

REDUCTION
OF THE COST OF LIVING IN NUNAVIK

**REPORT
OF THE WORKING GROUP**

PRESENTED TO
THE QUÉBEC GOVERNMENT,
THE KATIVIK REGIONAL GOVERNMENT
AND THE MAKIVIK CORPORATION

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List of Abbreviations

| | |
|----------------------|---|
| CMHC | Canada Mortgage and Housing Corporation |
| DFC | Department of Finance Canada |
| FCNQ | Federation of Cooperatives of Northern Québec |
| GST | Goods and services tax |
| INAC | Indian and Northern Affairs Canada |
| ISQ | <i>Institut de la statistique du Québec</i> (statistics institute) |
| JBNQA | James Bay and Northern Québec Agreement |
| KMHB | Kativik Municipal Housing Bureau |
| KRG | Kativik Regional Government Kativik |
| Makivik | Makivik Corporation |
| MAMROT* | <i>Ministère des Affaires municipales, des Régions et de l'Occupation du territoire</i> (municipal affairs, regions and land occupancy) |
| MFA | <i>Ministère de la Famille et des Aînés</i> (family and seniors) |
| MFQ | <i>Ministère des Finances du Québec</i> (finance) |
| MRNF | <i>Ministère des Ressources naturelles et de la Faune</i> (natural resources and wildlife) |
| MRQ | <i>Ministère du Revenu du Québec</i> (revenue) |
| MTQ | <i>Ministère des Transports du Québec</i> (transportation) |
| QST | Québec sales tax |
| SAA | <i>Secrétariat aux affaires autochtones</i> (Aboriginal affairs) |
| SHQ | Société d'habitation du Québec (housing corporation) |
| Sivunirmut Agreement | <i>Agreement concerning Block Funding for the Kativik Regional Government</i> |

* In 2008, the title of the *ministère des Affaires municipales et des Régions* was changed to the *ministère des Affaires municipales, des Régions et de l'Occupation du territoire* (MAMROT).

1. INTRODUCTION

1.1 Background information

The Working Group on the Reduction of the Cost of Living in Nunavik was created further to a long series of events. The Québec government and Inuit have been working to reduce the cost of living in Nunavik for more than 15 years. The remoteness of the villages, the absence of roads and the harsh climate have always had, and continue to have, a heavy impact on the prices of goods and services in the North (fuel, transportation, etc.).

Nunavik Inuit began drawing the Québec government's attention to this situation in the early 1990s. Following representations made by Makivik and the KRG to the Committee on the Budget and Administration (National Assembly) on February 18, 1993, the Minister of Finance, the Minister of Revenue, the President of the *Conseil du trésor* (treasury board) and the Minister responsible for Aboriginal Affairs agreed with the two Nunavik organizations to set up a task force to study taxation in this region of Québec and to recommend appropriate solutions. On June 9, 1994, the taxation task force tabled its report with ten recommendations to foster a reduction in the cost of living through measures related to taxation, transportation, training and housing.

On June 18, 1997, the KRG asked the MRQ and the SAA to provide an update on the implementation of the 1994 report and to study a few more tax-related issues, including the taxation of bursaries paid to Nunavik students, that had not been studied by the taxation task force. In June 1997, three of the task force's ten recommendations had been implemented.

A meeting was organized on September 16, 1997, between representatives of Makivik, the KRG, the Kativik School Board and the concerned government departments to follow up on those task-force recommendations that had still not been implemented. This meeting also permitted a review of the other tax-related issues submitted on June 18, 1997. Two subsequent meetings of the same representatives were held on November 27, 1997, and May 21, 1998.

Most of the task force's recommendations have been implemented over time, in particular those regarding a refundable tax credit adapted to Nunavik, the implementation of an air-transportation subsidy program for individuals and goods, as well as various other tax measures for the region's residents.

Makivik and the KRG also jointly presented a request for an amendment of Québec legislation to recognize, for tax purposes, special status for Inuit hunters, fishers and trappers, like other Québec producers such as those in the agro-food industry. In its 1994 report, the taxation task force indicated that its recommendations

concerning the cost of living and purchasing power represented adequate solutions for hunters, fishers and trappers to deal with the high price of gasoline as well as hunting, fishing and trapping equipment.

During Premier Jean Charest's visit to Kuujuaq on August 29, 2003, with then Minister responsible for Canadian Intergovernmental Affairs and Aboriginal Affairs, Benoît Pelletier, and then Minister of Forests, Wildlife and Parks, Pierre Corbeil, Nunavik leaders referred to one aspect of taxation in the North that concerned them. They proposed that, since the region was not connected to the Québec road network, its residents should be exempt from paying the fuel tax. Nunavik leaders then proposed that Québec look into how to generate more spinoffs for residents.

Today, Nunavik leaders still believe that very high fuel prices in the region penalize Inuit hunters, fishers and trappers for whom motorized vehicles are integral components of their wildlife harvesting activities. Because the 1994 taxation task-force report did not resolve this problem and the Québec government did not agree with their 2003 proposal, regional leaders continue to advocate that hunters, fishers and trappers receive the same tax relief as farmers.

While rejecting any tax exemption, Mr. Charest and Mr. Pelletier did open the door to the creation of a working group composed of Inuit and Québec-government representatives. Mr. Charest also insisted on the need to study solutions in a comprehensive manner that would include federal government participation.

Further to the August 2003 meeting, the SAA set up a technical committee with representation from the MFQ, the MRQ, the MTQ, the *Secrétariat du Conseil du trésor* (treasury board secretariat) and the SAA.

The first meeting of this government technical committee was held on October 20, 2004, to establish the committee's mandate and to set up a timetable. At the meeting, it was agreed to carry out the following work: review the impact of the measures implemented in Nunavik since 1994 and to establish a comparative portrait of the cost of living between Nunavik and other remote regions in Québec. At its second meeting, which took place on January 21, 2005, the technical committee reviewed the tax measures implemented since 1994 and began to discuss how to develop a comparative portrait of the cost of living in Nunavik and other remote regions in Québec. Due to the scope of the undertaking and the necessary resources, the work of the government technical committee did not move forward, although discussions continued.

In the mean time, the KRG and Makivik took advantage of every opportunity to increase the government's awareness of the problem of cost of living in Nunavik. Many representations were made, for example during the consultations on poverty and exclusion led by the responsible Québec-government minister, Nicole Léger, at Inukjuak in 2001; during the forum entitled *The Public Talks (Shine among the*

Best) in 2004; during the consultations entitled *Full Participation of Seniors in Québec Development: Building a Québec for all Ages* led by a working group created by the Minister responsible for Elders and chaired by George Lalande in 2005; and finally, during the consultations led by the Minister responsible for Seniors, Marguerite Blais, in 2007 concerning the living conditions of seniors.

In 2006, at the request of Makivik and the KRG, the MTQ created a working group to study Nunavik's request for a transportation subsidy covering goods. The group compared transportation methods and costs between other remote regions and Nunavik, carrier subsidies, as well as consumer-good prices in these regions. The Nunavik organizations considered that certain regions had access to benefits that Nunavik did not. The group stopped its work in the spring of 2007 but the parties did not reach a consensus on the measures that were likely to meet Inuit expectations.

Discussions in this respect continued during the organization of the Katimajit Conference held in August 2007. Québec-government and Inuit representatives also met and exchanged ideas on the cost of living in Nunavik. Without awaiting the results of these discussions, the Québec government announced, in its 2007–2008 budget speech, a one-time subsidy of \$500 000 for the KRG to set up cost-of-living mitigation measures for the region's residents. Inuit authorities decided to direct the whole subsidy towards the reduction of gasoline prices. At the Katimajit Conference, the Québec government also committed to pay \$12.1 million to the KRG over three years beginning in 2007 to reduce prices for the transportation of passengers and goods.

The Québec government announced, at the same time, an increase in the refundable tax credit for individuals living in a Northern village, retroactive to 2006 so as to produce increased tax credit payments in 2007. Concretely, the tax credit increased in 2006 from \$40 to \$60 monthly per adult and \$15 to \$25 monthly per child. This increase represented an additional subsidy of \$1 million annually on the part of the Québec government.

It was also agreed that the SAA would restart discussions on the high cost of living in Nunavik through a working group and in which the federal government would be invited to participate. In this manner, therefore, the Working Group on the Reduction of the Cost of Living in Nunavik was created.

1.2 Mandate and composition of the Working Group

The Working Group's mandate was established in the spring of 2008. The first component involved the preparation of a list of existing measures and programs intended to reduce the cost of living in Nunavik and the assessment of the effectiveness and efficiency of each. The Working Group was also given the

mandate to make recommendations for the future of these measures and programs.

Subsequently, the parties decided on the composition of the Working Group. On the Québec-government side, representatives were appointed to the Working Group from the MAMROT, the MFA, the MRQ, the MTQ and the SAA. On the Inuit side, representatives were appointed to the Working Group from the KRG and Makivik.

MFQ representatives participated as observers at every meeting of the Working Group. After being consulted on its activities in Nunavik, the SHQ was invited to join the Working Group. Federal-government representatives also attended a few meetings.

Finally, the Working Group retained the assistance of the *Université Laval*, in particular for the gathering of information and the preparation of this report.

1.3 Meetings and other work of the Working Group

The Working Group held several meetings between the fall of 2008 and the fall of 2010. It followed a three-stage process. The first stage involved the gathering and analysis of sectoral data from December 2008 to February 2009. The second stage involved validating the collected data, performing a comprehensive analysis and preparing an initial draft of the report from March to May 2009. The third stage involved preparing recommendations and finalizing this report from May 2009 to September 2010.

In addition to the information obtained from the organizations and government departments that make up the Working Group, information was also collected from the following individuals and organizations:

- the MRNF;
- First Air;
- Air Inuit;
- the FCNQ;
- the Régie de l'énergie du Québec (energy board);
- the SHQ;
- the ISQ;
- AINC, Food Mail Program;
- the Saturviit Inuit Women's Association of Nunavik;
- representatives of the Nunavik Elders' Committee;
- the president of the Saputiit Youth Association;
- the co-owner of the retail store Newviq'vi in Kuujjuaq;
- Hydro-Québec.

1.4 Data collection

Finally, in order to carry out its mandate, the Working Group identified the organizations, government corporations and other government players responsible for the delivery of the programs and measures aimed at reducing the cost of living in Nunavik. Most were consulted or contributed to the work of the Working Group.

The Working Group subsequently adopted a template in order to ensure that the data collected was as complete and consistent as possible. In this manner, it hoped to develop a summary of comparable data on programs and measures that would make it possible to assess their impact on the economic conditions of Nunavik residents.

With this template, the Working Group asked the concerned organizations, in particular to provide information not only for the most recent year possible but for a few previous years with a view to conducting a comparative analysis of the measures and programs for the concerned periods.

Data was transmitted to the Working Group in writing, verbally or both.

1.5 Description, analysis and summary

With the collected information, the Working Group prepared a description of existing programs and measures including details about their objectives, operation, duration, the organizations responsible for their funding and allocation, the organizations responsible for their management and operations, as well as major management and operation aspects. Moreover, the Working Group produced statistical tables on the main parameters of the programs and measures, including annual expenditures. Once prepared, each description was validated by the organization in question and ratified by the Working Group.

The preparation of the description was followed by analysis of the effectiveness of the program or measure to reduce the expenses of Nunavik residents, as well as its efficiency. Each analysis was subsequently ratified by the Working Group.

With these descriptions and statistical tables, a summary was prepared and ratified by the Working Group. The purpose of the summary was to assess the impact of all the identified programs and measures.

1.6 Recommendations

Recommendations were prepared through many consultations and discussions. First, the Working Group adopted some general principles and contextual elements. Next, each Working Group member was invited to prepare the

recommendations he or she judged necessary, and these were in turn compiled and summarized. Finally, the recommendations were discussed and ratified by the Working Group.

1.7 Transition measure

Finally, on July 6, 2009, when it became apparent that the Working Group would not be able to table its report before April 1, 2010, Makivik and the KRG asked the SAA and the MTQ to renew for an additional year the cost-of-living measures funding agreement between the MTQ and the KRG.

2. SOCIO-ECONOMIC CONTEXT OF NUNAVIK

An analysis of the socio-economic context of Nunavik is essential to understand the disparities that exist between Nunavik and the other regions of Québec and to arrive at informed recommendations regarding the reduction of the cost of living in Nunavik.

2.1 Region

Nunavik is the northernmost region of Québec. Covering the arctic and subarctic zones north of the 55th parallel, Nunavik includes 14 villages scattered along the coasts of Ungava Bay, Hudson Strait and Hudson Bay.

Nunavik is not connected to the Québec road network; moreover no roads connect the villages between themselves. To travel to Nunavik, travellers must fly from Montreal, Quebec City or Val-d'Or via First Air, Air Inuit or Air Creebec. Regular flights link the region's different villages. Goods are transported by air year round, as well as by ship during the short navigation season.

2.2 Population and general living conditions

Nunavik has a total population of roughly 11 000, of which close to 90% are Inuit. The age of the population is much younger than in the rest of Québec: roughly 40% of residents are aged less than 15. As well, population growth and family size are also greater in the region than in the rest of Québec. Life expectancy in Nunavik, on the other hand, is much lower than in the rest of Québec. (Refer to Table 1.)

Table 1 Population, Nunavik and Québec, 2006.

| Indicators | Nunavik | Québec |
|--|----------------|---------------|
| Population (no.) | 10 784 | 7 651 531 |
| Ratio of youth (0 to 14 years / total population) | 39.3 | 19.1 |
| Ratio of seniors (aged 65 and older / total population) | 2.5 | 12.0 |
| Demographic dependency ratio (aged 0 to 19 plus aged 65 and older / aged 20 to 64) | 100.1 | 57.4 |
| Birth rate (/000) | 18.1 | 9.8 |
| Life expectancy at birth (years) | 63.3 | 79.4 |
| Growth rate (% of growth in last five years) | 10.5 | 1.4 |
| Aboriginal population (%) | 88.7 | 0.1 |
| Average number of persons per census family | 3.9 | 2.9 |

Sources

Duhaime, G., *Socio-Economic Profile of Nunavik, 2008 Edition*. Quebec City, Université Laval (Canada Research Chair in Comparative Aboriginal Conditions), except for average census-family size from Statistics Canada, 2006 Community Profiles.

Notes

The birth rate is calculated for 2001–2002.

The life expectancy at birth is calculated for 2003.

The state of health of Nunavik's population is generally lower than that of Québec's population, and this factor potentially limits employability. (Refer to Table 2.)

Table 2 Adjusted short-term physical care hospitalization rates according to the principal diagnosis, Nunavik, and Québec, 2000–2004.
(Average annual rate for 10 000 inhabitants)

| Diagnostics | Nunavik | Québec |
|--|----------------|---------------|
| Malignant tumours | 81 | 62 |
| Diseases of the circulatory system | 256 | 142 |
| Diseases of the respiratory system | 576 | 82 |
| Diseases of the digestive system | 371 | 91 |
| Diseases of the genital-urinary organs | 150 | 49 |
| Traumatic injuries and poisonings | 250 | 86 |
| All diagnoses | 2 457 | 777 |

Source

Duhaime, G., *Socio-Economic Profile of Nunavik, 2008 Edition*. Quebec City, Université Laval (Canada Research Chair in Comparative Aboriginal Conditions).

The level of education in Nunavik is also lower than in the rest of Québec, which also limits the capacity of regional labour to hold the best-paid jobs that, in most cases, require advanced education. (Refer to Table 3.)

Table 3 Highest level of schooling, Nunavik and Québec, 2006.
(% of the population aged between 20 and 64)

| Level of schooling | Nunavik | Québec |
|---|---------|--------|
| Less than high school | 52.8 | 16.9 |
| High school certificate or some secondary studies | 13.7 | 21.6 |
| Trades certificates | 18.1 | 17.7 |
| College certificate or diploma | 8.5 | 18.7 |
| University | 9.2 | 25.1 |

Source

Duhaime, G., *Socio-Economic Profile of Nunavik, 2008 Edition*. Quebec City, Université Laval (Canada Research Chair in Comparative Aboriginal Conditions).

2.3 Living conditions of elders

Regarding the specific situation of elders in Nunavik, the Working Group’s reflections are described below.

Since the publication in 2005 of the *Socio-Economic Profile of Elders in Nunavik* completed by the *Université Laval* under the Nunivaat – Nunavik Statistics Program, it is known that there are proportionally less seniors in Nunavik than in Québec as a whole and that their life expectancy is lower. The large majority of elders (87%) speak only Inuktitut. As well, more than 86% of these individuals never attended school or completed primary school. Elders live in dwellings that include on average five individuals and at least one dependent minor child. In fact, in 2005, 83% of elder households included an average of 3.2 dependent children, grandchildren or great grandchildren.

Food supply for elders is based on two types of networks: an organized food-market network and a family-community network. It has been noted in Nunavik that, although use of an organized food-market network is extensive, use of a family-community network is equally extensive. Specifically, 70% of elders hunted or fished in 2004, and 89% of these shared a portion of their catch with individuals outside of their household. The practice of hunting and fishing was shown to decrease with age, but the proportion of those involved in hunting and fishing only dropped below 50% for those aged 80 and older. Even though they have two food-supply networks, only 63% of elders declared that they never experienced a shortage of food, while 12% of elders declared that they regularly or often experienced a shortage of food.

The average annual income of elders in Nunavik in 2004 was \$19 250, compared with an average annual income of \$22 300 for Québec seniors. This 13% difference is all the more alarming since prices for consumer goods are much higher in Nunavik.

The distribution of income by gender shows that the average income of women is only 4% lower than that of men. This situation contrasts with the situation in Québec where women's income is more than 30% lower than men's income. It was also shown that the average income of elders in Nunavik decreases with age.

Income patterns explain the difference between the income of younger and older age groups. Elders draw their income from three main sources: 47% from labour market earnings (jobs, self-employment, private pension plans, etc.), 45% from government transfers, and 3% from traditional-activities income (sale of catches, crafts, etc.).

In 2004, those who had employment income received an average annual income of \$28 360, while those who relied partly or totally on government transfers received an average annual income of \$12 882.

Close to half of the 32% of elders who had employment income were aged between 60 and 64. The number of elders with employment income therefore diminishes with age. In contrast, government transfers become more and more important as elders grow older, with transfers representing the only source of income for 70% of elders. In this respect, it is appropriate to emphasize that government transfers do not take into account high consumer prices in Nunavik, which puts elders in the region at a disadvantage compared with seniors in the rest of Québec. In 2005, the report entitled *Full Participation of Seniors in Québec Development: Building a Québec for all Ages* described the concerns of the Nunavik elders who met with the *Conseil des aînés du Québec*¹ (seniors board) task force, chaired by George Lalande.

According to the report, elders make strong contributions to family life. Few elders live alone, and most live with their children, grandchildren and great grandchildren. Therefore, many elders provide daily care for their grandchildren and assume direct financial responsibility for their children and grandchildren. Given their low income, the Working Group considers this situation to be particularly worrisome.

Elders indicated to the report's authors that their income and, especially, government transfers were inadequate. Most receive Old Age Security and Guaranteed Income Supplement benefits. Nonetheless, those who never made Québec pension plan contributions are ineligible for these benefits. In fact, few Nunavik elders receive these benefits.

In the words of the report's authors: "Given the cost of living in this region, it is evident that the benefits, equal to those received by seniors elsewhere in Québec, are considerably insufficient."

¹ Gouvernement du Québec, *Full Participation of Seniors in Québec Development: Building a Québec for all Ages*, Task force report, Québec, 2005.

The report recommends, among other things, that government benefits paid to Nunavik residents should be increased to take into account the higher cost of living in the region and that, to this end, the Québec government should lobby the Government of Canada, which is responsible for the delivery of Old Age Security and Guaranteed Income Supplement benefits.

In 2008, during the session of the public consultations entitled *Living Conditions of Seniors: A Social Challenge and a Responsibility that We All Share* that was held in Kangiqsujuaq by the Minister responsible for Seniors, Marguerite Blais, Inuit once again drew attention to the precarious situation of Nunavik elders. The Inuit representatives on the Working Group expressed disappointment that no specific recommendations in the report that followed up on the public consultations (released by the Minister on March 5, 2008) provided a response to the situation of Nunavik elders. Since the public consultations, a permanent cooperative mechanism has been set up with Inuit, discussions regarding the creation of a regional elders round table have been held and, finally, the MFA contributed to the work of the Working Group.

Most of the existing cost-of-living reduction measures involve or could involve elders, and a few specifically target this segment of the population. Nonetheless, only one is exclusively for elders: the annual \$500 subsidy paid to individuals aged 60 or older.

As has been the case in all the regions of Québec, the MFA implemented in 2007 a service and infrastructure adaptation program for seniors, which promotes their integration into their communities through different projects and partnerships. The program serves to improve seniors' quality of life but, in no way, helps seniors to meet their basic consumer-good needs.

Given the adverse economic situation of many elders and their family responsibilities, the Working Group considers that a special effort must be made, on the one hand, to reduce the cost of living and, on the other hand, to increase government benefits for these individuals in response to the high consumer prices in Nunavik. It is important in particular to foster access to food.

2.4 Economy

The economy in Nunavik is based on services, specifically government services, retail sales and transportation. The secondary sector essentially consists of the construction industry. Mineral exploration and mining are the main components of the primary sector. Public administration makes up a large part of the economic development structure.

Table 4 **Gross domestic product (GDP) at factor cost by activity, Nunavik and Québec, 2003.**
(%)

| | Nunavik | Québec |
|----------------------------|----------------|---------------|
| Primary | 19.5 | 2.4 |
| Agriculture | 0.0 | 1.2 |
| Forestry | 0.0 | 0.6 |
| Hunting and fishing | 0.8 | 0.0 |
| Mining | 18.7 | 0.6 |
| Secondary | 3.9 | 25.1 |
| Manufacturing industry | 0.3 | 20.0 |
| Construction | 3.6 | 5.1 |
| Tertiary | 76.6 | 72.5 |
| Transportation | 7.3 | 4.2 |
| Communications | 0.6 | 5.0 |
| Electricity, gas and water | 0.9 | 4.3 |
| Business | 7.2 | 11.3 |
| Finance and real estate | 0.5 | 16.5 |
| Public administration | 53.4 | 19.5 |
| Services | 6.7 | 11.8 |
| GDP at factor cost | 100.0 | 100.0 |

Source

Duhaime, G. and V. Robichaud, *Nunavik Economic Portrait 2003*. Quebec City, Université Laval (Canada Research Chair in Comparative Aboriginal Conditions).

2.4.1 Jobs and income

Proportionally more Nunavik residents are part of the labour market than is the case in Québec. (Refer to Table 5.) Moreover, the replacement index is much higher: for every individual leaving the labour market, there are three arrivals looking for work. This situation and the constraints of the regional economy and economic development result in a lower employment rate and a higher unemployment rate in Nunavik.

Table 5 **Active population, Nunavik and Québec, 2006.**

| | Nunavik | Québec |
|---|----------------|---------------|
| Labour force participation rate (%) | 68.3 | 64.9 |
| Employment rate (%) | 56.1 | 60.4 |
| Unemployment rate (%) | 18.1 | 7.0 |
| Replacement index (aged 20 to 29 / aged 55 to 64 X 100) | 327.8 | 109.6 |

Sources

Statistics Canada, 2006 Community Profiles; except for the replacement index from Duhaime, G., *Socio-Economic Profile of Nunavik, 2008 Edition*. Quebec City, Université Laval (Canada Research Chair in Comparative Aboriginal Conditions).

Note

The labour force participation rate for Nunavik is calculated for 2001.

Notwithstanding, Nunavik residents earn income mainly from paid employment. Certain characteristics, which at first glance appear commonplace due to their prevalence throughout Québec, have a dramatic effect in Nunavik. At the same time that consumer prices are higher in Nunavik, legal minimum wage is not any higher and government transfers to individuals are not revised upwards either. Despite existing programs and measures, like the refundable tax credit for individuals living in a Northern village and the Northern residents deduction, Nunavik residents must meet their needs with significantly decreased purchasing power.

Income is not evenly distributed in Nunavik. First, non-Aboriginals obtain a higher portion of wage income than their representation in the population and in the active population. Most also receive employment benefits such as a cost-of-living allowance, annual trips and a food air-cargo allowance that serve to considerably lower their cost of living. The value of these benefits varies according to the employer, as well as the employee's assignment village and family status.

Table 6 Gross domestic product (GDP) according to the income methods, Nunavik and Québec, 2003.
(%)

| Aggregates | Nunavik | Québec |
|---|--------------|--------------|
| Employee remuneration | 77.1 | 53.6 |
| Aboriginals | 42.3 | n/a |
| Non-Aboriginals | 34.8 | n/a |
| Corporate benefits and rent | 9.2 | 39.2 |
| Net domestic income at factor cost | 86.3 | 92.8 |
| Net indirect taxes | 13.7 | 7.1 |
| GDP at market price | 100.0 | 100.0 |

Source

Duhaime, G. and V. Robichaud, *Nunavik Economic Portrait 2003*. Quebec City, Université Laval (Canada Research Chair in Comparative Aboriginal Conditions).

Note

n/a: not available.

Table 7 Median income of the population aged 15 and older, by sex and ethnicity, Nunavik and Québec, 2006
(*\$*)

| Median income | Québec | Nunavik | Inuit |
|------------------------------|---------------|----------------|--------------|
| Population aged 15 and older | 24 430 | 21 981 | 18 987 |
| Men | 30 074 | 19 744 | 16 011 |
| Women | 19 828 | 23 637 | 21 328 |

Source

Statistics Canada, 2006 Census: Community Profiles and Aboriginal Population Profile.

Finally, 60% of Inuit and non-Inuit households earn less than \$30 000 annually, which is to say less than 20% of all personal income. At the other end of the spectrum, the numbers are completely reversed: households earning more than \$70 000 annually represent less than 20% of households, but receive more than 60% of personal income. (Refer to Table 8.)

Table 8 Distribution of taxable families and before-tax income, according to the decile income level, Nunavik, 2005.
(*No. and \$*)

| Decile income level (\$) | Households (no.) | Total income (\$000) |
|---------------------------------|-------------------------|-----------------------------|
| Less than 10 000 | 1 382 | 6 172 |
| 10 000-19 999 | 725 | 10 454 |
| 20 000-29 999 | 467 | 11 569 |
| 30 000-39 999 | 313 | 10 906 |
| 40 000-49 999 | 248 | 11 154 |
| 50 000-59 999 | 201 | 11 076 |
| 60 000-69 999 | 171 | 11 138 |
| 70 000-79 999 | 167 | 12 506 |
| 80 000-89 999 | 144 | 12 198 |
| 90 000-99 999 | 103 | 9 733 |
| 100 000 and over | 370 | 51 074 |
| Total | 4 291 | 157 980 |

Source

MFQ and MRQ, Income tax, 2005 tax year. Table prepared by the Working Group.

Note

Taxable families are composed of individuals whose income tax returns are linked for deduction transfer purposes, for example. Consequently, the number of taxable families is higher than the number of private households according to the definition used by Census Canada. The number of private households is 2 590 according to the 2006 Census, while the number of taxable families is 4 291, as indicated in this table.

Finally, poverty is two or three times higher in Nunavik than in Québec, affecting more single-parent families and seniors. (Refer to Table 9.)

Table 9 **Low-income rate, according to family composition, Nunavik and Québec, 2005.**
(%)

| Family composition | Nunavik | Québec |
|------------------------------------|----------------|---------------|
| Low-income families | 21.4 | 9.6 |
| Family composed of a couple | 11.8 | 6.1 |
| Without children | 15 | 6.4 |
| With 1 child | 12.5 | 5.5 |
| With 2 children | 9.4 | 4.8 |
| With 3 or more children | 10.3 | 8.9 |
| Single-parent family | 36.2 | 28.2 |
| With 1 child | 43.5 | 25.1 |
| With 2 children | 31.8 | 30 |
| With 3 or more children | 30.8 | 43.2 |
| Non-family person | 29.2 | 23.6 |

Source

ISQ. Compilation of tables entitled Low-income rate, according to family type, equivalent territories of Nord-du-Québec, 2001–2005 and Low-income rate, according to family type, Nord-du-Québec, 2001–2005, in Duhaime, G., *Poverty in Nunavik: State of Knowledge, 2009*. Quebec City, Université Laval (Canada Research Chair in Comparative Aboriginal Conditions).

Note

Low income is obtained by calculating 50% of median income, according to family type. The median income used is that for Québec as a whole. Families that receive less than 50% of the median income are considered to have low incomes.

2.5 Consumption

2.5.1 Disposable income

Nunavik residents are subject to taxation statutes and are therefore required to pay income tax, consumption tax and other charges. Consequently, their consumption, as in the rest of Québec, is dependent on their personal disposable income.

The report published in 1994 by the taxation task force referred to the relationship between the high cost of consumer goods and consumption taxes. The cost of consumer goods is much higher in Nunavik than elsewhere in Québec mainly due to transportation and storage costs. Given that 60% of Nunavik households earn less than \$30 000 annually, poverty is two to three times higher in Nunavik. These households therefore possess a lower income than the residents of other regions of Québec. It should be noted that a large proportion of these households receive a QST credit, like that applied in the rest of Québec, that does not take into account the higher costs of consumer goods in Nunavik.

2.5.2 Cost of living

Cost of living is all the expenses that must be paid by households in order to meet their basic needs. It differs according to households and it varies over time according to the socio-economic environment or stage of family life. It also varies according to the dwelling place of households, since the cost of goods and services is not identical everywhere.

Establishing cost of living is a complex operation since it must take into account the costs of goods and services in a given region, but also consumer patterns. For Nunavik, there is no such measurement. The difference in prices between Nunavik and certain regions of Québec for some basic goods and services (food, housing, personal-care products, household-cleaning products, hunting and fishing supplies and equipment, etc.) is known. However, buying patterns are not known precisely, and no sufficiently reliable existing statistical data exists for this purpose, as was confirmed in consultation with the ISQ.

The region's geography and climate, transportation costs, provisions for product spoilage in transit, as well as higher labour prices: these are a few of the factors that explain overall the higher cost of living in Nunavik compared to the rest of Québec. (Refer to Table 10.)

Yet, the characteristics of a large number of Nunavik households make it especially difficult to deal with this situation. Many households have only moderate to low incomes to meet the needs of a large number of dependents. It is difficult for them to increase their earnings due to their limited capacities, such as low levels of schooling, limited work experience, or poor mobility due to family obligations and available housing, not to mention the problems associated with the regional labour market.

The number of supply options open to households is also small since the economy includes only a limited number of retailers. Households are unable to take advantage of volume discounts (it is often the reverse that applies) and they are unable to take advantage of lower prices generated through competition. Saving a few exceptions, home ownership is not an option, and households are even less able to choose their own dwellings, which are allocated by public authorities or employers, not according to demand but according to availability.

Traditional food supply also hits roadblocks created by the Northern economy. The high cost of supplies and equipment, such as snowmobiles, outboard motors and gasoline, is making hunting and fishing more and more expensive. One of the consequences of this situation is that the most productive households are generally the wealthiest. Another consequence is that households that would like to devote themselves to these activities, in particular elders with much experience but low incomes, do not have the means.

Nunavik residents are captive consumers. Many have considerable and urgent needs, for example those created by a high average number of children. To meet these needs, however, their resources are limited by individual characteristics (such as low levels of education) or living conditions (high consumer prices or job creation based on public administration development).

2.5.3 Consumer prices

All local consumption is based, directly or indirectly, on goods and services imported from the South to Nunavik. Food, personal-care and household-cleaning products, vehicles, clothing, furniture, appliances, as well as hunting and fishing equipment must be imported to be sold by retailers to Nunavik residents.

Table 10 shows the difference in prices for various categories of products compared with other regions of Québec.

Table 10 Nunavik Comparative Price Index 2006, Complementary Study – Îles-de-la-Madeleine, Jamésie, Basse-Côte-Nord
Results summary

| | Average price | | | | | Price comparison with Quebec City area | | | |
|--|---------------|----------------------|---------|-----------------|------------------|--|----------------------|---------|-----------------|
| | Nunavik | Îles-de-la-Madeleine | Jamésie | Basse-Côte-Nord | Région de Québec | Nunavik | Îles-de-la-Madeleine | Jamésie | Basse-Côte-Nord |
| | \$ | \$ | \$ | \$ | \$ | % | % | % | % |
| Food | 5.27 | 3.58 | 3.49 | 3.93 | 3.30 | 60 | 9 | 6 | 19 |
| Hunting and fishing | | | | | | | | | |
| Snowmobiles (average price of 14 models) | 10 247 | n/a | 8 782 | 9 105 | 8 809 | 16 | n.d | (0) | 3 |
| Regular unleaded gasoline (2005–2006) | 1.44 | 1.01 | 0.970 | 1.20 | 0.978 | 47 | 3 | (0.8) | 23 |
| Regular unleaded gasoline (September 2006) | 1.60 | 0.957 | 0.906 | 1.12 | 0.894 | 79 | 7 | 1 | 25 |
| Household products | 7.31 | 4.29 | 4.38 | 5.47 | 4.09 | 79 | 5 | 7 | 34 |
| Personal-care products | 6.89 | 5.36 | 5.27 | 6.50 | 4.89 | 41 | 10 | 8 | 33 |

n/a: Data not available

(**): Negative value

Source

Bernard N. under the direction of G. Duhaime, *Nunavik Comparative Price Index 2006; Complementary Study – Îles-de-la-Madeleine, Jamésie, Basse-Côte-Nord*. Quebec City, Université Laval (Canada Research Chair in Comparative Aboriginal Conditions).

Consumer prices are generally higher in Nunavik than in the whole of Québec. This is verifiable for almost all types of goods and services, but especially for food.

Geographic isolation and transportation costs generate additional consequences for consumers. The small size of the regional market makes it economically unfeasible to maintain spare-parts inventories. Very often, single spare parts must be imported individually to carry out automobile and snowmobile repairs. Not only are they more expensive because they can not be purchased in large quantities (volume discounts), but high air-transportation costs also apply. Moreover, the guarantees offered on durable goods are generally not honoured in Nunavik where customer service is for the most part inexistent. Because repairs are impossible, consumers are often forced to replace major equipment, such as appliances.

2.5.4 Food

Food supply in Nunavik is marked by certain unique characteristics. First, some food is produced locally: specifically hunting and fishing products, which represent roughly half of the meat and fish intake of regional residents.² But this production is not without costs. The production methods are expensive and all imported: snowmobiles, boats, outboard motors, all-terrain vehicles, nets, shotguns and rifles, gasoline, ammunition, and so on. Notwithstanding, hunting and fishing remain an effective food source, if taking into account the very high prices of imported frozen meats.

All other supplies are imported. Dry food that is transported annually by ship between July and September is stocked in warehouses for several months of the year. But all perishable products and a large quantity of day-to-day products that can not be stocked due to limited local storage space and specific storage conditions, such as temperature and humidity control as well as expiry dates, must be transported by air year round. These products impose constraints that moreover lead to higher prices. Maintenance of the cold chain is essential for the conservation of certain products; nonetheless, unintentional freezing of products can lead to spoilage, caused by harsh climate conditions or unnecessary transportation delays. Products purchased fresh may not arrive at their destination in good condition. Indeed, product freshness suffers from delays that are the result of multiple transfers. For example, supplies delivered by mail under the Food Mail Program are purchased in Montreal, trucked to Val-d'Or, verified by Canada Post, trucked to La Grande, and then transported by air to the villages along the coast of Hudson Bay. The costs of spoilage are added to the prices of the products that did arrive at their destination in good condition through the same shipment, which can produce considerable price fluctuations on a weekly basis. In addition, Nunavik consumers do not have access to the many discounts offered on a weekly basis by Southern suppliers to consumers elsewhere in Québec.

² Duhaime G. et N. Bernard (éd.). *Arctic Food Security*. Edmonton, CCI Press, 2009.

In brief, whether food is supplied by local resources or from outside the region, the final result is the same for residents: food costs are substantially higher in Nunavik.

This situation has a major impact. It means that the fulfilment of even essential needs such as food and basic hygiene is much more expensive for Nunavik residents than for people living in the rest of Québec, whether for the purchase of food from retailers or to carry out traditional harvesting activities. And by extension, it means that essential food needs represent an even more overwhelming challenge for the most economically disadvantaged.

2.5.5 Housing

At the end of 2008, the housing stock in Nunavik consisted of 2 190 low-rental dwellings and a few hundred dwellings belonging to various government departments and agencies and regional organizations for staff. There were also 80 private homes, and most of these had been acquired through the home ownership programs set up by the SHQ since the middle of the 1990s. Notwithstanding, there is essentially no private-housing market in the region.

Except for a few exceptions, Nunavik residents are tenants living either in low-rental housing or employer housing. (Refer to Table 12.) Housing operating costs are very expensive, but this is not reflected in rent. In 2007, households living in low-income housing paid monthly maximum rents ranging from \$148 to \$505 according to household status and the type of dwelling. The average monthly costs assumed by the State for the operation of these same dwellings was \$2 615. Households living in employer housing also have fixed rents that represent only a portion of operating costs.

Table 12 Housing, Nunavik and Québec, 2006.

| Indicators | Nunavik | Percentage | Québec | Percentage |
|--|----------------|-------------------|---------------|-------------------|
| Private dwellings (no.) | 75 | 2.9 | 1 917 735 | 60.2 |
| Rented dwellings (no.) | 2 510 | 97.1 | 1 267 945 | 39.8 |
| Dwellings constructed before 1986 (no.) | 1 035 | 39.9 | 2 340 830 | 73.4 |
| Dwellings constructed between 1986 and 2006 (no.) | 1 560 | 60.1 | 848 515 | 26.6 |
| Dwellings requiring major repairs (%) | | 35.1 | | 7.7 |
| Rooms per dwelling (average, no.) | 4.9 | | 5.8 | |
| Dwellings with more than one individual per room (%) | | 26.8 | | 1.0 |

Source

Statistics Canada, 2006 Community Profiles.

The low number of households in Nunavik living in private homes can be explained, among other reasons, as follows:

- job insecurity;
- the significant gap between monthly low-income housing rent and the monthly occupancy costs for a private home (subsidized or not);
- the absence of human resources (human and physical);
- the temporary nature of some available financial assistance;
- the absence of a culture of private-home ownership.

According to SHQ estimates, construction costs for a three-bedroom private home in Nunavik (1 160 ft²) are \$379 320 and monthly costs are \$3 600. Annual expenses are described in Table 11.³ For information purposes, the costs for a similarly sized dwelling in Quebec City are also indicated.

Table 11 Annual occupancy costs in Nunavik for a three-bedroom dwelling without subsidy.

| | Nunavik | Quebec City ^a |
|--|----------------------|--------------------------|
| Mortgage repayment (amortization over 25 years, at 7% interest with a \$20 000 down payment) | \$30 201 | \$17 667 |
| Electricity | \$3 874 | \$1 288 |
| Insurance | \$3 103 ^b | \$653 |
| Municipal taxes ^c | | \$3 320 |
| - General tax | \$2 355 | |
| - Drinking water tax | \$1 789 | |
| - Wastewater tax | \$1 350 | |
| - Garbage collection tax | \$348 | |
| School tax | \$0 | \$806 |
| Annual total | \$43 020 | \$23 734 |
| Monthly total | \$3 585 | \$1 978 |

^a The costs of a similar dwelling in Quebec City are estimated to be \$230 200, including a lot (\$62 000).

^b Insurance costs are higher if insurance is being purchased for the first time.

^c 2008 taxation rate of the Northern Village of Kuujuaq.

Source

SHQ, 2009.

2.5.6 Fuel

Fuel supply in Nunavik is also marked by several unique characteristics. Unlike the rest of Québec, fuel products are purchased once annually, prior to the departure of fuel tankers to the region to refill community tank farms. Consequently, the price paid at that particular moment determines the price to be paid for fuel for the entire year, beginning on September 1. In addition, there are also costs for transportation, stocking and fuel-distribution operations in sometimes very small communities. In

³ Working document prepared by the SHQ, 2009.

Québec, fuel prices vary from week to week since supplies and stocks are continually being replenished.

These constraints produce the following situation: the price of fuel products is generally higher in Nunavik, and this disparity is maintained throughout each year to varying differences.

Fuel products play a major role in the North. In this harsh climate, the price of fuel for building heating represents a major cost for public administrations and for the rare home owners. Gasoline is also a major component of household transportation expenses, related in particular to traditional food harvesting and inter-community travel (by snowmobile in winter and by boat in summer).

2.5.7 Disparities

These situations sometimes lead to disparities between Nunavik residents in terms of consumption needs. While low-income households pay only relatively inexpensive rent, well-paid workers from outside the region may sometimes pay no direct rent.

These disparities apply to other categories of expenses. For example, employers pay air-cargo costs for food transported by their employees directly from distribution centres such as Montreal or they pay a monthly allowance that takes into account the number of an employee's dependents. Consequently, these employees have access to food at a lower cost than individuals who must purchase their food locally, or pay transportation costs themselves.

Similarly, employees who were not hired locally are provided regular return trips to major centres outside the region. Not only do these employees receive this benefit, but they are then able to take advantage of lower consumer prices available outside the region. Nunavik residents not entitled to these benefits are very aware of this inequitable situation.

The preceding section therefore represents a summary description of the socio-economic context of Nunavik. The Working Group has attempted to describe some of the characteristics that make Nunavik a region where governments and regional authorities must intervene in a manner that is adapted and specific to the region's realities.

3. EXISTING PROGRAMS AND MEASURES IN 2009

Over the last few years, different programs and measures have been implemented to reduce disparities and, as much as possible, the cost of living in Nunavik. The Working Group conducted analysis of the programs and measures aimed at

reducing the overall expenses faced by Nunavik households. As well, other measures aim to increase their personal disposable income.

More specifically, the Working Group studied the programs and measures implemented by regional, provincial and federal authorities, excluding occasional discounts offered by businesses to attract consumers, promote sales or build customer loyalty.

The Working Group also studied programs and measures, which in their opinion, have a direct impact on reducing household expenses, even if that is not exactly their aim. For example, some programs (such as the Inuit Hunting, Fishing and Trapping Support Program) have specific objectives unrelated to reducing the cost of living; nonetheless, in some cases they can directly and significantly reduce household expenses.

One major household expense is income tax or “individual-to-government transfers”. Not only is this budgetary item significant, it is mandatory. The Working Group therefore reviewed tax measures for individuals that impact on their expenses, through the reduction of taxable income and income-tax payable, as well as through tax credits. Public infrastructure programs (airport facilities and marine infrastructure construction, for example) were not reviewed. Although these actions may have an impact on the cost of living, the exact impact would be very difficult to determine. Notwithstanding, the Working Group considers that these programs contribute unequivocally to the improvement of quality of life.

Regarding health and education, the delivery of these services, which is paid for with Québec-government funding, is much more expensive in Nunavik communities. However, since the government considers these services to be essential throughout the province, the Working Group did not deem it appropriate to review them in this report on the reduction of the cost of living.

Similarly, the program that gives Nunavik students who are JBNQA beneficiaries access to financial assistance (considered to be a bursary) for post-secondary, university and vocational studies, was not reviewed by the Working Group in this report.

Finally, regarding federal programs, although several may have an indirect impact on Nunavik (such as remote-region residents deductions), the Working Group considers the Food Mail Program to be the most important. Federal government investments in housing as well as the Northern residents deduction were estimated according to program costs for Québec and, insofar as possible, the known parameters applicable to cost sharing for these programs between the governments of Québec and Canada. The Working Group did not receive any other information on federal measures and programs that have a direct impact on Nunavik.

The following eight programs were therefore analyzed by the Working Group:

- Food Mail Program;
- Refundable tax credit for individuals living in a Northern village;
- Northern residents deduction;
- Fuel tax reduction for peripheral regions;
- Home ownership assistance;
- Inuit Hunting, Fishing and Trapping Support Program;
- Québec subsidy to the KRG for transportation costs;
- Hydro-Québec subsidy to Makivik for heating oil.

3.1 Federal-government program

The participation of the Government of Canada on the Working Group was not constant. Certain federal programs have an impact on the reduction of the cost of living in Nunavik. In this respect, the costs of the Northern residents deduction were estimated by the Working Group to stand at 78% of the costs of the same measure implemented by Québec, which is to say \$7 518 000 in 2007. The federal contribution to housing programs was also estimated by the Working Group. Government of Canada representatives were asked to validate these estimates, but they were unable to do so.

Only the Food Mail Program, unequivocally the most important food-cost reduction measure, is analyzed in-depth in this report.

3.1.1 Food Mail Program

The purpose of this program is to reduce transportation costs for foods that make up INAC's revised Northern food basket, foster the consumption of these foods in remote communities, and improve the nutrition-intake, health and well-being of residents. The Program provides a partial subsidy for the shipping by mail of certain perishable and non-perishable products to remote communities.

Products to be shipped to Nunavik must be mailed from Val-d'Or, the regional entry point. In 2010, the Canada Post rate is \$0.80/kg, plus \$0.75/package, for eligible perishable food. The rate is \$1.00/kg, plus \$0.75/package, for eligible non-perishable food. These rates are well below actual transportation costs. Air-cargo rates to Nunavik for these same products can reach as high as \$10.50/kg, depending on the community.

The total amount injected into this program increased from \$11.1 million in 2003 to \$14.3 million in 2008. It represented 38% of program expenditures in 2003 and 32% in 2008. In 2003, roughly 4.4 million kilograms of goods were shipped under the Program; in 2005, the number was 5.2 million kilograms.

Since 2002, INAC has been conducting a pilot project in Kangiqsujuaq, Nunavik. The postal rate is \$0.30/kg for eligible perishable food, instead of \$0.80, plus \$0.75/package.

In 2008–2009 at the request of the federal Treasury Board, INAC undertook consultations to review the Food Mail Program, which was considered too costly. The aim of the review was to update the list of eligible foods, add or eliminate entry points, develop agreements with retailers, and study the possibility of a subsidy for the transportation of traditional foods. On May 21, 2010, INAC announced the cutting of the Food Mail Program and the creation of the Nutrition North Canada program. Under the new program, INAC will pay its subsidy to retailers rather than shippers, which could lead to increased air-transportation rates. In order to optimize aircraft operations and reduce costs, Nunavik carriers transport simultaneously passengers, cargo and mail. These airline companies will now however be dependent on retailer decisions regarding carrier selection and the frequency of shipping. The cutting of eligible products to include only nutritional foods and the elimination of preferred postal rates will have disastrous effects on Nunavik consumers.

3.2 Québec-government programs

3.2.1 Refundable tax credit for individuals living in a Northern village

This measure provides support to low- and medium-income households living in any one of the 14 Northern villages. The measure is a refundable tax credit, which is to say that it is payable even to those residents who have no taxes to pay. In 2008, each Northern-village resident was entitled to a \$62 credit for his person, plus \$62 for a spouse and \$26 per dependent child, per month (or part of a month) of residence in a Northern village. These amounts were increased following the Katimajit Conference and are automatically indexed every year. The total amount payable is reduced by 15% of each dollar of household income exceeding the threshold applicable to the measure, which is to say \$29 645 in 2008.

According to the MFQ, 65% of Nunavik households benefited from this measure in 2007, representing a total amount of \$2.5 million. As the tax credit is geared to income, households with the lowest incomes benefit the most. Specifically, households with income below \$30 000 received close to \$2 million in tax assistance, which is to say close to 80% of the total amount paid.

It should be noted that this measure will expire at the end of the 2010 taxation year and that the related tax assistance will be incorporated into the new solidarity tax credit to be paid monthly beginning in July 2011. The final instalments of the refundable tax credit for individuals living in a Northern village will therefore be paid in August and December 2010.

3.2.2 Northern residents deduction

This measure recognizes the specific needs of residents in remote regions as well as their higher cost of living. Individuals living in these regions for certain periods of time may claim deductions for residency and travel if they receive taxable travel benefits through their employment. In 2008, the residency deduction was as high as \$16.50 per day, up to 20% of an individual's annual income. The travel deduction was applicable to two annual vacation trips and to all medical travel paid by an employer.

This measure targets individuals whose income is sufficiently high to pay taxes. Therefore, it covers households with higher incomes. According to the MFQ, roughly 1800 Nunavik households are able to take advantage of the residency deduction. In 2007, residency deductions (\$2.3 million) and travel deductions (\$4.8 million) shaved a total of \$7.1 million from taxable incomes. More than half of these deductions were claimed by the highest wage earners.

3.2.3 Fuel tax reduction for peripheral regions

This measure aims to reduce the price of gasoline and diesel at the pumps in certain regions of Québec where prices are generally higher due to transportation costs. Under this measure, Nunavik is considered a peripheral region and, therefore, receives a tax reduction of \$0.0465/L for gasoline and \$0.0382/L for diesel. Since April 1, 2010, the fuel tax in Nunavik is set at \$0.1155/L for gasoline and \$0.1338/L for diesel.

This measure directly impacts on all gasoline and diesel consumers in Nunavik since the reduction is applied directly at the pumps. According to the MFQ, the measure translated into a reduction of roughly \$350 000 for fuel at the pumps in 2008, distributed among all users according to their consumption.

3.2.4 Public low-rent housing, Inuit component

This program provides certain Nunavik households with suitable and affordable housing. The program was not designed to reduce the cost of living. Notwithstanding, the Working Group considers that it nonetheless does.

Up until 1993, the construction and operation of low-rent housing in Nunavik was funded jointly by the governments of Québec and Canada. In 1994 however, Canada stopped providing funding for the construction of new low-rent housing, in particular in Nunavik. Despite this decision and further to specific agreements between the governments of Québec and Canada, roughly 170 low-rent dwellings were built between 1994 and 1999.

Since 2000, five-year agreements concerning the construction of low-rent housing have been reached by the governments of Québec and Canada, the KRG, the KMHB and Makivik with the necessary funding paid as follows: the Government of Canada (through INAC) covers construction costs and the Québec government (through the SHQ) covers operating deficits.

Since 1999, low-rent housing has been managed in Nunavik by the KMHB. Since 2005, rent has been set according to a scale with a maximum and a minimum rent for each type of dwelling⁴. By default, tenants are required to pay the maximum rent. Any tenant however may request that his rent be geared to 25% of his income, adjusted to take into account the cost of living in the region. If these calculations produce a result below the minimum threshold, the minimum rent is applied. As well, a “symbolic” rent is charged to low-income elders, even though this rent is lower than the minimum rent provided on the scale.

The rent scale also provides, beginning in 2010, for an annual 8% increase in maximum rents. The objective of this annual increase is to make maximum rents equal to approximately 85% of the costs of private-housing occupancy by 2019 and, thereby, encourage affluent households to move into private housing. In 2009, a study was to have been conducted to measure the impacts of the new rent scale on the financial situation of Nunavik households. Unfortunately, the efforts directed to conducting the study proved unsuccessful due to the shortage of available data.

The Working Group therefore examined the effects of the low-rent housing program on reducing the cost of living.

The MFQ assessed the SHQ operating deficit for low-rent housing attributed to Nunavik households which, according to certain Southern criteria, should be living in private housing. For 2007, the portion of the operating deficit that should have been paid by these households is evaluated at \$18.7 million.

For its part, the SHQ evaluated the possible impact of applying in Nunavik the rent scale applicable elsewhere in Québec. According to its estimates, in 2008, such an action would have generated \$19 million in additional revenue.

Although it is difficult to obtain exact numbers (comparisons of these two (Nunavik and Southern) completely distinct housing markets are impossible), the MFQ and SHQ results are realistic. For information purposes, according to the similar numbers produced through the two analysis methods, indirect financial assistance of \$18.7 million was paid in 2007 to Nunavik households.

⁴ Refer to Appendix 4. *By-law respecting the Conditions for the Leasing of Dwellings in Low-Rental Housing in Nunavik*, *Gazette officielle du Québec*, August 31, 2005, 137th year, No. 35.

3.2.5 Home ownership assistance

Since 1995, efforts have been directed to encouraging home ownership in order to free up low-rent housing as well as to reduce overcrowding. Notwithstanding, because construction and operation costs are so high in Nunavik, many residents have been hesitant to participate in regional home ownership programs while, for its part, the SHQ has worked to improve them. The program was not designed to reduce the cost of living. Notwithstanding, the Working Group considers that it nonetheless does.

It is noteworthy that, each time a household takes up private home ownership, even if it is highly subsidized, the assistance received is less over 20 years than the costs covered by the governments of Canada and Québec for the construction and operation of social housing.

The home ownership programs implemented since 1995 have provided not only assistance for construction but also for the payment of municipal taxes over 15 years (or 20 years under certain programs) insofar as the home owner possesses home insurance. Moreover, as this municipal-tax assistance expires in 2010 (for those households which acquired a home in 1995), certain households could find themselves in an extremely difficult financial positions.

Housing insurance premiums are very high and few insurers are interested in providing coverage to home owners in Nunavik. In this context, the SHQ contributed to the creation of a new insurance plan in 2008, although premiums remain relatively high.

The SHQ is in the process of revising its home ownership program in order to propose more flexible eligibility criteria and improved financial assistance that better reflects the needs expressed by Nunavik households. Until this revision has been completed and approved, no Nunavik households will have access to a sufficient level of financial assistance to acquire a home.

3.2.6 Inuit Hunting, Fishing and Trapping Support Program

This program encourages Inuit to practise traditional hunting, fishing and trapping activities as well as ensuring a supply of traditional foods from these activities.

Pursuant to the JBNQA and the *Act respecting the Support Program for Inuit Beneficiaries of the James Bay and Northern Québec Agreement for their Hunting, Fishing and Trapping Activities*, this program is permanent. Funding is established annually based on methods that take into account changes in Inuit population and the consumer price index. The funding is paid to the KRG by the MRNF.

To this end, the MRNF paid \$5 901 971 and \$6 024 320 in 2007 and 2008, respectively. In addition, Makivik pays the KRG an annual discretionary financial contribution to help Inuit hunters purchase gasoline needed for the practice of traditional harvesting activities, and the production of traditional clothing and equipment for resale.

The program was not designed to reduce the cost of living. Notwithstanding, the Working Group considers that it nonetheless does, in particular through the six most important budgetary items. These serve to reduce the costs associated with the practice of traditional harvesting activities by subsidizing common expenses, including the purchase of equipment and traditional food. They permit Inuit, through the practice of traditional harvesting activities, to reduce their food costs.

3.2.7 Heating-oil subsidy

This program subsidizes part of the cost of heating oil and propane needed to heat water and buildings. The program applies to all Nunavik residents who own a residential or commercial building for which the heating oil or propane is not already subsidized.

The program, which is recurrent, was begun in 1994 pursuant to an agreement between Hydro-Québec and Makivik following the failure of negotiations between Makivik, Hydro-Québec and the Québec government concerning the Great Whale hydroelectric project. The funding is paid by Hydro-Québec and managed by Makivik.

In September 2008, the portion payable by participants for commercial buildings was \$0.45/L. Since the price of heating oil was between \$1.86 and \$1.67/L, the average compensation was 74.2%. As well, the portion payable by participants for residential buildings was \$0.38/L, meaning that the average compensation was 78.4%. Overall, 486 clients are eligible under the program, which costs \$13.2 million.

The program was not designed to reduce the cost of living. Notwithstanding, the Working Group considers that it nonetheless does.

For 2007 and 2008, the payments made by Makivik were \$2 213 997 and \$1 535 764.

3.3 Regional, local and other programs

3.3.1 Food Coupon Program

Under this program, which is managed by the KRG, discount coupons are issued to the most disadvantaged and diabetic residents of Nunavik to reduce the price of food.

Specifically, \$100 is provided monthly to unemployed elders, \$50 to individuals receiving income support and their children under the age of 18 and, finally since November 2008, \$50 to diabetics. The coupons may be applied against any food products. The Northern villages distribute the coupons to eligible individuals on the 15th of each month.

In 2008, the Food Coupon Program represented an expenditure of \$1 267 656. The budget for 2009 is \$1 365 000.

In the spring of 2010, the MAMROT informed the KRG that this measure could not be paid with funding from the Sivunirmut Agreement signed with the SAA in 2004. Given the potential negative impacts that the cutting of this measure would have on the most disadvantaged as well as the importance of the measure, the MAMROT and the KRG agreed on a transition period in order to identify an alternative funding source.

3.3.2 Measures implemented following the Katimajit Conference

The agreement signed by the MTQ and the KRG concerning the reduction of transportation costs in Nunavik and the agreement signed by the MAMROT and the KRG concerning the payment of a maximum subsidy of \$500 000 for the reduction of the cost of living of Nunavik residents represented an injection of \$13 180 900 in financial assistance from August 24, 2007 to March 31, 2010.

With this resource envelope, the KRG and Makivik set up six measures. All six are temporary and managed by the KRG. Theoretically, the measures should have ended on March 31, 2010. However, further to a unanimous recommendation by the Working Group to their respective authorities, the subsidy was renewed for the 2010–2011 fiscal year so that the parties could discuss how to follow up on this report.

3.3.2.1 Gasoline Subsidy Program

The purpose of this program is to reduce the price of gasoline directly at the pumps. All Nunavik residents and organizations are eligible.

The program was launched in October 2007. The budget is determined annually based on the level of subsidy approved by the KRG and Makivik. The level of subsidy is determined in accordance with the price of gasoline per litre, past sales data, estimated sales determined by the gasoline distributors for the next year, and available funding.

The KRG and Makivik agreed on a subsidy of \$0.16/L beginning on October 5, 2007, of \$0.32/L on December 1, 2007, and finally of \$0.48/L on September 1, 2008.

In 2009, the KRG allocated 45% of the funding under the MTQ agreement to keep the price of gasoline at \$1.40/L. This price nonetheless remained roughly 40% higher than the price of gasoline elsewhere in Québec.

3.3.2.2 Elders' Assistance

The purpose of this program is to reduce the cost of living of elders. Nunavik residents aged 60 or older are eligible, receiving \$500 every December.

This program reached 519 elders in 2007 and 555 in 2008, representing expenditures of \$259 500 and \$277 500, respectively. In 2009, expenditures under the program were \$301 500.

3.3.2.3 Airfare Reduction Program

The purpose of this program is to reduce the cost of airfare for individuals. Under the program, Nunavik residents travelling elsewhere in Québec and JBNQA beneficiaries who reside in Québec and travel to Nunavik are eligible. The program reduces the price of airfare by 50%, up to an annual maximum amount of \$1 500 per individual for each of the following two categories: personal travel and family-emergency travel (to escort an individual for medical care or for the bereavement of a family member).

In 2008, the program was widely used and cost \$318 997. The KRG estimates that program costs will exceed \$400 000 in 2009.

3.3.2.4 Transportation Subsidy Program – Furniture and Appliances

The purpose of this program is to reduce the costs of furniture and appliance purchases by covering part of the transportation costs for eligible items.

This program was launched on January 1, 2008, with an annual budget of \$700 000. Nunavik residents aged 18 and older are eligible to receive a \$250 reimbursement for each eligible item, up to a maximum amount of \$750 per person

per year. The list of eligible items, set by the KRG and Makivik, contains ten items which must each have a cost of at least \$500.

From March 1, 2008, to August 19, 2009, expenditures under this program were \$242 750 for the purchase of 1 000 items, mainly washing machines and dryers, mattresses, bed frames and couches⁵.

3.3.2.5 Transportation Subsidy Program – Vehicles and Equipment

The purpose of this program is to reduce the costs of vehicles and traditional harvesting equipment purchases by covering part of the transportation costs for eligible items.

The program was launched in January 2008. Nunavik residents aged 18 and older are eligible to receive a \$500 reimbursement for the purchase of each eligible item. There is no maximum total amount per person per year. JBNQA beneficiaries may also obtain an additional reimbursement of \$250.

From March 1, 2008, to August 19, 2009, expenditures under this program were \$474 000. Roughly 90% of these expenditures were for the purchase of snowmobiles and all-terrain vehicles⁶.

3.3.2.6 Support for Inuit Harvesting Activities

The purpose of this program is to increase the availability of traditional food and foster the production of traditional tools and clothing in the 14 Northern villages as well as in Chisasibi. It applies to JBNQA beneficiaries and subsidizes the purchase of essential items for traditional harvesting activities and transportation costs, including charter flights to ship traditional food to the communities.

In 2008, expenditures under this program were \$838 124. Recently completed analysis submitted to the Working Group provided a breakdown of these expenditures by budgetary item. It appears that close to 60% of the funding was used for the purchase of traditional food and the balance mainly for the purchase of eligible supplies and equipment⁷.

In 2009, the KRG was required to reduce the budget for this program to \$500 000 due to an increase in the costs generated under the Gasoline Subsidy Program. This reduction potentially represents a \$50 shortfall per JBNQA beneficiary per year.

⁵ Marie-Eve Marchand, *Report on the Cost-of-Living Reduction Measures*, KRG, 2009.

⁶ Marie-Eve Marchand, *idem*.

⁷ Marie-Eve Marchand, *idem*.

3.3.2.7 Food Program

The purpose of this program, which was launched in December 2008, is to reduce the cost of certain common foods. Purchases made by Nunavik residents at participating FCNQ-affiliated or Northern stores, or at Newviq'vi Inc. in Kuujjuaq are eligible under the program. The program provides a 20% reduction on any item included on the list of eligible products set by the KRG and Makivik.

Expenditures under the program were \$102 315 in December 2008 alone and \$1 133 630 in 2009.

3.4 Analysis of expenditures of existing programs and measures

Table 14 illustrates how the funding paid by the MTQ, following the Katimajit Conference, was used by the KRG and Makivik between 2007 and 2009 to implement the measures described above.

| Table 14 | | Use by the KRG and Makivik of the MTQ subsidy¹ for measures to reduce transportation costs, from 2007 to 2009 (\$) | | |
|---|-------------------------|--|-------------------------|--|
| Measure | 2007² | 2008 | 2009² | |
| Support for Inuit Harvesting Activities | | 838 124 | 554 991 | |
| Airfare Reduction Program | 59 852 | 318 997 | 377 302 | |
| Elders' Assistance | 259 500 | 277 500 | 301 500 | |
| Food Program | | 102 315 | 1 133 630 | |
| Transportation Subsidy Program – Furniture and Appliances | | 153 000 | 193 252 | |
| Transportation Subsidy Program – Vehicles and Equipment | | 301 500 | 297 250 | |
| Gasoline Subsidy Program | 479 269 | 2 344 828 | 2 882 272 | |
| Total | 798 621 | 4 336 264 | 5 740 197 | |

Source

Table prepared by the Working Group.

Notes

¹ The data shows the expenditures incurred with the MTQ subsidy for measures to reduce transportation costs and the one-time \$500 000 MAMROT subsidy in 2007 to reduce gasoline costs.

² The measures were implemented at the beginning of December 2007 and unused amounts were carried over to subsequent years (mainly in 2009).

For information purposes, the subsidy paid by the MTQ in 2007 was \$3 700 000. (Refer to Table 15.)

The description and analysis of these measures appear in Appendix 1 (Analysis of existing programs and measures in 2009) of this report.

The measures adopted by the KRG and Makivik have therefore taken several different forms. Moreover, some of these measures (such as the financial assistance paid directly to the most disadvantaged Nunavik residents and the reimbursement of a portion of the transportation costs of individuals and goods) should likely have an impact on taxation. These subsidies paid to individuals could be considered as taxable income.

Although it did not obtain a definitive response to this question, the Working Group considers that the taxation of amounts received directly through the Elders' Assistance program (\$500 annually) would be counterproductive. The amounts in question are in fact relatively modest and their taxation would not greatly change the tax status of those concerned: incomes are so low that the individuals would not pay any more in taxes.

As well, the Working Group considers that the taxation of transportation reimbursements for furniture and vehicle purchases would lead to a reduction in the net value of the reimbursements. And it considers that the taxation of any of the measures would increase their related administration since the KRG would be required to set up mechanisms to annually issue information for income tax purposes.

The Working Group considers that the existing programs and measures have cost the governments of Québec and Canada, the KRG and Makivik roughly \$65 130 457. Table 15 presents a breakdown for 2007 of the costs of the existing programs and measures by level of government, as well as by department or organization. Even if the costs of federal housing and Northern residents deduction measures are only estimates, the Working Group considers that this data provides a realistic picture of the respective contributions of the governments of Canada and Québec towards reducing the cost of living in Nunavik. Federal participation in housing is estimated at 54% of the overall expenditures of the different existing housing assistance programs, which is to say \$10 093 680. Regarding the federal Northern residents deduction measure, the contribution was estimated by the Working Group with the data that was available.

Table 15 Measures that contribute to reducing the cost of living, Nunavik, 2007.
(\$)

| Government | Department/ organization | Program or measure title | 2007 |
|-------------------|-------------------------------------|--|------------------------|
| Canada | INAC | Food Mail Program (Nunavik only) | 13 300 000 |
| | CMHC | Housing | 10 093 680 |
| | DFC | Northern residents deduction | 5 800 000 |
| Québec | MFQ-RQ | Refundable tax credit | 2 507 000 |
| | | Fuel tax reduction ¹ | 365 200 |
| | | Refundable tax credit for individuals in NVs | 7 518 000 |
| | SHQ | Low-rent housing ¹ | 8 598 320 |
| | | Affordable housing, Kativik component ¹ | 1 445 281 |
| | | Home ownership in the Kativik Region ¹ | 334 432 |
| | | Residential renovations for owner-occupants in the Kativik Region ² | 8 336 |
| | MTQ | Transportation cost subsidy | 3 700 000 ³ |
| | MAMROT | Gasoline cost subsidy | 500 000 |
| | Hydro-Québec | Heating-oil subsidy | 2 213 997 |
| Nunavik | KRG– MRNF– Makivik | Inuit Hunting, Fishing and Trapping Support Program | 7 504 848 |
| | KRG– SAA | Food coupons | 1 241 363 |
| Total | | | 65 130 457 |

Source

Table prepared by the Working Group.

Notes

¹ The data shown represents annual averages. The data shown does not represent the total expenditures under the low-rent housing program, but rather the portion contributed to reduce the cost of living in Nunavik.

² The data shown is based on the results of estimates for 2005 and 2008 using a linear growth method.

³ Subsidy amount paid in 2007 even though the program began only in December 2007.

Therefore, for 2007 the total cost of programs and measures that contribute to reducing the cost of living in Nunavik was roughly \$65 130 457.

The Working Group moreover chose to analyze these results according to their source and the measures funded. Based on the data in Table 15, it is possible to conclude that:

- 45% of the funding is paid by Canada;
- 42% of the funding is paid by Québec;
- 13% of the funding is paid by Nunavik;
- 6% of the governments' funding targets elders and low-income individuals;
- 94% of the funding is for universal programs and measures targeting all residents;
- 31% of the governments' funding is paid through joint programs aimed at providing affordable (an essential need) housing for most Nunavik residents;
- 20% of the funding is paid by the Government of Canada through the Food Mail Program, which serves to significantly reduce the cost of food for all Nunavik residents;
- The measures set up further to the Katimajit Conference, from the \$4.2 million allocation, permitted all Nunavik residents to acquire essential consumer goods at reduced transportation costs, as well as to get around the region and travel outside of Nunavik by aircraft, snowmobile, boat or all-terrain vehicle at a reduced cost. They also served to provide elders with financial assistance to cover a portion of transportation costs for essential consumer goods that are not subsidized by any other program and to cover a portion of their transportation costs for traditional harvesting activities;
- The funding provided by the Québec government through agreements signed by the KRG, the MTQ and the MAMROT further to the Katimajit Conference represents 15% of total Québec contributions, which is to say \$376 per Nunavik resident;
- Regarding the funding provided by the Québec government further to the Katimajit Conference (a little more than \$4.2 million annually), 45% was allocated in 2009 to reduce the price of gasoline at the pumps and maintain it at \$1.40/L. The price per litre nonetheless remains roughly 40% higher than the price of gasoline elsewhere in Québec.

The Working Group recognizes that these contributions are significant. First, they contribute to reducing the major differences that exist between the prices of

common consumer goods in Nunavik and those in the rest of Québec (including food and gasoline), as well as for consumer durables (including furniture and vehicles). Secondly, they serve to supplement the incomes of the most disadvantaged (including elders and people in difficulty), for example through food coupons. It is nonetheless important to recall that this supplementary income for the most disadvantaged is not indexed to take into account the cost of living in Nunavik.

4. IMPLEMENTATION OF A STRATEGY TO REDUCE THE COST OF LIVING AND RECOMMENDATIONS

4.1 Principles of a strategy to reduce the cost of living

The Working Group recognizes that the cost of living in Nunavik is currently reduced by multiple programs and measures that are not necessarily complementary or consistent. They are a patchwork of initiatives adopted by different levels of governments according to concerns that do not always share a comprehensive vision.

Despite all the financial assistance available, Nunavik consumers continue to pay much more for their consumer goods and services than residents of other regions of Québec.

These same consumers, if they are income security, employment insurance or old-age security recipients, or if they are minimum-wage earners, receive the same income as residents in other regions of Québec. Their purchasing power is however lower.

DISPOSABLE INCOME – 2009

Family of two adults and two children

| Household two adults/two children | Monthly income | Rent | Food basket INAC | Disposable income |
|--------------------------------------|-------------------|-------|---------------------|----------------------|
| Social assistance | \$2 047 | \$276 | \$1 578 | \$193 |
| Minimum wage (35 hours) | \$2 730 | \$276 | \$1 578 | \$876 |

Note

Monthly income includes child support, the Canada Child Tax Benefit, the rental subsidy, the GST and QST credits, the refundable income tax credit, and an estimated income tax reimbursement.

Food basket represents the average cost a food basket in Kuujuaq (\$1 538), Inukjuak (\$1 595), Salluit (\$1 616) and Kangiqsujuaq (\$1 564) in the summer of 2009.

A household's **disposable income** is for needs such as clothing, personal-care products, gasoline, household cleaning materials, furniture, hunting and fishing equipment, recreation, etc.

As described above, the exact buying pattern of Nunavik households is not known. No valid and generalizable statistics data provide this measurement, as was confirmed by the ISQ. The Working Group therefore worked with the information in its possession. In this context, the Working Group considers that an objective of parity between Québec and Nunavik, even if ideal, would be unrealistic given the inherent constraints posed by the region, such as its geographic remoteness, the harsh climate and a relatively sparse population.

The Working Group also discussed at some length the pertinence of providing support for those most in need, such as elders, widows, female single-parent families, young families and so on. The Working Group identified two difficulties with targeting all measures towards those most in need:

- The administrative costs generated by a targeted approach would be high and would reduce by as much the resource envelope for programs and measures;
- A targeted approach would require the establishment of relatively strict criteria to allow program and measure administrators to determine who would be eligible and ineligible to receive benefits. This situation would be detrimental to social cohesion in Nunavik, and could lead to increased splits.

While the Working Group possessed data on a certain number of programs for each village in the region, all data was not available on this scale. Moreover, the situation of each village is particular and the Working Group did not possess the knowledge necessary to take these particularities into account. As a result, the Working Group made recommendations for the whole of Nunavik, and not for separate villages, allowing concerned authorities the leeway to adapt, if applicable, its recommendations according to criteria that they will determine.

Given Nunavik's socio-economic situation and the insecurity faced by numerous households, the Working Group opted for an approach that, insofar as possible, aims to:

- Propose actions likely to minimize the difference in the cost of living between Nunavik and the rest of Québec, taking into account available financial resources and the inherent constraints of the region, such as its geographic remoteness, the harsh climate and a relatively sparse population;
- Target, insofar as possible, those most in need and elders while not jeopardizing social cohesion;
- Make existing measures more consistent, through harmonization and complementarity, while ensuring the achievement of the set objectives;

- Simplify administration with a view to maximizing the effectiveness and efficiency of programs;
- Provide regional authorities with leeway to select the programs and measures for reducing the cost of living in Nunavik;
- Establish simple and effective accountability procedures focused on the achievement of the set objectives;
- Ensure the management of the administered funding in a simple, transparent and effective manner.

The conservation of social cohesion is an important concern of the Working Group. In this respect, it recognized that working conditions are not consistent throughout Nunavik. Workers in the region can essentially be classified into one of two groups.

The first group of workers are those residents who have come to Nunavik from other regions of Québec to work. These workers are, for the most part, specialized workers not found in sufficient numbers amongst the local populations. For these workers, attractive salaries and employee benefits must be provided. The workers in this first group, consequently, often hold the best-paid positions, live in furnished dwellings in good condition, and pay rent that is lower than the rent paid by most social housing tenants. They moreover receive a cost-of-living allowance, a food air-cargo allowance from the South and airfare for their family members to travel South.

The second group of workers is essentially made up of the local populations. These workers do not receive employee benefits and are often paid less. Even though this situation may be explained in large part by unequal skill levels compared with the first group, it nonetheless jeopardizes social cohesion in the region.

The first group of workers receive benefits that serve to mitigate the negative effects of the cost of living. Moreover, a large percentage of those who draw their income from income security or employment insurance benefits, and minimum-wage earners, do not receive any employee benefits.

The Working Group was not mandated to examine these situations, for example to point out disparities or inequities. Notwithstanding, it proposes recommendations that, while not searching to modify these situations, take them into account whenever applicable.

Finally, the participation of the Government of Canada on the Working Group was modest and the list of federal measures is therefore only partial. This situation has

compelled the Working Group to limit its recommendations concerning federal contributions that could be aimed at reducing the cost of living in Nunavik.

4.2 Recommendations

4.2.1 Food Mail Program

The Government of Canada's Food Mail Program played a significant role in reducing the cost of living in Nunavik. The Program limited food costs by offering preferred transportation rates.

Certain elements of the Program nonetheless gave rise to undesirable effects. Transportation times for perishable products were protracted because prescribed entry points were far from large distribution centres. This resulted in lost freshness by the time the products had reached consumers and extra costs related to spoilage. These additional costs were then indirectly incorporated into product prices.

A pilot project carried out by INAC in Kangiqsujaq since 2002 had significantly reduced transportation costs (from 80¢ to 30¢ per kilogram) for healthy foods. The results of the pilot project clearly demonstrated the connections between a reduced postal rate, lower consumer prices and healthy-food consumption.

On May 21, 2010, the Government of Canada replaced the Food Mail Program with the Nutrition North Canada program. The Working Group is concerned about the changes proposed under the new program, which could have negative impacts on Nunavik consumers. Increases in the prices of goods could erase the price reductions for consumers made possible through the cost-of-living measures created by the KRG and Makivik following the Katimajit Conference. The benefits produced under the Food Mail Program were significant, as demonstrated in a recent study completed by the KRG⁸. It would be entirely inconsistent if changes to a federal program erased the benefits of a provincial and regional program.

The implementation of the Nutrition North Canada program will have impacts on the prices of consumer goods and services that are difficult to assess exactly at this time. As well, air-transportation operation decisions by First Air and Air Inuit are influenced by multiple parameters, of which the Food Mail Program was an important element.

Throughout the INAC consultation process, the KRG and Makivik warned INAC and Québec about the potential impacts of the changes under consideration by the Government of Canada. In this respect, on several occasions Québec

⁸ Marie-Eve Marchand, *Study on the Food Mail Program delivered by Indian and Northern Affairs Canada*, 2009.

representatives were informed of the importance of the INAC consultations and the serious impacts that the solutions contemplated by INAC could have on Nunavik.

It is therefore recommended:

That Québec partner with the KRG and Makivik to analyze the impacts of the cancellation of the Food Mail Program and the implementation of the Nutrition North Canada program on the prices of consumer goods in the villages of Nunavik;

That Québec lobby the Government of Canada to have the level of funding formerly provided by INAC for Nunavik under the Food Mail Program at the very least maintained at the same level under the Nutrition North Canada program and to at least ensure that food prices in Nunavik do not increase further to the cancellation of the Food Mail Program;

That Québec demand from Canada the implementation of a monitoring mechanism to ensure that the prices of eligible consumer goods under the Food Mail Program do not increase further to the implementation of the Nutrition North Canada program;

That Québec propose stopgap financial assistance measures for the cuts made by the Government of Canada to the Food Mail Program so that the prices of consumer goods and services in Nunavik do not increase further to these cuts.

4.2.2 Subsidy to reduce transportation costs

The \$12.1-million subsidy to reduce transportation costs for individuals and goods provided by the Québec government following the 2007 Katimajit Conference was used by the KRG to progressively introduce various measures. Food and gasoline were among the main items targeted with reductions, reimbursements and payments. The segment of the population which draws the greatest benefit from these measures is those most in need.

The approach adopted by the Québec government may be summarized as follows: Nunavik authorities are in the best position to identify and manage measures adapted to the regional context and needs. Further to preliminary results, the Working Group recognizes the excellent work accomplished by the KRG. The Working Group also recognizes that the Québec government's flexible approach has been appropriate and considers that it should be sustained, all the more so because the approach is in line with the commitment of all levels of government to increase regional political autonomy in Nunavik affairs.

Notwithstanding, the subsidy agreement presents two problematic characteristics. First, the subsidy is temporary. Progressively implemented by the KRG, the measures are now all in effect but, in the absence of a formal renewal provision, the agreement and the measures should theoretically have ended on March 31, 2010. Further to a unanimous recommendation made by the Working Group to their respective authorities, the subsidy was however renewed for the 2010–2011 fiscal year to give the parties more time to discuss how to follow up on this report. Given the level of funding in question, any abrupt suspension of the measures would have quite the opposite of the desired effect. It would cause the cost of living to jump. This jump would be all the more considerable as expenditures over the last few years have climbed higher than originally planned due to the progressive implementation of the measures. Moreover, any jump in the cost of living would imply that the government's involvement up to that point had been reactionary, while the differences in consumer prices in Nunavik and Québec are far from incidental; they are structural and permanent.

Secondly, the subsidy agreement essentially targets the reduction of transportation costs, not the cost of living, even though the spirit of the agreement is clearly to reduce the cost of living, of which transportation is an important element. In fact, the MTQ was already involved in discussions on this topic with Nunavik authorities well before the Katimajit Conference. The MTQ had already funded two airfare reduction programs for individuals and goods, with reductions totalling \$1 million. It was in this context that the MTQ was temporarily designated to be responsible for the subsidy. This arrangement however imposes certain restrictions, specifically when proposed measures do not aim directly to reduce transportation costs.

It is therefore recommended:

That financial assistance be contemplated to reduce the cost of living in Nunavik that could be established and transferred annually by the Québec government to the KRG;

That the KRG and Makivik have the discretion to adopt measures deemed by them to be responsive to the characteristics and needs of Nunavik, notably regarding elders and those most in need;

That the financial assistance and related reporting procedures be incorporated into the Sivunirmut Agreement signed by the Québec government and the KRG on March 31, 2004;

That these negotiations begin as soon as possible so that an agreement can be effective for the 2011–2012 fiscal year.

4.2.3 Provincial and federal tax measures

The tax measures applied by the Québec government represent an important contribution to the reduction of the cost of living in Nunavik: the Northern residents deduction, the refundable tax credit for individuals living in a Northern village and the fuel tax reduction for peripheral regions serve to lessen the tax burden of taxpayers in Nunavik. The Working Group considers that these efforts must be continued.

There are also certain federal measures that lessen the tax burden of Northerners. The Working Group was however unable to assess the value of these measures, although they seem to be less significant than provincial measures. The Working Group considers that the contribution of the Government of Canada could be improved.

While Bill S-229 to amend the *Financial Administration Act* would have increased tax deductions for Nunavik residents and suspended the application of the GST in Nunavik, and therefore represented a step in the right direction, it did not take into account the unequal distribution of incomes among Nunavik residents. If Bill S-229 had been adopted as drafted, it would have lessened the tax burden of the most affluent segment of the population and had practically no effect on those most in need.

The Working Group therefore considers that it would be more effective, from a perspective of distributive justice, to apply a step-down, refundable tax credit for Nunavik taxpayers, as is done by the Québec government.

It is therefore recommended:

That the Québec government improve the tax measures applicable in Nunavik;

That the Québec government, the KRG and Makivik make representations to the Government of Canada to urge it to increase its efforts to lessen the cost of living in Nunavik by improving current measures and by adopting measures that take into consideration distributive justice.

4.2.4 Those most in need

Those most in need in Nunavik are especially elders, single-parent families, the unemployed and income security recipients. These groups have a difficult time making ends meet. The only income of some elders is the old-age security pension paid by the Government of Canada, which places them well below the low-income cutoff. Roughly 30% of Nunavik households live below the low-income cutoff.

One of the causes of this situation lies in the fact that the yardsticks for income security, old-age security pensions and employment insurance are Canada-wide, or Québec-wide, and do not take into account interregional economic disparities. Yet, consumer prices in Nunavik remain much higher, despite the measures already implemented to reduce the cost of living. Social-transfer recipients are forced to cope with the higher prices in Nunavik with the same level of benefits paid elsewhere in the country. Standard benefits produce greater disparity in Nunavik than anywhere else. The Working Group nonetheless agrees that a recommendation to increase universal social-transfer benefits would be so problematic as to be hopeless. The Working Group considers that other solutions can and must be explored, including targeted tax credits, basic grants for all and additional grants for those most in need.

It is therefore recommended:

That, further to the implementation of the Government Action Plan for Solidarity and Social Exclusion 2010–2015, the Québec government introduce innovative measures or adapted modalities for Nunavik that take into consideration the major difference between consumer prices in Nunavik and the rest of Québec;

That discussions be undertaken with the Government of Canada with a view to introducing innovative measures or adapted modalities for Nunavik that take into consideration the major difference between consumer prices in Nunavik and the rest of Québec;

That the MAMROT identify the mechanism by which the KRG can fund the food coupon measure for those most in need and for diabetics.

4.2.5 Gasoline

The measures to reduce the price of gasoline at the pumps in Nunavik are important. They fall short however of producing parity with the average price of gasoline paid in Québec. This situation may be explained by several unique phenomena connected with fuel supply for the region.

Due to the short sealift season, gasoline is purchased, transported and stored in the villages of the region once annually. This annual cycle generates high costs in terms of transportation and storage that can not be diminished. In addition, particular circumstances may arise, like the plummeting price of gasoline in the fall of 2008 following the purchase and storage of the annual supply of gasoline at an exorbitant price for Nunavik that resulted in continued high prices in the region.

In summary, while a subsidy of 32¢ per litre in January 2008 held the price of a litre of super gasoline at the pumps at \$1.24 compared with the Québec average of \$1.20, in the fall the subsidy had to be increased to 48¢ per litre so that by December 2008 the price of a litre of the same gasoline at the pumps at \$1.42 compared with the Québec average of \$0.86. This adjustment of the gasoline subsidy siphoned away 54% of the annual subsidy paid to the KRG.

Although global oil prices can not be controlled by the Québec government, the Working Group considers that significant savings could be generated if fuel could be paid for at the cargo ramp. Payment at the cargo ramp would make it possible to cut financing costs estimated at around 8%. If this modality was applied today, it would increase the current reduction provided by the subsidy to reduce transportation costs, representing considerable savings. That being said, it could be expected that these savings would be used to fund other measures to reduce the cost of living in Nunavik.

If a block-funding agreement were to be reached by the Québec government and the KRG, as recommended by the Working Group, this modality could be used year after year to purchase gasoline. Specific arrangements would however need to be contemplated to ensure that the KRG possesses the liquidity required for this purpose for the first year of implementation of the block-funding agreement.

It is therefore recommended:

That the necessary arrangements be made to permit the payment of the subsidy to reduce the price of gasoline at the pump at the time of the purchase of annual supplies at the cargo ramp;

That the cost of gasoline be subsidized annually to correspond to the average price at the pumps in Québec as published for all of Québec by the Régie de l'énergie du Québec.

The reduction of the price of gasoline at the pumps is especially important for subsistence hunters who use motorized vehicles, such as snowmobiles and boats. Subsistence harvesting activities in fact require large quantities of gasoline. The Working Group discussed the possibility of offering subsistence hunters priority or preferred reduced prices for gasoline at the pumps. Although this approach has been targeted by the Government of Nunavut⁹, the Working Group concluded that such a measure would be costly from an administrative point of view and complex from an operational point of view. Moreover, it is not certain that such a measure

⁹ Refer to the website www.gov.nu.ca/finance/ftr/fthf.pdf.

would benefit those most in need. The Working Group therefore considers it best to maintain the universality of the measure.

The Working Group is moreover aware that organizations also benefit from such a universal measure. Like every other Nunavik consumer including hunters, public and private organizations pay the same price for gasoline at the pumps in the region. In this manner, the measure helps cut their operating costs, but it is not reaching the targeted group. This more or less desirable effect, which is the result of the measure's universal nature, could be mitigated. For example, the KRG calculates the savings that it generates with the purchase of the subsidized gasoline and reimburses this amount at the end of each year to the budget for this specific measure. The KRG has invited other organizations to do the same in order to maximize the benefits of the measure for individuals. The Working Group endorses this initiative.

4.2.6 Housing

Beginning in the 1960s, low-rental housing was identified as a quick solution for providing adequate, affordable housing to households in Nunavik. Since the mid-1990s, however, the SHQ has fine tuned its approach, favouring increasingly strategic actions in the region that are more in line with its actions elsewhere in Québec.

SHQ actions in Nunavik are aimed at improving the housing conditions of the region's residents while taking into account the cost of living and promoting the development of a private-housing market. Rent is geared to the financial capacity of households to pay and to encourage the most affluent segment of the population to acquire their own homes.

This context raises various questions that were discussed by the Working Group. The annual increase of maximum rents, set at 8% in the coming years, represents a major irritant. The calculation of rents geared to an adjusted household income and the specific rents established for disadvantage households are provisions that must be maintained. This Working Group position is founded on the economic difficulties faced by disadvantaged households, difficulties that are accentuated by the higher consumer prices in Nunavik compared with the rest of Québec. Moreover, the high level of rent arrears can be interpreted as a symptom of these economic difficulties.

The Working Group noted that the development of a private-housing market must not slow the pace of low-rental housing construction. The problems of overcrowding and housing conditions, which are worse in Nunavik than elsewhere in Northern Canada, will require even greater public investments in the foreseeable future.

Moreover, the development of a private-housing market will not happen without government support. The costs of home construction and operation are such that, without any financial assistance, only a small number of residents would be able to acquire their own homes. Furthermore, with social housing rent currently being low, even for the most affluent households, there is little incentive to become a home owner.

Private-home ownership faces certain other obstacles. For example, home insurance premiums are so high that some owners are unable to insure their homes. And yet, to be eligible for a subsidy intended to cover a portion of their municipal taxes, which are also very high, home owners must provide proof of insurance. Consequently, the most affluent households, which is to say those who can afford to purchase insurance, are further advantaged because their insurance gives them access to a subsidy to cover some of their municipal taxes. Not all home owners have the means to be part of this group. In order to eliminate this obstacle, the SHQ is analyzing the possibility of providing financial assistance that would help home owners to purchase insurance.

It is therefore recommended:

That different avenues be looked into to mitigate, if applicable, the impacts on those households hardest hit by the maximum-rent increases, taking into consideration the cost of living in Nunavik;

That the approach agreed on by Québec, the KRG and the KMHB be maintained, according to which rents are geared to the adjusted income of households; the approach appears in the By-law respecting the Conditions for the Leasing of Dwellings in Low-Rental Housing in Nunavik;

That the Québec government, the KMHB, the KRG and Makivik continue to make representations to the Government of Canada, urging it to increase its investments with a view to improving housing conditions for households in Nunavik, taking into consideration the economic situation faced by households and the cost of living in Nunavik;

That a home ownership program, including financial assistance for dwelling construction, renovation and purchase, as well as for the payment of municipal taxes and home insurance premiums, be implemented as quickly as possible.

4.2.7 Other recommendations

The Working Group observed that consumer goods in Nunavik are more expensive due to transportation, storage, distribution and other costs, as well as the context of a small, remote market. Regardless of the means of transportation (aircraft or ship) used, the result is substantially the same: the prices of consumer goods are higher. In one case, they are transported at any time of the year at a high transportation rate while, in the other case, they are transported between July and September at a lower transportation rate although other costs arise such as financing, storage, product spoilage, etc.

The supply lines for Nunavik have changed little since the beginning of the 1960s. With two prefeasibility studies currently being carried out (one concerning a road link between Radisson and Whapmagoostui/Kuujjuarapik and the other concerning a terrestrial link (road or railway) between Caniapiscau, Schefferville and Kuujuaq), the Working Group considers that the establishment of a land link between the region and another part of Québec could eliminate certain disparities between Nunavik and the other regions of Québec, as well as stimulate the regional economy. The Working Group is also aware that all the social and environmental aspects associated with such a project would need to be analyzed carefully.

It is therefore recommended:

That, further to the feasibility studies regarding the establishment of terrestrial links between southern Québec and Nunavik, the Québec government analyze the impact of the construction of terrestrial links on the prices of goods and services in Nunavik.

Finally, the Working Group considers that it is important to maintain and improve knowledge about the factors that contribute to the cost of living in Nunavik. While on the one hand, it is important to accelerate development in Northern Québec as proposed in the Plan Nord, it is also important to create statistics tools for Nunavik that will allow the progressive assessment of related impacts on employment, personal income, as well as the costs of transportation, consumer goods, housing and so on.

It is therefore recommended:

That the Québec government partner with the KRG and Makivik to regularly monitor the evolution of the prices of consumer goods in Nunavik under the Nunivaat – Nunavik Statistics Program.

APPENDICES

APPENDIX 1

Analysis of existing programs and measures in 2009. Working Group on the Reduction of the Cost of Living in Nunavik, 2010.

APPENDIX 2

Study on the Food Mail Program delivered by Indian and Northern Affairs Canada, Kativik Regional Government, Marie-Eve Marchand, December 2009.

APPENDIX 3

Report on the Cost-of-Living Reduction Measures, Kativik Regional Government, Marie-Eve Marchand, October 2009.

APPENDIX 4

Gazette officielle du Québec, August 31, 2005, 137th year, No. 35, Part 2; gouvernement du Québec, Order in Council No. 777-2005, August 17, 2005. Act respecting the Société d'habitation du Québec (R.S.Q., c. S-8), Conditions for the Leasing of Dwellings in Low-Rental Housing in Nunavik.

APPENDIX 5

Price of fuel products in Nunavik, January 24, 2007, Régie de l'énergie du Québec.