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Thursday, April 23, 2009

—
Chair

Mr. Larry Miller

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•(1105)

[English]

The Chair (Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC)): I call the meeting to order.

We do have some committee business at the start here. In order to be fair to our witnesses, we'll try to get going. We do have to go in camera at some point, for the report.

Mr. Bellavance, at the last meeting you had read your motion in, so I'll turn the floor over to you if you want to speak to it.

[Translation]

Mr. André Bellavance (Richmond—Arthabaska, BQ): I'll be brief, because I had an opportunity to read my motion at the last committee meeting. As I explained then, this is a motion that might serve as a committee report following the meeting we had with potato producers in Saint-Amable, who explained to us that the renewal plan they had been offered, involving \$5 million over three years, was clearly insufficient. They have commissioned an independent study showing that they would need 10 years to revitalize their operations. We have to understand that the farmland on which the golden nematode was found is no longer available for potato growing. Moreover, shifting their operations to other crops is complicated. It cannot be done overnight.

So my motion was worded with the intention that the committee report to the government, and recommend the measure set forth in the motion, which I read at the last committee meeting.

Thus, Mr. Chairman, I am now tabling the motion.

[English]

The Chair: Is there further discussion on Mr. Bellavance's motion?

Mr. Pierre Lemieux (Glengarry—Prescott—Russell, CPC): Mr. Chair, we have an older copy of that motion, I think.

The Chair: Yes, it was circulated.

Mr. Pierre Lemieux: Thank you.

The Chair: Is there any discussion on the motion?

Mr. Pierre Lemieux: Yes, I would like to discuss the motion, Mr. Chair.

The point I'd like to make again is more procedure-related. We've heard from witnesses. Mr. Bellavance asked us to listen to witnesses on this important matter, and we have. Then they were putting together a report, which has been done. It's a draft report. Has that been circulated? Okay.

The difficulty I have from a procedural point of view is that the motion is in front of the report. It's dictating somewhat what should be in the report before we've had the opportunity as a committee to look at it. The report makes recommendations. The normal process for the committee is to listen to witnesses, have a draft report prepared and circulated to the committee, have the committee review the report, and then when there's disagreement over what the recommendations are, the wording of a particular sentence, or a paragraph that isn't quite appropriate, all this gets worked out as we review the report.

I would say to Mr. Bellavance that rather than using a motion, why don't we review the report? If you want to add these as recommendations, that's why we review the report. It's to figure out whether the recommendations in the draft are appropriate or not, or if we need to add some or take some away. That's the whole process of reviewing the report.

I find the motion is in front of our work of reviewing the report. If we approve the motion, we're agreeing on recommendations before we've even had a chance to discuss the report as a committee. I think it's important. We have members here from all parties. We all listened to the witnesses, and I think we should all have the opportunity to participate in the discussion, review the report together, and work with it as we do with any other report.

The Chair: I think your point, Mr. Lemieux, is certainly correct. This is probably a little different from what we normally do. But at the same time, Mr. Bellavance's motion is in order. Unless directed by the committee or whatever, we have to deal with it.

I have Mr. Storseth next, and then I'll come back to you.

Mr. Storseth.

Mr. Brian Storseth (Westlock—St. Paul, CPC): I have two points, Mr. Chair, and the first point would be a question to Mr. Bellavance.

After this motion is dealt with, do you still intend to deal with the report and the recommendations from the report?

My concern is that I have amendments I would like to make to the report as well. We had Quebec farmers here as well as Alberta farmers who had issues with the way potato cyst nematode has been handled. I was hoping to make some recommendations as we traditionally would. I thought Mr. Bellavance would put this in the report as recommendations from the committee and then I would have an opportunity to amend the report as well.

That's my question for Mr. Bellavance.

•(1110)

The Chair: There were a couple of questions for Mr. Bellavance.

I'll give you a chance, André, to respond to them if you care to.

[*Translation*]

Mr. André Bellavance: I don't want to take up the whole committee meeting with this. I don't have much to add, except that it wouldn't be the first time we would do this. This is not the first time I have done this, at least, and that's why I chose my words carefully. I said that my motion was a suggestion for the report. We could then continue to discuss it.

Personally, as a representative of people who have come before us to discuss their problem, I don't wish their trip to have been for nothing. I want to move forward with the issue by tabling this motion. My reason for doing this is very simple: I am putting their demands directly before the committee. I have put them into a motion. I have the right to do it, and that is how I would like to proceed.

Obviously, if my motion passes, you will all understand that the recommendations in it are those I will want to support in the report. My motion represents the extra weight that I would like to add to the producers' demands. I am therefore asking the committee to either pass or defeat the motion. If members on the government side do not wish to vote and support my motion they are under no obligation to do so. In any case, they have not always voted as I do.

[*English*]

The Chair: Thank you.

Next are Mr. Lemieux, Mr. Atamanenko, and Mr. Easter.

[*Translation*]

Mr. Pierre Lemieux: I just want to say that Mr. Bellavance has the right to table his motion, but I would like to ask him to withdraw it because, as I already said, it is preceding the report. We have not studied anything relating to the report yet, and Mr. Bellavance is trying to force us into making recommendations.

Mr. André Bellavance: I am making suggestions.

Mr. Pierre Lemieux: No, this is a motion, not a suggestion. The motion stipulates that the report must include the three points it sets out.

Mr. André Bellavance: I am suggesting that the committee adopt these recommendations.

Mr. Pierre Lemieux: Yes, but if the motion passes, that will have to be done before the report is reviewed. That is where the problem lies. So give us an opportunity to review the report together in committee, and at the end or even during the process, as we discuss

recommendations, you can table a motion if necessary. But you may not find it necessary.

Thank you.

[*English*]

The Chair: Thank you.

Please go ahead, Mr. Atamanenko.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): I think what is happening is that André is trying to ensure that he gets the best possible deal, the best support for the farmers who were here. If there's a motion in addition to what we're going to be doing in the report, Brian, I would encourage you that there's nothing stopping you from doing the same thing in terms of the Alberta farmers, and we get just a little more reinforcement of what we're trying to do to help these farmers. The same thing that we discussed coming up here could happen. We want to help these guys and we want to do as much as we possibly can to get this issue resolved.

The Chair: Go ahead, Mr. Easter.

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

The question is, what stage is the report at? When are we going to deal with it? We are nearing the month of May—

The Chair: Wayne, I could respond to that. We could do the report right now, or at least get started on it. I think the indication was that we would spend the first half hour of this meeting dealing with committee business and then go to our witnesses, so it could be, but we can't deal with it as long as we have a motion on the floor.

Hon. Wayne Easter: Yes. It would be nice if this could be incorporated in the full report of the committee. I will admit that.

I understand where André is trying to go here, and I've read the minutes of the committee meeting that day. I wasn't able to attend. I think André is trying to give some assurance to those producers in that area, both from a financial point of view over a 10-year transition plan and in terms of forcing the CFIA to do some action plans and timelines in terms of solving the problems. To me that makes a whole lot of sense, so we will be supporting the motion to try to force the government to some action on this issue.

My thought in raising the question earlier on the progress of the report was that if we're dealing with it within a day or two, then maybe it could be incorporated into the full report, but we're not dealing with that as yet.

•(1115)

The Chair: No, we have the motion.

Go ahead, Mr. Storseth.

Mr. Brian Storseth: Thank you very much, Mr. Chairman.

I think Mr. Easter hits on the problem here. We have a draft report. I saw the first copy this morning. I believe one of the recommendations in there goes along with what Mr. Bellavance is talking about. If Minister Bellavance wants to strengthen the recommendations, as we normally would do with reports, I agree that it's his right to do so, and if you want to support that, I agree that it's your right to do so, but I think we should handle this all at once, within the report, as our committee traditionally handles it, and then the committee presents one report. Otherwise the committee is going to send this motion forward, and then we still have to deal with the report. I'm assuming Mr. Bellavance is going to want this in there as well, along with any other changes that any of us would like to see made to it. I think it's disjointed, Mr. Chair.

I would like to see this report out as quickly as possible as well. Perhaps we could make some committee time to deal with the report as soon as possible. I don't see, Wayne, any reason not to deal with this report either today or at the next committee meeting.

The Chair: I'll ask the clerk.

We have the Canadian Fertilizer Institute here at our next meeting on Tuesday. It's up to the committee. If you want to.... They will be here for the two hours.

Mr. Brian Storseth: We could make that one hour.

Mr. Pierre Lemieux: We could delay the whole thing.

Mr. Chair, Mr. Easter's point is valid. If the report is important... I think it is. We just heard from them. It was just a very short, concise study.

Why don't we move the agriculture people off? We could hold them off a week and do our report, if we need two hours. Now, if we think we only need one hour, fine. We could keep them for one hour, and then do our report in the second hour.

The Chair: We'll do whatever we're directed to do.

Do you want to delay the fertilizer people? Is that what you're suggesting?

Mr. Brian Storseth: I think we're waiting for a response from the other side.

Hon. Wayne Easter: I can tell you this, Mr. Chair. We're not going to vote against this motion, whether it's in a motion or in the committee report. And I think it should be in the committee report.

If André is insistent this be dealt with today, then I can tell him we will support it. But if there's assurance this would be dealt with in a full committee report based on the evidence that was before the committee on no later than Tuesday, I'd be willing to go that way, as well, and incorporate this motion into that full report. It's entirely up to André.

We support the direction of this motion. One way or the other, it has to pass. If André believes it should be dealt with today, then we're certainly not going to vote against it.

The Chair: Is there further discussion on the motion?

Hon. Wayne Easter: It's up to you, André.

The Chair: Mr. Shipley.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): I would encourage André to consider putting it into the report as one of the options, and then we could have that full debate around it and other ones as part of a full report. We could actually start it. Maybe we don't have a lot of time, but at least we could start it today.

My other suggestion is to have the Fertilizer Institute for one hour and to spend the other hour on this report on Tuesday. If it comes to that....

The first part was just a comment to Mr. Bellavance. The second part, if you get to it, is that I'd make it a motion if that would help to move it along.

• (1120)

The Chair: Mr. Lemieux.

Mr. Pierre Lemieux: Thanks, Mr. Chair.

The Chair: I'm sorry. I should have looked at the clerk's list.

Mr. Pierre Lemieux: That's fine.

The Chair: Mr. Bellavance is up next.

[*Translation*]

Mr. André Bellavance: I repeat, obviously this is the direction I would like the report to take. That is why I am tabling this motion today. I have not tabled it just to make waves, and I don't wish to withdraw it. Obviously, in the discussion on the report which is to follow, people might have suggestions other than these. I will obviously stand by the suggestions I am making in my motion, but that will not prevent me from agreeing to suggestions made by other committee members on the content of other parts of the report.

These are the recommendations that I will support, and my motion lends weight to the arguments that I will put forward. That is what I am trying to do. I am not required to explain the long and the short of my strategy. I have the right to table this motion, I have tabled it, and I would like the committee to proceed with the recorded division.

[*English*]

The Chair: Monsieur Lemieux.

Mr. Pierre Lemieux: Thank you, Chair.

I understand what Mr. Bellavance is saying, but that's not what his motion reads. The second sentence of his motion reads: "That the Standing Committee on Agriculture and Agri-food report to the House of Commons as soon as possible the following recommendations".

If this motion passes, this means "as soon as possible" these motions—there's no report—go to the House.

Mr. Bellavance said he worded it very carefully, so I'm not understanding why when he describes his intent—and I agree with that—he's suggesting that these be included in the report, but the motion reads that these particular recommendations be reported to the House with or without a report, yet the motion doesn't make any allowance for a report.

Chair, to clarify my earlier comments about the fertilizer witnesses who we have coming, what I want to clarify is that if this committee feels that this report takes priority, then we would have to ask those witnesses to come later. But if we don't, if this motion were to pass and this goes to the House immediately and the report is not a priority, then we should have the fertilizer people come, for sure. They've got important matters to discuss with the committee, and the sooner they come the better.

What I'm asking the committee members is what's the priority of this committee, just in the near term, for the next meeting actually? Is it to move ahead with the report, or is it to move ahead with the next witnesses?

I realize that if the fertilizer witnesses can't come it's a great inconvenience to them. However, it depends on what the priorities of the committee are.

I'd actually like to finish my comments by suggesting an amendment to the motion, something that would align the motion so that it better reflects what Mr. Bellavance just said, that it's a suggestion and that these particular recommendations wouldn't be tabled in the House "as soon as possible" outside the report.

The Chair: Can you read your amendment?

Mr. Pierre Lemieux: Yes, I'll just need a moment here.

If it's truly a suggestion then perhaps I would just change the second sentence. It would say: "That the Standing Committee on Agriculture and Agri-food consider including the following recommendations in its report to the House". That's if they are suggestions. If it's stronger than suggestions, then we can discuss that, but my amendment would change the wording as I just read it, Chair.

The Chair: We have an amendment.

Mr. Storseth and then Mr. Bellavance.

Mr. Brian Storseth: I make a point of order for two reasons, Mr. Chair. One is to give Mr. Lemieux the opportunity to talk about his amendment and think about his amendment in French so Mr. Bellavance has exactly what we want to do. But second, as a procedural point for your clerk, it's my opinion that the committee wants to look at this report as soon as possible so that you take under advisement and the clerk takes under advisement to change our schedule around so that we can deal with this report as soon as possible as well.

• (1125)

The Chair: I seem to get the drift from the committee that it's what they wish to do.

Mr. Bellavance.

[*Translation*]

Mr. André Bellavance: It's very kind—

[*English*]

The Chair: We're on discussion on the amendment.

[*Translation*]

Mr. André Bellavance: It's very kind of Mr. Lemieux to interpret my comments. I want suspenders and a belt. My motion takes into account what the Saint-Amable potato producers have asked for. The

motion will obviously make it possible for us to put pressure on the government for this specific issue.

When we discuss the report, we will hear people from Alberta who have also experienced the same tragedy, and we will put their comments in the report. I will discuss the possibility of including in the report the parts of my motion that have or have not been selected; that's democracy. I believe I will have to obtain enough support to have my motion passed. I am putting more pressure on the government, and, like a good Quebecker, that's my belt and suspenders. I am ensuring that I'm in a position to put forward the demands of farmers.

Mr. Lemieux can interpret my motion in any way he wishes. I think I have been very clear. I am ready to vote, and I'm asking for a recorded division.

[*English*]

The Chair: Mr. Lemieux.

[*Translation*]

Mr. Pierre Lemieux: Through you, Mr. Chairman, I would like to ask Mr. Bellavance a question. Is the purpose of his motion to ensure that the committee tables the three recommendations listed in the House, before the report itself is tabled? I am receiving two completely different messages. The motion states that, if it passes, the committee is required to report the recommendations in it to the House. Yet Mr. Bellavance talks about including suggestions in the report. He would wish to be direct and clear, but his explanations are not.

Through you, Mr. Chairman, could Mr. Bellavance perhaps clarify what he would like his motion to achieve in committee, in the House, and in our report?

[*English*]

The Chair: I think, Mr. Lemieux, that the motion speaks to that.

[*Translation*]

Mr. Pierre Lemieux: Mr. Bellavance is saying something completely different. He says that the suggestions can be included in the report. Yet that is not what his motion says. That is why I have moved an amendment.

[*English*]

The Chair: I'm going to let Mr. Bellavance respond to that, and then we're going to vote on the amendment.

Mr. Easter first, and then Mr. Bellavance.

Hon. Wayne Easter: On Mr. Lemieux's point, Mr. Chair, I do think what Mr. Bellavance said is clear, that we can vote on this motion today and push the government, because we are, as I said earlier, into May. These people in this area who are in financial distress are trying to figure out what they are going to do. They are already restricted from potato crops. They have to make some decisions. I think if we can push the government a little bit to start to respond to at least one of the farm crises in the country, then it would be helpful.

If we pass this motion it doesn't deny the committee or Mr. Bellavance the right to propose to put exactly the same qualifiers, or more or less, in a report. It doesn't take away the right to put this in the report.

If Mr. Bellavance is saying vote on it, then we're willing to support it to try to push the government at least half a step forward.

• (1130)

The Chair: Mr. Bellavance, do you have a final comment on the amendment?

[*Translation*]

Mr. André Bellavance: I am ready to vote on the amendment.

[*English*]

The Chair: I'm going to call the vote.

Mr. Pierre Lemieux: Could you just read the amendment again?

The Clerk of the Committee (Ms. Isabelle Duford): Pursuant to Standing Order 108(2), the Committee has studied the issue of the golden nematode, which is affecting the region of St-Amable in Quebec. That the Standing Committee on Agriculture and Agri-Food consider including the following recommendation in its report to the House of Commons

And then there are the three—

The Chair: The rest of the motion is the same.

(Amendment negated)

The Chair: I will now call the vote on the main motion. Mr. Bellavance asked for a recorded vote.

Mr. Randy Hoback (Prince Albert, CPC): Is there debate on the motion itself?

[*Translation*]

Mr. Pierre Lemieux: But I'm not done, because we can move another—

Ms. France Bonsant (Compton—Stanstead, BQ): That's not a problem. Have you called the question?

[*English*]

The Chair: We can have debate on it.

Mr. Hoback.

Mr. Randy Hoback: I'm just looking for some clarification on how you came up with the 80% estimated cost. Why did you use 80%, and not the normal 60-40 that is the province's federal cost share? Why would you change that formula?

[*Translation*]

Mr. André Bellavance: No, that's not it. Are we still debating this? It's clear enough: we are asking for the federal government to negotiate with the Government of Quebec. Farmers are ready to put in 20%; that leaves 80%. Sixty per cent of those 80% could come from the federal government, and 40% of those 80% could come from Quebec.

[*English*]

The Chair: We'll call the vote on the motion.

[*Translation*]

Mr. André Bellavance: I am asking for a recorded division.

[*English*]

The Chair: A recorded vote, all right.

Colleagues, we have a tied vote. I vote against the motion.

(Motion negated: nays 6; yeas 5)

The Chair: We'll call our witnesses to the table, please.

Hon. Wayne Easter: I just want to make it clear that we can deal with mine next time, Mr. Chair—

The Chair: Yes, you indicated that.

Hon. Wayne Easter: —just in case there's a problem on the record.

The Chair: Before we let the witnesses resume here, just so this is clear to me, is it the intention of the committee that we go ahead and discuss the report at the next meeting? Is that the direction for the full meeting?

Mr. Brian Storseth: Quite frankly, I think it will take the full meeting; I want it to be a priority, as I had farmers come here.

• (1135)

The Chair: Rather than bring a witness here for an hour and then possibly end up eating into his time, I think it would be better just to cancel the witnesses and bring them here another day.

Is that okay with everyone?

Some hon. members: Agreed.

The Chair: Okay, that's what we're going to do then. Thank you very much.

Mr. Sands and Mr. Scott, thanks for being here today and bearing with us while we dealt with some business.

Go ahead for about ten minutes, if you could, please.

Mr. John Scott (President, Canadian Federation of Independent Grocers): Thank you, Mr. Chair.

I'm John Scott, and I'm president and CEO of the Canadian Federation of Independent Grocers. With me is Gary Sands, who is vice-president of public policy with CFGI.

I've been president of CFGI since 1991. I'm an economist and have studied the retail grocery industry in Canada, and I understand it very well.

You asked us to attend today. We did not make a request, but we're pleased to be here, Mr. Chair.

We'll provide a very quick recap of some of the competitive issues, which I understand you wish us to address, and then we'll open the floor to questions, because I think that's where you really want to go.

Two years ago we met in camera with the agriculture committee and talked at length about the competitive issues that are affecting two things. One was the viability of independent grocers across Canada, and the second was the viability of members of the farming community in some of the rural areas attempting to get their product into stores and what the reasons were behind why they could not do that. We talked about that at some length.

I'll give you a bit of a recap on what this industry is all about on the retail side.

This industry is controlled by five players. If I take the top two, Loblaw's and Sobeys, they control 75% of the market. If I add an additional three, Metro, Safeway, and Walmart, they control 85% of the market. Canada is the only country that allows its major distributors to operate corporate retail stores, to franchise stores, and to wholesale all in the same market. This occurs regularly, so in essence in many cases the major distributors in Canada are continually in competition with themselves. We can get into how that works later on.

The independents in Canada are a very interesting group and can be separated into four distinct groups.

First of all, there are the full independents, the people who supply their own goods, buy directly from manufacturers, and sell into the marketplace. They are in various parts of the country: Longo's in Toronto; the Farm Boy group in Ottawa; Colemans in Newfoundland; the Grocery Store in Chesley, Ontario; the Overwaitea Food Group owned by Jimmy Pattison in western Canada; and the fast-growing Asian group, the T&T group that you see opening here in Ottawa—and I urge you to go and see that store, because it's going to be pretty interesting. This group exists; it's very strong and very entrepreneurial.

The second group are banner, which may appear to be franchised, but aren't franchised. These are people who group together for advertising purposes. In western Canada you'll see Super A, AG Foods; in southwestern Ontario you'll see L&M Food Markets. Quite a number of IGAs are banner, but not franchised. This is just to give you a differentiation. They group together for advertising and buying purposes.

Then there are the franchised stores. You'll be familiar with most of those. The most prolific, of course, is IGA. It's very strong, particularly in the province of Quebec. There's also Metro, which is very strong in Quebec. Of the Sobeys stores across Canada, about half of them are franchised and former IGAs. Also, there is Your Independent Grocer that you see here in Ottawa. There are quite a number of franchised banners—Foodland—across the country.

Then we have specialty stores, such as Pete's Frootique in Halifax, Pusateri's in Toronto, Sunterra Market in western Canada, and I can go on.

The independent grocers, if I include the franchised grocers, the full independents, and the specialty stores, represent about 40% of the market. Don't forget I said earlier that 85% of the market is controlled by the major players. That means the independents must buy from the major players in order to sell into their market.

Here are the issues the independents deal with. First of all, there's competition against these major players who can operate corporate stores, franchise, and wholesale in the same market.

There are issues of access to supply, access to national brands, and access to local supply because of certain fidelity agreements, particularly in franchised situations.

● (1140)

We also deal with issues related to vendors. You have to understand that most of the major distributors in Canada work with manufacturers this way: they treat their shelf space as real estate, and it costs money to get the product on the shelf. The price of putting that product on the shelf, the price of the real estate, continues to escalate at a very rapid pace. In fact, as someone said to me last week, it's unrelenting, it doesn't cease, and it's worse than anybody has seen in the last 40 years. We call that the "trade spend", and according to some estimates, Canada has the second-highest trade spend in the world, second only to Germany. So if you look at somebody, a fully independent, that is trying to buy product from the same manufacturer, it doesn't have the same weight to get the same amount of support. So they're obviously settling for less. They're buying a product at a lesser price.

Those are some of the competitive issues we deal with. The last time we were here, we talked about some of the solutions the Government of Canada could provide. One of them involved some of the amendments passed in association with the last budget, and we thank you for that. Moving predatory pricing and promotional allowances into the civil section makes all kinds of sense, as long as they're under abuse of dominant position and there's a right to administrative monetary penalties. All of that was provided, and we thank you, and we hope that this committee had something to do with that.

However, we're going to submit to you today that those amendments won't work a whole lot and won't work very well if the bureau is unwilling to enforce the preamble to the act. The purpose of the act, as stated, and as stated on their website, is that they're not only in business to protect the consumer; they also are in business to ensure that small business has an opportunity to continue to participate in the Canadian landscape. It is stated in the preamble to the act and is stated on their website. However, when you meet with the bureau, they'll tell you that they're only interested in the consumer, and they see low prices as the panacea, period. There needs to be a bit of equilibrium here. We need to see the bureau take a good hard look at situations where an independent could be put out of business for whatever behaviour and determine whether, in the long run, that is good for the consumer. So having the bureau deal with the spirit and intent of the act is very important.

The next time you look at amendments to the Competition Act, please consider this: Put the right to civil damages into the civil section, so if someone is actually convicted under abuse of dominant position, the individual can refer to the courts for civil damages. We think that's very important.

At the current time, the biggest single issue facing us and a lot of other small people is the potential change to the debit card system in Canada. You have to understand that the rules for the debit card, and the credit card to some degree, represent a little bit of a highway. It's like a public utility, if you will. It's kind of like power. You've had a defined agreement since around 1995, signed with the Competition Bureau, that sets Interac up as a non-profit organization at certain fee levels. You have to understand that independent grocers pay anywhere from three to five cents per transaction for the right to use those cards. But some of the larger retailers in Canada own their own credit cards, and they're not subject to those kinds of fees. If we move into an unregulated environment, as is being proposed by the banking system and Interac itself, you run the potential of increasing those fees and exacerbating the competitive landscape, which currently, as I said before, can be considered almost a public utility. That is very important.

I urge you to take heed of the hearings under way currently in the Senate and later in the industry committee on that issue of the debit and credit card, because it could affect the competitive landscape of this industry quite dramatically.

Mr. Chair, we know that you have a specific interest in food safety. We appreciate the work we've done with the Government of Canada over the last five years in food safety. We, together with the major distributors, developed a food safety protocol in this country, and with the assistance of the APF in the last three years, we have run training sessions across the country on a very comprehensive food safety system. We've been very pleased with the results, so pleased that last year we even translated the manual into Mandarin and ran Mandarin sessions in various markets in Canada. So we think we're doing a lot in food safety. We do not believe that food safety is a competitive issue. We believe that it's something everybody needs to be involved in. I wanted to express our appreciation to the Government of Canada for the support they've given us and independent grocers in ensuring that the food safety protocol can be implemented cost-effectively across the board by any retailer, regardless of size.

Mr. Chair, those are just some opening comments. I thank you for the right to appear. I'm not sure where you want the dialogue to move, but based on my background and that of Mr. Sands, who has been with CFG for 13 years, we know this industry pretty well, and I think we can handle most of your questions.

Thank you.

• (1145)

The Chair: Okay. Thanks very much for being here.

You touched on a couple of issues I want to respond to later, but I'm going to turn it over to the members first.

Mr. Eyking, you have seven minutes.

Hon. Mark Eyking (Sydney—Victoria, Lib.): Thank you, Mr. Chair.

I thank the guests for coming and for having patience today to sit before us.

In Europe now there's a big push to minimize the effect on the environment when you're transporting food. They call it the green

footprint, and it's recognized big-time. It's pushed by governments and retailers.

As a previous vegetable grower, my biggest disappointment is seeing Canada going in the opposite direction. I see it coming from the retailers with their distribution systems whereby they've started pushing farmers to ship to some big distribution system away from their local markets. It seems we're going in the opposite direction.

How can we have reasonably cheap food for consumers but somehow encourage local farm produce in the retail stores? Right now there is a push for farm markets, but at the end of the day, 80% of the food is going through retail organizations. How can we, as a government, encourage that change and maybe follow a little bit what Europe is doing?

Mr. John Scott: First, the trend toward "buy local", the carbon footprint, is prevalent in Canada. One of the most interesting things is that despite what's come as a result of the recession, the consumer is still looking at local product as a good product. We have very savvy consumers in Canada, and they are looking at health and wellness. And an interesting corollary to that is that consumers are buying less of a product but ensuring it's a healthy product. So it's an interesting change from previous recessions.

The distribution systems for the major distributors are very well defined and they do move through central warehouse systems. Having said that, there are several things you can do. First, in Toronto we have something called the terminal. Product comes into the terminal—and you may be familiar with that, sir, I'm not sure where you're from—from all over the world, but it comes in particularly from Ontario. Every day everybody, including the major corporate chains, goes down there and buys that product. That fresh product is in their stores later on that day.

We only have one terminal in Canada, Mr. Chair. It wouldn't be a bad thing to look at whether we need a terminal in Montreal and a similar terminal in Vancouver. We could easily do that kind of thing, and that does two things. It helps the farmer and it also helps the independent grocer and the food service group differentiate themselves from all others. It's very important, and I'd consider that.

I'd like to come back to something we talked about the last time we were here. It was a different committee composition then, and for some of you, your eyes will glaze over when I talk about this.

The franchise agreements that the major players have in place have a fidelity clause in them that ensures the majority of product must be bought through wholesale. That's why, when the local farmer comes to the store with his corn, the store says it can't buy it because he's going to have to go to its franchise or sell it through that company. If he's only allowed to buy 5% outside the fidelity agreement, it's not very much, because you get shorted over the winter and you have to buy milk here or whatever and it goes away very quickly.

Last year, when the mania for "buy local" became very hot, you saw even the major players in Canada say they were into "buy local" now. That was pretty interesting. You saw them back off on those fidelity agreements. You need to make sure that back-off is permanent. They've done that in the province of Quebec. It is very strong on buying local, but that's something we need to encourage right across the country, because it's very healthy and it's good for the local farmer and it's good for the local independent. It is. That's what I would do.

• (1150)

Hon. Mark Eyking: You're right. A lot of times the retailers will put on a show that they're buying local for the summer, but at the end of the day, if somebody has a nice crop of strawberries or things like that, they can't go into the store. So I like the idea of the terminals and the Quebec model.

The other thing is the Wal-Mart factor. In certain areas of Canada they're coming in strong. And I'm not trying to beat up on Wal-Mart. They supply a lot of things we need. But how is that going to change how retail business is done in this country? How will it change for the local farmer? What do you see out there?

Mr. John Scott: Okay, so here's what's happening with Wal-Mart...

I'm sorry, Gary.

Mr. Gary Sands (Vice-President, Government and Industry Relations, Canadian Federation of Independent Grocers): I just wanted to reiterate what Mr. Scott was saying. I just want to stress that part of the message we're trying to deliver here is that for the independents to continue to survive—and this is important for the whole chain—it's critical that they buy locally. They have to differentiate their offering to the consumer. We can't compete with the Wal-Marts on the price issue because of what Mr. Scott's outlined in terms of how the system works.

What you're saying resonates with our members all too well. I just wanted to emphasize that point about where we're trying to be, as well.

Mr. John Scott: Wal-Mart is another major player that's come into the market. CIBC World Markets reported on this earlier this year. It isn't necessarily the independent that gets hurt by Wal-Mart coming into the market. Of course, anybody that comes in and sells food.... I mean, we've even been going to Canadian Tire and buying Kraft Dinner every once in a while these days. It's a little silly right now. When there's a major competitor coming into the market, you need to be efficient against them. There isn't any independent that's in business because they're afraid of that competition. We have some very smart entrepreneurial independents in the market right now.

CIBC World Markets were able to prove that the more inefficient store goes out of the market. In fact, in all cases across the country, there is no record of an independent going out of business because of Wal-Mart opening, but there is evidence of major distributors closing stores.

Now, what impact is Wal-Mart having through the chain? That's a different question. Wal-Mart can buy at a lower price than anybody else because it buys worldwide. Even Canadian manufacturers are going to Bentonville, Arkansas, to plead their case, so obviously they're buying at a certain price. Then you have to back up and realize that the major distributors in Canada I talked about, in order to compete, are competing on price. They need to get that same price. That creates pressure from them to buy better from the manufacturer, so that's where the pressure comes onto the manufacturer to support their products even more, to spend more money to support the product and to get it on the marketplace.

Our people can't do that. The independent can't do that, so the independent needs to be very wily to compete in this current marketplace. It is very difficult, sir.

Is there a solution to it? As the bureau will tell you, that's good for consumers in the short run. I'll submit to you that in the long run, when all you have are major distributors to buy from, you'll lose your markets for your crops, and you'll lose the rich diversity we have in Canada in retail.

The Chair: Okay, your time has expired.

We now move to Mr. Bellavance for seven minutes.

[Translation]

Mr. André Bellavance: Thank you for your testimony.

We are talking about competitiveness in the agrifood industry, and you are obviously a major player. In fact, you are the place where consumers go to buy food. Nonetheless, food can be found at Canadian Tire. Recently, I was impressed to see there was much more there than before. Normally, I go to the drugstore to buy certain kinds of products. Some would say that I obviously need many beauty products and medications, among other things, but nonetheless, I don't go to the drugstore to buy food. Yet there is more and more food to be found at the drugstore. Fortunately, most people still go to grocery stores to buy the food they eat every day. So you are a major player, and your testimony is very useful indeed.

Mr. Scott, you say that people in Quebec are extremely aware of the importance of local purchasing, and that's true, but I would like to make you aware of something that is becoming applicable everywhere. Just recently, in my riding, a honey producer that dealt with local groceries received a very important letter from Loblaw's: the letter stated that, if the producer wanted to continue being a Loblaw's supplier, it would have to go through their Toronto warehouses. That local producer was selling its honey without going through a middleman. It was a win-win situation. Since the honey didn't come from China, or anywhere else in the world, there was no long distance shipping involved and no greenhouse gas production was associated with transporting the honey.

You can see how ridiculous this is. The producer would have to provide a large quantity of honey, which it cannot do. Many producers who have been affected by this measure will have to ship their products to Toronto from Victoriaville. The products will then leave Toronto and be shipped back to the areas around Victoriaville, my area. The economics of this are absurd. You have to be certified by headquarters in Toronto before you can sell your products locally. What makes everyone so angry is that the grocer can't tell the people in his own chain that he wants a given product because he knows the product and his customers want it. The whole thing is completely ridiculous.

I know that, when you were with the Competition Bureau, you came to speak to us. Today, do you still believe that the Competition Bureau legislation can help us deal with situations like this? When I read how the abuse of a dominant position is defined, I wonder whether the example I have just given you could be qualified as abuse of a dominant position. In my view, it can.

• (1155)

[English]

Mr. John Scott: Sir, I congratulate you. You just described the key issues in this industry extremely well. Everything you said is absolutely right, and that will continue. The only thing I think you missed is how much money they asked prior to the listing of the product, because that continues. If you want to be listed through the central system, how much more money do you have to pay to do that? I think you'll see that exists as well.

On the issue of abuse of dominant position, let's go back to where we were before, which was that these issues had to be dealt with in criminal court. As of the most recent amendment that was passed, these issues are now under "abuse of dominant position". If they are truly anti-competitive—in other words, designed to put this company out of business or have the effect of putting this company, which is a small business, out of business—then I would suggest the bureau should take a look at it.

The bureau will not take a look at it, however, under their current philosophical guidelines, which means they're only interested in the end price to the consumer. Despite the fact that the preamble to the act, which we have here, says the bureau is going to look at some modicum of protection for small business to maintain stability in the marketplace, they don't act in that regard. So as long as the bureau is only going to work on the premise of low prices to the consumer, they will not look at this.

However, the act and amendments to the act do provide for what you're talking about. There are sufficient penalties to suggest that abuse of dominant position can be dealt with now. These were good amendments, folks. Now they have to act on them, and that's going to take directive from the industry ministers responsible for it to say, "Look, part of what you do now is not just low prices to the consumer. Let's look at the long run and the impact on the small-business sector."

There isn't a party here that doesn't talk extensively about the contribution of small business to the economy when you're going for election. It's exactly that. Let's show how we can provide some protection. That's your instrument, sir.

I'm going to use you for my future seminars, because you're good at that.

Voices: Oh, oh.

• (1200)

[Translation]

Mr. André Bellavance: They will be held in French.

[English]

The Chair: André.

[Translation]

Mr. André Bellavance: If I understand correctly, the tools needed to counter those business decisions do exist, but are not being properly used by the authorities.

[English]

Mr. John Scott: The interpretation of the bureau as to how it operates is that it's purely on low price to the consumer. We can give you lots of examples of it. For example, a few years ago there were only two wholesalers left in Ontario that as a grocery store I could buy goods from, and the last small one was being purchased by a major. We told the bureau, if you do that, the result will be that independents can buy only from this major. They said that this will be efficient and it will be good for the consumer.

As we met with the bureau three weeks ago, we said it has borne out that the independent can't operate competitively with the result. Had they looked at it in terms of protecting small business, they would never have allowed that merger to occur.

[Translation]

Mr. André Bellavance: Mr. Chairman, do I still have a little time left? No? I would have no objection to continuing.

[English]

The Chair: Sorry, that's good.

We'll turn it over to Mr. Atamanenko for seven minutes.

Mr. Alex Atamanenko: Thank you.

Thank you very much. Your presence here is very timely.

You mentioned credit cards and Interac. Actually, at the instigation of two managers of independent grocers in my riding and others, I wrote a letter to both the Minister of Industry and the Minister of Finance to explain the situation. I would encourage all of my colleagues to do the same, because I think everybody's on board. I think we just have to make sure we get that, so we don't allow Interac to crank up those rates.

You may or may not know, but I'm in the process of doing a tour across the country on food security and food sovereignty. I know that Wayne's party, the Liberal Party, has undertaken consultations. We've had a number of recommendations in our committee in the past where everybody's been on board about food security and all of that. I think it's safe to say that everybody is on board with the idea of supporting local agriculture and local small business, but we just have to find ways of doing that.

One of the threads from my hearings is that there are obstacles. One of them, of course, is the trade agreements, where we've seen statistics on the reduced numbers of producers because of the free flow of produce coming in from the States and Mexico. The other one, of course, is the distribution system, which you touched upon. Another example I was told in Sudbury is that a potato grower has to ship her potatoes to Toronto so they can come back to stores in Sudbury. We have the same phenomenon in British Columbia, and the recommendation is that governments will somehow have to do something about that.

You mentioned the Competition Bureau within the existing system—and we can fix that. But what other steps could we take, either the federal or provincial governments, to ensure that local producers have a market for their produce, that you folks are able to buy produce—and not only the independent grocers, but the big chains also? You've given some other suggestions in regard to the terminals. What specifically could we do today at this level to keep you folks in business with as much local produce from, and support for, local farmers as possible?

Mr. John Scott: I'll let Gary handle that one.

Mr. Gary Sands: I think one thing—and we talked about this the previous time we were before the committee—is that there's certainly a need to have a mutual recognition of the provincial and federal meat inspection systems. In our view, this is being used—and the chairman will be aware of this in his own riding—by corporate retailers as an excuse to prevent local franchisees from buying local meat. It's not a food safety issue. That's one thing we believe could happen immediately.

I'm not exactly sure what the solution would be, but I also think there is a challenge that should put to the on-farm community, with all due respect to them. Again, I think the on-farm community has been slow to recognize the potential that exists with the independents out there. And that's why we're happy to be here today, because we think that raising that potential with this committee is very helpful, because I'm sure those groups will be reading this report.

But there is a tremendous market opportunity with the independents. What we're trying to figure out is how can we put those groups together, our independents and the retailers together.

• (1205)

Mr. Alex Atamanenko: But then you have the fidelity clause. If you have a fidelity clause, and then we have volume.... Often farmers are told, well, you can't produce this volume, so we can't buy from you. How do you react to that?

Mr. John Scott: With regard to Mr. Sands' point on volume, there are two issues with volume. There is volume, and there is quality, and you have to be honest. We'd love to say that the quality in fruits and vegetables produced in Canada is always great, but some of it is

not. The farmers have to take some responsibility for that. I'm on the Vineland horticultural board, and I'm very pleased to be part of it. We're trying to investigate ways to ensure that you have a higher-level, consistent crop across the country.

Gary's right: there are huge markets, particularly in that independent sector, that are not being exploited by large sectors of our agriculture community. Frankly, we don't beat you up on price either, which is pretty interesting.

The second thing is fidelity agreements. Sir, you're going to have to start using your bully pulpit. There are going to have to be discussions with the majors who franchise in this country. You will have to sit down and ask those folks to loosen up on their fidelity agreements as they affect fresh fruits and vegetables, or item X or item Y.

You understand why there are fidelity agreements. It is because they need certain volumes through those warehouses. We have a very efficient, very good retail food system in Canada, and I'm not shooting at that, but if you want to sell more fruits and vegetables at the local level, you need to somehow find some way to deal with those fidelity agreements. The only way you can deal with them is for governments to negotiate with them. That's my guess, anyway.

Mr. Gary Sands: I'll very quickly point out to you that when New Brunswick passed franchise legislation a couple of years ago, one of the reasons they brought forward the legislation was their frustration with precisely this issue.

When Sobeys bought the Oshawa Group, in the Maritimes some companies that were local suppliers went out of business within months. Two of those companies had been in business for almost a hundred years, but because of the fidelity agreements, once the sales took place, that was it. Those retailers were no longer in a position to be allowed to buy. That was a very....

We're trying to connect the dots for people. As John said, on a lot of these fidelity agreements we need this committee and others to be getting on the bully pulpit to be pounding on this stuff, because it's not good.

Mr. John Scott: Nobody knows more than the chair about the cheese company in his own riding that had for years sold cheese. It was not unlike what you're talking about. For years he'd gone store to store and sold cheese. All of a sudden one day, as a result of the last amalgamation, somebody said, "Well, you can't sell cheese any more. Not only that, you're going to have to pay us a percentage of what you've sold over the last five years in order to even be listed."

Those kinds of things have happened. That was a while ago. It's not a recent example, but you remember the impact on that cheese company. It was quite dramatic. Those kinds of things....

The Chair: Thank you very much, Mr. Scott. That's a good point.

We'll go to Mr. Shipley for seven minutes.

Mr. Bev Shipley: Thank you.

Thank you very much for being interesting. I'm learning a bit from your being here today.

You talked about the food terminal. There's one that we're all very familiar with, the one in Toronto. Can you help everybody reading and watching this to understand a little bit about that? You said that they should have terminals in different parts of the country, which on the surface seems like something that would be good for everyone. How does that happen?

•(1210)

Mr. John Scott: First of all, the Ontario terminal is an Ontario government project. It was built in the late 1950s. It was built by the Ontario government. It is managed by a board of directors appointed by that government. You can either rent space in hard walls and display your product there, or you can be part of a huge farmers market in the main parking lot. It ebbs and flows, but it goes all winter long. It's a pretty interesting thing to do.

The way it works is that in the middle of the night, product is brought in by various brokers or by primary producers themselves. The buying starts at 3 a.m. It's an interesting thing, and if anybody wants to come down, I'd be happy to take you. They buy their allotted product, they fill their tractor-trailers up, and they're in their stores later on that day.

This has gone so far, sir, that at the current time we have stores in Newfoundland buying out of that terminal. They have a buyer on contract who buys the product, and it goes to Newfoundland three days a week. We have them in Thunder Bay. That's the impact of that terminal.

Where else would you have the volume? To my mind, in Canada there would be only two other places: Montreal and Vancouver.

Mr. Bev Shipley: Okay. It's set up by the Province of Ontario, has a provincial identity, and a board of directors appointed by the province. You're at this committee, though, saying we should have more. I'm trying to get some direction on federal responsibility. If they were to go into Montreal, would it be another provincial one, or if they were to be in Vancouver, would it be another B.C. one?

Mr. John Scott: I can't answer that.

Mr. Gary Sands: I think it would be great. We've seen the provinces and the federal government, under the APF, work together in a number of areas. For our sector, it would be....

Pardon me?

Mr. Bev Shipley: They have in a few areas.

Mr. Gary Sands: Yes. We think it would be wonderful if the federal government and the province were to partner on developing food terminals in Montreal and Vancouver, which would be great for the whole chain. It would be good for everyone and would stop the silliness we have now whereby we have Nova Scotia retailers coming to Toronto to buy blueberries.

Mr. Bev Shipley: I'm not disagreeing with the principle of having more. But using the APF that was brought in for CAIS is not the way to be going, because now we're locked into it; we can't get out of it. There's a formula that just doesn't work and locks in the federal government to it.

I was trying to understand how that terminal would be set up and confirm how the major terminal that's in Toronto would go. Actually, I've gone by it, but I've not been into it. One of our local grocers leaves at about two o'clock in the morning to drive down, buy the stuff, and bring it back.

We always talk about the Wal-Mart phenomenon. We also talk about food safety. There's no connection between those, in terms of a detriment of food safety with them, but if you're talking about consumers wanting to "buy local"—consumers who want to have Canadian products—I would suggest that likely Wal-Mart is not the place to go to buy them.

My question is, what are you finding concerning independent grocers? We hear that consumers want to buy local, to buy Canadian. What are you finding? Is that a true statement?

Mr. John Scott: Yes.

There are different levels, of course. If there weren't room for the majors—the Superstores, the Wal-Marts, and the Costcos—they wouldn't be there. There's a group of consumers who are going to buy price all day long.

But you bring up an interesting point. I actually do a seminar on this. You don't want to hear it; however, consumers are coming up currently in four key areas. I think this is really important, and we're just seeing it happen. One is consumers after value, whatever that means—it's not necessarily price. For example, we have a company that took most of the salt out of their soup. Despite the fact that the company's soups are priced a little higher than some of the others, those soups are selling very well.

That's the second point. Consumers are after health and wellness. They read labels. They appreciate the "front of pack" symbols that give nutritional facts. They read them, they know them, they ask great questions, despite the recession.

The number three thing is that consumers are changing their habits in terms of discretionary buying. A year ago, 50% of consumers bought their lunch at the grocery store. Today, it's 80% who buy their lunch at the grocery store. Now there is a pre-planned purchase. I know that's hurt a lot of restaurants; that's the effect of a recession.

But here comes the nub of your question, sir. The consumer has not walked away from local purchasing or sustainability; in fact, the sales of independent grocers across Canada who specialize in it—and I can go by name across the country—are up since the recession started. As I said earlier in my opening remarks, a lot of what the consumer is doing is cutting back on quantity and sticking with value and "better for you" products.

•(1215)

Mr. Bev Shipley: I'll follow up the interesting exchange with Mr. Bellavance.

We had in one of my towns an independent and one of the majors, in the area where a product is continually grown. The main grocery store said the same thing you're saying: "No, it has to come from...." In this town—it's not a large city or anything—this store said, "Either you're going to buy it or the people in this area won't buy from you."

We went to the independent. They will take our product, and that actually happened. So when you go to the major chain, which says no, they can't.... Actually, if you have the support in the town in that area, and they did—this is not a 100,000-person town, but it's a few-thousand-person town.... They said, "This is how it's going to be: either you're going to be a part of this town or you're not." So they actually changed it. I don't know how this works in the big picture, but sometimes pressure by the local consumer...because it's still the consumer.

I don't know what we can do to help.

You talk about the fidelity agreements. Are these independent agreements that are made? If it was a fidelity agreement.... But you said "agreements". Is each one different?

Mr. John Scott: Not necessarily, but I was talking about fidelity agreements related only to franchise grocers.

Mr. Bev Shipley: Okay.

Mr. John Scott: Franchises are run by Loblaw Companies, the Sobey company, Metro.... There are three or four of them in Canada, and those are the ones that have fidelity agreements. But if you're independent—

Mr. Bev Shipley: Are they all the same, though, with—?

Mr. John Scott: No, they're different. They offer different flexibility in different markets.

Mr. Bev Shipley: So there's a competitive aspect to it.

Mr. John Scott: Absolutely.

The Chair: Your time has expired. I was just letting you finish on that point.

Mr. Scott, Mr. Sands, I have a question before we move on.

We had a gentleman here yesterday who we ran into by accident. He was a senator from Australia who's chair of the agriculture committee there. The reason he contacted me was that he had heard we were in a study to deal with competition and that the grocery industry was part of it. It's ironic that they're doing the same thing there. Obviously, the problem we have isn't unique to Canada.

Just for the benefit of Alex and anybody else who wasn't available at the time because it was short notice, we had him come for a few minutes to our subcommittee last night to talk about this. It was interesting.

You talked earlier about the fact—and I was aware of it before—that Coca-Cola or Pepsi or any of these companies, if they want to put their product on a shelf in a Sobeys or whatever, have to pay money. This is escalating, and it seems to me something needs to be done. That's legalized extortion, in my view.

I'd like to know whether there are any countries around the world that you're aware of that have some kind of legislation in place that

eliminates this. Are you aware of any? You said that we were second to Germany.

Mr. John Scott: In terms of trade spend. That's because of the concentration of power in the hands of just a few. The tighter and more concentrated it is.... It's a dichotomy, Mr. Chair, because on the one hand the major distributors keep asking for more, and on the other hand the manufacturers often pay more after.... I know it's more difficult to extract the dollars now, but there are all kinds of arrangements in which it's exclusivity, or exclusivity in this category, and that kind of thing. Virtually everything you see in a store, right down to the bags that are used, is under some type of arrangement, to that degree. The bigger you are, the more you can extract.

What some of the major companies have done to avoid that pressure, both in Germany and to some degree in Canada, is say "You might represent half of my business in Canada, but you're only four percent of my business in North America; I'm reporting on a North American basis, and I can afford to say enough is enough."

That's what happened in Germany with a couple of major companies, and there was a bit of a backup. A couple of companies are trying this here in Canada, but it's a very difficult issue, and we are aware that the manufacturers have taken this issue to the bureau at the present time. I don't know what the status of it is.

Is it illegal? I don't know. You'll have to determine whether it's anti-competitive. It certainly changes the ability of others to compete in the landscape. I don't know of any country, outside of those that have dictatorial regimes, that has outlawed it.

● (1220)

The Chair: I'm not a lawyer, but I think it probably isn't illegal. It sure as heck is unethical. I think it's going to lead to further problems.

Mr. Easter, you'll have five minutes.

Hon. Wayne Easter: Thank you, Mr. Chair.

Welcome, gentlemen.

A number of members of this committee weren't here the last time you folks were here. Just for their benefit, I think it should be noted how serious the issue for the independents is.

The last time we had a hearing, we had a number of the independent operators with them. We had to hold the meeting in camera, because those independent operators were fearful that should it be found out that they were appearing before this committee, they might be out of business. That's how serious it is.

The Chair: Just on that, we contacted a couple—I did personally. It was the same thing. They couldn't come for that reason.

Hon. Wayne Easter: Yes, so that's how serious this is.

The other point I might mention is that one of the things about parliamentary committees is if the information these folks write is going to get into the report, it has to be on the record. To show how ridiculous this system is—Mark's not here—in Cape Breton, vegetable growers who used to supply the independents in Cape Breton with fruit and vegetables no longer do. Instead, they have to supply the central depot, which is in Debert. So instead of going six miles to the local store, your strawberries, cabbage, lettuce, etc., now go on a truck, they're trucked a little over 400 kilometres, they're taken off a truck, they're put in a warehouse, run around a warehouse, loaded back on the truck, and taken back to where they came from, only six miles' difference. Does that make sense?

In terms of that example, if you could give me your view on that, is this not all about control and power by the sector that now controls three sectors: corporate retail, franchise stores, and wholesale?

Mr. John Scott: It is. I think the companies would respond that it's about efficiency. I know it doesn't sound efficient, but I think they will respond that it's efficient, running everything through a central distribution system. If your product is here and there, they have to get it to this store from this farm or whatever. If you get the farmer to take it all to the central point, then you cross-stock it out of the warehouse into these different locations. I think that's the rationale, sir.

Hon. Wayne Easter: That's what they would say, and the railways out west are saying the same thing, that they now have a more efficient system because you haul your grain from a central terminal, but they don't mention the fact that a poor farmer has to truck that an additional 200 miles to get it there.

How are we going to get to a place where we look at the whole system? Somebody is paying the bill. The primary producers who come before this committee are in exactly the same position that you are in as independent stores, in that on the fertilizer end three major companies control it, they lay off people even while they're making money because they're not making enough. On the chemical side it's the same thing. How do we get to a system where we look at the whole picture from field to plate, an efficiency of the system as a whole rather than the efficiency of a corporate giant in terms of their making money for their shareholders and driving rural Canada bankrupt?

• (1225)

Mr. John Scott: It's a very difficult situation, sir.

Hon. Wayne Easter: On the fidelity agreements, what level should it be at? It's at 5% now. What level would make it—

Mr. John Scott: I'm sorry, sir, I wouldn't touch a percentage at all; I would leave it at 95%. What I'd do is make exceptions and I'd say they can do, except for local produce, local this, local that. In other words, it would be exceptions in the marketplace. I'm not going to protect the corporations here, but I think it's important to note that we have among the lowest prices in the world, the most comfortable shopping environments, and that's because of a very efficient system. Again, I'm not protecting the bureau here. You don't want to discount the consumer; you just want to make sure everybody has a role to compete fairly in that system and is able to survive at the end of the day.

They need a certain volume through that warehouse to maintain the warehouse, but you can make exceptions. That's what Quebec did.

Hon. Wayne Easter: That's fine on the trade—

The Chair: Your time's expired, Mr. Easter.

Ms. Bonsant.

[*Translation*]

Ms. France Bonsant: Good afternoon, gentlemen.

[*English*]

The Chair: Oh, sorry, Ms. Bonsant, I went out of order here. You will be next. Mr. Hoback, then you.

Mr. Randy Hoback: I'd like to thank you for coming out. I appreciate your taking the time out of your day.

I want to drive into a little more detail to help explain to me, and to consumers and producers, just how this system works its margins. One of the complaints I get right now, and I'll use the beef industry, for example, is the cow producers aren't making any money. We've had the packing plants here, and they say they're not making any money. Yet if you look at the price of that steak in the store, it hasn't gone down any. So how does that margin split up and how does it work its way through the system? It appears as if it doesn't. Can you give us a quick answer on that?

Mr. John Scott: I'd be happy to come in here and lay it all out for you. I can't do it here, but bottom line is that retail is high volume, very low margins, so our people work on a net margin of 1% to 1.5%.

When you're talking about the meat industry, gross margin in meat is anywhere from 19% to 26%, depending on the store you're in. They're buying it from the packer, and I'm not sure where the margin is at the packer, but that's how it works right now.

When we're looking at the profitability of the store, we're looking at a total mix that includes produce that might be a 30% to 33% mix; deli might be a higher mix; meat is pretty well at 21% or 22% in the grocery store. You look at the total mix to come down to that 1.5% net margin. I'm happy to peel the onion back at some point, but it's tough to do without being able to illustrate it.

Mr. Randy Hoback: I guess it's really frustrating as a consumer when you hear the beef guys are going out of business because they can't make enough money, yet the price of steak hasn't gone down. You can take other examples. I think Wayne said the bottle of whisky is still up there even though the price of the inputs has gone down. So you've got so many examples. The price of a loaf of bread is still high, yet the price of wheat has dropped by 60%.

Mr. John Scott: I will caution you on that. I am an economist, and I study this stuff. I think you'll see the price of a lot of packaged goods coming down in the next little while. Don't forget, when buyers buy commodities, they're buying them six to eight months out, so there are still high input prices on those.

Mr. Randy Hoback: I'll go back to my example, the meat industry, that shelf space for these guys to do their small abattoir. How do they get shelf space? How do they get into your scenario and get shelf space and freezer space? Do they have to buy all the time? Are there other ways of doing this?

Mr. John Scott: Do they have to buy? Yes, they have to buy from the central.... Again, there's huge money changing hands here. The majors will make a deal with a major meat-packing house and here's the deal. They need their whole system to support the commitment they've made. Basically, that's how it works. How does a provincially inspected abattoir get on the shelves? It's pretty tough.

That's what Gary was saying earlier. The last time we were in front of this committee, we had some meat packers with us. It would be really smart of the Government of Canada to work with the provincial governments to see if we can get some reciprocity between provincially and federally inspected meat plants. In a lot of cases, there's very little difference—a paved parking lot as opposed to a gravel parking lot.

I think we need to move there, and I think we need to get really sensible about our food supply.

• (1230)

Mr. Randy Hoback: You're making a recommendation that we get rid of these provincial regulations and have more of a national regulation right across Canada?

Mr. John Scott: I think we need to find a way to get reciprocity, sir.

Mr. Randy Hoback: Freer trade right across the provinces?

Mr. John Scott: Right. Then they can't say they only carry meat from federally inspected plants when there's really no difference. You could say they all meet the standards.

Mr. Gary Sands: It's too bad the chair, Mr. Miller, had to step out, because he could give an example in his riding of exactly where this happened, where the local retailer is not interested in interprovincial trade barriers. They simply want to buy from the local meat processor. From a food safety perspective or standpoint, there's absolutely no concern. The retailer is not interested in putting anything on the shelf that isn't absolutely safe. There's nothing wrong with that meat. It's provincially inspected. The problem is because some of the big corporates are dealing across the country, and they're using the federal recognition to say you can only buy from these plants because they're federally recognized. The local meat guy is not sending his product to Manitoba or Quebec or anywhere else. They're only supplying that area. They don't need the federal recognition; they don't want it. We have to do something about that, because it's hurting the retailer, of course, but it's really hurting that local meat processor.

[Translation]

The Vice-Chair (Mr. André Bellavance): Thank you, Mr. Hoback. Your time is up.

Ms. Bonsant.

Ms. France Bonsant: Thank you, Mr. Chairman.

In my county, 60% of the economic activity pertains to agriculture. We have everything; I often tell people that the only thing missing are snakes and crocodiles. I think that today's young people are more and more aware of greenhouse gases. I talk a lot about food sovereignty. Food sovereignty begins with regional and local products. I agree with you, Mr. Sands, when you say that you do not feel there is any need for some type of pan-Canadian organization, because Quebec and other provinces paid for the problems related to the mad cow disease in Alberta. That is why it is absolutely essential that we protect our food safety in Quebec, this is important. We have not had diseased beef cattle in Quebec in 25 years.

Considering this situation, considering food sovereignty and the fact that young people are aware of greenhouse gas, would this not be a window of opportunity for companies or independents to promote local or regional products? A lot of people are involved in secondary and tertiary processing. For example, I have dairy farms in my riding that produce cheese, butter, ice cream; these people are involved in secondary and tertiary processing. Given what is happening in the environmental sector, would this not be an opportunity for you to really sell regional products without having to go through 52 other cities in order to deliver your goods?

[English]

Mr. Gary Sands: We agree with you. That's what we've been talking about. We really believe that a terminal in Montreal would help the local retailers in Quebec hugely. It would help not just the retailers; it would help the whole chain in Quebec to have a terminal in Quebec. That would be a tremendous thing that could help the whole chain.

[Translation]

Ms. France Bonsant: Perhaps I did not express myself well. In my riding, there is a farm that produces ice cider. It's very good, you should try it. This ice cider does not go to Montreal, it goes directly to the chain stores. I go to the IGA because it has a section reserved for regional products. That's the reason why I go there. I encourage regional products. The store carries cheeses from Quebec, cheeses from my riding. These products did not go to Montreal, Vancouver or London, there were delivered directly to the IGA and they are inspected by the provincial government.

Is this not, for you as well, an opportunity to ensure that all of Canada benefits from this? I am convinced that other people in Canada make products. You could market them directly, without having to travel around the planet and pay transportation costs.

•(1235)

[English]

Mr. John Scott: Yes, of course, and that does happen across Canada. You're talking about major volume here. Not every store has the freedom your IGA does to do what they're doing. That's what I was trying to explain before about the fidelity issues. Not every store has the opportunity to do that.

[Translation]

Ms. France Bonsant: Yes, but we are now living in the 21st century. At one point, we have to look at the way this is operating. I am not all that familiar with this issue and I want to get to the matter of agriculture, but as far as fidelity clauses are concerned, you could have a fidelity 2 clause and you could also have a fidelity clause for local products and regional products. That helps the economy in small municipalities. Big cities are great, but let us not forget that there are regions and that there are people who live in these regions. I have a municipality in my riding that has 112 people living in it. From time to time, I would like people to stop thinking about Montreal, Toronto and Vancouver and think about the small municipalities that are there, in the region, who are surviving on and depend on agriculture.

[English]

Mr. Gary Sands: We agree, and that's what Mr. Scott said earlier about having exceptions to the fidelity agreements that take into account some of the regional demand. Maple syrup is an example. We agree with you. Let's flip the coin. Let's make the fidelity agreement.... That's what Mr. Scott was saying about exceptions.

I will add one other thing, too. To be honest with you, the province that as been the most aggressive in terms of trying to do something with the "buy local" issue, outside of Quebec, because Quebec is very strong on this, has been Ontario. One of the challenges, though, because we have to be honest here, is that we have to also challenge the on-farm sector. The on-farm sector has to recognize that there's a lot more they need to do to get out there to the independents. That's what we're doing in Ontario. We have projects under way. We're connecting the retailer, the processor, and the manufacturer. We need to see more of that happen right across the country.

[Translation]

Ms. France Bonsant: I would just like to ask a small question.

The Vice-Chair (Mr. André Bellavance): Sorry, Madam Bonsant.

Mr. Richards, you have five minutes.

[English]

Mr. Blake Richards (Wild Rose, CPC): Thank you.

I want to back up a little bit and get a little bit of general information about your organization. We'll start with how many members you have. My home province is Alberta. How many members would you have in Alberta, and how many members in the different regions of the country?

Mr. John Scott: We have about 4,000 members across the country. They can be large. In fact, the largest food floors in Canada are Highland Farms, which are pure food floors. They're in Toronto.

I don't know of any independents in Alberta that are not members of CFGI. Sunterra and the majority of the Sobeys stores in Alberta are franchise stores. The Super A Foods.... I'm not sure what your riding is. Which riding are you in?

Mr. Blake Richards: It's Wild Rose, north and west of Calgary.

Mr. John Scott: Okay. The IGA is owned by the Lovsins. They're part of it. We have a huge membership in Alberta.

We have an affiliation in Quebec. They have their own provincial association, and we speak for them on a national basis when we're in hearings like this, so that would augment our numbers significantly. The people who pay and are part of it number around 4,000. Some of them can be so small you're out the back before you're in the front, and some of them are absolutely huge. It's right across the country.

The only thing we insist on is that you're basically full service. We're not convenience stores selling bananas and Cheerios.

Mr. Blake Richards: How is your association governed? You have a range of everything from the large IGA or Sobeys-type store to the small local grocer in a small town. How is it governed, and what comprises your governance? I would assume there's a board.

Mr. John Scott: CFGI's principle is to further the unique interests of independent franchise grocers. That's number one.

Number two is that we're governed by an elected board of 18 directors. Every year the chair changes. That's a good thing for me, because I get to keep my job, and they don't get upset with me. The reason the chair changes every year is that becoming chair of CFGI is one of the great things you can do as an independent grocer. The regional selection ensures that we have people on the board of directors from every nook and cranny of the country, and we try to make sure there's a split between specialty, franchise, and full independent.

•(1240)

Mr. Blake Richards: Then there is some consideration given to making sure that all the different types of members are receiving input into the association.

Mr. John Scott: There has to be. Yes.

Mr. Blake Richards: Great—

Mr. John Scott: We even make sure that every couple of years the chair comes from one of those little wee stores. Last year's chair came from a very tiny store.

Mr. Blake Richards: I think of conversations I've had with the various people in my riding who have products, particularly farmers or owners of small meat-cutting operations and these kinds of things, and they're always looking for ways to get their products into stores. Does your association deal strictly with lobbying on behalf of your members, or do you actually deal directly with people who are looking into getting their products onto the shelves of some of the members you have?

Mr. John Scott: We do a couple of things, and this might be interesting for some of those who are looking at this local stuff.

First of all, we run the two largest trade shows in Canada. We run a big one, Grocery Innovations Canada, in November in Toronto. We run Grocery Showcase West in Vancouver; next year it will be at the end of April. These are great shows, and small processors often go there because virtually everybody goes to the shows, including the major corporate chains and Wal-Mart, looking for what's new in the marketplace. They're good shows.

Second, you can be affiliated with CFG in many different ways. Gary has actually facilitated one of the things we have done, which is to take 15 to 20 of our members in any one part of the country, and 15 to 20 processors who are having trouble getting their product distributed, and put them in a room. We spend one hour telling them what the independents are all about, we spend one hour working between the independents and the manufacturers on what the barriers are to getting their products into the store, and then in the last two hours you can't have lunch and leave the place unless you've done some business with each other. We try to facilitate that. The reason we do that is that the point of differentiation of the independent grocer is something different in the marketplace. This is very important to us. It's critical to us.

If you had a retailer that wanted access—in fact, I just did one with a couple of retailers. I did a seminar in Alberta and got a couple of manufacturers into retail stores there. If you have somebody who has a burning itch and something that can help somebody differentiate themselves, then call us. We're happy to do a marriage of some degree.

[Translation]

The Vice-Chair (Mr. André Bellavance): Unfortunately, your five minutes are already up.

Before I give the floor to Mr. Easter, I would like to ask a question. Obviously, we are talking about the agrifood sector a great deal, but you are first and foremost business people. Recently, in the Bloc Québécois caucus, retailers from Quebec and Canada came to talk to us about credit card and debit card fees. When we talk about competitiveness, I would like to know whether, as far as you're concerned, more and more people are using these payment methods. Perhaps this is occurring more in other businesses than in the food sector, but I think that the percentage of people using these methods of payment could be similar. Do the fees charged by the companies that issue these credit and debit cards have an impact on you? What do you think about this?

[English]

Mr. John Scott: Some 50% to 75% of all transactions in a retail food store in Canada are by debit card. For whatever reason, Canadians are more reticent to put their food on credit cards than they are in the United States.

The debit card issue is huge for us; it's just huge. Let me explain very quickly, and we're going to be doing so in front of the Senate banking committee in a few weeks.

If right now I'm a small guy in Thunder Bay, I might be paying 5¢ per transaction, and I can handle that. If all of a sudden I have to go to a percentage, as I have done with Visa, or whatever—1.75%—the transactions I am dealing with are on the order of \$200, and my costs of dealing with that transaction have all of a sudden gone up.

You'll say it's no big deal; it's the same thing for everybody. That's not so, because some of my competitors, being the major corporates, may be carrying their own credit card and may have their own access to debit card systems. Their actual cost may come down. The danger of what you're dealing with right now, of scrapping the agreement the Competition Bureau has with Interac, is exacerbated in the competitive structure, particularly in our industry.

If I had a chart here, I'd explain to you exactly how it works.

● (1245)

Mr. Gary Sands: Let me add that our interests are also the interests of the farmers and the processors, and it's been a difficult challenge for us, with all due respect to that sector, to get them to understand that. There are a lot of opportunities that exist between the on-farm sector and the retailers.

If independent retailers see the Interac system, for example, move to a for-profit basis and our fees triple, that becomes bad news for independent retailers. Since 1992, by the way, we've lost 15,000 independents. It's bad news for the whole chain, and with all due respect, it should therefore be bad news in this committee's view as well. We would urge you to look at this issue from that perspective.

We don't like to use the phrase “level playing field,” because when you have the concentration in the food industry that you have in this country there is no level playing field. Our interest is just ensuring that we stay on the field. Inadvertently, sometimes, governments make regulations and do things or allow things to happen that change the competitive landscape. If the fees for Interac triple, for the independent retailers it's disaster, and it will ripple right through the entire system. And unfortunately—we're coming back to what we talked about earlier—there's a systemic problem with the Competition Bureau.

Mr. Scott and I had this discussion just a few weeks ago with the bureau. They don't get what I just said. All they see is that Interac will be competing with the credit card companies, and isn't that wonderful? Great news! Well, you know what? When the independents continue to go out of business, that's bad news. It's going back to what Mr. Scott said earlier: the bureau needs to take a good, hard look.... Take it home and read it at night, and read your preamble. When we're gone, everybody is hurt. That's what they're not seeing.

I'm sorry to get passionate about this, but it's extremely frustrating. It's a systemic problem.

The Chair: I apologize that I had to step out for a few minutes.

You just made a statement that basically implied to me that the Competition Bureau isn't doing its job under the powers that it has. Do you believe they have the power under the current mandate or legislation to deal with what you're proposing?

Mr. John Scott: They have the power to deal with a lot of things; they choose not to. They said that in front of this committee as well, that they are only interested in low prices to the consumer, essentially. But if you look at the preamble to the act or if you look at their website, it doesn't say that. I'm sure they'll have all kinds of reasons why I'm wrong, but I can read English—my French is a little sketchy—and what it says is very clear to me. There's a modicum of protection of small business, which is fundamentally ignored.

I think, Mr. Chair, it would be very good of the government to encourage them to go back to the spirit and intent of the act, which is clear—not only in it, but even in the amendments you just passed. They're there again.

The Chair: You're very kind with the word “encourage”.

Mr. Gary Sands: The Interac thing just came up a couple of weeks ago, to come back to your question. That was basically their view. They didn't say what recommendation they were going to make with respect to the Interac application to the tribunal, but definitely the view from that meeting—and it was shared by others who had similar meetings—was that this is probably going to be good for competition.

The Chair: Okay. Thank you very much.

Go ahead, Mr. Easter, for five minutes.

Hon. Wayne Easter: Thank you, Mr. Chair.

We don't mind at all, Gary, if you get passionate on that issue. What you said on the record is good to have on the record.

On that issue, have you presented a submission yet on the debit card issue to either the Senate or the industry committee?

Mr. John Scott: Mr. Easter, we have asked for, and received, a slot on May 7 to appear in front of the Senate banking committee, and we've asked for, and received, a slot for the industry committee.

Hon. Wayne Easter: Can you forward a copy of that presentation to this committee as well? I think it would be useful.

• (1250)

Mr. John Scott: I'd be pleased to.

Hon. Wayne Easter: We can incorporate it into the record. Maybe if a second or a third committee came up with similar recommendations, it might be helpful. It is a critical issue.

My own view is that the Competition Bureau pretty nearly always ends up giving the big and the powerful more power and more control, to their advantage. That's just the way it's been. We've got to make changes there.

Earlier, the exceptions to the.... What would you call it, the 5%?

Mr. John Scott: It's the fidelity agreement.

Hon. Wayne Easter: Yes, exceptions to the fidelity agreement are one way to go. Where would be the best place to look for information on that? Would it be the Quebec model?

Mr. John Scott: Yes, I think it would be the Quebec model, although—and you might check this—when Loblaws got religion last year and started to really promote buying locally, they allowed relaxation of fidelity for buying local product. It would be interesting to see what they did and how they did it.

That was an interesting one, because you remember that the commercials promoted buying locally. They've been great. They'd do their private label in Canada, but Longo's in Canada came out and said that they'd been buying locally for 50 years and would continue to.

Hon. Wayne Easter: Yes.

Now, with reference to buying local product, does trade spend have an impact on that in terms of shelf space?

Mr. John Scott: No, sir, not with the independents. No, sir.

Hon. Wayne Easter: It does not with the independents, but it does in terms of the majors. Okay.

The other point that was made, which is an area I think we can move in as a committee, related to the food terminals. There's no question that we are a big country. I think that intrigues a lot of us on this committee.

You have experience right across the country in terms of the best locations for food terminals, and we are five regions. I don't know how many we need to be looking at, but based on your experience, if you had the magic wand, where would the best location be?

Just as I think Bev Shipley said earlier, I wouldn't see money coming out of it for CAIS or some of our farm programs, but maybe it could be in terms of some of the federal-provincial agreements. There are major moves on infrastructure spending. Now, when the country needs stimulus, is the time to do some big things. Maybe there's a proposal, and discussions on food and changing the system are popular right now. The public's listening. They're listening on food safety, food security, and food sovereignty.

In your mind, where would the best place be, and how many would be needed? We're not going to hold you to it, but what would be your suggestion on needs for food terminals, and in what geographic regions would they be?

Mr. John Scott: You need a critical mass. I would suggest you've got two, Montreal and Vancouver, that are obvious. You may have a possibility in Calgary, which would serve Saskatchewan and Alberta, but Vancouver and Montreal are ones that would support.

I'm going to make an offer, Mr. Chair. If this committee, or a group from this committee, would like to come to Toronto and get up at 3:30 a.m., I will arrange for you to come down and see how the terminal operates. It might be worth your while. I know you don't like the idea, but you go on various junkets, and it's not a bad idea to see how this terminal actually operates. It's pretty good stuff.

Hon. Wayne Easter: I'm a former dairy farmer; it's no problem. But for some of our folks here who are from Toronto, that's a different question.

Mr. John Scott: I'd be happy to arrange that, Mr. Chair.

Hon. Wayne Easter: That's a good offer. A number of us might be interested.

Thanks, John.

The Chair: Just to that, I'll suggest to the committee that if that is an interest of the committee at some point.... We all have to travel. Not all of us have to go through Toronto, but if you do that on a Monday, it might be something on our way here that you could make work. I just throw that out.

Mr. John Scott: Mr. Chair, it's a different world, let me tell you. When you go out through those gates, it's a different world. It's worth seeing.

The Chair: Just driving into Toronto is a different world. You can tell I was raised out on a country road.

We're out of time.

Mr. Scott and Mr. Sands, thank you very much for coming again at our request. It's always very interesting. This is something that obviously we've had an interest in for a while. I'm glad to see we're going ahead.

I have one last request of you. Would you submit, in the next coming weeks, your suggestions on individual situations or issues in terms of how you think the Competition Bureau could improve the way they deal...how, and that kind of thing? I think that would be good. It's something we could review as we continue through this.

• (1255)

Mr. John Scott: I'd be happy to do that, sir.

The Chair: Thank you very much.

Mr. John Scott: We'd like to present you, Mr. Chair, with a copy of our food safety manual. We wouldn't mind a picture with it, and we'll stick it in a news magazine, if you wouldn't mind.

The Chair: Thank you very much.

Going back to our next meeting, we discussed earlier that we're going to deal with the nematode report. I have a suggestion. I understand we have consensus around the table to meet from eleven until two on Tuesday. The plan is to have the fertilizer people. We may not get them....

Pardon?

Mr. Bev Shipley: From eleven until one?

The Chair: No, from eleven until two.

We could deal with the nematode study from 11 until 12:30, and then, basically, have the fertilizer people in here ready to go as soon as we're done with that.

Mr. Lemieux.

Mr. Pierre Lemieux: Why don't we put the witnesses first? It shows respect for the witnesses. That would allow them to come and do their presentations, and us to ask our questions. Then when we're done, we could do the report. The report may only take half an hour. It's hard to know what the report—

The Chair: That would be great, if it did.

Mr. Pierre Lemieux: Yes. But what I'm saying is, if we do the report first, from 11 until 12:30, and if we're done at 11:30 or 11:45 and the witnesses aren't all here yet....

The Chair: So you're suggesting 11 until 12:30 with the fertilizer people, and then whatever time it takes, up until two, to deal with the report.

Mr. Pierre Lemieux: I'm a bit surprised. I thought it was only a half-hour extension. Actually, I had to step out briefly, but the last I heard was that we were going to be picking one over the other. I guess we're considering doing both.

The Chair: I'm at your discretion.

Mr. Pierre Lemieux: Okay, now we're doing both. I suggest witnesses first, because then they could come and they could meet too, and report second.

The Chair: Mr. Easter.

Hon. Wayne Easter: I have a problem with that.

The government very seldom responds to pressure, but there'd be a lot more pressure on the government side if we were to deal with the report first, to get it done, rather than play some of the games they often play. So I suggest that it's important to have the report done first.

The Chair: Mr. Bellavance, and then Mr. Lemieux.

[*Translation*]

Mr. André Bellavance: I have no objection to hearing the witnesses, quite the opposite, and I am even being extremely generous by giving one extra hour to the committee. However, Mr. Chairman, you did say, during the last meeting, that it would be very complicated to give me the 10 minutes that I had asked for. We're prepared to give more time.

I would simply like to say the report is in fact very important. There may be a discussion about it, because you saw today that the motion I tried to have adopted was not accepted by the government representatives. That is part of the work that we must do here in committee. So we have to make a choice, and I think that it would be appropriate to warn the witnesses that there may be some discussions that could take more time than expected. Dilatory tactics have already been used and, if my memory serves me correctly, only by the government members. So that could mean that our witnesses would not be able to give their testimony.

[*English*]

The Chair: Yes, you will.

[*Translation*]

Mr. André Bellavance: We need to discuss a report, and it is important that we do so quickly, before we hear the witnesses.

[*English*]

The Chair: Okay, so you want to hear the witnesses from 11 to 12:30, and then we'll deal with the report?

Oh, it's the other way around.

Mr. Lemieux.

Mr. Pierre Lemieux: Mr. Chair, we have only one minute left, but Mr. Bellavance raises an excellent point. We're supposed to be ending the meetings at one. We are decision-makers here, and we should be able to decide whether the report is the priority and we're doing it first, or the witnesses are. When you bring both together....

I think Mr. Bellavance raises a good point. I think we can be done with the report rather quickly, but Mr. Bellavance worries that it could take a longer time and the witnesses will therefore have to wait. They may not even be able to appear if it takes a really long time. That's my point. It's not fair to the witnesses.

Let's make a decision; we are decision-makers. Let's say the report is very important and we're putting aside the next meeting from eleven to one for the report. Let's not mistreat our witnesses and have them come on the expectation that we may be finished, when in fact we may not be finished, and they'll just have to wait. Why not be fair to them and say we'll move them off to the next meeting? If we're done at one, Chair, we're done one.

It's the same point I brought up at the last meeting. As a member of the board, I have commitments at one. I have to leave in about 30 seconds. When it's my main committee, I don't like the committee continuing on, because we're going beyond one o'clock.

That's my suggestion. Let's do the report, and let's move the witnesses off.

● (1300)

The Chair: Just on the point about meetings, I will first speak to André. If we know in advance and all agree to it, extending a meeting is an option. It's not an option at that meeting to extend, as far as I'm concerned, because I make commitments, and we're all busy. I don't want a three-hour meeting on Tuesday any more than anybody else does. It was suggested to me by what I thought was a majority to propose this. I didn't bring this up on my own.

To speak to your point, Mr. Lemieux, yes, we're going to adjourn here in a second. We're talking about a meeting three or four days from now, and I'm at your will. Tell me what you want to do.

Hon. Wayne Easter: Mr. Chair, could I suggest this? You have a steering committee that four people are on. You could maybe accommodate sorting this out by a conference call. Could you do that over the next day or so, and then we'll get notice?

The Chair: Mr. Atamanenko.

Mr. Alex Atamanenko: I think if we're going to have the witnesses they should be here right away, with all respect to them. Then we'd move on to this business, which is important. But we should do that. If we decide that it looks as if the report may take longer, then I agree with Pierre, we should move the witnesses off and not leave them hanging around for something. I'm in agreement with both, but I think we should take the witnesses into account.

The Chair: I will be contacting you in the next day or two.

The meeting is adjourned.

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