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**NUTRITION NORTH CANADA PROGRAM
ADVISORY BOARD
PUBLIC CONSULTATIONS NOVEMBER 2011**

**BRIEF PRESENTED BY THE KATIVIK
REGIONAL GOVERNMENT**

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NUTRITION NORTH CANADA
Brief submitted by the Kativik Regional Government
to the Nutrition North Canada Advisory Board
January 2012

On November 8, 2011, the Nutrition North Canada Advisory Board met with representatives of the Kativik Regional Government (KRG) and held public consultations in Kuujuaq, Québec, concerning the Government of Canada's Nutrition North Canada (NNC) program. Both the meeting and the public consultations provided an opportunity to learn more about the NNC program that replaced the Food Mail Program on April 1, 2010, and to express concerns about the future of this new program. This brief provides a summary of the concerns formulated by the KRG.

To begin, the KRG wishes to thank the NNC Advisory Board for the help it provided in getting the transition period to October 1, 2012, to allow Northern retailers to re-supply with non-perishable and non-food items on the 2011 and 2012 sealifts. The transition period has also enabled some Northern retailers to expand their warehousing capacities.

It is difficult to criticize a program that promotes the consumption of nutritious foods at an affordable price. Whether we live in an isolated community in the Arctic or downtown Montreal, promoting the consumption of nutritious foods is important. However, it is neither easy nor realistic to limit one's consumption to nutritious foods.

In fact, the problem is not with the principle to promote the consumption of nutritious foods, but with the decision that was made in Ottawa to replace the Food Mail Program that had been in effect since the 1960s. For close to 50 years, the Food Mail Program helped Northerners by offsetting the cost of transporting food and goods. The Food Mail Program provided a set per-kilogram subsidy paid to air carriers to cover a part of shipping costs to Northern communities that are not accessible year-round by surface transportation. The list of eligible items included nutritious, perishable, non-perishable and non-food items. The Food Mail Program addressed during all those years the issues of the high cost of goods and high cost of living in the isolated communities of the Arctic, a problem that Inuit families struggle with on a daily basis.

The NNC program, when fully implemented on October 1, 2012, intends to focus strictly on nutritious foods. It has been designed to provide financial assistance directly to qualifying food suppliers and local retailers who are now responsible for negotiating their own transportation arrangements with air carriers. As well, nutritious perishable food items (such as fruits, vegetables, bread, milk, eggs and fresh meat) receive the highest rate of financial assistance, while other food items that contain more fat, sugar or sodium, or that have longer shelf-lives, receive a lower rate. Other perishable food, plus non-perishable and non-food items, for their part, will no longer be subsidized. The NNC program will also generate additional warehouse infrastructure, operating and inventory costs for local retailers that will inevitably be passed on to consumers.

While the NNC program seems to be a step in the right direction by making fresh nutritious foods more affordable, it could have a huge impact on the already very fragile budget of most Inuit families in Nunavik.

Socio-economic context of Nunavik

The KRG brief tabled in June 2009 during the review conducted by Indian and Northern Affairs Canada (now called Aboriginal Affairs and Northern Development Canada, AANDC) of the Food Mail Program referred to a number of studies that have been published by the Université Laval under the Nunivaat – Nunavik Statistics Program on the special socio-economic context of Nunavik.

According to *Poverty in Nunavik: State of Knowledge* released under Nunivaat in May 2009:

- 20 to 30% of households live in poverty and half of these households are made up of single parents.
- 44% of households live with a minimum comfort budget or less. This rate is three times higher than for Québec as a whole.
- Elders whose only incomes are federal pension benefits are also among the hardest hit by poverty.
- The income of Inuit women in Nunavik is 82% the level for other Canadian women and this rate is only 60% for men. In addition, Nunavik households generally include more members and they face a higher cost of living.

According to the *Nunavik Socio-economic Profile 2008* published under Nunivaat:

- Residents support more dependants than elsewhere in Québec.
- Life expectancy is lower than elsewhere in Québec and has declined recently.
- The unemployment rate is higher than elsewhere in Québec.
- The number of employment assistance recipients has slightly decreased recently.
- The prices for all categories of consumer goods and services are higher than elsewhere in Québec. Food prices are roughly 60% higher in Nunavik.

According to the *Socio-economic Profile of Elders in Nunavik* published in 2005 under Nunivaat:

- Elders earn less and government income security benefits represent more than half of their total income.
- Elder households include an average of 3.2 children.
- Elders earn 13% less than individuals aged 65 and over elsewhere in Québec.
- Government income security benefits represent the sole source of income of 69% of elders. Elders supplement their incomes through the sale of traditional food and products. Their average annual income is of \$12,882.
- 37% of elders reported that they experienced a shortage of food occasionally or regularly.

According to the KRG Sustainable Employment Department, in 2008:

- 8% of the region's population (835 individuals) received last-resort financial assistance.
- Another 3% of the region's population (300 individuals) received employment insurance.
- Access to foods with high levels of vitamin C and iron is vital for children aged between 0 and 35 months. Acute anaemia suffered by children can cause permanent intellectual and perceptual development problems. In some communities, up to 40% of children were reported with anaemia. With an aggressive nutrition program in childcare centres, that rate has fallen substantially. Childcare centres and families with young children need to have access to affordable good quality food.
- Childcare centres purchase as much as possible from local food retailers. However, meals in childcare centres are designed to be high in specific nutrients. Certain foods not available locally must therefore be ordered from Southern suppliers.

More recently, the Working Group on the Reduction of the Cost of Living in Nunavik, composed of representatives from various departments of the Québec government, the Makivik Corporation and the KRG, produced a report (Appendix 1) that highlights other characteristics of the socio-economic context of Nunavik.

The socio-economic context of a region should be considered when a new program is designed and implemented. For Nunavik, information describing this context is available on the KRG website and at www.nunivaat.org. We hope that the NNC Advisory Board will consider our region's specific socio-economic context before recommending the full implementation of the program on October 1, 2012.

Cost of living in Nunavik

The report of the Working Group on the Reduction of the Cost of Living in Nunavik provides a comprehensive overview of the various measures currently in place to reduce the cost of living in Nunavik, and makes recommendations to further reduce the cost of living in our region.

Establishing the cost of living

Cost of living is all the expenses that must be paid by households to meet their basic needs. It differs according to the household and varies over time according to the socio-economic environment or the stages 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, even if buying patterns are not known precisely, and no reliable statistical data exists for this purpose, we do know that the goods found in Northern retail stores are those that are consumed by Northerners.

Consumer patterns in the communities and regions covered by the NNC program may, as well, be quite different and remain unknown.

The region's geography and climate, transportation costs, provisions for product spoilage in transit, as well as higher labour prices 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 1 below.

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 employment capacities, such as low levels of schooling, limited work experience, and poor mobility due to family obligations and shortage of housing, not to mention the problems associated with the regional labour market.

Social cohesion

The maintenance of social cohesion is also important to consider. In this respect, it must be 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. For the most part, they are 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 often 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. In other words, they receive benefits that serve to mitigate the negative effects of the cost of living. The second group of workers is essentially made up of the local populations. Most of 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 same applies to those who draw their income from income security or employment insurance benefits.

Supply

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 residents¹. But this production is not without costs and methods are 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.

Traditional food supply, however, encounters 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.

Geographic isolation and transportation costs generate additional consequences on traditional food supply. The small size of the regional market makes it economically unfeasible to maintain spare-parts inventories. Very often, spare parts must be imported individually to carry out automobile and snowmobile repairs. Not only are they more expensive because they cannot 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 when it breaks down.

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

The number of supply options open to households is moreover small since the economy includes only a limited number of retailers. Unlike consumers elsewhere in Québec, Nunavik households are unable to take advantage of volume discounts and of lower prices generated through competition. Table 1 shows the difference in prices in 2006 for various categories of products compared with other regions of Québec.

¹ Duhaime G. and N. Bernard (ed.). *Arctic Food Security*. Edmonton, CCI Press, 2009.

Table 1 Nunavik Comparative Price Index 2006, Complementary Study – Îles-de-la-Madeleine, Jamésie, Basse-Côte-Nord

	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).

As we can see, consumer prices in 2006 were generally higher in Nunavik than in Québec as a whole. This is verifiable for almost all types of goods and services, but especially for food. Similar analysis should be carried out for the different regions covered under the NNC program for various categories of food products.

Nunavik residents are captive consumers. Many have considerable and urgent needs, for example those created by the size of their family usually composed of many 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).

Storage of goods

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 cannot 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 and the absence of adequate warehousing facilities in many communities. But, as reported by a major food supplier of Nunavik, shipping by air in the summer is as well more and more difficult with the weather getting warmer. Refrigerated and frozen foods suffer from the heat and the fact that airplanes are not equipped with refrigeration systems and for most remote communities a larger quantity of food products arrive at destination spoiled.

Over and above weather considerations, the supplies purchased in the South, are loaded on a truck and transported to an air cargo terminal before being loaded on an aircraft. As well, in some cases, they must be offloaded and reloaded to another aircraft before reaching their final destination. By the time, these supplies reach the shelf in a local store or a kitchen table in a home, they have endured a long and bumpy ride and both the wrapping and the content are fatigued. 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 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 through the purchase of food from retailers or the practice of traditional harvesting activities. And by extension, this means that essential food needs represent an even more overwhelming challenge for the most economically disadvantaged.

Affordability, disposable income and purchasing power

In 2009, the KRG analyzed the impact of the subsidy that was provided under the Food Mail Program (Appendix 2). Using as a measurement, the Northern Food Basket for a family of two adults and two children, we were able to first of all demonstrate that the importance of the subsidy for those earning the minimum wage and those that rely on income security programs is significant.

Table 2

DISPOSABLE INCOME – 2009

Family of two adults and two children

Household Two adults/two children	Monthly income	Rent	Food basket AANDC	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 should provide for clothing, personal-care products, gasoline, household-cleaning materials, furniture, hunting and fishing equipment, recreation, etc.

Originally geared towards food, the Food Mail Program evolved and subsidized much more than food items. In fact, it responded to the needs of Northerners.

When we consider that, in 2006, 37% of elders reported they experienced a shortage of food occasionally or regularly and that, in 2007, 65% of Nunavik households benefitted from the Québec refundable tax credit for individuals living in a Northern Village with most of these households (80%) declaring earnings under \$30,000 for the year, we can safely say that a large percentage of the population is poor and cannot eat well and enough nor provide for family essentials.

We can imagine the tough choices those families are confronted with. How can they possibly have a healthy lifestyle? With their disposable income, they must buy clothing, hunting and fishing equipment, household supplies, appliances and furniture, gasoline, etc. How can Health Canada help Northern families to make choices that correspond to their financial means?

To ensure that the NNC program meets the needs of the special context of our region, the acquisition of knowledge of the Nunavik consumer should be a priority for AANDC and Health Canada, and no change should be made to the list of eligible goods before more information is available. A Nunavik consumer profile may, for example, provide evidence that certain vegetables are not consumed by Inuit and could be subsidized at a different rate. A Nunavik consumer profile might also convince AANDC and Health Canada that issues such as hygiene and personal care contribute just as much to a healthy life style and justify the inclusion of certain essential non-food items under the program.

It would provide indications of who is, in fact, taking advantage of the program: those who receive cost of living and food cargo allowances from their employers or Inuit in need.

It is also essential to define the measurement tool that will guide decision-making and allow us to compare how the cost of the goods evolve between communities. A Northern Essential Goods Basket should include various categories of products from nutritious, non-perishable or perishable, and non-food items and indicate those that are eligible under the program. This information would help us to understand the impacts of going from the Food Mail Program to the NNC program and inform us on the impact of the program on the cost of living in isolated communities. The cost of the Northern Essential Goods Basket should be published once a year for all the communities eligible under the NNC program.

We understand that your mission is not to reduce the cost of living in the North but to make nutritious foods available at an affordable cost. On the other hand, the Food Mail Program did address the issue of the high cost of living and, for this reason, the above factors should be taken into account whenever new programs are designed and implemented.

Comparative cost of goods between regions and communities

In April 2011, with the implementation of the NNC program including a revised list of eligible products, a survey of the cost of 133 items was carried out by the Université Laval under the Nunivaat – Nunavik Statistics Program. The report on this survey was tabled during the September 2011 KRG Council sitting in Kuujuaq (Appendix 3).

The survey was carried out after AANDC decided to review the original list of eligible products introduced on October 3, 2010. As we can see in the report, despite the NNC program,

perishable, non-perishable and non-food items are still much more expensive in Nunavik than in the South.

The survey showed that food was 65% more expensive in Nunavik than in Quebec, going from 46% in Kuujuaq to 92% more expensive in Quartaq, that personal care products were 76% more expensive and that household items were 114% more expensive.

Has NNC used this information when reviewing its rates in October 2011? Does NNC have in hand similar information from other communities eligible under the program? Such information will provide a base to analyse the savings generated by sealift shipments for the consumer when the new list of eligible items is fully introduced on October 1, 2012.

October 1, 2012 list of eligible items

On October 1, 2012, should the list of eligible nutritious food items now under review by AANDC and Health Canada be implemented, only nutritious foods will be subsidized. Many items currently eligible for subsidy will be removed from the list. It is then that Nunavimmiut and other residents of isolated Northern communities will really feel the impact of the NNC program. The price of essential products such as canned foods (used by Inuit when they are on the land), dried pasta, rice, beans, dried mixes, toothpaste, shampoo, diapers, laundry detergent, toilet paper, dish washing liquid, etc. will go up.

The assumption made under the NNC program is that the non-perishable food and non-food items removed from the list will sell at a cheaper price if they are shipped by sealift. We doubt that prices will go down. The NNC program should give consideration to other issues.

The issue of small and large formats for some products are not relevant. If the food has nutritious value, the size and the format should not be an issue.

But, above all, we are concerned by the retailers' storage capacity in our communities. We have been informed of certain store and warehouse expansion projects but we are most concerned about those communities where there are no plans to expand warehousing facilities. As a consequence, in some communities, the cost of personal-care products and household-cleaning supplies that are as essential to Northerners as they are to other Canadians in order to have a healthy lifestyle, may be prohibitive as of October 1, 2012 if they are shipped by airplane.

We recommend that special considerations should be given to nutritious non-perishable food products that have expiry or best before dates before sealift or July 1 of the following year. We suggest that they remain eligible under the NNC program.

The list of eligible items should be adjusted each year for the period from April 1 to July 31 to allow retailers to resupply non-food goods.

We propose that a new category of products "Essential health-related products" intended for hygiene purposes, be created under the NNC program.

Essential health-related products

We consider that it is just as important to have affordable toothpaste for hygiene, diapers for babies, laundry detergent, etc., as it is to have nutritious food.

In the Glossary of Terms of the Report of the Standing Committee on Aboriginal Affairs and Northern Development "From Food Mail to Nutrition North Canada", food insecurity is defined as "The inability to acquire and consume an adequate quality or sufficient quantity of food in socially acceptable ways or the uncertainty that one will be able to do so". In Nunavik, we are very concerned by the issue of consuming a sufficient quantity of food.

Of course, the mission of the NNC program is not to ensure food security in the North, but the decisions made under the program, such as removing products from the eligibility list should not translate into food insecurity for more families. From that perspective, AANDC and Health Canada should not proceed with the full implementation of the NNC program until they have all the information and understand all the impacts of their decision.

According to AANDC, one of the key features of the NNC program calls for an "increased involvement of Health Canada working with Northern communities, in partnership with the retail sector, to offer a community-based, culturally appropriate nutrition education component through funding, training and coaching". In this context, Health Canada received \$2.9 million this year to increase public education and awareness about healthy living and healthy practices. As the NNC program unfolds towards full implementation on October 1, 2012, Inuit families will need more help from Health Canada. With their small disposable income, they will need to choose between feeding their families, paying their monthly house rent, or buying clothes, personal-care products and household essentials.

When we compare the cost of some of these essential items today while they are still eligible, we notice that they are still much more expensive in Nunavik than in Quebec City. What will happen when these items become ineligible? (Refer to Appendix 3 for the list of items to be removed from the eligibility list).

From a health perspective, we wonder what is most important... to eat well or eat enough, or to eat enough or eat well and neglect personal care and hygiene. Health Canada must be concerned about the consequences of the new program on the health of Inuit.

The KRG offers to work with the NNC program to develop the list of items admissible under this new category.

Eligible communities

There are currently 133 communities eligible under the NNC program. The resident populations of these communities should be the only ones sharing the benefits of the overall NNC resource envelope.

It is well known that mineral exploration and mining is expanding at an extremely fast pace in the North. Mining projects already employ many workers. The population of workers of these mining projects will continue to increase rapidly in the near future. These mines are not located within the boundaries of any Northern village in Nunavik. They are located within the municipal boundaries of the KRG, and the KRG is not an eligible community under the NNC program. Notwithstanding, Southern suppliers can register for the subsidy under the NNC program. They ship their food to Northern mining sites on a regular basis.

Can you confirm that the subsidy is not used to subsidize any of the food cargo shipped to mining sites located outside the boundaries of the eligible communities under the NNC program?

Economic development

The KRG Regional and Local Development Department is closely involved in community socio-economic planning, and provides technical and financial assistance to businesses and socio-economic enterprises. We are active, at an experimental and very preliminary stage, in a wide range of sectors including food production and processing. The development of the food sector in Nunavik is long overdue. There are many reasons for this, the most important being the absence of a long-term policy and financial commitment for the research and development and the implementation of large local and regional projects. Some efforts are currently devoted to the production of vegetables in greenhouses and we feel such initiatives must be supported. Beyond making available fresh nutritious food, these projects could create jobs in the communities. There are currently no federal programs to assist our initiatives.

As well, we are concerned by the issue of unfair competition between large and small retailers. One large retailer felt that the administrative requirements under the NNC program could be difficult for small businesses that do not possess sophisticated inventory computer technology. As well, because it is more difficult for small retailers to negotiate competitive shipping rates with airlines, they will likely be at a competitive disadvantage; small businesses will have to sell their goods at a higher cost. AANDC suggests that competitiveness could be improved by ordering goods from larger Southern retailers. We do not believe that this alone will make small businesses competitive as larger Southern retailers already have agreements with their best clients for these situations.

The NNC program must therefore make sure that small Inuit retail businesses are not placed at a disadvantage under the program.

Subsidy rates

It is very difficult to understand the logic behind the NNC rate structure. On February 3, 2011, AANDC explained that the rates applicable under the NNC program were determined in two steps:

1. By asking the three major Northern retailers to reveal the lowest shipping rate they then paid for each eligible community;
2. By reducing this best available shipping rate by \$0.80/kg

AANDC then presumed that, conceptually, the Northern consumer would spend roughly the same under the NNC program that he spent under the Food Mail Program for his food basket. However, the unified \$0.80/kg rate under the Food Mail Program helped eliminate intra-regional disparity in food prices. NNC does not accomplish this.

A few issues have to be considered when we look at the NNC rates.

There are different categories of retailers registered under the NNC program. Some sell across the Canadian Arctic, some sell throughout Nunavik and others sell locally. There are also corner stores in some of the communities. None of these retailers has the same or even comparable volumes of sales, and none pay the same shipping rate to airlines to transport their goods. Under the Food Mail Program, all retailers were paid the same rate (\$0.80/kg) and Canada Post covered the difference.

The retailers can apply the NNC subsidy to food items that are eligible or not, as they deem appropriate. In other words, a retailer can ship a total of 200 kg of 10 eligible items, but apply the subsidy to only five items or even, if he wishes to, to junk foods in order to attract clients to

his store. As a result, some people have noticed that while the price of vegetables has gone down substantially, other nutritious foods have not. Will the NNC program address this issue?

The freedom of choice for individuals and small groups wishing to order specialty items from Southern food retailers is limited. These individuals and small groups are no longer able to negotiate the same degree of cargo discount as major Northern food retailers. Under the Food Mail Program, specialty orders that were shipped at \$0.80/kg, can now cost \$4.13/kg, or 416% more for level 1 in Salluit. Under the Food Mail Program, while it was not clear that Northern retailers were transferring the benefit of the subsidy to consumers, it was clear that those individuals ordering themselves from the South were getting a direct benefit. They do not get that same advantage under the NNC program.

The results obtained when comparing the Air Inuit and First Air cargo rates, with the NNC subsidies and with the average price of foods in the communities are quite ambiguous. The table under Appendix 4 supports our statement and raises many concerns with regards to the criteria the NNC program uses to adjust its rates. The NNC program was supposed to be transparent in terms of the breakdown of the amount of the subsidy. That does not seem to be the case yet.

Could you explain how you determine the rates? Do you compare the cost of the food basket in each community before you make your decisions?

The NNC program provides no shelter for price increases imposed by airlines whereas the Food Mail did with the \$0.80/kg rate. Will the NNC program be able to adjust its rates to reflect certain circumstances such as sudden increases in fuel costs, increases in cargo rates by certain air carriers, etc?

The NNC program's objective was to promote more cost-effective modes of transportation such as the sealift and winter roads. Now, we all know that shipping by sealift and availability of storage in the communities are closely related. As far as additional warehousing capacity is concerned, we have been informed that Newviq'vi has acquired a warehouse in Kuujuaq and that the FCNQ is planning to convert a building into a warehouse in Puvirnituq and add warehouses in Quaqtaq and Kangiqsujaq in 2012. We have also been informed by the FCNQ that they do have sufficient warehousing space in all the other communities. We are finally not aware if the Northwest Company plans to expand its storage facilities in Nunavik communities.

The transition period was extended to October 1, 2012, to provide more time to retailers to adjust their warehousing capacity to the new reality. We believe that the NNC program must make sure that Northern retailers have addressed the issue.

We are concerned by what could happen on October 1, 2012, in those communities where warehousing has not been increased to meet the additional volumes of merchandise.

The NNC program has a responsibility to identify with its partner suppliers the warehousing capacity available in each community to accommodate the additional volume of goods that will be shipped through sealift in 2012, and carry out an analysis of the costs associated with the shipping by sealift and warehousing in the Arctic and the impact of these costs on the cost of consumer goods.

At the same time, while it is cheaper to transport goods by sealift, it must be recognized that this method of transportation generates other costs that are inevitably added onto the price of goods paid by consumers.

The additional costs incurred by retailers when shipping through the annual sealift and passed along to consumers, are the following:

- spoilage during warehousing;
- financing of inventory;
- warehouse heating and refrigeration;
- municipal taxes;
- insurance;
- handling;
- administration;
- profit margin.

Moreover, under the Food Mail Program goods were ordered on a regular basis, brought from the airplanes directly to the stores and in the hands of consumers in less than a week. But, two factors will guide retailers' decisions when re-supplying on the annual sealift: the space they have available in their warehouses and their capacity to finance inventory for a year.

For most people in Nunavik, the impacts on the cost of goods associated to shipping by air or by sealift remain unclear. The NNC program should study this issue and keep Northern consumers informed of advantages or the savings that will be generated.

The NNC program indicated that rates would be adjusted as new information concerning the implementation of the program becomes available. The rates were adjusted on October 1, 2011 and published on the NNC website on November 6. Over and above the fact that this is not transparent, it appears to us that it is not the best time of the year to adjust the rates. In fact, rates should at least be adjusted in April before retailers have finalized their sealift orders.

Will the rates be further adjusted before October 1, 2012?

Will rates be indexed annually to reflect increases in the cost of goods and the cost of shipping?
Will the funding envelope available under the NNC program be indexed each year to take into account population growth?

Monitoring the cost of goods

It is of course important to monitor the cost of the goods eligible under the NNC program, but just as important to monitor the cost of those goods that are no longer eligible. It is equally important to compare on an ongoing basis the costs of goods between eligible communities and find out through periodic surveys who is benefitting from the NNC program.

Will the NNC program monitor the implementation of the program and demonstrate that the products eligible are fresh and in good condition when they get to their final destination, that the subsidy reaches the consumers?

Would the NNC program, out of its monitoring budget, contribute financially to the monitoring program put in place by the KRG or mandate the Université Laval to conduct the monitoring of the NNC program?

Country foods

As we said earlier, there are many obstacles to the supply of traditional country food in Nunavik. Harvesting and production costs are extremely high. Essential equipment including boats, canoes, snowmobiles, ATVs, firearms, clothing and camping equipment are increasingly expensive to purchase, maintain and operate. The cost of gasoline and other fuels for a short harvesting trip within the vicinity of a community can run into hundreds of dollars. Often, those who would have more time to go hunting and fishing cannot afford to do so. As well, Inuit hunters cannot write off expenses when they submit their income taxes. For these reasons the true cost of country food is very high.

We cannot not agree with the NNC mandatory eligibility requirements applicable to Northern country food processors. There are no such processors or inspections in Nunavik. This results in no shipment of country food under the NNC program in Nunavik. In cooperation with the KRG, the NNC program should focus on the non-commercial exchange of country food products which corresponds to the current form of distribution for the Inuit of Nunavik.

To reflect the dietary needs and Inuit way of life, the NNC program should promote means to enhance the production and consumption of country food. The transportation of country food should be subsidized, the same way other nutritious foods are subsidized. Such a subsidy could cover the transportation of a specific number of kilograms of eligible country food per capita per year to communities that can demonstrate that they currently produce or exchange country food.

In the event that AANDC is interested in this idea, the KRG would support the inclusion of Nunavik in a pilot project. The KRG already delivers a subsidy for Nunavik communities for the transportation of their country foods. We are convinced that not all 133 communities under the program are producing or exchanging country food and a financial envelope should be earmarked under the NNC program to stimulate the production of country food.

Since your meeting with the representatives of the legislative assembly in Nunavut on October 25, 2011, have you developed some scenarios or progressed on the issue of making country food more accessible? If so, can you share them with us?

Conclusion and Recommendations

We have come to accept that the Food Mail Program is now history. We have to work with the NNC program and improve it as much as possible to better meet the needs of Northern consumers.

The transition period is meant to "give more time to the Northerners to adjust". Retailers can adjust by expanding their facilities. Airlines can adjust by dedicating different types of aircraft to cargo shipping for certain routes and by negotiating rates with retailers. Meanwhile, AANDC will trim down its list of eligible items taking into account the additional knowledge it gained on volumes of sales in 2011 for each region and make sure it stays within the predetermined capped budget.

But how can Northern consumers really adjust. Of course, they can explain to their children why there is no more ice cream at birthday parties and no more pumpkins at Halloween, but in reality, other than changing their diet and adjusting their consumption to their disposable income, there is very little they can do. We cannot assume the increased price of all the items

that will be removed from the NNC program. Hopefully, those items on the list will be cheaper. We will soon find out. In a way, we could say that it is now up to the retailers to show their interest and willingness to make life affordable for Inuit families. AANDC and Health Canada have to be alert and show that they will monitor the implementation of the NNC program with great care.

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 and basically nonexistent.

As food prices are rising around the world, the populations of Northern communities are increasing steadily, the costs of gasoline and electricity so important in the shipping and storage of goods in the Arctic are as well increasing, AANDC's goal to stabilize overall costs has somehow been achieved through Nutrition North Canada by introducing the notion of a "capped budget" and limiting the scope of the program to nutritious foods. Nevertheless, we will soon be right back to where we were, either adjusting the rates or reviewing the list of eligible items, but this time, in the context of a program that has the sole objective of making accessible and more affordable nutritious food for people living in isolated Northern communities.

Considering all the other programs subsidized by Canada to improve the social well-being of Northern communities in the fields of education, health and social services, as well as economic development, any change at this point to the NNC program would be counter-productive. The NNC program may have the potential of becoming a good program, but too many issues are not clear at this point. It still raises more questions than it proposes solutions. During your meeting in Iqaluit on October 25, you recognized quite clearly that the NNC program is only six months old and that there is still a lot of work to do with airlines, small and large retailers, wholesalers, the rate structure, the list of eligible goods, the control of freshness, the accessibility to country foods, etc. For these reasons, the KRG urges that the transition period be extended until the NNC program has acquired more knowledge of the impacts of the implementation of the program on the residents of isolated Northern communities.

While most Canadians enjoy the freedom of choice, the liberty to purchase what they feel like at an affordable cost, and access the weekly specials offered in their mail boxes by a wide range of retailers, Northerners at best pay prohibitive prices at one of two stores. The NNC program tells them what to eat. While most Canadian consumers are offered warranties when they purchase goods, equipment and vehicles, Nunavimmiut for their part are not and must absorb the cost to ship the item at their expense to dealers in order to get it repaired. Not only do they have to assume those additional costs but they have to pay as well the Goods and Service Tax and the Quebec sales tax, which is not always the case in other provinces.

This situation really makes Northerners look like second class citizens at a time when developing the potentials of the North is the focus of Canada and Quebec.

In closing, we would like to thank the NNC Advisory Board for having taken the time to listen to the KRG's concerns and questions. The KRG intends to continue working with the NNC

Advisory Board and will share all new information that becomes available under the Nunivaat – Nunavik Statistics Program. We as well hope that the NNC Advisory Board will be back in Nunavik for another meeting in the near future.