government programs.

**An hon. member:** [*Inaudible—Editor*]

**Mr. Howard Migie:** The only comment I'd make is that the proposals we have on the table do not presuppose a border opening. If a border opening occurs, we will be much better off, but if it does not occur, we feel that the capacity increase and the program we have with the set-asides will put us in a much better position at the start of 2006. We will still have an issue with respect to the older animals, although there is some capacity increased there as well that is coming on stream.

**Hon. David Kilgour:** Mr. Chairman, I suspect my time is up, but there's a real concern about the 40% loan-loss formula. I wrote you a letter outlining the concerns of at least one of the people who want to build these packing plants. Would it be possible to have this become part of the record of this committee so that everyone can see it, not just the members of the committee?

**The Chair:** I believe, if I'm correct, that that letter has been circulated to all members of the committee. If it's the wish of this committee to have that circulated into the Hansard of this meeting, I would agree to do that.

Would you see that as something you would agree to? Do we have consensus? All agreed?

I see agreement. That will be fed into the Hansard.

• (1230)

**Hon. David Kilgour:** Thank you, Mr. Chair.

**The Chair:** We've exhausted our time for this segment of our morning meeting.

Thank you very much, members of the department, for appearing this morning. While you leave the table and others replace you, we want to continue here very shortly to get a full half-hour segment in.

From the Canadian Food Inspection Agency we have a number of members who will be presenting, and we look forward to their presentation.

**Mr. Larry Miller:** Mr. Chairman, just while we're having the new delegation move in, I would like to be on record as saying that by having any delegation here for a half hour, we're not accomplishing a whole lot. Even an hour is barely enough.

One other thing. While I'd really like to thank Mr. Angus for allowing everyone here to have a chance to ask...but I honestly believe, Mr. Chairman, that no one should get a second chance to ask questions until everyone on this committee has asked at least one.

**The Chair:** I'm trying to exercise my prerogative as chair to make sure that happens, but since Mr. Angus would have been...I've taken the privilege of asking him to speak first now. Then I'm going back

to Mrs. Ur, and then I'm going to start back here and we'll go through the formula again. I'm trying to be as fair as I can be.

While the others are taking their place at the table, members of the committee, if I could have your attention for a moment, the next two meetings have to do with CAIS and APF. With your permission and direction, I would suggest that we continue our discussions under the guise of estimates, so that we may delve deeper into the estimates. We do not have to report them until the 30th, and if you agree, we'll continue on under the estimates formula, as we have done here this morning.

Is that something we can agree to? All agreed?

**Some hon. members:** Agreed.

**The Chair:** I guess we see ourselves moving forward under that particular direction.

At this time, I want to welcome to the table Mr. Brian Evans, who has been here before, and Mr. Gordon White.

We know that Dr. Evans has distinguished himself as a leader in resolving BSE and in how we have come together as a country, and he has been recognized by our American neighbours as a leader in this field.

We welcome you, as well as Mr. White, here this morning. Thank you very much. If you have some comments to make, you can do that now and we'll proceed with the questioning.

**Mr. Gordon White (Vice-President, Corporate Services, Canadian Food Inspection Agency):** Mr. Chairman, I don't believe we have any comments to make. I'd just like to introduce Mr. Gary Koiviso, our executive director of plant products, and Ms. Krista Mountjoy, our executive director of operations coordination.

**The Chair:** Welcome to the meeting this morning.

We want to begin by having Mr. Angus ask questions for five minutes, and then we'll proceed to Mrs. Ur for five minutes.

**Mr. Charlie Angus:** Thank you, Mr. Chair.

Looking at the spending estimates for this coming year, am I right in assuming that \$476 million will be used by your agency?

**Mr. Gordon White:** Mr. Chairman, the \$476 million is the amount that we are requesting be voted. That is the main estimates figure. Within the adjustments we have the other amounts that we'll be coming forward with in supplementary estimates.

**Mr. Charlie Angus:** Could you break down how much would be going to on-site farm inspections to ensure that there is no contamination going to cattle from feed bags for poultry or hogs? Would there be a percentage set aside for that?

**Ms. Krista Mountjoy (Executive Director, Canadian Food Inspection Agency):** To respond to that specific question, I think you're referring to the part of the "Repositioning Canada" submission that will be going before Treasury Board. It refers to inspection of on-farm feed, feed utilization, as well as feed mills. We're targeting around 100 FTEs going forward in the next two years for that particular program in terms of enhanced BSE inspections.

**Mr. Charlie Angus:** So we now have...and I don't know the numbers; they seem to vary. Something like 70,000 and 300,000 spent cattle are going to be taken out of the system. I assume they will be rendered. How much of this budget will be apportioned to checking the status of those cows for any potential BSE?

•(1235)

**Dr. Brian Evans (Chief Veterinary Officer of Canada, Canadian Food Inspection Agency):** Thank you, honourable member, and Mr. Chair.

First, I think it's important to indicate that under the cull cow program, depending on how these animals are taken out of the system, they may or may not be rendered for other purposes. Again, we recognize the fact that from a humane standpoint some of these very old, crippled animals may be euthanized on-farm, using drugs on the farm, which would make them inappropriate to be rendered. They would therefore be dealt with through other disposal mechanisms.

That said, as you've indicated, there is a range of prediction of what will come forward. We have calculated between 70,000 and 300,000. As a result of the investigation we did into BSE, we have estimated that within that group of animals, up to as many as potentially 40,000 animals would have some merit of being tested, again based specifically on their age or the geographic area of the country from which they came.

**Mr. Charlie Angus:** Okay.

I was quite concerned, as I imagine most people were, to hear in the CBC documentary about that one \$3 billion cow; the SRMs were removed and then it was ground up and fed back into the food chain. We had, what, a 20% contamination rate in farms where that feed was fed? In terms of your role, I'm wondering what kinds of assurances the public is going to get that something like that would never happen again.

And going back to the question of on-site inspections, as long as rendered feed is being fed to poultry and hogs, how is your agency able to guarantee that there will not be any cross-contamination into cattle or dairy?

**Dr. Brian Evans:** Again, Mr. Chairman, thank you very much for the question. It's a very legitimate and worthwhile question.

I would point out at the outset in responding to the question that, first and foremost, the information that was brought forward from the CBC was not new information but was in fact information that we brought forward a year ago, in May and June, during the course of our investigation. There was no new information brought into the public domain through that particular access-to-information request, but that information had been publicly disclosed in our technical briefings and placed on our website. There had been no effort here to

try to disguise or suppress any relevant information from a public interest standpoint.

With respect to what was found at that time, yes, there was evidence with respect to that particular animal. One of the issues that did arise was the fact that the animal had been rendered several months before because of the delay in moving forward on that particular sample between provincial and federal jurisdiction, which has subsequently been dealt with as well.

On what was entered into the feed system, as you've indicated, we did do on-farm verifications. In actual fact, in our numbers, it was not 20% of farms that were inappropriately feeding animals. In fact, it was less than 3% of animals that were potentially being exposed, either inadvertently or through accidental circumstances at the farm level. This was also associated with on-farm feeding practices, where about 80,000 farms in Canada actually mix their own feeds on the farm at any given time.

For those producers who raise multiple species, this is an ongoing issue of concern. It has been fundamental to the proposal that we have tried to bring forward on a revised feed regulation that would take material out of the system at the top end and not allow it to be rendered or go to a commercial feed mill. Therefore, it would deal with the issue of any cross-contamination that would subsequently take place in the system because there would be no prohibited material.

Having expressed that, Mr. Chair, again, I come back to the point that, in all real sense, neither the Government of Canada nor the governments of the provinces have the ability to be on every farm everyday. So our approach in dealing with this from a regulatory perspective is to have regulations in place that are practical and implementable, and that we have good awareness programs to work with the production sector on how they feed their animals.

We find that industry as a whole is extremely positive about doing the right thing to maintain consumer confidence and takes great pride in the quality of the food they do produce in this country.

At the same time, we're very dependent on downstream verifications to make sure there's no issue going on in the feed system, by doing sampling of the feeds to ensure there is no prohibited material included in the feeds.

It's not an issue, I don't think, Mr. Chair, to be on farms every day inspecting and verifying that the regulations are being implemented. In fact, it's a broader strategy to include all the people who have an opportunity to make a difference in the quality of the feeding of our animals.

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

**Mr. Charlie Angus:** I was just getting started.

**The Chair:** I know.

Mrs. Ur, five minutes.

**Mrs. Rose-Marie Ur (Lambton—Kent—Middlesex, Lib.):** Thank you, Mr. Chair.

It is a pleasure to have you at committee again, Dr. Evans. I, too, want to thank you for all the hard work you've done over the past little while. You certainly put Canada on the map on a scientific basis, with the recognition we've received from other countries as to the work you and your colleagues have been doing for us. I really want to thank you for that.

That being said, the main estimates indicate \$476.9 million in your budget. When you're looking after food safety, plant and animal—and I think there's an additional \$44 million in there—with avian flu and BSE, how has that taxed your budgetary appropriation for the various things that have happened under CFIA?

• (1240)

**Dr. Brian Evans:** Honourable Member, and Mr. Chair, certainly I think we recognize, as the CFIA, that we live in a global threat environment. I think government at large recognizes that it's not necessarily an issue of how much you can throw at a problem; it's an issue of trying to ensure that you're prepared and that you prevent the problem to the extent possible. Certainly, from my perspective, I can honestly say that what we've been able to achieve in Canada, in terms of leveraging our federal resources and working that through the system to deal with the broader animal health and public health communities, is that Canada continues to be well positioned to deal in the global threat environment.

Having said that, we do recognize that for the types of circumstances we're all enduring today, our ability to prevent and prepare and respond will always be at a higher level than our ability to recover, because the very circumstances are not predictable for some of these real challenges we're dealing with, particularly more and more with zoonotic disease and the public health implications.

It would be fair to say that it has stretched the agency at various times. As the agency, I think we recognize and appreciate the support the federal government has given and the recognition it has given. At the same time, I would be remiss if I didn't say that the threat environment is no less today than it was a year ago or two years ago. When one adds deliberate threat into that reality, it does require us to be vigilant and use the funding we have to the best extent possible.

**Mrs. Rose-Marie Ur:** Thank you.

That being said, with the increase in slaughter facilities recommended because of the BSE situation, how will that tax inspectors? Will there be sufficient inspectors to go should we be able to move forward on additional slaughter facilities?

**Dr. Brian Evans:** Yes, we are prepared and we will have the capacity to ensure that the food safety system is not compromised with increased slaughter capacity. I would maybe ask Krista Mountjoy, who is responsible for that front-line delivery reality, to talk a little bit about our recruiting and training efforts so we're prepared for that slaughter capacity when it comes on stream.

**Ms. Krista Mountjoy:** Thank you, Mr. Chair, and I thank the honourable member for the question.

Certainly, we're working very closely not only with Agriculture and Agri-Food Canada but also with the industry, the beef industry value chain round table, to understand exactly what will be happening and what is happening in terms of the ramping-up process within the slaughter establishments.

There are two elements in terms of CFIA's preparedness. One element of course has to do with making sure we have veterinarians and inspectors to perform regulatory functions in those slaughter establishments, that we have completed the hiring process and training for those individuals so they are ready to oversee the functioning of those establishments to ensure the product coming out is safe on an ongoing basis.

The second element is, in terms of new facilities and expansions to existing facilities, that we streamline our registration approval process to ensure that we don't compromise food safety and public health. But we do work very closely with industry to bring these facilities on as quickly as we can through the registration approval process.

**Mrs. Rose-Marie Ur:** I just have to add that we had some slaughter people in the other day, and the one thing they complained about was the fact of moving blueprints. Perhaps we could look at, through CFIA, having a person close to that particular facility rather than moving paper back and forth, where someone would be there and might help move these processes along much more quickly. We'd certainly appreciate it.

I know that's not main estimates, but I had to get my two cents' worth in.

**Mr. Gordon White:** Mr. Chair and honourable member, just as a follow-on, there is going to be funding requested via the supplementary estimates (B) to allow us to carry on those inspection and approval activities so we can expedite—

**Mrs. Rose-Marie Ur:** That appears to be the problem.

**Mr. Gordon White:** Yes; understood.

**Mrs. Rose-Marie Ur:** Also, under CFIA, what is your budget for bioterrorism? You work on that as well, and how much of that comes out of your estimates?

**Mr. Gordon White:** Thank you very much for the question.

The precise budget is tough for me to pinpoint right now. I can get back to you with that. We received PSAT funding earlier on for our bioterrorism activities. It was about \$36 million per year, of which we will be transferring some to the new Canadian Border Services Agency as part of the reorganization of government. We're probably in around the \$20 million mark.

• (1245)

**Mrs. Rose-Marie Ur:** Thank you, Mr. Chair.

**The Chair:** Now we move to the official opposition, with Mr. Bezan for five minutes.

**Mr. James Bezan:** Thank you.

I'm just wondering this. In the September announcement for the BSE program by Mr. Mitchell, in just about every portion of the announcement there was quite a bit of funding that is going to CFIA. Do you know what that total amount is out of the amount that was announced?

**Mr. Gordon White:** In the minister's announcement of September 10, the CFIA was provided with funding to do a number of things, including dealing with increased slaughter capacity, dealing with expediting the blueprinting approvals, and expediting our import-export activities. We will be requesting funding of some \$21 million to cover those activities.

**Mr. James Bezan:** And that's above and beyond the announcement of funds that were already allocated in the September 10 announcement?

**Mr. Gordon White:** That was part of the \$488 million.

**Mr. James Bezan:** Now, we have this BSE surveillance we have to do. We have a quota of 8,600 this year, I think it is—

**Dr. Brian Evans:** It's 8,000.

**Mr. James Bezan:** It's 8,000, and we're at 8,600 now and going beyond it, and we need to be up to 30,000 next year. How do we intend to do this, especially in provinces with a lack of slaughter capacity, like Manitoba?

**Dr. Brian Evans:** Thank you for the question.

Again, as you've indicated, in establishing those thresholds we in fact have already exceeded the level for the 2004 calendar year. The current level of submissions that has been achieved over the previous three or four weeks, which is a combination of the animals that have come back off pasture in the fall, access to those particular animals, contracting arrangements with dead stock operators, an enhanced awareness education program targeted at producers, and a reimbursement program to help offset those costs of getting access to those animals.... In effect, we are already at a weekly level achieving the standard we would have to have in order to do 30,000 over the ensuing 12-month period.

**Mr. James Bezan:** But is that reflective of every province? Every province has a certain quota they have to hit as well.

**Dr. Brian Evans:** In effect, within the projections for this year and from the numbers we continue to receive and the processes that are in place, all provinces, with the exception of British Columbia, are on track to exceed their commitments. We are dealing with a specific issue relative to animal disposal in the area of B.C., and our operations people hope to have an alternate program in place to make sure B.C. is also in line to meet their targets.

**Mr. James Bezan:** Just take into consideration that in Manitoba the BSE surveillance was done in an underhanded fashion. Producers weren't aware that animals that were getting picked up for recycling were being tested, so just keep that in mind. It may not encourage participation in the program in future years.

Now, one of the things we've already been talking about is streamlining plant inspections. One of my pet peeves is trying to get a domestic national standard so we can have interprovincial movement of trade—not international but interprovincial trade. Is there any budget allocated for doing that and streamlining that process?

**Dr. Brian Evans:** Yes, there is. This is not an off-line issue. The establishment of national meat codes and national codes in other sectors as well, dairy and other prime agricultural sector interests, is included in our A-base budgeting. It has been part of the process we've been working through, using federal-provincial dialogue to try

to establish these standards at a level that will maintain the public health aspect but still be amenable to a broader range of processing sectors to be involved at the national level.

**Mr. James Bezan:** I suspect, though, that if it's good enough to eat in Manitoba under provincial inspection, it's good enough to eat in Ontario.

**Dr. Brian Evans:** Certainly, one of the issues around the establishment of the Canadian Food Inspection Agency was to try to move towards, first of all, integrating federal food inspection issues among the four departments at that time—Health Canada, Industry Canada, Fisheries and Oceans, and Agriculture—and then to go beyond that to deal with the subnational issues. That certainly remains a work in progress. We are all fully committed to trying to establish those national standards in a way that will provide for broader access into those issues.

I think at this time Canadians are well served by both provincial inspection systems as well as federal inspection systems. In real time I think it's important to continue to recognize that 95% of the beef that is slaughtered in Canada currently goes through federal inspection systems. In some provinces in fact the CFIA is carrying out inspections on behalf of the provinces under contractual arrangements.

● (1250)

**Mr. James Bezan:** As it happens already in Manitoba, but I'd be concerned that if we develop a second standard that's above and beyond what the provincial standard is and more closely reflects the federal standard, we're going to have a lot of these smaller, local abattoirs shut down on us, and they provide a service to the local economy.

**Dr. Brian Evans:** In response to that, I can say we have elaborated a strategy that would look at trying to establish what we would call core standards, which would all meet and which would more than suffice to satisfy food safety considerations at a domestic level.

For those particular establishments that have interests in offshore markets, we could then build an add-on for any particular aspect, whether it's residue testing, hormone-free, or niche marketing, that will allow those establishments to meet those criteria as part of the marketing efforts. That's a strategy we are now trying to move forward as a national food safety strategy.

**The Chair:** Thank you, Mr. Bezan; we're finished.

Ms. Rivard.

[Translation]

**Ms. Denise Poirier-Rivard:** You spoke about the bioterrorism budget earlier. I would like to know what programs or activities have been put in place to fight bioterrorism.

**Dr. Brian Evans:** Thank you, Madam, for asking that question.

[English]

Certainly, as was indicated, bioterrorism existed before 9/11 in real terms, although we did receive funding under the public security anti-terrorism proposals of the Government of Canada specifically dealing with the border issues and detection issues. In fact, we have been long involved in preparation and preparedness in response to such events.

In many respects, a lot of that investment is in laboratory infrastructure and detection, working with both provincial and academic laboratories through our veterinary colleges and with our federal laboratory system in terms of training and search capacity to identify potential threats and to type those threats to determine whether they are naturally occurring or deliberate.

We have worked very closely with other intelligence agencies within Canada—with CSIS, with National Defence, with border groups, and others. We actively work as well at the international level. Through our posts abroad we are plugged into a broader intelligence network that looks at emerging threats and the capacity of individuals to potentially do deliberate harm to Canada's economy. Through those processes and through disease notification and mapping we map disease outbreaks around the world and verify whether they are natural progressions through animal or human movements or whether they are unexplained events that could have other factors associated with them.

In concert with the United States, at a very broad level we have aligned our import procedures and our import policies to share information. We have shared information databases with customs that look at non-compliant imports to verify whether these merit a higher level of inspection on an ongoing basis. As well, we try to work as effectively and efficiently as we can with our U.S. border colleagues in terms of targeting specific importers or specific shipments from specific countries for enhanced inspection activities.

So there is a broad range of activities that goes well beyond the agency, making us a full-time partner in contributing to that public security agenda.

[Translation]

**Ms. Denise Poirier-Rivard:** One question concerns me a lot and I'm going to address it to Mr. White.

We learned from the media a few weeks ago that the sole mad cow found last year in Alberta had been processed into animal meal. Are those reports accurate? And if so was that meal contaminated, and is there any possibility that herds in Canada or Quebec were fed any of it?

[English]

**Mr. Gordon White:** Thank you, Mr. Chairman.

I'm not personally aware of that report.

I wonder, Dr. Evans, if you have any comments on that.

**Dr. Brian Evans:** As I indicated earlier to the question from the other honourable member, yes, it was confirmed and made public in May 2003, when we investigated the positive animal, that the animal had entered the rendering system several months before and that the animal was in fact turned into some degree of animal feed.

That being said, the feed investigation was thorough and did identify the shipment of feed from both rendering and commercial feed mills. That was the basis of our targeted inspections at various premises to detect at the farm level the level of compliance that existed in those circumstances. A significant portion of feed was recovered and destroyed by the Government of Canada.

At this point in time we have no records that would indicate that the feed itself moved beyond a fairly narrow distribution area within western Canada. But of course animals that may have consumed that feed themselves may have subsequently moved to other parts of the country and could be subject to slaughter circumstances.

When we convened the international panel of experts to work with us to determine the most effective way of moving forward, their strong recommendation was that it would be ineffective and inappropriate to continue to pursue individual shipments of feed and testing at the individual farm level. Rather, our best investment for public health protection and animal health protection was to move to enhanced surveillance, at the geographic bases of the country, statistically valid, that would determine if in fact there had been exposure and how it was being expressed.

I would make the comment again that they did compliment the fact that Canada was one of the few countries in the world that had in place a ruminant feed ban before BSE was actually detected in a native-born animal. That one factor in and of itself has put Canada in a very enviable position to try to make its case to the world that BSE has not continued to spread within Canada over the last several years.

• (1255)

**The Chair:** Thank you. The time has expired.

I'm going to take one question from Mr. Easter and one from Mr. Drouin, and I'm going to conclude with the final question.

Keep it short. We want to be out of here soon.

**Hon. Wayne Easter:** I think Rose-Marie made the point, Mr. Chair.

We have been hearing from a couple of plants in terms of CFIA's ability to move fast enough. I want to re-emphasize the point that Rose-Marie raised. We are under the pressure of time. Regardless of what has to be done, whether it's taking people out of Ottawa and putting them on site at those plants, we need—while meeting our regulatory requirements and our obligations internationally—to make every effort to get them up and running fast.

Thanks, Mr. Chair.

**The Chair:** In that vein, if I might, perhaps you could bring us up to date quickly on what is happening at Salmon Arm, B.C. I understand there was a meeting there last evening. Is there good news to report today, or where are we at on that issue?

**Ms. Krista Mountjoy:** Mr. Chair, thank you for the question.

I'm not aware that there's bad news to report on the meeting of last evening; we're awaiting that same report ourselves. I do know that we are sending our experts out to that particular location to make sure we move that process along as quickly as possible. We clarified with the owners of the establishment, who are seeking approval, exactly what their few remaining issues are. My understanding is that we're working very closely with them to get that resolved.

**The Chair:** Thank you very much.

Mr. Gaudet, very quickly.

[Translation]

**Mr. Roger Gaudet:** Can you inspect the food and products that come from elsewhere? Is that included in your budget? That is a simple question that calls for a simple answer.

[English]

**Dr. Brian Evans:** The answer is yes. We have import controls that do analysis at the border and post-entry, of both animals and products, to ensure they meet our domestic standard as well—and that is included in our A-base budget.

**The Chair:** The last question is this. You acknowledged this morning that animals were tested in Manitoba without farmers' knowledge. These were animals that were intended for recycling; they had their heads removed and tested without the owners knowing this was happening. In how many other provinces were animals tested in this way without the owners' permission or knowledge?

**Dr. Brian Evans:** Thank you very much for the question, Mr. Chair.

The circumstance in Manitoba was an approach the Province of Manitoba undertook as a way of trying to meet their surveillance targets. It was one of the very first programs that was put in place at the national level. That program has not been repeated in other provinces that I'm aware of at this point in time. As we've indicated in our previous submission to the committee earlier today, through an enhanced awareness education campaign, we are trying to get information into the hands of producers that animals picked up at the farm as dead stock have the potential to be tested for BSE. At the same time, we're also working at the farm level with veterinary practitioners and the producers to do as much of that testing with the full participation of the producer.

**The Chair:** Ms. Mountjoy, would you finish first?

**Ms. Krista Mountjoy:** Very briefly, to add to that, in terms of flowing CFIA reimbursement payments to producers, they will be

asked, and have been asked, to sign off on an agreement to make sure they understand and are aware of the fact that we are going to be testing that sample.

**The Chair:** Mr. Anderson, do you want a clarification?

**Mr. David Anderson:** On a point of order, Mr. Chairman, they have not answered the question.

I would like a specific number; we have a specific number of provinces. In how many provinces were animals tested without the owners' knowledge or permission?

• (1300)

**The Chair:** I think he said there weren't any others.

**Mr. David Anderson:** He didn't say that.

**Dr. Brian Evans:** I'll have to get back to the committee. We'll have to do a further review of the earlier stages of the sampling program. At this point, my personal knowledge is that the program was not repeated in other provinces, but we will certainly come back to the committee with a detailed breakdown province by province.

**The Chair:** We have to put an end to questions because our time has expired.

But I do want to say this, since our time is dedicated to estimates, which can be a very boring exercise—we get off the subject matter we've come to discuss. It has been the intent of this committee as well as many others—and I realize you are not the people I need to talk to but the departmental people are the ones who need to understand this, and the accounting end of things too.... We need to have our estimates done in such a way—and models have been developed for this—whereby we can test performance year to year, year after year; we can go back and question the performance. If there's performance, we know how to measure success.

I'm saying this to you this morning on behalf of the committee. I say this, I know, with their full support because we've said this many times. I hope sometime we can have estimates that we can go to and say, "This is what was happening last year and this is what happened two years ago and this is what we anticipate will happen for next year". Then we could get to the meat of what we really come here to discuss.

Thank you again for appearing this morning, and we look forward to your next appearance. The next meeting is Thursday at 11 o'clock.

Thank you very much.

The meeting stands adjourned.





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