



**HOUSE OF COMMONS
CANADA**

From Food Mail to Nutrition North Canada

Report of the Standing Committee on Aboriginal Affairs and Northern Development

**Bruce Stanton, MP
Chair**

MARCH 2011

40th PARLIAMENT, 3rd SESSION

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THE STANDING COMMITTEE ON ABORIGINAL AFFAIRS AND NORTHERN DEVELOPMENT

has the honour to present its

FOURTH REPORT

Pursuant to its mandate under Standing Order 108(2) and the motion adopted by the Committee on Wednesday, September 29, 2010, the Committee has studied the Nutrition North Canada Program and has agreed to report the following:

GLOSSARY OF TERMS

CPC: Canada Post Corporation

Food insecurity: The inability to acquire or consume an adequate quality or sufficient quantity of food in socially acceptable ways or the uncertainty that one will be able to do so.

Food Mail program: A Government of Canada sponsored program that helps supplement a portion of the expenses incurred by shipping nutritious perishable food and other items to isolated northern communities that do not have year-round surface transportation.

INAC: Indian and Northern Affairs Canada (federal government Department of).

Isolated northern communities: For purposes of eligibility under the Nutrition North Canada program, this includes communities that are not accessible year-round by road, rail or marine service (i.e. the same definition applied for eligibility under the Food Mail program), with the added condition that these communities, because of their remoteness from supply centres, availed themselves of the Food Mail program and ordered at least 100 kg of food mail shipments in 2009-2010.¹

NNC: Nutrition North Canada.

Nunavik: A region in Quebec north of the 55th parallel covering 660,000 square kilometres of land, established through the James Bay and Northern Quebec Agreement, signed in 1975. More recently, the Nunavik Inuit Land Claims Agreement has given Nunavimmiut (Inuit of Nunavik) ownership of many of the islands off the coast of Nunavik. Its total population is roughly 11,000 permanent residents, nearly 90% of which are Inuit.²

1 Source: INAC, communication on January 11 2011. INAC further explained that the decision to limit the definition of “isolated northern communities” eligible under the NNC program was taken to reflect the fact that not all “communities that are not accessible year-round by road, rail or marine service” are isolated to the same degree, as some communities did not require a subsidy under the Food Mail program. As well, to ensure that NNC resources were focused on the most northerly and remote communities, the definition of “isolated northern community” was qualified using 2009-2010 shipment data.

2 Source: Adapted from Statistics Canada, *2006 Census: Analysis Series 2006 Census, Analysis Series*; and Nunavik Regional Board of Health and Social Services, *The Nunavik Region*.

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STUDY OF THE NUTRITION NORTH CANADA PROGRAM

A. INTRODUCTION

On September 29, 2010, the House of Commons Standing Committee on Aboriginal Affairs and Northern Development (hereinafter the Committee) passed a motion to study the terms and conditions of the new Nutrition North Canada (NNC) program that is being gradually phased-in to replace the existing Food Mail program. As part of its study, the Committee held meetings in November and December 2010, in which it heard from a broad range of witnesses, including: government officials; the transportation industry; retailers; and representatives from northern communities. This report summarizes the testimony from these hearings and presents the Committee's observations and recommendations.

B. BACKGROUND

On May 21, 2010, the Government of Canada introduced the planned phase-in of the NNC program as a replacement to the existing Food Mail program based on the findings of a series of reviews and evaluations of the Food Mail Program that began in November 2006 and ended in March 2009. The purpose of the new program is to make nutritious and perishable food more accessible and affordable to Canadians living in isolated northern communities. Phase 1 of the new program started on October 3, 2010 when a reduced eligibility list was introduced, which excluded non-food items, most non-perishable food items and some perishable food of little nutritional value (see Appendix A). The program will be fully implemented as of April 1, 2011, with further exclusions for other food items and all non-perishable items (e.g. camping equipment, snowmobile parts, all-terrain vehicle parts, outboard motor parts, hunting supplies, etc.; see Appendix B), along with the introduction of new subsidy rates by community and food category (note: rates to be updated on a regular basis as new information on community pricing and cost becomes available; see Appendix C).¹

As announced by the government, the new program moves to a retail level model from the existing transportation subsidy, the goal of which is to "shorten the supply chain and reduce the handling of fresh foods destined for the North."² The new delivery structure of the program is based most notably on an assessment of options provided through an Indian and Northern Affairs Canada (INAC) report, released in March 2009, as well as

1 In particular, to better reflect the priority for subsidizing as of April 1, 2011, non-food items such as snowmobile parts and hunting supplies will no longer be eligible through the transition from the Food Mail program to NNC.

2 INAC, "Backgrounder," *News releases*, May 21, 2010.

through the findings and recommendations of Graeme Dargo (Minister's Special Representative) in his report of December 31, 2008.³

The government plans on providing funding directly to retailers and wholesalers who already ship large volumes of food and goods to the North, based on weight of eligible foods shipped to each participating community. According to INAC, moving to a retail subsidy “will enable [retailers] to negotiate the best possible prices for their consumers.”⁴ In terms of accountability and transparency, INAC states that “the new program will require retailers to demonstrate the subsidy is being passed on to consumers” through a claims processing system to verify shipping invoices and documents, along with audit and financial controls.⁵

According to INAC, the key features of NNC are:

- Revised food eligibility list that gives priority to subsidizing the most nutritious perishable food at a higher rate, including commercially-produced country foods, and promotes more cost-efficient transportation methods;
- Revised community eligibility list that will be based on shipments in prior years, adjusted for seasonal use (see Appendix D):⁶
- Full subsidy provided to extensive program users—i.e. communities that received over 15,000 kg of Food Mail shipments in 2009-2010 and for which the per capita subsidy was over \$48 per year;
- Nominal \$0.05/kg subsidy provided to communities that are considered low Program users—i.e. communities that received between 100 and 14,999 kg of Food Mail shipments in 2009-2010 and for which the per capita subsidy was below \$48 per year ;
- Community eligibility levels (full vs. nominal) will be re-evaluated annually by INAC based on analysis of food prices in the communities;

3 INAC, Devolution and Territorial Relations Branch, *Food Mail Review—Interim Report*, March 2009; and Dargo & Associates Ltd., *Food Mail Program Review: Findings and Recommendations of the Minister's Special Representative*, December 31, 2008.

4 INAC, “Backgrounder,” *News releases*, May 21, 2010.

5 Ibid.

6 Based on testimony provided to the Committee, *Evidence* (Patrick Borbey Senior Assistant Deputy Minister, Treaties and Aboriginal Government, INAC, 40th Parliament, 3rd Session, December 13, 2010, 1625), several communities along Quebec's North Shore region (i.e. Harrington Harbour, La Tabatière and Tête-à-la-Baleine) only use the Food Mail program for three months of the year when there is no regular marine service. On an unadjusted basis, these communities were to be eligible for a nominal subsidy as the weight shipped to them fell below the program's minimum threshold. Annualizing the seasonal shipments for these communities ensures that these communities are eligible for a full subsidy under NNC as of April 1, 2011.

- Communities that did not use the Food Mail Program in 2009-2010 (less than 100 kg) will not be eligible under the new Program, but could be added to the list through further reviews on a case-by-case basis.⁷
- Retention of personal orders, to preserve a measure of competition for Northern retailers and provide consumers with flexibility related to special dietary needs (note: see illustrative example in Appendix E);
- New delivery method that “gives retailers and suppliers the flexibility to seek cost-effective and innovative solutions that will help make nutritious food more accessible;”⁸
- Increased involvement of Health Canada, which will work with isolated northern communities, in partnership with the retail sector, to offer a “community-based, culturally-appropriate nutrition education component” through funding, training and coaching.⁹ Program activities will focus on “improving consumption of healthy foods by improving the quality of food available in stores and increasing those skills which influence the demand for and consumption of healthy foods;”¹⁰
- Enhanced program governance through the creation of an Inter-Departmental Oversight Committee, and an external Advisory Board—currently composed of seven members from Nunavut (2), Northwest Territories, Yukon, Manitoba, Nunavik and Labrador¹¹—tasked to ensure regular monitoring and evaluation, flexibility in the list of eligible foods, and to review and assess how a country foods component can be expanded and implemented in the North. Specifically, the mandate of the Advisory Board will be to:¹²
 - Represent the perspectives and interests of northern residents and communities in relation to the management and effectiveness of the Program;
 - Collect, analyze, and integrate relevant information regarding the operational effectiveness and shortcomings of the program, and consider

7 The Committee, *Evidence*, Jamie Tibbetts (Director General, Devolution and Territorial Relations Branch, INAC), 40th Parliament, 3rd Session, November 15, 2010, 1640.

8 The Committee, *Evidence*, Patrick Borbey (Senior Assistant Deputy Minister, Treaties and Aboriginal Government, INAC), 40th Parliament, 3rd Session, December 13, 2010, 1625.

9 INAC, “Backgrounder,” *News releases*, May 21, 2010.

10 Ibid.

11 INAC, Minister Duncan Announces Nutrition North Canada External Advisory Board, *News release*, November 25, 2010.

12 INAC, Nutrition North Canada External Advisory Board—Terms of Reference.

- policy or management changes with budgeted resources or alternative measures to enable its more effective and efficient delivery;
- Explore options to support the management of the program within its approved budget;
 - Draw from the experience and expertise of organizations and individuals involved in transportation, distribution, nutrition, public health, government agencies, community development, retailers, wholesalers, and others engaged in the provision of food to northern communities, by obtaining information from them through briefings, research, and discussions;
 - Review and consider matters including, but not exclusive to, program performance (e.g. food quality and availability), communications and public awareness, health and nutrition strategies, transportation systems, food supply chain management, food pricing, and product subsidy eligibility, in terms of the ways in which they are serving the interests of northern residents or could be improved;
 - Develop consensus positions and strategic advice on matters related to the program, and communicate those views to the Minister and senior departmental officials on an annual and as-needed basis; and
 - Alert the Minister to matters related to the program that may require action or management decisions on a priority basis.
- Increased level of transparency for the subsidy resulting in accountability for the parties involved (note: see illustrative example in Appendix E).¹³
 - Each retailer will negotiate its own freight rate for food cargo and other cargo with the air carrier of its choice;
 - The retailer will determine a freight cost to be applied to the food products landed in its community by subtracting the subsidy per kilogram from the negotiated freight rate per kilogram and then adding in the cost of local transport;
 - At the end of each month or quarter, the retailer will submit its claim for the subsidy, based on waybills and supporting invoices.
 - INAC will provide advance payments to retailers/suppliers to minimize the up-front and ongoing financing requirements faced by northern retailers with the introduction of the new retail subsidy;¹⁴

13 INAC: "Backgrounder," *News releases*, May 21, 2010; and Fact Sheet for Northern Retailers and Southern Suppliers.

- Small independent northern retailers in eligible communities, who may not have the capacity to manage claims processing and the other requirements, will have the option of entering into an arrangement with INAC to receive the subsidy directly (need to meet the requirements for northern retailers as mentioned below) or ordering subsidized eligible items from eligible suppliers¹⁵ registered with the Program (note: see illustrative example in Appendix E);
- Under the contribution agreements to be signed between the Government of Canada and retailers, the government has the right to audit all recipients under the *Federal Accountability Act* and other terms and conditions set out by Treasury Board that apply (note: see illustrative example in Appendix E).¹⁶
- As well, terms and conditions of the contribution agreements will require retailers to support in-store communications about the NNC program and the dollar value of the subsidy in each community to show savings are being passed on to the consumer.¹⁷

1. Evolution of the Food Mail Program¹⁸

The need for a system to deliver nutritious food to isolated northern communities developed originally through observations in the 1960s that Aboriginal peoples in the North were transitioning from their traditional nomadic hunting and gathering lifestyle to more permanent, sedentary communities.¹⁹ Along with that transition, it was noted that access to a stable supply of nutritious food for Aboriginal northerners was becoming more of a challenge. These concerns over food insecurity—a common definition of which is “...inability to acquire or consume an adequate quality or sufficient quantity of food in

14 According to further details provided to the Committee by INAC officials, the government will be signing contribution agreements with each of the retailers, which would include estimates for advance payments based on past consumption and use of the subsidy; The Committee, *Evidence*, Patrick Borbey (Senior Assistant Deputy Minister, Treaties and Aboriginal Government, INAC), 40th Parliament, 3rd Session, December 13, 2010, 1715.

15 As clarified in testimony provided by INAC officials to the Committee, eligible suppliers would include mainly southern wholesalers and/or retailers, but could also include larger northern retailers that agree to supply these items to the smaller northern retailers; The Committee, *Evidence*, Jamie Tibbetts (Director General, Devolution and Territorial Relations Branch, INAC), 40th Parliament, 3rd Session, December 13, 2010, 1725.

16 The Committee, *Evidence*, Jamie Tibbetts (Director General, Devolution and Territorial Relations Branch, INAC), 40th Parliament, 3rd Session, November 15, 2010, 1605.

17 INAC, communication on December 3, 2010.

18 Unless otherwise cited, the presentation within this section is based primarily on information available from INAC, Devolution and Territorial Relations Branch, Food Mail Review—Interim Report, March 2009.

19 The Committee, *Evidence*, Bruce Myers (Director, Regional Analysis Directorate, Northern Affairs, INAC), 36th Parliament, 1st Session, June 4, 1998, 1130.

socially acceptable ways or the uncertainty that one will be able to do so”²⁰—prompted the federal government to offer a subsidized food mail service for communities accessible only by air transport through Canada Post’s Northern Air Stage Program, which also provided support for various non-food items (e.g. personal hygiene products, machinery and equipment, etc.). The program was also offered in northern Ontario, and shortly after in various isolated northern communities in other provinces. An extension of the program to service the Baffin region (in present-day Nunavut) was made possible in 1969 through a change in Canada Post’s rate structure.

In the years that followed, the federal government applied various cost containment and accountability strategies in the delivery of this program. Soon after the creation of Canada Post Corporation (CPC) in 1981, a for-profit crown corporation, concerns started to be raised in terms of program viability, as the CPC had been delivering this service at below cost. The federal government began to provide transfers to CPC to aid in the delivery of this program, worth \$19 million in 1986 (or about \$33 million in 2009 dollars); this base funding was scheduled to be reduced by \$1 million annually in following years. In addition to limited base funding, weight restrictions began to be imposed on shipments and disclosure was required related to mailing statements from consumers. Further restructuring occurred in January 1990, when the government imposed a limit on the content of food items being shipped to isolated northern communities (e.g. exclusion of less healthy food items such as pop, potato chips and candy), followed in 1991 by a transfer in responsibility for management of the program from CPC to INAC. Along with the introduction of uniform rates for nutritious perishable food, and higher rates for non-perishable food and non-food items, in October 1991 the government extended the program to service all isolated northern communities that did not have access to year-round surface transportation (i.e. by road, rail, or marine), although communities that were isolated for short periods of time within a year (e.g. due to unsafe transport conditions as a result of inclement weather) continued to be excluded from the program.²¹ By 1996-1997, the base funding level had been set at \$15.6 million (or about \$20 million in 2009 dollars).

Further changes occurred in the years that followed, including an increase in base funding to \$27.6 million as of 2002-2003 (or about \$32 million in 2009 dollars). In December 2002, the Auditor General of Canada released a report which recommended that the federal government conduct a review of the program’s entry point system to explore improvements in program efficiency and effectiveness.²² The federal government followed suit in November 2006, and decided that Winnipeg would be introduced as the main entry point for the Kivalliq region (in Nunavut), as this would allow shorter transit

20 INAC, *Final Report: Summative Evaluation of INAC’s Food Mail Program*, Audit and Evaluation Sector, March 31, 2009.

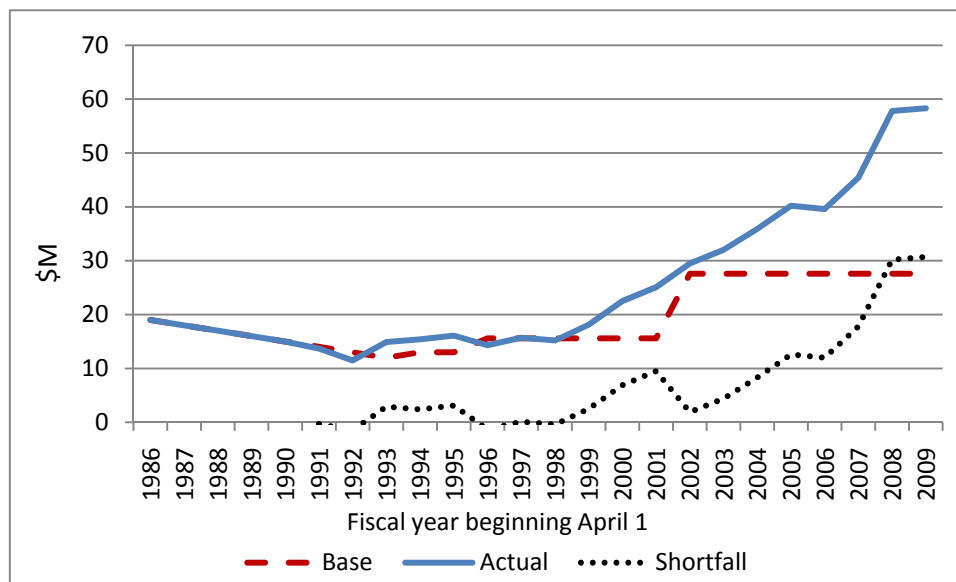
21 INAC, *Food Security in Northern Canada: A Discussion Paper on the Future of the Northern Air Stage Program*, 1994.

22 *Office of the Auditor General of Canada, Report of the Auditor General of Canada to the House of Commons, Chapter 11: Other Audit Observations*, December 2002, pp. 10-16.

times and reduce the need for loading and unloading operations that were previously conducted in non-temperature controlled environments.²³

The need for top-up funding, appropriated through the supplementary estimates, has grown each year since 2000-2001, with actual requirements increasing by an annual average of 12.4% while the base funding level remained fixed at \$27.6 million up until 2009-2010.²⁴ The government has attributed these cost increases mainly to strong increases in fuel prices and demand over this same period. Figure 1 below provides an illustration of Food Mail program spending over time, comparing base with actual, and the corresponding shortfall between the two.

Figure 1: Food Mail Program Expenditures



Source: Calculations using data from INAC, communication on December 3, 2010.

In response to concerns related to these escalating program costs, due mainly to increasing fuel costs and rising demand, the government launched a comprehensive review of the program in November 2006 to determine if the program was meeting its objectives.

Over time, INAC and Health Canada have played a collaborative role in monitoring and evaluating the degree of access to affordable, nutritious food and its effectiveness on the health conditions of northerners. Various evaluations conducted by the federal government have found in general that the existence of the Food Mail program, and its

23 INAC: "Government to Reduce Transit Time for Food to Reach Kivalliq Region of Nunavut," 2006 *News Releases*, November 3, 2006; and *Churchill Entry Point Review*.

24 INAC, Devolution and Territorial Relations Branch, *Food Mail Review—Interim Report*, March 2009.

various enhancements over time, have increased access by reducing prices for nutritious food.²⁵ As well, it has been found that nutritional problems are generally less serious in communities where food is more affordable and for families that can afford a more nutritious diet.

There is also a capacity under the existing Food Mail program for personal orders, which allow direct shipments to households and individuals, healthcare institutions, day care services for breakfast and lunch programs. This allows consumers in isolated northern communities to satisfy specific dietary needs, or to allow access to a wider variety of food items than available through local retailers. As well, direct shipments are also supported through the Food Mail program for restaurants, hotels and other tourism operations that offer food services.²⁶

Although various enhancements have been applied to the Food Mail program over time, its basic operation has remained relatively unchanged.²⁷

- A retailer (or individual consumer) living in a designated northern community can place an order with a wholesaler in the South who has a contract with Canada Post to supply food or eligible products under the Food Mail program.
- The wholesaler must deliver the item to a designated entry point, which is located at the airport in the designated community—this delivery is generally done by road or rail transport.
- Traditionally, shipping contracts have been negotiated between CPC and air carriers to deliver food mail to the north—the administrator of Canada Post offers a request for proposals, which generally identifies the volume of the different products to be tendered at the different entry points, and all of the carriers make a proposal, give their unit price per kilo, and present their value proposition to Canada Post. CPC then takes those different submissions and chooses the best value proposition for them. Shipping

25 See, for example INAC: *Food Security in Northern Canada: A Discussion Paper on the Future of the Northern Air Stage Program*, 1994; Devolution and Territorial Relations Branch, *Food Mail Review—Interim Report*, March 2009; Final Report: Summative Evaluation of INAC's Food Mail Program, *Audit and Evaluation Sector*, March 31, 2009; and *An Update on Nutrition Surveys in Isolated Northern Communities*, prepared by Judith Lawn, 2002.

26 INAC, *Food Mail Program: Shipments to Businesses and Government Agencies*.

27 An overview of the operation of this program is provided by the Office of the Auditor General of Canada (December 2002); for more detailed information, *Canada Post, Food Mail Program Customer Guide*, January 2008.

contracts have been typically entered into for a fixed term of three to five years.²⁸

- Upon arrival at the entry point, Canada Post verifies that the package conforms to program eligibility requirements, such as applicable weight and size limitations and packaging quality, and performs random checks²⁹ of the package contents.
- Items are charged the same subsidized postage rate of \$0.75 per package, plus three different per-kilogram postage rates—\$0.80 (nutritious perishable food), \$1.00 (non-perishable food and non-food items in northern parts of provinces), and \$2.15 (non-perishable food and non-food items in the territories).³⁰
- Canada Post is responsible for delivering the product to one of the 140 final destinations from one of 20 entry points, with a service standard³¹ that the item will be delivered to the eligible community in the North within 48 hours for perishable items, and 72 hours for non-perishable items.
- A shipment must be picked up at the airport within 15 minutes of its arrival, with a requirement that the carrier notify the retailer or individual customer who placed the order when the plane is scheduled or anticipated to arrive.
- The retailer or individual pays the wholesaler the full cost for the item, which includes the cost of packing the product for delivery, the cost of getting it to the entry point, and the subsidized postage rate that Canada Post charges for the service.
- The federal government pays Canada Post the difference between the subsidized postage rate and the rate that would be charged if there was no subsidy.

28 The Committee, *Evidence*, Scott Bateman (President and Chief Executive Officer, First Air), 40th Parliament, 3rd Session, November 3, 2010, 1610.

29 The government estimates that approximately 10% of shipment contents are inspected by CPC—The Committee, *Evidence*, 40th Parliament, 3rd Session, November 15, 2010, 1545.

30 INAC, *Food Mail Program: Postage Rates*; the rate charged for mailing perishable food from Inuvik to other communities in the Beaufort-Delta Region is \$0.30 per kilogram plus \$0.75 per parcel.

31 The “service standard” is a general guideline used by Canada Post; actual delivery times may vary, such that an “on-time delivery guarantee” is not available for Food Mail items.” For more information, see sections 2.2 and 2.3 of the Food Mail Customer Guide.

2. Transition to the New Program

The most recent evaluation of the Food Mail program was initiated by INAC in November 2006, and completed with the release of a final report on March 31, 2009 (*Summative Evaluation of INAC's Food Mail Program*). In the lead-up to the release of this evaluation, various reviews and audits were published throughout 2008³² and in March 2009³³. As well, various pilot projects in select northern communities were conducted to gauge the potential impact on consumption of nutritious food for northerners through a reduction in food pricing.³⁴ In general, these studies were unanimous in their findings that the existence of a program for northerners in isolated communities enables better availability and affordability for nutritious food, contributes to healthier eating practices, and increases northern economic activity by supporting local, Aboriginal employment and businesses (e.g. in the transport and retail sectors).

These assessments of the impacts of the Food Mail program reveal in general that, as a result of the transportation subsidy, prices for the most nutritious perishable foods are reduced by an average of 15-20% of their non-subsidized prices, although this impact varies widely by community depending on degree of isolation and the types of food offered by retailers.³⁵ As well, INAC estimates that an average of 62% of the subsidy is passed on to consumers in the isolated northern communities eligible for the program. It has been estimated that, in 2007-2008 a total of 18 million kilograms of cargo was shipped to eligible communities through the Food Mail program, of which 82% was nutritious perishable, 13% non-perishable foods, and 5% essential non-food items—Nunavut and Nunavik received 80% of total volume shipped.³⁶

Over the review period, the government indicated that INAC officials held over 80 engagement meetings across the country, from Nain, Labrador to Old Crow, Yukon. These meetings included sessions with leaders, stakeholders and residents of eligible communities as well as meetings with program stakeholders located in Winnipeg, the Montreal region, Val-d'Or, Yellowknife and Ottawa. INAC officials also visited multiple

32 See for example INAC, *Audit of the Food Mail Program, Audit and Evaluation Sector*, June 2008; and Dargo & Associates Ltd., *Food Mail Program Review: Findings and Recommendations of the Minister's Special Representative*, December 31, 2008.

33 INAC, Devolution and Territorial Relations Branch, *Food Mail Review—Interim Report*, March 2009.

34 Jody B. Glacken and Frederick Hill, *The Food Mail Pilot Projects: Achievements and Challenges*, commissioned by INAC, 2009.

35 INAC, Devolution and Territorial Relations Branch, *Food Mail Review—Interim Report*, March 2009, p. 20.

36 INAC, *Nutrition North Canada: New Era, New Opportunities, New Benefits for Canada's North*, presentation, slide 3.

communities and stakeholders during an internal audit,³⁷ and as part of the summative evaluation of the Food Mail Program³⁸ in 2008-2009.³⁹

The main issues related to the operation of the Food Mail program consistently suggested in the various studies mentioned above include the following:

- *Food eligibility*, in that a greater focus on subsidizing the shipment of foods that achieve the maximum nutritional benefit is needed, as food items eligible under the Food Mail program include less nutritious and non-perishable foods, as well as non-food items⁴⁰ (see Appendix B for details on eligible food items under NNC as of April 1, 2011).
- *Claims process*, as current program guidelines do not allow for guarantees on such things as on-time delivery, coverage against loss or damage, or delivery confirmation, and there are no requirements that CPC inspect shipments while in transit from entry point to destination.
- *Awareness*, in that no formal mechanism exists to ensure awareness of the program and its impacts on food availability and affordability, such as requirements that retailers advertise the cost savings of the program to its consumers.
- *Accountability*, as no requirements exist for retailers or transporters to provide their sales or cost information to INAC to allow the government to better track program effectiveness.
- *Logistics*, as there is a lack of monitoring and compliance over quality control due to the complexities of supply chain management in the delivery of Food Mail shipments.⁴¹

37 INAC, *Audit of the Food Mail Program*, Audit and Evaluation Section, June 2008.

38 INAC, *Final Report: Summative Evaluation of INAC's Food Mail Program*, March 31, 2009.

39 *Nunatsiaq News*, *Federal Ministers Defend Nutrition North Canada*, November 24, 2010; and communication with INAC on December 3, 2010.

40 This issue was mentioned most notably in reviews by: Dargo & Associates Ltd., *Food Mail Program Review: Findings and Recommendations of the Minister's Special Representative*, December 31, 2008, pp. 9-10; and INAC: Devolution and Territorial Relations Branch, *Food Mail Review—Interim Report*, March 2009, p. 33; and INAC, *Final Report: Summative Evaluation of INAC's Food Mail Program*, Audit and Evaluation Sector, March 31, 2009, p. 23 and pp. 27-29.

41 Food Mail program evaluations have noted a lack of compliance and monitoring under the Food Mail program for various issues that affect food quality in the North, such as delays due to inclement weather and mechanical difficulties with the plane, length of time food spends on the tarmac, ineffective ground transportation (uncovered vehicles), and poor packaging/handling. See, for example: Dargo & Associates Ltd., *Food Mail Program Review: Findings and Recommendations of the Minister's Special Representative*, December 31, 2008, pp. 20-21; INAC: Devolution and Territorial Relations Branch, *Food Mail Review—*

- *Cultural appropriateness*, in that the distribution of country food among northern communities, which supports traditional hunting practices and healthy living for northerners, is effectively not supported through the Food Mail program. As explained by Minister of Health Leona Aglukkaq, although country food is technically covered under the existing Food Mail program, the time and costs involved in shipping a food package from its source in the North to an entry point for redistribution back to a given northern community effectively make such a transaction impossible.⁴²

As stated in the *Summative Evaluation of INAC's Food Mail Program*, “[n]o evidence-based support was provided to suggest that any of [a number of]... alternatives would be more successful, cost effective, or have a greater impact on end users than the current transportation subsidy.” Various other recent INAC evaluations, however, point to a retail subsidy as a possible alternative to better achieve the objectives of the Food Mail program.⁴³ Indeed, as described above, the government has opted to transition to a retail subsidy model—the NNC program—as of April 2011. In support of the transition to the new program, however, INAC has recently estimated that allowing market negotiated shipping rates through a retail subsidy is expected to result in savings of over \$7 million per year. Through its analysis, INAC determined that, on average, the CPC pays about 36 cents per kilogram more than what retailers pay to ship to eligible communities. It was argued by INAC that these cost savings are made possible through greater bargaining power of retailers in negotiating shipping rates relative to the CPC, as major retailers, who account for about 90% of the grocery stores in the North, already ship large volumes of freight⁴⁴ (note: see illustrative example in Appendix E).

Under NNC, the total funding envelope will remain essentially unchanged from previous years. Incremental funding of \$45 million was announced in Budget 2010 in part to facilitate the transition to and implementation of the NNC program. This investment in base funding (\$12.4 million in 2009-2010 and \$32.4 million in future years) brings the program’s on-going budget to \$60 million per fiscal year. Although the new base funding level is currently capped at \$60 million, roughly matching total program spending in recent years, it provides more certainty to the government for budget planning by eliminating the need for mid-year funding appropriations through the supplementary estimates. Of the \$12.4 million in 2009-2010:

Interim Report, March 2009, pp. 24-25; and INAC, *Final Report: Summative Evaluation of INAC's Food Mail Program*, March 31, 2009, pp. 27-28.

42 The Committee, *Evidence*, 40th Parliament, 3rd Session, November 15, 2010, 1600.

43 See, for example: Dargo & Associates Ltd., *Food Mail Program Review: Findings and Recommendations of the Minister's Special Representative*, December 31, 2008, pp. 29-31; and INAC, Devolution and Territorial Relations Branch, *Food Mail Review—Interim Report*, March 2009, pp. 45-46.

44 The Committee, *Evidence*, Patrick Borbey (Senior Assistant Deputy Minister, Treaties and Aboriginal Government, INAC), 40th Parliament, 3rd Session, December 13, 2010, 1620-1625.

- \$9.4 million is used to cover the Food Mail Program's shortfall;
- \$1.5 million is used by INAC to prepare for the implementation of the new program; and
- \$1.5 million is used by Health Canada to support nutrition promotion and education activities.

Of the \$32.4 million in 2010-2011 and future years:

- \$26.3 million will be used to complement existing funding of \$27.6 million for direct subsidies to program recipients (retailers and suppliers);
- \$3.2 million will be used by INAC to operate the new program (accountability, communications, advisory board, claims processing, etc.); and
- \$2.9 million will be used by Health Canada to support nutrition promotion and education activities.

Once INAC receives all of the required government authorities to proceed, departmental officials will contact retailers and suppliers to open detailed discussions on the arrangements that will be put in place to operate and deliver the NNC Program beginning in April 2011.

C. KEY ISSUES IDENTIFIED BY WITNESSES

The presentation that follows compares and contrasts the varying views and expectations expressed by witnesses who participated in Committee hearings on this subject during November 2010, and concludes with some observations and recommendations on key issues raised.

1. General Observations

a. Overall program operation

A general theme that emerged from witness testimony was the concern that not enough was known about the implementation of the new program, and the process used to develop the criteria and conditions for determining program eligibility. Although information available through INAC's web site provided a general overview of key elements of the new system, witnesses stated that many more details were needed so that interested parties could more fully comprehend the implications of the move to a retail subsidy and its likely impacts on access to affordable, nutritious perishable food. In addition to these issues, concerns were raised by witnesses in relation to a lack of sufficient time to fully anticipate and transition to the new system, impacts of the change in supply chain management, how monitoring and evaluation exercises would operate, the degree of health promotion and outreach planning, and to what extent the government

could accurately evaluate the links between changes in food prices, program effectiveness and community health outcomes.⁴⁵

b. Comparisons with Food Mail program

According to testimony provided by the Honourable Leona Aglukkaq, Minister of Health, the existing Food Mail program was transitioned to NNC following a comprehensive review that revealed a lack of accessibility and affordability to nutritious perishable food in isolated northern communities. According to Minister Aglukkaq:

At the end of the day, I think people forget that this is to provide people...the seniors who live on fixed income, who don't have credit cards, who are unilingual, who cannot access the program through personal orders or through the stores because oftentimes... [t]here was a perceived view that the subsidy was not being passed on.⁴⁶

In addition to deficiencies related to the existing Food Mail program, the lack of food security and sufficient nutrition is compounded by limited employment opportunities, increasing food and fuel costs and changing wildlife migration patterns. As mentioned by Minister Aglukkaq, the lack of a nutritional diet for northerners is causing increasing health problems for northerners, such as tooth decay in infants, and increased incidence of obesity and chronic diseases such as diabetes.⁴⁷

During the engagement phase of the Food Mail review, the government notes that consumers and stakeholders agreed that the program should target its funding towards nutritious perishable food that is flown-in rather than on non-perishable items that do not require expensive air transportation. In general, INAC thought this would be the most effective way to promote healthy eating by northerners, which is consistent with the findings and recommendations of Graeme Dargo (Minister's Special Representative) in his report of December 31, 2008.⁴⁸

Some retailers who appeared before the Committee identified several advantages of the new program over existing methods. In particular, it was thought that NNC will eliminate inefficiencies that exist as a result of the current food mail program by creating

45 See, for example, comments from Mary Simon (Inuit Tapiriit Kanatami): The Committee, *Evidence*, 40th Parliament, 3rd Session, November 1, 2010, 1550.

46 The Committee, *Evidence*, 40th Parliament, 3rd Session, November 15, 2010, 1550.

47 Ibid, 1605.

48 Based on communication with INAC on December 3, 2010, and INAC, Devolution and Territorial Relations Branch, *Food Mail Review—Interim Report*, March 2009; and Dargo & Associates Ltd., *Food Mail Program Review: Findings and Recommendations of the Minister's Special Representative*, December 31, 2008., pp. 9-10.

more efficient processes and operations that will enable retailers to provide better quality products, better service, and better value to consumers in the North.⁴⁹

Some retailers, especially those from the larger chain operations, also agreed that several basic improvements would occur through application of NNC:

- *Supply chain streamlining*, through more efficient and cost effective delivery methods as a result of the elimination of requirements for such things as dedicated delivery days, middlemen, and staging points;
- *Transparency and accountability*, through the combined programs of INAC and the retailers to ensure communication to consumers on subsidy rates, through monitoring, and regular audit and evaluation exercises;
- *Health focus*, such that there will be an elevated focus on both healthy people and healthy communities through the partnership with Health Canada. This will encourage and support healthy eating on a community by community basis; and
- *Competition and growth*, by working directly with all wholesalers and retailers in the north to ensure a stable economic environment.⁵⁰

Smaller retailers, meanwhile, were concerned that their bargaining power under the new program would be substantially diminished. As explained below in the section on *Competition*, compared with major retailers, it is likely that smaller retailers will experience difficulties in trying to set competitive prices, which would jeopardize the viability of their businesses in the long run. For this reason, it was thought by some northerners that the Food Mail program presented important advantages over the new NNC program.

Some organizations associated with the transport industry have noted that the major deficiencies of the Food Mail program summarized above could have been addressed through relatively minor adjustments and additions to the existing program, rather than through a complete restructuring of the delivery system. They explain that moving to an entirely different delivery system makes it difficult to evaluate changes in cost, efficiency and effectiveness. As Scott Bateman (First Air) stated:

I find that the process is difficult to quantify at this stage of the game when we can't baseline these changes against anything concrete. What were the costs and issues that the changes to this program are trying to address? What have we accomplished with these changes? Where have we qualified the conditions that warranted these changes? Where have we quantified all of these comments that are included in the two major

49 See, for example, The Committee, *Evidence*, 40th Parliament, 3rd Session, Andy Morrison (Arctic Co-operatives Ltd.), November 3, 2010, 1530.

50 The Committee, *Evidence*, Michael McMullen (North West Company), 40th Parliament, 3rd Session, November 3, 2010, 1555.

reports? How can we possibly address the issue of what we've accomplished with the new program?⁵¹

Other witnesses have commented that the introduction of the new NNC program could have a negative effect on northerners' access to affordable nutritious food due to the elimination of non-perishable food items from the program eligibility list. It has been noted that, in addition to nutritious perishable foods, many northerners have also included nutritional non-perishable food items as a part of their normal diets, similar to the practice applied by southerners (e.g. dried goods such as pasta, frozen meals, etc.). Some witnesses commented that it remains uncertain to what extent redirecting a significant portion of funding away from subsidizing the delivery of non-perishable food items towards increasing administrative expenditures (e.g. new operational budget of the Advisory Board, additional operational requirements from INAC, etc.) will enhance the health of northerners. As stated by Jose Kusugak of Nunavut Tunngavik Inc.:

Inuit must not suffer because of price increases resulting from NNC. There is a real possibility that the prices of many items will increase dramatically in coming months. Because of sealift timing, storage, and other issues, retailers have not necessarily adequately stocked newly non-eligible items through other transportation methods.⁵²

At the same time, other transport organizations were fully supportive of the NNC program, as it was felt that the changes under the new system would help to level the playing field among competitors in the air transport industry. As Tracy Medve (President, Canadian North), explained:

Under the old food mail program, granting a sizeable government-funded contract, which allowed a single airline to provide discounted air freight rates for most of Canada's north for a five-year term and blocked the entry of competitive airlines, was market disruptive.⁵³

Furthermore, some suggested that increased competition through the new NNC program would lead to lower costs and improvements in efficiency, which would lead to better availability and freshness of nutritious perishable food in the North. As stated by James Ballingall (Vice-President, Business Development, Air Cargo Transportation, Cargojet Canada Ltd.):

...changes made to the old food mail program will allow market forces to determine the lowest possible air cargo transportation cost options. Savvy retailers and other shippers will take advantage of these cost reduction opportunities to grow market share and improve reliability and freshness of products to their customers in the north.⁵⁴

51 The Committee, *Evidence*, 40th Parliament, 3rd Session, November 3, 2010, 1700.

52 The Committee, *Evidence*, 40th Parliament, 3rd Session, November 17, 2010, 1555.

53 The Committee, *Evidence*, 40th Parliament, 3rd Session, November 17, 2010, 1535;

54 The Committee, *Evidence*, 40th Parliament, 3rd Session, November 22, 2010, 1540.

Some witnesses expressed concerns that insufficient time has been provided in the transition to the new program, since significant changes will have to be made to adjust supply chain requirements and transportation logistics. This has made an impact on the operations of some air carriers, who have stated that they will need to amend their product offerings and reinvest in additional infrastructure.⁵⁵ However, other airlines, such as Canadian North, have also stated they are ready to implement ground based infrastructure products that will help them participate in the new program.⁵⁶

Some have described the merits of focusing the new subsidy on the most nutritious perishable food, which holds the potential to help ensure that these products can reach their destinations in shorter periods of time. This in turn promotes freshness and quality, which can reduce costs to the consumer as the incidence of spoilage would generally decrease.⁵⁷ Although differences in opinion on the preferred delivery method have been expressed—from more direct air transport to a mix of surface-based transport with air shipments—some agree that the new program would better enable these decisions to be made as market forces would be more directly at play.⁵⁸

Representatives of northern communities have been generally supportive of the government's efforts to improve program efficiency and effectiveness, but have expressed concerns that not enough is known about the intended operation of the new program and to what extent input from northerners will be provided in its long-term management. Main issues of concern expressed by Aboriginal organizations relate to how the external Advisory Board will operate, how food prices will be monitored and its potential impacts on Aboriginal health, to what extent communication practices will be effective, and how the government plans on developing appropriate health promotion tools.⁵⁹

55 See, for example, the Committee, *Evidence*, 40th Parliament, 3rd Session, Scott Bateman (First Air), November 3, 2010, 1545.

56 The Committee, *Evidence*, Tracy Medve (President, Canadian North), 40th Parliament, 3rd Session, November 17, 2010, 1650.

57 See, for example, the Committee, *Evidence*, 40th Parliament, 3rd Session, Andy Morrison (Arctic Co-operatives Ltd.), November 3, 2010, 1640.

58 See the Committee, *Evidence*, 40th Parliament, 3rd Session, November 22, 2010: James Ballingall (Cargojet), 1625; and Richard Brouillard (Airport of Val d'Or and Valpiro Inc.), 1630.

59 Inuit Tapiriit Kanatami, *Brief Supplementary Remarks*, November 17, 2010.

2. Implementation

a. Delivery Logistics

i. Nutritious, Perishable Food

Richard Brouillard (Airport of Val d'Or and Valpiro Inc.) described to the Committee how existing operational efficiencies and knowledge in supply chain techniques for perishable food that have been gained over time through designated entry points offers an advantage over other systems. He suggests that the existing system could be made more accountable by creating a body charged with managing the program and entering into contract agreements with suppliers that would include conditions on reporting and accountability.⁶⁰

Others have disputed the claims of cost and efficiency gains of staging in the current designated entry points, however, referring to advantages of managing operations at larger air facilities located closer to major southern markets where nutritious food items generally originate (e.g. Montreal, Ottawa, Toronto, etc.). In particular, some argued that staging in major urban centres in the South increases product freshness as it lowers the need to use surface transportation, while economies of scale would help to reduce costs.⁶¹

Many others in the air transport industry point to the relative equality that is offered for consumers and retailers through the existing Food Mail program, in that “the delivery schedules allow for equality in the delivery of food to all retailers... [a]ll retailers are equal and benefit from the same product freshness, since the food is delivered at the same time... [and] they all pay the same transportation rates.”⁶²

ii. Non-Perishable Food and Non-Food Items

As the delivery of non-perishable food items and non-food items will no longer be subsidized through the new program as of April 2011, most users of the program will need to seek transportation methods other than air shipment, due to the prohibitive costs involved. In general, some form of surface transportation will need to be applied, depending on seasonal availability (i.e. all-season or seasonal road systems, summer barges and sealifts, etc.). It remains unclear in the thoughts of many what impacts this change in delivery system will have on affordability, access and quality.

60 The Committee, *Evidence*, 40th Parliament, 3rd Session, November 22, 2010, 1550.

61 See, for example The Committee, 40th Parliament, 3rd Session: *Evidence*, Scott Bateman (First Air), November 3, 2010, 1645; and *Evidence*, James Ballingall (Cargojet), November 22, 2010, 1625.

62 *Ibid.*, Jasmin Frappier (Director General, Valpiro Inc.), 1640.

Some witnesses expect that this program change will not introduce very significant differences in affordability, access and quality for northerners, as it was mentioned that, in many cases, these forms of transportation are already applied. As Andy Morrison of Arctic Co-operatives Ltd. explained:

Certainly with the cost of air we try to reduce the amount of non-perishable products by air. A real challenge in the food industry today is dating on product, so we maximize the amount of product that we can ship by sea to take advantage of... best-before dates... Only then do we start flying in dated product.⁶³

Patrick Borbey, an INAC official, also added that although additional storage expenses will be incurred by northern retailers due to the changes in program eligibility, various factors would serve to mitigate these increased expenses, such as:

- Offers by shipping companies to leave storage containers for the use of a northern retailer for “less than \$1,000,... to add to the storage capacity of the business”⁶⁴; and
- Evidence of sufficient capacity in northern retail establishments for storing additional inventory, as it was stated that a majority of “retailers in the [N]orth have made the necessary changes to make room for products that will no longer be covered...”⁶⁵

Other witnesses believe, however, that due to the increased use of the sealift and the extra costs related to adding storage capacity, this program change will result in substantially higher prices paid by northern consumers for a wide range of non-perishable items, especially for those in more isolated northern communities.⁶⁶

Some witnesses also pointed out that the timing of the announcement on May 21, 2010 in relation to the full implementation of the program by April 1, 2011 did not allow sufficient time for many of the smaller retailers to adjust their supply chain systems and address needs related to extra storage capacity, as goods can only be shipped by sealift mainly during the summer months in any given year.⁶⁷ An example of this was provided by Mary Simon of Inuit Tapiriit Kanatami:

63 The Committee, *Evidence*, 40th Parliament, 3rd Session, Andy Morrison (Arctic Co-operatives Ltd.), November 3, 2010, 1650.

64 The Committee, *Evidence*, Patrick Borbey (Senior Assistant Deputy Minister, Treaties and Aboriginal Government, INAC), 40th Parliament, 3rd Session, December 13, 2010, 1730.

65 Ibid.

66 The Committee, *Evidence*, 40th Parliament, 3rd Session, Jose Kusugak (Nunavut Tunngavik Inc.), November 17, 2010, 1555; and *Evidence*, Eric Pearson (Newviq'vi), November 3, 2010, 1550.

67 Ibid.; and see for example the Committee, 40th Parliament, 3rd Session: *Evidence*, Jose Kusugak (Nunavut Tunngavik Inc.), November 17, 2010, 1555; and *Evidence*, November 1, 2010—Richard Jock (Assembly of First Nations) at 1530, Elena Labranche (Nunavik Regional Board of Health and Social Services) at 1555,

...in my home community of Kuujjuaq, in northern Quebec, in Nunavik the local independent store began implementing price increases of 40% on items such as disposable diapers and canned vegetables, after subsidies were removed from these items in early October.⁶⁸

Elena Labranche, of the Nunavik Regional Board of Health and Social Services, expressed similar concerns:

The change to the food mail program is way too fast, in our opinion. There is not enough time in the transition period for the northerners to adjust and for the retailers to prepare for the changes. For example, there is no time to build the warehouses to stock up on dried goods. Also, in the homes of the people, there is no room to stock up on foods, for those who would be able to afford to stock up.⁶⁹

In response to these concerns, the government suggested that the relatively few cases where prices for such items have increased substantially are likely due to a lack of planning from a small number of affected retailers. The government explained that most retailers in the North were able to accommodate their need to order extra inventory for non-perishable goods in anticipation of the transition to the new program, as four months' notice had been provided before the last scheduled sealift for 2010.⁷⁰

b. Community Eligibility

Communities that are more isolated and lack choice in terms of available retailers and/or transporters would like to see more flexibility in the system to opt for alternative means of obtaining nutritious perishable food at lower costs. In particular, it was generally argued that, for communities that lack retail competition, the main benefits of the retail subsidy under NNC are effectively negated as there would be little incentive for retailers to offer food items at the lowest prices, with the best quality and variety.⁷¹

An illustration of this issue can be drawn from Old Crow, an isolated community in Yukon with no regular access to surface transportation. It was proposed by some witnesses that the community of Old Crow receive an exemption from the new program, such that the existing transportation subsidy would be maintained directly by Air North

and Chief Arlen Dumas (Mathias Colomb Cree Nation, Assembly of Manitoba Chiefs) at 1730. An example of a typical sealift schedule used to service communities in Nunavut is available through Nunavut Sealink & Supply Inc., Sealift Cargo Delivery Schedule.

68 The Committee, *Evidence*, 40th Parliament, 3rd Session, November 1, 2010, 1550.

69 *Ibid.*, 1555.

70 The Committee, *Evidence*, 40th Parliament, 3rd Session, November 15, 1545.

71 See the Committee: *Evidence*, 40th Parliament, 3rd Session, Darius Elias (Member of Yukon Legislative Assembly), November 1, 2010, 1610.

(rather than CPC). Under this proposal, accountability would be maintained through a contractual arrangement between Air North and INAC.⁷²

In response to this request, the government has stated in its testimony that since this community is eligible under the new program, as it does not have access to seasonal surface transportation, it will continue to be eligible for the full retail subsidy for perishable and non-perishable food items, as well as for essential non-food items. Although witnesses responded positively to this recent development, it remains unclear, however, to what extent this would lead to improvements in quality and price for food items offered at the retailer in Old Crow, Yukon, and how this would compare in terms of outcomes in relation to a transportation subsidy. Specifically, although INAC stated “[t]here’s a strong interest in signing up a number of retailers [in major Yukon communities such as Whitehorse and Dawson] under the program so that the services continue,”⁷³ some witnesses remained concerned that there will be less retailers and less competition with NNC than with the existing program, where all retailers are automatically eligible and don’t have to sign up.⁷⁴

It was generally recognized, however, that the continued availability of personal orders would serve to somewhat mitigate these concerns, such that it would offer a form of competition with the single retailer. As well, INAC officials stated that mechanisms established through contribution agreements with participating retailers in eligible communities will give the government leverage to enforce accountability. As stated by Jamie Tibbetts (Director General, Devolution and Territorial Relations Branch, INAC):

[Participating retailers will]...submit those invoices and other documents so we can do the accounting and cross-checking... Those levels of internal controls will be built into this.⁷⁵

Other examples of how communities have been coping with a lack of competition were also mentioned by various Aboriginal organizations during the Committee’s study. For example, Darryl McDonald provided an account of the experiences in dealing with the Food Mail program in his community of Fond du Lac Denesuline First Nation, in northern Saskatchewan:

The disadvantage we have as individuals is the high cost of groceries. We’re forced through seasonal roads and other means during the summer, to take our own vehicles and shop down south for our groceries, which may lower costs and provide means for

72 See: The Committee, 40th Parliament, 3rd Session: *Evidence*, Darius Elias (Member of Yukon Legislative Assembly), November 1, 2010, 1600; *Evidence*, Ben Ryan (Representative, Air North), November 22, 2010, 1530; Joseph Sparling (President, Air North), Yukon Food Mail Program Overview, submission to the Committee, November 16, 2010; and Darius Elias, Yukon Legislative Assembly, Hansard, October 6, 2010, pp. 6738-6742.

73 The Committee, *Evidence*, Jamie Tibbetts (INAC), 40th Parliament, 3rd Session, December 13, 2010, 1635.

74 See, for example, the Committee, *Evidence*, 40th Parliament, 3rd Session, Ben Ryan (Representative, Air North), November 22, 2010, 1530.

75 The Committee, *Evidence*, 40th Parliament, 3rd Session, November 15, 2010, 1605.

others, because the local Northern Stores company is the only company that's providing groceries to the community, and their groceries are way up.⁷⁶

Eligibility criteria were also seen as an issue in relation to the development of the new program. For example, Richard Jock, Chief Executive Officer of the Assembly of First Nations stated the following:

We also need to ensure that communities not currently eligible because of lack of participation in their previous food mail program can be eligible in the future and may be able to apply for the subsidy.⁷⁷

INAC official, Jamie Tibbetts, stated that “[t]he eligible communities were selected based on the 2009-10 data from Canada Post... The communities that received 15,000 kilograms of shipments through the food mail program last year are automatically eligible.”⁷⁸ INAC further clarified that it will continue to collect data from the communities that required less than 15,000 kilograms, and that the advisory committee will conduct annual reviews to reassess community eligibility based on usage of the new program. As well, INAC indicated that it would also evaluate the need for emergency assistance to cover short-term interruptions in surface transportation. In particular, the following information was provided by INAC through a follow-up communication:

Exceptions and emergency provisions are included in NNC to ensure communities without any sealift or winter road access or communities that could potentially face restricted sealift or winter road access on a temporary basis due to climate conditions, would continue to have access to nutritious non-perishable foods and essential non-food items at reduced prices.⁷⁹

It remains uncertain, however, what methods would be applied by INAC to assess eligibility for a community not originally participating under the new program as of April 2011, or to assess the need for temporary emergency assistance.⁸⁰ This lack of clarity continues to be a cause of concern for community and Aboriginal representatives in general.

76 The Committee, *Evidence*, 40th Parliament, 3rd Session, November 22, 2010, 1545.

77 The Committee, *Evidence*, 40th Parliament, 3rd Session, November 1, 2010, 1530.

78 The Committee, *Evidence*, 40th Parliament, 3rd Session, November 15, 2010, 1640.

79 INAC, communication on December 3, 2010.

80 Information obtained through a communication with INAC on December 3, 2010 indicates that the eligibility status of communities eligible for a full subsidy and those eligible for a nominal subsidy will be re-evaluated before 2012-2013 based on data collected from the retailers and suppliers, with the objective of ensuring equitable pricing of nutritious perishable food among eligible communities.

c. Food Eligibility

Many witnesses believed that the government should reconsider allowing various food and non-food items to be eligible for the subsidy under the new program. These items related mainly to the following general categories:

- Child care products (e.g. diapers, baby food, etc.);
- Traditional hunting and related food supplies (e.g. gasoline and ammunition, food items high in fat for protection in extreme weather conditions); and
- Various dried goods which serve as affordable and convenient complements to traditional meals (e.g. rice, noodles, soup mixes, pasta, etc.).

3. COMPETITIVENESS

In general, a majority of the witnesses thought that larger grocery chains would have an advantage over smaller, local stores in the move to a retail subsidy due to their purchasing and marketing power. It was argued by many witnesses that since larger retailers have the capacity to purchase in bulk and therefore likely negotiate better shipping rates and receive first priority in timing of shipments, smaller retailers are likely to be at a competitive disadvantage in attempting to offer the same food items at similar prices and quality. In general, witnesses thought that this would introduce greater uncertainty as to the long-term viability of their businesses.⁸¹

In response to these concerns, Jamie Tibbetts, Director General of the Devolution and Territorial Relations Branch at INAC, stated that smaller retailers would be able to compete more closely with the larger retailers with operations in the North by ordering its goods through a larger southern-based retailer by using the personal order feature of the new program (note: this would be the only option for retailers in the North who are either ineligible under program requirements, or decide to not register for the new program). In general, the government official stated that the success of smaller northern retailers is dependent on their ability to manage their operations in an efficient and effective manner.⁸²

In terms of the transport industry, similar to the retail industry, competitiveness issues vary depending on the circumstances of a given community. In general, larger, more centralized communities in the North such as Iqaluit have a relative abundance of

81 See, for example, the Committee, 40th Parliament, 3rd Session: *Evidence*, Mary Simon (Inuit Tapiriit Kanatami), November 1, 2010, 1710; *Evidence*, Kenn Harper (Arctic Ventures 2000 Ltd.), November 3, 2010, 1535; *Evidence*, Jasmin Frappier (Valpiro Inc.), November 22, 2010, 1600.

82 The Committee, *Evidence*, 40th Parliament, 3rd Session, November 15, 2010, 1625.

choice in airlines, and so it can be expected that retailers and consumers will be able to reduce their costs for food items by negotiating freight charges across different air freight service providers. On the other hand, many of the smaller communities that are more isolated have access to relatively few carriers, and often only one choice can be available as a result of constraints on demand.

With the move to a retail subsidy, although many expect that various markets will remain small enough such that only one air freight provider would continue to be viable, some witnesses expect that new markets will begin to emerge across the North, resulting in increased competitiveness among air freight providers and likely lower prices for nutritious perishable food. As mentioned by Tracy Medve of Canadian North:

With the kinds of volumes that the food mail program can generate, we will see now adding service to communities that we do not serve presently and that have a monopoly service. We know there are complaints about lack of access and high prices to those communities.⁸³

Potential benefits of the new program are also being observed through interest expressed by traditionally southern-based air freight providers, such as Cargojet, based out of Hamilton, Ontario. As noted by James Ballingall (Vice-President of Business Development):

...the business model in the south works very well. Those assets are paid for, so the costs we can provide—subcontract to other carriers—would be economically beneficial to them. The assets we employ down south are already 100% paid for.⁸⁴

4. FEATURES AND ATTRIBUTES

a. Monitoring, evaluation and enforcement

i. Performance Management

Witnesses questioned the degree to which transparency and accountability would be maintained through the delivery of the new program, such that consumers can be assured that they are receiving the lowest prices possible for nutritious perishable food. To this end, witnesses urged that the federal government establish and provide a fully transparent control mechanism, and communicate this with the public, to ensure that all retailers are passing on the full value of the subsidy.⁸⁵ As well, witnesses stated that the

83 The Committee, *Evidence*, 40th Parliament, 3rd Session, November 17, 2010, 1640.

84 The Committee, *Evidence*, 40th Parliament, 3rd Session, November 22, 2010, 1605.

85 For example, see comments from: Bernadette deGonzague (Chiefs of Ontario) and Mary Simon (Inuit Tapiriit Kanatami): The Committee, *Evidence*, 40th Parliament, 3rd Session, November 1, 2010, at 1545 and 1720, respectively; and Jose Kusugak (Nunavut Tunngavik Inc.), the Committee, *Evidence*, 40th Parliament, 3rd Session, November, 17, 2010, 1550.

government should enhance its efforts to quantify the impacts of the new program by developing indicators on food security and health and nutritional status for northerners.⁸⁶ In response, INAC officials indicated that, unlike food mail, under the new program INAC will work directly with retailers who will provide data needed to measure the program's impact and to provide assurances that the subsidy has been passed on to consumers.⁸⁷

Although most agree that the monitoring techniques presented above are desirable, as they would lead to certainty in the evaluation of program effectiveness, due to the integrated nature of the retail grocery sector, concerns were expressed that it would be difficult to determine precisely how much of an observed price change for a given food item is due solely to the effects of the new program, rather than through such factors as inventory shrink, product spoilage, changes in transportation costs, changes in exchange rates for imported food items, general market conditions, etc. For instance, as explained by Michael McMullen of the Northwest Company:

The major fluctuation that I hope everybody in the room is aware of in produce, and it extends to meat, is the Canadian dollar versus the U.S. dollar. Most of the retailers in this room that I know of—because we don't grow bananas in Whitehorse or anywhere else—get their supply from the U.S. in produce. If that dollar value changes substantially, you will see an increase in the price of produce. That has nothing to do with either the old food mail program or the Nutrition North program.⁸⁸

ii. Advisory Board

In terms of the creation and operation of the external Advisory Board, although all appointments were announced recently by INAC,⁸⁹ questions still remain on the degree of involvement by northerners to develop the terms of reference and general operational mandate of the Board.⁹⁰ As well, concerns have been raised in relation to the degree to which funding for Board operations will be stable and adequate to meet the ongoing need to monitor program effectiveness.⁹¹

In response to these concerns, the government pointed to the mandate of the Advisory Board which, as explained in the Background section above, will work with

86 The Committee, *Evidence*, Mary Simon (Inuit Tapiriit Kanatami), 40th Parliament, 3rd Session, November 1, 2010, 1550.

87 See, for example, the Committee, *Evidence*, Jamie Tibbetts (Director General, Devolution and Territorial Relations Branch, INAC), 40th Parliament, 3rd Session, December 13, 2010, 1635. Also see: The Committee, *Evidence*, Michael McMullen (Northwest Company), 40th Parliament, 3rd Session, November 3, 2010, 1725.

88 The Committee, *Evidence*, 40th Parliament, 3rd Session, November 3, 2010, 1725.

89 INAC, Minister Duncan Announces Nutrition North Canada External Advisory Board, *News release*, November 25, 2010.

90 See, for example: The Committee, *Evidence*, Laurie Pelly (Nunavut Tunngavik Inc.), 40th Parliament, 3rd Session, November 17, 2010, 1620.

91 Ibid.

northerners to ensure regular monitoring and evaluation and flexibility in the list of eligible foods, and review and assess how a country foods component can be expanded and implemented in the North. As well, the government indicated that it will provide support for the administrative operations of the Advisory Board, as required.⁹²

b. Program Communication and Health Promotion

i. Communication with Northerners

Federal government representatives stated that sufficient communication was conducted with a broad range of witnesses in the lead-up to the transition to the NNC. As indicated in the background section to this report, and as shown in Appendix F, the government has held 80 engagement meetings across the country, including sessions with leaders, stakeholders and residents of eligible communities as well as meetings with various program stakeholders, as well as through various internal audit and evaluation exercises.

From the point of view of community representatives, although most expressed appreciation for the government's efforts to develop a more effective program, and reacted positively to the engagement sessions that were held in the lead up to the new program, many felt that more communication was required so that the impacts of the new system could be more commonly and completely understood.

The perception that communication was less than sufficient was echoed by First Nations and Inuit groups across the North. These Aboriginal organizations described how some communities knew relatively little about the government's efforts, as preliminary communications tended to focus on preparing retailers and wholesalers for the transition to the new program.⁹³ As well, Aboriginal organizations mentioned that it would have been helpful if more time had been provided to allow northerners to transition to the system. These Aboriginal groups suggested that a more complete understanding and appropriate delivery of the new program and its operations could have been accomplished through further information exchanges with the government, and efforts to include these organizations in the development of a coordinated plan.⁹⁴

Moreover, community representatives such as Jose Kusugak of Nunavut Tunngavik Inc. thought that a more formal partnership should be developed with the

92 The Committee, *Evidence*, Patrick Borbey (Senior Assistant Deputy Minister, Treaties and Aboriginal Government, INAC), 40th Parliament, 3rd Session, December 13, 2010, 1635 and 1655.

93 Richard Jock (Assembly of First Nations), Chief Arlen Dumas and Grand Chief Ron Evans (Assembly of Manitoba Chiefs), Mary Simon (Inuit Tapiriit Kanatami), the Committee, *Evidence*, 40th Parliament, 3rd Session, November 1, 2010, at 1530, 1705 and 1715, and 1705 (respectively); and Jose Kusugak (Nunavut Tunngavik Inc.), the Committee, *Evidence*, 40th Parliament, 3rd Session, November 17, at 1550.

94 *Ibid*, at 1650.

government on the ongoing management and development of the program—in particular as it relates to eligibility lists, accountability to consumers, and communication strategies—accompanied by quarterly reports after April 2011.⁹⁵

ii. Promotion and advertising of subsidy to consumers

Promotion and advertising strategies to be applied by northern retailers, to communicate with its customers on the value and impact of the subsidy, will include such initiatives as posters that illustrate cost savings for various key nutritional products, printing of aggregate subsidy rates available to the community directly on cash receipts, and various other community outreach activities.⁹⁶

In terms of the subsidy rates to be shown on cash receipts, Jamie Tibbetts, Director General of the Devolution and Territorial Relations Branch of INAC explained that:

[The community subsidy rate]... will be on the cash register receipt, the amount of...the rate per community. It will not do the math for you, but you'll be able to know that your community is receiving \$3, or whatever the amount might be, of subsidy for goods.⁹⁷

iii. Health promotion

Educating and guiding northerners in the pursuit of healthy eating was touted by the government as a key pillar to ensuring program success. In collaboration with regional and local health authorities, the federal government intends on facilitating the promotion of healthy lifestyles and nutritious eating for northerners. Witnesses throughout the study agreed with this view, and stated further that a holistic approach was required to incorporate healthy living and exercise as an integral part of the daily lives of northerners, with a special emphasis on elderly and youth.⁹⁸

c. Country foods

Finally, to better reflect the special dietary needs of Aboriginal northerners, along with the introduction of NNC the government announced its support for expanding the commercial production and shipment of country food throughout the North. The government decided to focus its initial efforts on commercial facilities as a first step to

95 The Committee, *Evidence*, Jose Kusugak (Nunavut Tunngavik Inc.), 40th Parliament, 3rd Session, November 17, 1550.

96 Michael McMullen (North West Company), Eric Pearson (Newviq`vi), Kenn Harper (Arctic Ventures 2000 Ltd.), and Andy Morrison (Arctic Co-operatives Ltd.): The Committee, *Evidence*, 40th Parliament, 3rd Session, November 3, 2010, from 1710 to 1715.

97 The Committee, *Evidence*, 40th Parliament, 3rd Session, November 15, 2010, 1600.

98 See, for example, comments from Richard Jock (Assembly of First Nations), Grand Chief Ron Evans (Assembly of Manitoba Chiefs), and Bernadette deGonzague (Chiefs of Ontario): The Committee, *Evidence*, 40th Parliament, 3rd Session, November 1, 2010, at 1720.

enhancing the availability of country foods. This effort was deemed more feasible as a starting point due to the advantages of presently existing facilities in Cambridge Bay, Rankin Inlet, Iqaluit and Pangnirtung.⁹⁹

As a next step, the government intends on working with the Advisory Board to explore various methods to expand the shipment of country foods by supporting sharing networks and harvesters, such as those through the hunters and trappers organizations.

Witnesses expressed widespread support for a subsidy to facilitate the shipment of local country food, but thought that government efforts should be targeted more specifically to non-commercial trade, as this was the more common form of distribution for Aboriginal northerners.¹⁰⁰ In particular, some witnesses were concerned that they would not receive the full benefit of the commercial shipment of traditional foods as they did not have commercial facilities within their communities. For example, as stated by Mary Simon (Inuit Tapiriit Kanatami):

...we don't have facilities in our communities to package our caribou and other country food in a way that is acceptable to, let's say, the Agriculture Canada standards.¹⁰¹

Several airline representatives explained that they currently offer discounted rates on shipping country foods to help northerners deal with the high distribution costs of shipping fresh meat across the North. Without some form of support for such activities, it was explained that it would not be economically feasible in many cases to establish and maintain sharing networks for food like char, caribou, narwhal and beluga, as they tend to be spread across thousands of kilometres.¹⁰²

Although a general consensus was achieved on the need for expanded federal support for country food, a few witnesses expressed some reservations in providing an increased emphasis on traditional hunting in the light of dwindling stocks and changing migratory patterns. As stated by Grand Chief Ron Evans of the Assembly of Manitoba Chiefs:

The other thing I just wanted to caution on, when I hear what's being said around encouraging traditional food, is that some of the communities are experiencing a decline

99 The Committee, *Evidence*, Honourable Leona Aglukkaq (Minister of Health), 40th Parliament, 3rd Session, November 15, 2010, 1550.

100 See, for example, the Committee: *Evidence*, 40th Parliament, 3rd Session, November 1, 2010, 1545; and *Evidence*, Jose Kusugak (Acting President, Nunavut Tunngavik inc.), 40th Parliament, 3rd Session, November 17, 2010, 1550.

101 The Committee, *Evidence*, 40th Parliament, 3rd Session, November 1, 2010, 1700.

102 For example, see comments from: Bernadette deGonzague (Chiefs of Ontario) and Mary Simon (Inuit Tapiriit Kanatami): The Committee, *Evidence*, 40th Parliament, 3rd Session, November 1, 2010, at 1545, and 1550 and 1700, respectively; and Jose Kusugak (Nunavut Tunngavik Inc.) and Tracy Medve (Canadian North), The Committee, *Evidence*, 40th Parliament, 3rd Session, November 17, 2010, 1550 and 1640, respectively.

in some of that traditional food. So if we're encouraging thinking that our people can go back to the land, which will save the government money, I think that's wrong. I think we should do what we can to ensure we can get all the nutritious food into the communities. If you're going to cut, I think you need to really meet with those communities, make sure that they fully understand they're going to get cut from these programs.¹⁰³

One method that was proposed by several witnesses to facilitate the storage and distribution of country foods was federal support for the establishment of community walk-in freezers or other similar forms of infrastructure to provide year-long access to caribou and other traditional meats. This was seen by some witnesses as an investment opportunity that would pay dividends through increased health outcomes and would lower costs related to health care.¹⁰⁴

D. COMMITTEE OBSERVATIONS AND RECOMMENDATIONS

The government decided to conduct a review of the Food Mail program as a result of escalating costs observed over time, and to develop a new program to address concerns expressed by northern communities and businesses regarding program awareness, transparency and accountability on shipping and food prices, food quality and delivery logistics, and the need for a focus on access to nutritious perishable food, as well as culturally appropriate food in the North. During its study of the new Nutrition North Canada program, the Committee heard from witnesses on a range of concerns related to the transition to the new system. The main theme that emerged from these discussions was the concern that not enough was known about the implementation of the new program, the process used to develop the criteria and conditions for determining program eligibility, and the impact of the new program on access to affordable, nutritious food. Witnesses also expressed concerns related to the relatively short timeframe for transition to the new program, and thought that more time should be provided to allow all interested parties to more effectively plan; this issue was especially relevant to communities and businesses in the smallest, most isolated northern communities.

Witnesses also expressed concerns related to a lack of understanding of how the monitoring and evaluation exercises would operate, the degree of health promotion and outreach planning to be conducted by the government and how northerners would be involved in the development of this process, and to what extent the Government of Canada could accurately evaluate the links between changes in food prices, program effectiveness and community health outcomes.

The Committee therefore makes the following recommendations:

103 The Committee, *Evidence*, 40th Parliament, 3rd Session, November 1, 2010, 1700; the Committee, *Evidence*, Mary Simon (Inuit Tapiriit Kanatami), 40th Parliament, 3rd Session, November 1, 2010, 1615.

104 See, for example, The Committee: *Evidence*, Rita Novalinga (Fédération des coopératives du Nouveau-Québec), 40th Parliament, 3rd Session, November 17, 2010, 1635; and *Evidence*, Darryl McDonald (Fond du Lac Denesuline First Nation), 40th Parliament, 3rd Session, November 22, 2010, 1550.

- That Indian and Northern Affairs Canada consider amending the parameters of community eligibility under the Nutrition North Canada program, including the definition of “isolated northern community” as it relates to the condition that these communities “must have availed themselves of the Food Mail Program and ordered at least 100 kg of food mail shipments in 2009-2010.”
- That Indian and Northern Affairs Canada consider a mechanism to amend the subsidy rates under the Nutrition North Canada program so that the External Advisory Board would have the ability to make recommendations based on the real costs (e.g. distance, geography etc.) rather than the historical usage under the Food Mail program.
- That the Standing Committee on Aboriginal Affairs and Northern Development conduct a comprehensive review of the Nutrition North Canada Program after three years.
- That Indian and Northern Affairs Canada, upon full implementation of the Nutrition North Canada program, establish tracking and evaluation tools to assess the impact of the program on food security and nutritional status.
- That Indian and Northern Affairs Canada, as part of its tracking and evaluation tools, conduct a survey of the quality and cost of nutritious perishable foods derived under the Nutrition North Canada program one year after its full implementation, compare the findings of that survey to quality and cost derived under the Food Mail program, and that said comparison be reported back to the Standing Committee on Aboriginal Affairs and Northern Development.
- That Indian and Northern Affairs Canada, Health Canada, and regional health authorities work collaboratively to ensure that the benefits of the program are effectively communicated.
- That Aboriginal organizations, the External Advisory Board, and the Inter-Departmental Oversight Committee communicate effectively and regularly on the maintenance and development of the Nutrition North Canada program.
- That Indian and Northern Affairs Canada, through the External Advisory Board, be flexible in the delivery of the Nutrition North Canada program, including the determination of community and food eligibility lists, to allow for special circumstances.
- That Indian and Northern Affairs Canada focus any surplus funding derived through the transition to the Nutrition North Canada program on maximizing the subsidy for nutritional perishable foods.

- That Indian and Northern Affairs Canada assess and address the additional storage costs that may be required from the changes made on October 3, 2010.
- That Indian and Northern Affairs Canada develop and implement transparent monitoring mechanisms for retailers and transporters to ensure consumers receive the full benefits of the Nutrition North Canada program.
- That Indian and Northern Affairs Canada, in conjunction with the External Advisory Board, review the country food component of the program to consider options to expand and support the sharing networks and harvesters making up traditional, non-commercial Aboriginal food systems.
- That the Nutrition North Canada food subsidy program include an exemption for the community of Old Crow, Yukon, and that it have flexibility to maintain the personal shipping transportation subsidy from Whitehorse to Old Crow, Yukon, for nutritious perishable food, non-food items, non-perishable foods, and essential non-food items.

APPENDIX A: CHANGES TO THE LIST OF PRODUCTS ELIGIBLE FOR SHIPMENT UNDER THE FOOD MAIL PROGRAM – EFFECTIVE OCTOBER 3, 2010

As of October 3, 2010, non-food items, most non-perishable foods and some perishable foods of little nutritional value will no longer be eligible for subsidized airlift to eligible communities under the Food Mail Program.

Items identified with an asterisk (*) will remain eligible for communities without marine service after October 3, 2010, until March 31, 2011.

Food Group		Eligible before Oct. 3, 2010	Eligible as of Oct. 3, 2010	Comments
FRUITS AND VEGETABLES	Perishable			
	Fresh vegetables	Yes	Yes	
	Whole pumpkins	Yes	No	
	Frozen vegetables	Yes	Yes	Includes frozen French fries
	Fresh and frozen fruit	Yes	Yes	
	Fresh juice (pure or reconstituted)	Yes	Yes	
	Frozen juice concentrate	Yes	Yes	Must be without added sugar
	Juice in TetraPaks and similar containers	Yes	Yes	
	Non-Perishable			
	Dried fruit	Yes	Yes	Examples: raisins, dates, apricots
	Unseasoned dried vegetables	Yes	Yes	Examples: onion flakes, dried vegetable mixes, instant potato flakes, seaweed
	Canned vegetables and fruit*	Yes	No	<i>*These items remain eligible only for communities without marine service until March 31, 2011.</i>
	Unsweetened juice in bottles or cans*	Yes	No	

Food Group	Eligible before Oct. 3, 2010	Eligible as of Oct. 3, 2010	Comments	
GRAIN PRODUCTS	Perishable			
	Cook-type cereals	Yes	Yes	
	Bread and bread products without sweetened filling or coating (e.g., bagels, English muffins, bread rolls, raisin bread, hamburger and hot dog buns, tortillas, wraps, pizza crusts, frozen bread dough)	Yes	Yes	
	Croissants and garlic bread	Yes	No	
	Non-Perishable			
	Crackers, crispbread, hard bread, Pilot biscuits, melba toast	Yes	Yes	
	Arrowroot and social tea cookies	Yes	Yes	
	Fresh and frozen pasta	Yes	Yes	
	Ready-to-eat breakfast cereals	Yes	Yes	
	All-purpose flour	Yes	Yes	
	Whole wheat, rye and other semi-perishable flours	Yes	Yes	
	Cake and pastry flour*	Yes	No	<i>*These items remain eligible only for communities without marine service until March 31, 2011.</i>
	Dry rice, dry pasta (macaroni, spaghetti, noodles), other grains, popping corn (unpopped)*	Yes	No	
	Prepared mixes for cakes, pancakes, muffins, bread and rolls, bannock*	Yes	No	
MILK AND ALTERNATIVES	Perishable			
	Milk – fresh, UHT, buttermilk, chocolate, powdered	Yes	Yes	Excludes canned milk
	Yogurt and yogurt drinks	Yes	Yes	
	Fortified soy beverages	Yes	Yes	
	Cheese, processed cheese, cottage cheese	Yes	Yes	
	Processed cheese spreads	Yes	No	
	Cream, sour cream, cream cheese	Yes	No	
	Ice cream and ice milk, sherbet, frozen yogurt	Yes	No	
	Non-Perishable			
	Canned evaporated milk	Yes	Yes	

Food Group	Eligible before Oct. 3, 2010	Eligible as of Oct. 3, 2010	Comments
	Canned condensed milk*	Yes	*This item remains eligible only for communities without marine service until March 31, 2011.
MEAT AND ALTERNATIVES	Perishable		
	Fresh and frozen meat and poultry, and frozen fish, including fish sticks and fish cakes, country food, peameal and back bacon, cured and smoked products	Yes	Excludes fresh fish and products that are in pastry, breaded or battered
	Side Bacon (pork and poultry)	Yes	Bacon in strips, usually in 250g, 500g and 1kg sizes
	Eggs and e.g. substitutes	Yes	
	Unsweetened seeds and nuts	Yes	
	Peanut butter	Yes	
	Tofu and vegetable-based meat substitutes	Yes	Examples: vegetable patties, nut burgers
	Non-Perishable		
	Canned meat, fish and poultry*	Yes	*These items remain eligible only for communities without marine service until March 31, 2011.
	Canned or dried legumes*	Yes	*These items remain eligible only for communities without marine service until March 31, 2011.
OILS AND FATS	Perishable		
	Butter	Yes	Yes
	Soft, non-hydrogenated margarine	Yes	Yes
	Hydrogenated margarine, hard or soft	Yes	No
	Salad dressing, mayonnaise	Yes	Yes
	Non-Perishable		
	Lard, shortening	Yes	Yes

Food Group	Eligible before Oct. 3, 2010	Eligible as of Oct. 3, 2010	Comments
	Cooking oil	Yes	Yes Examples: canola, olive
COMBINATION FOODS	Perishable		
	Fresh and frozen combinations of eligible perishable foods (i.e. pizza, frozen dinners)	Yes	Yes Excludes those containing products that are breaded, battered or in pastry or desserts, poutine, prepared sandwiches, hamburgers, hot dogs, prepared salads, other prepared foods for immediate consumption that are subject to GST.
	Dips	Yes	No
	Non-Perishable		
	Fresh and frozen combination foods containing rice or pasta	Yes	Yes
	Canned soup, pasta, stew, corned beef hash, dried soup mixes*	Yes	No
Pasta, macaroni and cheese dinners, noodle mixes, pizza mixes*	Yes	No	
Spreads and sauces*	Yes	No	
OTHER	Perishable		
	Plain water	Yes	No
	Prescription drugs	Yes	No
	Non-prescription drugs	Yes	Yes Examples: cough medicine, pain relief tablets
	Yeast for bread making	Yes	Yes

Food Group		Eligible before Oct. 3, 2010	Eligible as of Oct. 3, 2010	Comments
	Infant formula, cereal and other foods prepared specially for infants	Yes	Yes	
	Non-Perishable			
	Artificial sweeteners	Yes	Yes	
	Spices, salt, sugar, baking powder, cornstarch*	Yes	No	<i>*These items remain eligible only for communities without marine service until March 31, 2011.</i>
	Jam, honey, syrups, toppings (excluding artificial cream products)*	Yes	No	
	Flavourings, extracts*	Yes	No	
	Jelly powders, pudding mixes, puddings (canned or ready-to-eat)*	Yes	No	
	Condiments, ketchup, vinegar, relish, pickles	Yes	No	
	Coffee, tea*	Yes	No	
	Fruit drink crystals with vitamin C added*	Yes	No	

Product Type	Non-Food Items	Eligible before Oct. 3, 2010	Eligible as of Oct. 3, 2010	Comments
Infant care products	Diapers, wipes*	Yes	No	<i>*These items remain eligible only for communities without marine service until March 31, 2011.</i>
Other paper products	Feminine hygiene products, disposable undergarments, toilet paper, nursing pads*	Yes	No	
Dental care items	Toothpaste, dental floss, denture adhesive and cleaner, toothbrushes*	Yes	No	
Other personal care items	Hand and body lotions, soap, shampoo, deodorant*	Yes	No	
Household items	Laundry detergent, dishwashing liquid and powder*	Yes	No	
Nutrition supplements	Vitamins, minerals (except meal replacements, power bars, energy bars)*	Yes	No	
Medical products	Medical devices*	Yes	No	
Hunting/ fishing equipment	Fishing nets, rods and lures, snowmobile, ATV and outboard motor parts*	Yes	No	

Source: Indian and Northern Affairs Canada, *News Releases - 2010*.

APPENDIX B: NUTRITION NORTH CANADA PROGRAM

PHASE 2 - As of April 1, 2011, flat shipping rates will be replaced by subsidy rates accustomed by community and most non-perishable foods and non-food items will be eliminated from the eligibility list for all eligible communities.

Food Group	Category 1 (Higher Subsidy)	Category 2 (Lower Subsidy)
Vegetables and Fruit	Frozen vegetables (including baked French fries) Fresh and frozen fruit Frozen juice concentrate (unsweetened) Unsweetened juice in individual-size TetraPaks and similar containers Dried fruit (raisins, dates, apricots, etc.) Dried unseasoned vegetables (e.g., onion flakes, dried vegetable mixes, instant potato flakes, seaweed) Fresh vegetables - <i>excluding ornamental pumpkins</i>	Unsweetened fresh juice Unsweetened juice in large TetraPaks and similar containers
Grain Products	Cook-type cereal, ready-to-eat breakfast cereal Bread and bread products without sweetened fillings or coatings (e.g., bagels, English muffins, bread rolls, raisin bread, hamburger buns, hot dog buns, pizza crusts, frozen bread dough, tortilla) - <i>excluding garlic bread and croissants</i>	Crackers, crispbread, hard bread, Pilot biscuits, melba toast, Arrowroot and social tea cookies Fresh and frozen pasta All-purpose flour, whole wheat, rye and other semi-perishable flours - <i>excluding cake and pastry flour</i>
Milk and Alternatives	Fresh milk, UHT milk, buttermilk, chocolate milk Powdered milk, canned evaporated milk Yogurt, yogurt drinks Cheese, processed cheese, cottage cheese Fortified soy beverages	
Meat and Alternatives	Eggs and egg substitutes Tofu and similar vegetable-based meat substitutes (vegetable patties, nut burgers, etc.) Unsweetened seeds and nuts, peanut butter Fresh and frozen meat, fish and poultry (including country food, peameal and back bacon, other cured and smoked products, fish sticks, fish cakes) - <i>excluding side bacon and products that are breaded, battered or in pastry</i>	
Oils and fats	Soft, non-hydrogenated margarine	Salad dressing, mayonnaise, cooking oil (e.g., canola, peanut, olive, flaxseed), lard, shortening, butter
Combination foods		Fresh and frozen combination foods (e.g., pizza, lasagne) - <i>excluding those containing products that are breaded, battered or in pastry or desserts, poutine, prepared sandwiches, hamburgers, hot dogs, prepared salads, other prepared foods for immediate consumption that are subject to GST</i>

Food Group	Category 1 (Higher Subsidy)	Category 2 (Lower Subsidy)
Other	Infant formula, infant cereals, other foods prepared specifically for infants	Yeast for bread making Artificial sweeteners Non-prescription drugs

As of April 1, 2011, under the new program, the elimination of non-food items and most non-perishable foods will be extended to eligible communities without marine service (with the exception of communities without seasonal surface transportation).

PHASE 2 - Additional non-perishable foods and non-food items for eligible communities without seasonal surface transportation (winter roads or marine service) to come into effect April 1, 2011.

Food Group	Non-perishable Foods - Subsidy level category to be determined
Vegetables and Fruit	Canned vegetables and fruit Tomato-based sauces (including pasta sauces) Unsweetened canned and bottled juice
Grain Products	Unseasoned plain rice and other grains Unseasoned plain dry pasta (macaroni, spaghetti, etc.) Pancake mixes, bannock mixes Unseasoned plain popping corn, kernels only (unpopped)
Meat and Alternatives	Canned fish Canned legumes (beans, peas, lentils) Dried legumes (beans, peas, lentils)
Combination foods	Pizza mixes
Other	Baking powder Spices, flavouring, extracts

Product type	Essential Non-food Items - Subsidy level category to be determined
Infant care products	Diapers, wipes
Other paper products	Feminine hygiene products, disposable undergarments, toilet paper, facial tissues, nursing pads
Dental care items	Toothpaste, dental floss, denture adhesive and cleaner, toothbrushes
Other personal care items	Hand and body lotions, soap, shampoo, deodorant
Household items	Laundry detergent, dishwashing liquid and powder

Source: Indian and Northern Affairs Canada, *News Releases - 2010*.

APPENDIX C: NUTRITION NORTH CANADA INTRODUCTORY SUBSIDY RATES AS OF APRIL 1, 2011

Communities eligible for a full subsidy

Community	Region	Subsidy rates (\$/kg)	
		Level 1	Level 2
Gods Lake Narrows	Northern Manitoba	0.50	0.05
Gods River	Northern Manitoba	0.50	0.05
Island Lake (Garden Hill)	Northern Manitoba	0.90	0.05
Lac Brochet	Northern Manitoba	1.00	0.05
Little Grand Rapids	Northern Manitoba	0.80	0.05
Negginan (Poplar River)	Northern Manitoba	1.00	0.05
Oxford House	Northern Manitoba	0.70	0.05
Red Sucker Lake	Northern Manitoba	0.90	0.05
St. Theresa Point	Northern Manitoba	0.90	0.05
Waasagomach	Northern Manitoba	0.90	0.05
Hopedale	Northern Labrador	0.80	0.05
Makkovik	Northern Labrador	0.70	0.05
Nain	Northern Labrador	2.80	1.70
Natuashish	Northern Labrador	1.20	0.10
Postville	Northern Labrador	0.90	0.05
Rigolet	Northern Labrador	1.10	0.05
Black Tickle	Southern Labrador	2.70	1.60
Aklavik	Northwest Territories	1.20	0.10
Paulatuk	Northwest Territories	3.70	2.60
Sachs Harbour	Northwest Territories	4.10	3.00
Tuktoyaktuk	Northwest Territories	1.80	0.70
Ulukhaktok (Holman)	Northwest Territories	3.80	2.70
Colville Lake	Northwest Territories	9.30	8.20
Deline	Northwest Territories	0.30	0.05
Fort Good Hope	Northwest Territories	0.40	0.05
Norman Wells	Northwest Territories	1.50	0.40
Tulita	Northwest Territories	2.00	0.90
Arctic Bay	Nunavut	7.80	6.70
Cape Dorset	Nunavut	3.70	2.60

Community	Region	Subsidy rates (\$/kg)	
		Level 1	Level 2
Clyde River	Nunavut	5.50	4.40
Grise Fiord	Nunavut	11.30	10.20
Hall Beach	Nunavut	3.90	2.80
Iglolik	Nunavut	3.90	2.80
Iqaluit	Nunavut	1.80	0.70
Kimmitut	Nunavut	4.00	2.90
Pangnirtung	Nunavut	3.50	2.40
Pond Inlet	Nunavut	6.80	5.70
Qikiqtarjuaq	Nunavut	3.40	2.30
Resolute	Nunavut	9.30	8.20
Sanikiluaq	Nunavut	1.10	0.05
Cambridge Bay	Nunavut	1.10	0.05
Gjoa Haven	Nunavut	2.70	1.60
Kugaaruk	Nunavut	3.40	2.30
Kugluktuk	Nunavut	1.90	0.80
Taloyoak	Nunavut	3.00	1.90
Arviat	Nunavut	0.20	0.05
Baker Lake	Nunavut	1.40	0.30
Chesterfield Inlet	Nunavut	1.50	0.40
Coral Harbour	Nunavut	3.00	1.90
Rankin Inlet	Nunavut	1.40	0.30
Repulse Bay	Nunavut	3.20	2.10
Whale Cove	Nunavut	0.70	0.05
Attawapiskat	Northern Ontario	1.00	0.05
Bearskin Lake	Northern Ontario	0.70	0.05
Big Trout Lake	Northern Ontario	0.90	0.05
Fort Albany	Northern Ontario	0.90	0.05
Fort Severn	Northern Ontario	1.90	0.80
Muskrat Dam	Northern Ontario	0.80	0.05
Peawanuck	Northern Ontario	2.30	1.20
Kashechewan	Northern Ontario	0.90	0.05
Akulivik	Northern Quebec	3.90	2.80
Aupaluk	Northern Quebec	3.90	2.80
Inukjuak	Northern Quebec	2.20	1.10
Ivujivik	Northern Quebec	4.80	3.70
Kangiqsualujuaq	Northern Quebec	3.20	2.10

Community	Region	Subsidy rates (\$/kg)	
		Level 1	Level 2
Kangijsujuaq	Northern Quebec	4.50	3.40
Kangirsuk	Northern Quebec	3.90	2.80
Kuujuaq	Northern Quebec	1.90	0.80
Kuujuarapik	Northern Quebec	0.20	0.05
Puvirnituq	Northern Quebec	3.20	2.10
Quaqtaq	Northern Quebec	4.80	3.70
Salluit	Northern Quebec	4.50	3.40
Tasiujaq	Northern Quebec	3.60	2.50
Umiujaq	Northern Quebec	1.00	0.05
Chevery **	Quebec North Shore	1.60	0.50
Gethsémani (La Romaine) **	Quebec North Shore	1.20	0.05
Saint-Augustin-Saguenay **	Quebec North Shore	2.10	1.00
Old Crow	Yukon	2.00	0.90

Communities eligible for a partial subsidy

Community	Region	Subsidy rates (\$/kg)	
		Level 1	Level 2
Berens River	Northern Manitoba	0.05	0.05
Bloodvein	Northern Manitoba	0.05	0.05
Pauingassi	Northern Manitoba	0.05	0.05
Shamattawa	Northern Manitoba	0.05	0.05
Trout Lake	Northwest Territories	0.05	0.05
Gameti (Rae Lakes)	Northwest Territories	0.05	0.05
Lutsel K'e	Northwest Territories	0.05	0.05
Wha Ti	Northwest Territories	0.05	0.05
Angling Lake	Northern Ontario	0.05	0.05
Kasabonika	Northern Ontario	0.05	0.05
Kingfisher Lake	Northern Ontario	0.05	0.05
Pikangikum	Northern Ontario	0.05	0.05
Sachigo Lake	Northern Ontario	0.05	0.05
Weagamow Lake	Northern Ontario	0.05	0.05
Wunnummin Lake	Northern Ontario	0.05	0.05
Blanc-Sablon **	Quebec North Shore	0.05	0.05
Harrington Harbour **	Quebec North Shore	0.05	0.05
Kegaska **	Quebec North Shore	0.05	0.05

Community	Region	Subsidy rates (\$/kg)	
		Level 1	Level 2
La Tabatière **	Quebec North Shore	0.05	0.05
Lourdes-de-Blanc-Sablon **	Quebec North Shore	0.05	0.05
Mutton Bay **	Quebec North Shore	0.05	0.05
Tête-à-la-Baleine **	Quebec North Shore	0.05	0.05
Black Lake	Saskatchewan	0.05	0.05
Fond-du-Lac	Saskatchewan	0.05	0.05
Stony Rapids	Saskatchewan	0.05	0.05

* This subsidy rate schedule may be revised and updated prior to April 1, 2011 and periodically thereafter.

** Quebec North Shore communities will be eligible for a subsidy from Nutrition North Canada during the months when there is no marine service to these communities (generally from January to March).

Subsidy rate levels:

- Level 1 applies to items listed under Category 1 in the program's Item Eligibility List. These items will receive the higher level of subsidy. For more information see the complete Nutrition North Canada: [Item Eligibility list](#).
- Level 2 applies to items listed under Category 2 in the program's Item Eligibility List. These items will receive the lower level of subsidy. For more information see the complete Nutrition North Canada: [Item Eligibility list](#).
- Level 2 also applies to eligible non-perishable and non-food items for eligible communities without seasonal surface or marine transportation (i.e. Old Crow, Yukon), as presented in the program's [Item Eligibility List](#).

Source: Indian and Northern Affairs Canada, *Nutrition North Canada*.

APPENDIX D: NUTRITION NORTH CANADA

Community eligibility (preliminary list) as of April 1, 2011 77 communities eligible for full subsidy level in 2011-2012

Community	Region	Community	Region
Gods Lake Narrows	Northern Manitoba	Resolute	Baffin
Gods River	Northern Manitoba	Sanikiluaq	Baffin
Island Lake	Northern Manitoba	Cambridge Bay	Kitikmeot
Lac Brochet	Northern Manitoba	Gjoa Haven	Kitikmeot
Little Grand Rapids	Northern Manitoba	Kugaaruk	Kitikmeot
Negginan (Poplar River)	Northern Manitoba	Kugluktuk	Kitikmeot
Oxford House	Northern Manitoba	Taloyoak	Kitikmeot
Red Sucker Lake	Northern Manitoba	Arviat	Kivalliq
St. Theresa Point	Northern Manitoba	Baker Lake	Kivalliq
Waasagomach	Northern Manitoba	Chesterfield Inlet	Kivalliq
Hopedale	Northern Labrador	Coral Harbour	Kivalliq
Makkovik	Northern Labrador	Rankin Inlet	Kivalliq
Nain	Northern Labrador	Repulse Bay	Kivalliq
Natuashish	Northern Labrador	Whale Cove	Kivalliq
Postville	Northern Labrador	Attawapiskat	Northern Ontario
Rigolet	Northern Labrador	Bearskin Lake	Northern Ontario
Black Tickle	Southern Labrador	Big Trout Lake	Northern Ontario
Aklavik	Beaufort-Delta	Fort Albany	Northern Ontario
Paulatuk	Beaufort-Delta	Fort Severn	Northern Ontario
Sachs Harbour	Beaufort-Delta	Muskrat Dam	Northern Ontario
Tuktoyaktuk	Beaufort-Delta	Peawanuck	Northern Ontario
Ulukhaktok (Holman)	Beaufort-Delta	Kashechewan	Northern Ontario
Colville Lake	Sahtu	Akulivik	Nunavik
Deline	Sahtu	Aupaluk	Nunavik
Fort Good Hope	Sahtu	Inukjuak	Nunavik
Norman Wells	Sahtu	Ivujivik	Nunavik
Tulita	Sahtu	Kangiqsualujuaq	Nunavik
Arctic Bay	Baffin	Kangiqsujuaq	Nunavik
Cape Dorset	Baffin	Kangirsuk	Nunavik
Clyde River	Baffin	Kuujuaq	Nunavik
Grise Fiord	Baffin	Kuujuarapik	Nunavik
Hall Beach	Baffin	Puvirnituq	Nunavik

Community	Region	Community	Region
Igloodik	Baffin	Quaqtaq	Nunavik
Iqaluit	Baffin	Salluit	Nunavik
Kimmirut	Baffin	Tasiujaq	Nunavik
Pangnirtung	Baffin	Umiujaq	Nunavik
Pond Inlet	Baffin	Gethsémani (La Romaine)	Quebec North shore
Qikiqtarjuaq	Baffin	Saint-Augustin-Saguenay	Quebec North shore
		Old Crow	Yukon

26 communities eligible for a nominal subsidy level en 2011-2012

Community	Region	Community	Region
Berens River	Northern Manitoba	Weagamow Lake	Northern Ontario
Bloodvein	Northern Manitoba	Wunnummin Lake	Northern Ontario
Pauingassi	Northern Manitoba	Blanc-Sablon	Quebec North Shore
Shamattawa	Northern Manitoba	Chevery	Quebec North Shore
Trout Lake	Deh Cho	Harrington Harbour	Quebec North Shore
Gameti (Rae Lakes)	Great Slave Lake	Kegaska	Quebec North Shore
Lutsel K'e	Great Slave Lake	La Tabatière	Quebec North Shore
Wha Ti	Great Slave Lake	Lourdes-de-Blanc-Sablon	Quebec North Shore
Angling Lake	Northern Ontario	Mutton Bay	Quebec North Shore
Kasabonika	Northern Ontario	Tête-à-la-Baleine	Quebec North Shore
Kingfisher Lake	Northern Ontario	Black Lake	Saskatchewan
Pikangikum	Northern Ontario	Fond-du-Lac	Saskatchewan
Sachigo Lake	Northern Ontario	Stony Rapids	Saskatchewan

31 communities are ineligible

Community	Region	Community	Region
Fort Chipewyan	Alberta	Favourable Lake (Sandy Lake)	Northern Ontario
Fox Lake	Alberta	Keewaywin	Northern Ontario
Garden River	Alberta	Lansdowne House	Northern Ontario
Brochet	Northern Manitoba	North Spirit Lake	Northern Ontario
Granville Lake	Northern Manitoba	Ogoki	Northern Ontario
Pukatawagan	Northern Manitoba	Poplar Hill	Northern Ontario
South Indian Lake	Northern Manitoba	Summer Beaver	Northern Ontario
Tadoules Lake	Northern Manitoba	Webequie	Northern Ontario

Community	Region	Community	Region
York Landing	Northern Manitoba	Bradore-Bay	Quebec North Shore
Cartwright *	Southern Labrador	Middle Bay	Quebec North Shore
Williams Harbour	Southern Labrador	Old Fort Bay	Quebec North Shore
Nahanni Butte	Deh Cho	Port-Menier	Quebec North Shore
Wekweti (Snare Lake)	Great Slave Lake	Rivière-Saint-Paul	Quebec North Shore
Cat Lake	Northern Ontario	Uranium City	Saskatchewan
Deer Lake	Northern Ontario	Wollaston Lake	Saskatchewan
Eabamet Lake	Northern Ontario		

* With the completion of the Trans-Labrador highway in summer 2010, Cartwright, NL will be removed from the Program.

Source: Indian and Northern Affairs Canada, *News Releases - 2010*.

DETERMINATION OF FOOD PRICES FOR RETAILERS

According to Indian and Northern Affairs Canada (INAC), the formulas used by retailers to set retail prices under Nutrition North Canada (NNC) should not vary much from formulas they used under the Food Mail program. To determine the selling price of a food item, retailers usually add a margin to the landed cost of a given product, which is made up of wholesale cost of the product itself, transportation (e.g. ground, air marine), insurance, taxes and levies, etc. The difference between Food Mail and NNC will be related to how transportation costs are calculated:

- Under the Food Mail program, transportation costs include the total of:
 - freight cost to bring product to specified entry point;
 - *plus* Food Mail air shipping rate (e.g. \$0.80 per kg + \$0.75 per package for perishable food);
 - *plus* ground transportation at destination.
- Under the NNC program, transportation costs will likely include the total of:
 - freight cost to bring product to the most efficient and cost-effective air staging point;
 - *plus* air shipping rate negotiated between retailer/wholesaler and air carrier;
 - *plus* ground transportation at destination;
 - *minus* program subsidy.

DETERMINATION OF FOOD PRICES FOR WHOLESALERS

As with the process for retailers, INAC expects that formulas used by southern suppliers to set selling prices to northern clients under NNC should not vary much from formulas they used under the Food Mail program, except with respect to how the net transportation cost will be calculated (see examples above).

The department of INAC understands that southern suppliers have different selling prices for different clients depending on purchasing volumes, and arrangements between southern suppliers and northern clients can vary. In some cases, the southern supplier pays the transportation costs and recovers the cost, sometimes plus fees, from

1 Based on information provided to the Committee by INAC on January 14, 2011.

their client. In other cases, the cost of transportation is paid directly to the air carrier(s) and/or freight forwarder(s) by the northern client. In any of these cases, the southern suppliers will need to fully pass on the savings (i.e. subsidy received from INAC) to their northern client in the form of a reduction in the invoice.

The department of INAC further notes that over 80% of the program's funding will be provided directly to northern retailers via a funding agreement between them and INAC, and that southern suppliers will receive direct funding, also via a funding agreement, only for shipments made to individuals (personal orders), social institutions, restaurants and small northern retailers who may not have the capacity to manage the requirements associated with a funding agreement. These northern persons and businesses will not have to do anything to benefit from the subsidy except ensure that they order from southern suppliers that are registered with the program and ensure the supplier is passing the subsidy on to them.

ILLUSTRATION OF HOW PERSONAL ORDERS WILL WORK

The following is an example provided by INAC illustrating how the personal orders system will work under the NNC program:

- Jane from Coral Harbour wants to order 10 kg of apples directly from the South. In order to benefit from the subsidy, she can order those apples from any of the southern suppliers registered with the program (this supplier can be located anywhere in the country²).
- Jane will order the 10 kg of apples from Grocer X, whether via e-mail, fax, telephone, or the supplier's website.
- Grocer X will prepare the order and the invoice which will show, for example:
 - 10 kg of apples: \$40.00
 - Shipping: \$38.00
 - NNC subsidy: -\$30.00 (10 kg x \$3.00/kg for Coral Harbour)
 - Total invoice: \$48.00
- Arrangements for payment will be negotiated between Jane and Grocer X.
- Grocer X will add these 10 kg of apples to its claim at the end of the month and INAC will reimburse \$30 to Grocer X.

2 INAC states that the list of registered southern suppliers will be available on INAC's website.

TRANSACTIONS BETWEEN SMALL INDEPENDENT AND MAJOR NORTHERN RETAILERS

In the case where a small independent retailer in a small isolated community sources food from a major retailer in a larger urban centre in the North, INAC states that:

- If the independent retailer has an agreement with INAC, it would include the shipment received from the major northern retailer with its claim for all eligible items shipped to its store for the month and provide all required supporting documentation. The major northern retailer would not be eligible to claim a subsidy for these products as this would be considered "double dipping."
- If the independent retailer does not have an agreement with INAC, it must order eligible items from registered southern suppliers to benefit from the subsidy that would be claimed by the southern supplier. If the independent retailer determines that it would still be cost-effective to purchase eligible items from the major northern retailer, the small retailer in that isolated community will only benefit from the subsidy rate for the large urban centre in which the major retailer is situated.

PROCESS OF SUBMITTING CLAIMS TO INAC

Information obtained from INAC indicates that, on a monthly basis, all northern retailers and southern suppliers that will have an agreement with INAC will need to submit a claim for payment of the subsidy. This will consist of:

- A claim form that will show the weight in kg of eligible items shipped for the period, per community and per level of subsidy (and per client type for southern suppliers);
- A report presenting the content of the shipments claimed, detailed by item category (e.g. apples, eggs milk, etc.) and by community (and by client type for southern suppliers); and
- Supporting documentation to provide the proof of what was shipped (e.g. invoices) and that it was flown in to its final destination (e.g. waybill). INAC notes that retailers and suppliers with very high volumes of shipments may be asked to keep supporting documents (i.e. invoices and waybills) for audit and inspection by INAC instead of submitting them systematically every month.

INFORMATION TO BE DISCLOSED TO THE PUBLIC BY INAC UNDER ITS CONTRIBUTION AGREEMENTS WITH ELIGIBLE RETAILERS AND WHOLESALERS

In addition to practical information such as program operations, the eligibility list and the subsidy rate schedule for all eligible communities, INAC will also post on its website information collected from recipients through reporting requirements. This includes:

- Average food basket prices per community for the period;

- The weight of eligible items shipped during the period, detailed by community and item category (99 categories have been created to classify eligible items).
- The total amount of subsidy provided to each recipient and for each community.

There will be two different types of audits performed under NNC, claims audits and recipient audits, with both applying to all recipients of the subsidy, whether they are northern retailers or southern suppliers:

- The claims audit will consist of verifications of the claims submitted by recipients against the supporting documentation to validate the accuracy of the claims and the amounts to be paid:
 - These verifications will be made on a statistical sampling basis and the level of claim lines to be verified will be based on the risk level of each recipient.
 - Initially, a higher percentage of claim lines will be verified against supporting documents for all recipients.
 - As claims are submitted, statistical information on the accuracy of the claims for each recipient will inform their individual risk level, with more verification focused on higher-risk recipients.
 - Complaints or other information brought to the attention of the Department will also play a role in the determination of the risk level of each recipient.
- The recipient audit will consist of periodic overall recipient verifications to ensure they comply with all the requirements of their contribution agreement, including providing visibility for the program, passing the subsidy to their customers, meeting reporting requirements, etc.
 - These audits can also be used to verify the recipients' processes and systems so that necessary controls are in place to ensure compliance with program requirements.
 - Frequency of audits will depend on the determination of risk level.
 - Before a contribution agreement can be finalized, a risk assessment of the recipient must be completed, which will be used to build a multi-year recipient audit plan for the program.
 - The Department intends to perform these audits on every recipient at least once within the first couple years of the program.
 - Complaints or other information brought to the attention of the Department will also play a role in the determination of the risk level of each recipient and could trigger ad hoc audits.

DETERMINATION OF FOOD PRICES FOR RETAILERS

According to INAC, on average, the Canada Post Corporation pays about 36 cents per kilogram more than what retailers pay to ship to eligible northern communities. This was calculated in the following way:

- For each community (69) where at least one major retailer operates, information provided by these retailers was used to determine the cost to ship a kg of food. In communities where more than one retailer operates, the lowest shipping cost was used (see table below).

Table: Shipping Cost (Food Mail) vs. Market-Driven (Nutrition North Canada)

	Retailers	Canada Post	Equal	Total
Who gets lower shipping cost?	54	14	1	69
% of total perishable weight shipped	91%	8%	1%	100%
Average shipping cost per kg (approx.)	\$3.31	\$3.67		

Source: Based on data provided by INAC, submission to the Committee on December 13, 2010.

- These shipping costs were compared to the price paid to air carriers by Canada Post to ship the same kg of food for every community.
- The results of this comparative analysis show that in 54 of these communities, the rate that Canada Post negotiated with air carriers is higher than the rate negotiated by the retailers, and amounted to an average difference of \$0.36 over the 69 communities.
- Based on this estimate, the Department concludes that, due to the stronger negotiating power of retailers relative to Canada Post, the introduction of NNC is expected to save the government over \$7 million per year through market negotiated shipping rates.
- Cautions related to data sources and simplifying assumptions:
 - Canada Post's rates were based on 2009 shipping costs, excluding NAVCAN costs or fuel surcharges (i.e. the full cost to ship a kg of food in 2011 would be higher than the rates used for this analysis).
 - INAC notes that the retailers' rates used in this analysis are less precise than those obtained from Canada Post for the transportation subsidy, as the rates negotiated between retailers and airlines are confidential.

- INAC determined approximate rates based on information provided by the retailers, who were asked to review the list of rates INAC determined and provided some additional information to correct some rates where errors were significant.
- INAC states that the final list of shipping costs per community used with this analysis was vetted by the retailers as being generally very close to real costs.
- INAC believes that the actual average difference between Canada Post and retailers' rates to be higher than \$0.36 kg.
- INAC further states that the shipping rates negotiated between Canada Post and airlines, and the shipping rates negotiated between retailers and airlines, are proprietary information and are therefore confidential. As a result, INAC states that it is not in a position to provide specific examples of the differences in shipping costs for specific communities as it would breach the confidential nature of this information.

APPENDIX F: FOOD MAIL REVIEW PUBLIC ENGAGEMENT

This document sets out the dates, locations and individuals with whom officials met during formal engagement sessions that were part of the Food Mail Review.

In addition to these sessions, nine public engagement meetings were conducted as part of the "Summative Evaluation of INAC's Food Mail Program." The timing of this mandatory evaluation was staged to inform the work of the Food Mail Review and prepared by INAC's Evaluation, Performance Measurement and Review Branch (EPMRB).

To avoid overlap, and where feasible, engagement sessions conducted by the Audit and Evaluation study group were held in communities that would not be visited by the Food Mail Review team. In late 2008 and early 2009, EPMRB held public engagement sessions in the following communities: Repulse Bay, NU; Cape Dorset, NU; Cambridge Bay, NU; Inukjuak, QC; Kangiqsujaq, QC; Pauingassi, MB; Muskrat Dam, ON; Deline, NT; Natuashish, NL.

Location	Date	# of participants	Participants
Oxford House, Manitoba	03/09/08	1	Bailey Conlon, Chief, Bunibonibee Cree Nation
Oxford House, Manitoba	03/09/08	5	James Weenusk, Councillor, First Nation Council; Robert Weenusk, community health worker; Louise Munroe, mental health worker; George Bradburn, Health Coordinator; Bill MacLeod, Manager, Northern Store
Oxford House, Manitoba	03/09/08	2	Bill Crane and Horace Crane, Food Mail Program users – personal orders
Winnipeg, Manitoba	04/09/08	1	Fred Petrie, Director General of First Nations Transportation
Winnipeg, Manitoba	04/09/08	7	<u>North West Company</u> Michael McMullen, Executive Vice President, Northern Canada Retail Operations; Brad Elias, Suzanne Hajto, Tim Ross, Sabra Stephens, Travis Lussier and Jeff Frost
Winnipeg, Manitoba	05/09/08	4	<u>Arctic Co-op</u> Andy Morrison, Rod Wilson, Duane Wilson, Lloyd Hillier
Ottawa, Ontario	22/10/08	19	René Brisson and Ray Gervais, Canada Post Corporation; Zoe Brow, Pauktuutit; Jeannine Chaulk Moores and Michelle Watkins, Air Foodlift Subsidy, Labrador and Aboriginal Affairs, Government of Newfoundland and Labrador; John Cheechoo, Inuit Tapiriit Kanatami (ITK); Audra Donison, Government of the Northwest Territories; Brad Elias and Suzanne Hajto, North West Company; Paul Fieldhouse, Health Populations Branch, Province of Manitoba; Leo Friday, Mushkegowuk Council; Marie-Josée Gauthier, RRSSS Nunavik, RBHSS; Sue Hamilton, Department of Health and Social Services, Government of Nunavut; Lloyd Hillier, Arctic Cooperatives; Alasdair MacGregor, La Fédération des Coopératives du Nouveau Québec; Brenda McIntyre, Isabelle Sirois and Mary Trifonopoulos, Health Canada; Stephanie O'Brien, Assembly of First Nations

Location	Date	# of participants	Participants
Val d'Or, Québec	12/12/08	4	René Brisson and Agatha Martyres, Canada Post Corporation; two staff of Valpiro
Peawanuck, Ontario	13/05/09	8	Frances Mitchell, Acting Band Manager, Weenusk First Nation; Mary Jane Wabano, Band Council/mental health worker; Esther Hunter, community care co-ordinator; Margaret Mack, health nurse; Judy Matthews, health centre clerk; Loreen Hunter, youth co-ordinator; Denise, crisis intervention; Mary, community health worker
Peawanuck, Ontario	13/05/09	5	John Spanos, teacher; Shannon Helm, teacher, Lindsay Rogers, teacher; Christine Hodgins, acting principal and special education teacher; Leah Hunter, educational assistant
Peawanuck, Ontario	13/05/09	6	Gregory Patrick, winter road worker; Jordan Chookomolin, security; Gibert, security; Edmund Hunter, Paul, Mike (drop-in style meeting)
Pond Inlet, Nunavut	20/05/09	2	<u>Pond Inlet Hamlet</u> Abraham Kublu, Mayor; Michael Richards, Senior Administrative Officer
Pond Inlet, Nunavut	20/05/09	1	Allan Hawkes, General Manager, Tununiq Sauniq Arctic Co-op Ltd.
Pond Inlet, Nunavut	20/05/09	1	David Krel, General Manager, The Northern Store
Pond Inlet, Nunavut	20/05/09	2	Irene Swoboda, mental health consultant; Flo Wood, supervisor of community health programs
Pond Inlet, Nunavut	20/05/09	1	Jim Koscis, owner, Jim's Store/Canteen convenience food store
Iqaluit, Nunavut	21/05/09	2	<u>Nunavut Tunngavik Incorporated (NTI)</u> Brad Hickee, Manager of Business and Economic Development; Alastair Campbell, Senior Policy and Planning Advisor
Iqaluit, Nunavut	21/05/09	5	<u>Government of Nunavut</u> Janet Brewster, Manager, Health Protection; Melissa Mifflin, Policy Analyst, Policy, Planning and Evaluation; Jillian Code, Territorial Aboriginal Diabetes Initiative Coordinator, Population Health Division; Mary Potyrala, Consultant, Health Protection; Amy Caughey, Baffin dietitian, Health Protection
Iqaluit, Nunavut	21/05/09	2	<u>Northmart</u> Eldon Drodge, Store Manager; Gary Beaulieu, Grocery Manager
Iqaluit, Nunavut	21/05/09	2	<u>Arctic Ventures</u> John Bens, Manager; Wayne Milley, Co-Manager
Iqaluit, Nunavut	21/05/09	1	Ian Hobbs, Manager, DJ Specialties
Iqaluit, Nunavut	22/05/09	2	<u>City of Iqaluit</u> John Mabbéri-Mudonyi, Director of Finance; Meagan Leach, Sustainability Coordinator for Administration
Iqaluit, Nunavut	22/05/09	5	<u>INAC, Nunavut Regional Office</u> Bev Foster, Senior Advisor; Hagar Ialout-Sudlovenick, Director of Inuit Intergovernmental Affairs; Gerard Crocker, Director Corporate Services; Maria O'Hearn, Communications Manager; Natalie Plato, Director Contaminated Sites
Valleyfield, Québec	22/05/09	1	Sylvie Leroux, Marché Daoust
Baie d'Urfé, Québec	22/05/09	2	<u>Fédération des Coopératives du Nouveau-Québec (FCNQ)</u> Raynald Lapierre; Daniel Lelièvre
Ste-Catherine, Québec	22/05/09	1	Robert Pelletier, Consultants de l'Arctique
Yellowknife, NWT	26/05/09	1	Terry Green, Fancy Meats

Location	Date	# of participants	Participants
Yellowknife, NWT	26/05/09	3	<u>Loblaw's Inc.</u> Sheryl Babi and two full-time Food Mail employees
Gjoa Haven, Nunavut	27/05/09	1	Yvonne Clark, Qikiktaq (Arctic Co-op)
Gjoa Haven, Nunavut	27/05/09	1	Matt Gee, Northern Store
Gjoa Haven, Nunavut	27/05/09	8	<u>Hamlet Council</u> Mayor Joanni Sallerina; Deputy mayor James Qitsualik; 3 councillors, Senior Administrative Officer Don Leblanc; Assistant Senior Administrative Officer; translator
Gjoa Haven, Nunavut	28/05/09	1	Rahabi Kamookak, Community Health Representative
Gjoa Haven, Nunavut	28/05/09	1	Teddy Carter, Hunters and Trappers Organization
Gjoa Haven, Nunavut	28/05/09	1	Suzanne Gillingham, Hotel Amundsen
Gatineau, Québec	02/06/09	1	Peter Horsman, Air Inuit
Winnipeg, Manitoba	01/06/09	2	Todd Harris, owner and operator of Harris Meats; Robert Harper, Perimeter Air, Cargo Manager
Rankin Inlet, Nunavut	01/06/09	1	Ron Roach, owner, Kativik Grocery/True Value
Rankin Inlet, Nunavut	01/06/09	2	<u>Northern Store</u> Terry Kent, store manager; Greg Coombs, grocery manager
Rankin Inlet, Nunavut	01/06/09	1	Henry Kablakik, Rankin Inlet Resource Management Office
Rankin Inlet, Nunavut	01/06/09	1	Jordin Tootoo, hockey player and Rankin Inlet native
Rankin Inlet, Nunavut	02/06/09	2	Glenn Woodford, assistant general manager, Kissarvik Co-op Association Ltd.; Walter Morey, general manager, Rankin Inlet Co-op
Rankin Inlet, Nunavut	02/06/09	1	Paul Waye, Senior Administrative Officer, Rankin Inlet
Repulse Bay, Nunavut	02/06/09	2	John Simms, Area Manager for Kivalliq Region, Arctic Co-op; John Kauffman, Manager, Arctic Co-op, Repulse Bay
Coral Harbour, Nunavut	03/06/09	4	<u>Hamlet of Coral Harbour</u> Jerry Paniyuk, Mayor; Robert Hedley, Senior Administrative Officer; Rosie Tanuyakell, Councilor; Lucy Netser, Councilor
Coral Harbour, Nunavut	03/06/09	2	Brian Madore, Manager, Arctic Co-op, Repulse Bay; John Simms, Area Manager for Kivalliq Region, Arctic Co-op
Coral Harbour, Nunavut	03/06/09	1	David MacLean, Manager, North West Company
Winnipeg, Manitoba	04/06/09	2	<u>Pratt's Wholesale</u> Lenny Baranyk, Vice President; Shannon Erickson, Territory Manger
Winnipeg, Manitoba	04/06/09	4	Carl McKay, North West Company; Andy Morrison, CEO, Arctic Co-operatives Ltd. (ACL); Duane Wilson, Division Manager (Merchandising), ACL; Roger Bouchard, Division Manager (IT), ACL
Goose Bay, Labrador	08/06/09	2	<u>Air Labrador</u> Philip R. Earle, Vice President and Chief Operating Officer; Wayne Morris, Director of Flight Operations
Nain, Labrador	09/06/09	1	Boyd Manuel, Store Manager, Northern Store

Location	Date	# of participants	Participants
Nain, Labrador	09/06/09	1	Sarah Erickson, Mayor
Nain, Labrador	09/06/09	1	Jacquie, owner, Jacquie's convenience
Nain, Labrador	09/06/09	1	Albert Hamel, Store Manager, Labrador Investments (Big Land Groceries store)
Nain, Labrador	09/06/09	6	Mary Simon, President, Inuit Tapiriit Kanatami (ITK); Pita Aatami, Makivik Corporation President; Nellie Cournoyea, Chair and CEO of the Inuvialuit Regional Corporation; Jim Lyall, President Nunatsiavut Corporation; Duane R. Smith, President and Vice Chair, Inuit Circumpolar Conference of Canada; Rhoda Innuksuk, President of Pauktuutit (Ex officio Board Member)
Nain, Labrador	09/06/09	1	Brian Williams, owner B&B
Goose Bay, Labrador	10/06/09	2	Brian Fowlow, Executive Director, Labrador North Chamber of Commerce; Dave Hunt, President of Mikupishan Moktech
Gatineau, Québec	15/06/09	1	James Ballingal, Cargo Jet
Old Crow, Yukon	15/06/09	5	<u>Vuntut Gwitchin First Nation</u> Chief Joe Linklater; Councillor Roger Kaye; Councillor Kenny Tetlich; Councillor Esau Schefar; Councillor Paul Doehle
Old Crow, Yukon	15/06/09	51	51 townspeople, including 18 different people who asked questions and offered suggestions
Inuvik, NWT	17/06/09	4	<u>Inuvialuit Regional Corporation (IRC)</u> Nellie Cournoyea, Chief Executive Officer; Roger Connelly, Chief Operating Officer; Gerry Roy, Chief Legal Officer; Carol Arey, Secretary/Treasurer
Tuktoyaktuk, NWT	18/06/09	13	<u>Tuktoyaktuk Hamlet</u> Debbie Raddi, Senior Administrative Officer; Lena Kotokak, Councillor; Darrel Nasogaluak, Councillor; Maureen Gruben, Councillor; Jason Barrett, Northern store, acting store manager; Marius Driscoll, Stanton's, grocery manager; seven additional participants who did not provide their names
Tuktoyaktuk, NWT	18/06/09	1	Marius Driscoll, Stanton's, grocery manager
Norman Wells, NWT	19/06/09	3	Michelle Chappell, Senior Lands Officer; Anson Chappell, Flight Service Specialist; Sarah Hockridge, Assistant Manager, Norman Wells Historical Society
Kuujuaq, Québec	16/06/09	7	<u>Kativik Regional Government (KRG)</u> Maggie Emudluk; Louis Mercier; Jobbie Takabi; Isabelle Parizeau; Joey Lance; Margaret Gauvin; Adel Yassa
Kuujuaq, Québec	16/06/09	2	<u>Makkivik Corporation</u> Michael Gordon; Charles Dorais
Kuujuaq, Québec	16/06/09	1	Jim Tabor, Northern Store
Kuujuaq, Québec	17/06/09	1	Robert Ladouceur, Régie régionale de la santé et des services sociaux (RRSSS) Nunavik
Kuujuaq, Québec	17/06/09	1	Eric Pearson, Newwiq'vi Store

Location	Date	# of participants	Participants
Kuujuuaq, Québec	17/06/09	2	<u>Kativik School Board (KSB)</u> Mary Aitchison; Gordon Cobain
Gatineau, Québec	19/06/09	3	<u>Fédération des Coopératives du Nouveau-Québec (FCNQ)</u> Rita Novalinga; Heng Kun; Daniel Lelièvre
Val d'Or, Québec	22/06/09	1	Louise Lévesque, IGA Pelletier
Val d'Or, Québec	23/06/09	2	Albert Diamond, Air Creebec Jasmin Frappier, Valpiro
Val d'Or, Québec	23/06/09	1	Patrick Deshaies, Ben Deshaies Grossiste/Wholesaler
Rouyn-Noranda, Québec (via telephone)	30/06/09	1	Denise Vachon, Sobey's-ADL
Ottawa, Ontario	16/07/09	2	<u>Assembly of First Nations</u> Gina Doxtator, Senior Policy Analyst, Public Health, Health and Social Secretariat; Michelle Itwaru, Senior Policy Analyst
Norman Wells, NWT (conference call)	20/07/09	2	<u>Town of Norman Wells</u> Peter Guther, Mayor; Frank Pope, Councillor
Winnipeg, Manitoba	21/07/09	1	Fred Petrie, General Manager, First Nations Transportation
Winnipeg, Manitoba	22/07/09	2	<u>Government of Manitoba, Ministry of Infrastructure and Transportation</u> Erica Vido, Manager, Policy and Service Development; Larry Loreth, Policy Consultant
Winnipeg, Manitoba	22/07/09	3	Andy Morrison, CEO, Arctic Co-operatives Ltd. (ACL); Duane Wilson, Division Manger (Merchandising), ACL; Michael McMullen, North West Company
Ottawa, Ontario	11/08/09	3	<u>Pauktuutit Inuit Women of Canada</u> Tracy O'Hearn, Executive Director; Susan Scullion, Projects Coordinator; Geri Bailey, Health Policy and Programs

Source: Indian and Northern Affairs Canada.

APPENDIX G: LIST OF WITNESSES

Organizations and Individuals	Date	Meeting
<p>Assembly of First Nations Richard Jock, Chief Executive Officer</p> <p>Assembly of Manitoba Chiefs Grand Chief Ron Evans Chief Arlen Dumas, Mathias Colomb Cree Nation</p> <p>Chiefs of Ontario Bernadette deGonzague, Senior Health Policy Analyst</p> <p>Inuit Tapiriit Kanatami Mary Simon, President Anne Kendrick, Senior Policy Advisor</p> <p>Nunavik Regional Board of Health and Social Services Marie-Josée Gauthier, Nutritionist Elena Labranche, Assistant Director, Public Health</p> <p>Yukon Legislative Assembly Darius Elias, Member of the Legislative Assembly</p>	2010/11/01	32
<p>Arctic Co-operatives Limited Andy Morrison, Chief Executive Officer</p> <p>Arctic Ventures 2000 Ltd. Kenn Harper, President</p> <p>First Air Scott Bateman, President and Chief Executive Officer Bill Thompson, Vice-President, Commercial Operations</p> <p>Newviq'vi Inc. Eric Pearson, Owner</p> <p>North West Company Michael McMullen, Executive Vice-President, Northern Canada Retail Division</p>	2010/11/03	33
<p>Department of Health Kathy Langlois, Director General</p> <p>Department of Indian Affairs and Northern Development Hon. Leona Aglukkaq, Minister Patrick Borbey, Senior Assistant Deputy Minister, Treaties and Aboriginal Government</p>	2010/11/15	34

Organizations and Individuals	Date	Meeting
Department of Indian Affairs and Northern Development Elizabeth Copland, President, Nutrition North Canada Advisory Board Jamie Tibbetts, Director General, Devolution and Territorial Relations Branch	2010/11/15	34
Canada Post Corporation Richard Joubert, Director of Transportation, Operations	2010/11/17	35
Canadian North Tracy Medve, President Patrick Schmidt, Vice-President of NorTerra Inc., Business Development		
Fédération des coopératives du Nouveau-Québec Rita Novalinga, General Manager		
Marché central du Nord Peter Fogarty, President		
Nunavut Tunngavik Inc. Jose A. Kusugak, Acting President Laurie Pelly, Legal Advisor		
Air North Ben Ryan, Representative	2010/11/22	36
Cargojet Canada Ltd. James Ballingall, Vice-President, Business Development, Air Cargo Transportation		
Fond du Lac Denesuline First Nation Chief Napoleon Mercredi Darryl McDonald, Chief Executive Officer		
Valpiro Inc. Richard Brouillard, Director General and President of Airport of Val-d'Or and Regional Committee of the Food Mail Program Jasmin Frappier, Director General		
Department of Indian Affairs and Northern Development Patrick Borbey, Senior Assistant Deputy Minister, Treaties and Aboriginal Government Jamie Tibbetts, Director General, Devolution and Territorial Relations Branch	2010/12/13	42

APPENDIX H: LIST OF BRIEFS

Organizations and individuals

Air North

Cargojet Canada Ltd.

Department of Indian Affairs and Northern Development

Fédération des coopératives du Nouveau-Québec

Inuit Tapiriit Kanatami

Inuvialuit Regional Corporation

Les consultants de l'Arctique Inc.

Marché central du Nord

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this Report.

A copy of the relevant Minutes of Proceedings (*40th Parliament, 3rd Session*: [Meeting Nos. 30, 32, 33, 34, 35, 36, 38, 42, 43, 44, 45, 47 and 49](#)) is tabled.

Respectfully submitted,

Bruce Stanton, MP

Chair

SUPPLEMENTARY OPINION

Nutrition North: Avoiding Negative Effects

The Bloc Québécois would first like to thank everyone directly or indirectly affected by the changes to the Food Mail program who testified before the Committee with respect to the study on Nutrition North Canada (NNC). Although the Bloc Québécois strongly supports the goal of this new program, which is to ensure that healthy foods are more accessible to isolated, northern communities, it believes that the program's hasty implementation will have a devastating impact on the communities concerned.

The Bloc Québécois deplors the attitude of the Conservative government, which, true to form, recklessly forged ahead on its own with the NNC's implementation without any meaningful consultation with the communities concerned. This was made abundantly clear when the witnesses appearing before the Committee lacked the information they needed to fully answer questions, being repeatedly told to refer to the website of the Department of Indian Affairs and Northern Development, which, in fact, was of no more help, and with reason complained about the government's lack of communication on this matter.

By implementing phase 1 of the NNC on October 3, 2010, just five months after officially announcing the program, the Conservatives clearly wanted to avoid any debate on the matter. Even though the Bloc Québécois had tabled a motion back in the spring to study the program in committee, the Conservatives had the perfect excuse to refuse substantial changes to the NNC: it was too late. The wheels were in motion and there was no turning back. The government presented parliamentarians with a done deal, preventing the Committee from making timely, essential recommendations to correct several problems that quickly came to light during its study of the program.

Throughout the study, the Bloc Québécois advocated on behalf of the communities that are affected by the new program and that, like the Kativik Regional Government, are calling for the postponement of the NNC so that stakeholders have at least time to adjust. Three times the Bloc Québécois has tabled a motion and recommendations calling for a moratorium or postponement of the program. And three times these legitimate demands have been rebuffed, resulting in serious impacts on the health of northern communities and leaving the program's implementation wide open, which up to now has been seriously flawed, in conflict with its stated goal.

Questionable effectiveness

A key objective of the new program is to "let market forces establish a balance within a reasonable time frame." From now on, it will be retailers who see to

transportation and purchasing terms and conditions and who, according to the government, will be able to negotiate the best possible prices with carriers.

Contrary to the opinion put forward by the Minister of Indian Affairs and the Minister of Health, it is highly unlikely that individually negotiated transportation rates among carriers for various volumes, according to variable distances and conditions, would be lower than those collectively agreed to with Canada Post. Moreover, this new system lays consumers in these communities open to volatile transportation costs because of fluctuating fuel costs.

It has been shown that air freight rates prior to negotiation could increase the cost of subsidized foods by up to 400% on average in certain isolated communities for basic, nutritious foods. Moreover, unless the government follows the Committee's recommendations, retailers will have to cover the construction, maintenance, heating, lighting and refrigeration costs of warehouses in each community to store massive inventories for 9 to 10 months, costs that will undoubtedly be passed on to consumers.

Furthermore, smaller retailers under the Food Mail program remain completely insignificant and worry they may have to close their doors. Smaller retailers will have to compete with the country's major retailers in a competitive process that has already been fiddled with by the government. In these circumstances, how can it be argued that the NNC provides real bargaining power?

Lack of communication

A general consensus emerged from the testimony of Inuit and Aboriginal community representatives: they deplore the lack of communication between the government and the northern communities who were not given time to adjust to the changes and they want to be consulted so that they can participate in an intelligent manner in the development of the new program and adjust to it.

The federal government states it held over 70 meetings in 15 northern communities in 2009 to hear from various stakeholders. However, the government does not state that, first, it met primarily with retailers using the Food Mail program—not representatives from the communities using it—and, second, the meetings were more of a routine review than a consultation to hear views on how best to improve the program so that it was more accessible to isolated communities.

In the end, only the government and major retailers, who necessarily benefit from the new program, agreed that the NNC would be more effective. The other stakeholders can only assume and cross their fingers that the program will be better based on the so-called expertise of the government in this area, a government, let's not forget, that puts industry above all else, for example by

lowering corporate taxes, while slashing funding to community organizations for purely ideological reasons.

Putting the health of communities at risk

By forging ahead so quickly, the Conservative government is ignoring the impact of its new program on the health of northerners. Various newspapers have already drawn attention to the critical state of northern communities, which were hit by a food crisis with the introduction of the NNC.

The price of personal hygiene products and foods that are no longer subsidized under the new program has made the cost of a basket of groceries skyrocket. With 75% of food items now excluded from the list of subsidized products, the increased cost of these products coupled with staggering transportation costs threatens the lives of northerners who are unable to adequately feed themselves.

One of the key problems is that retailers in the North need time to plan, order additional inventory and finance increased warehouse capacity. That is why the Bloc Québécois acted on the repeated demands of northern communities and the Kativik Regional Government in Quebec, which adopted a resolution demanding the postponement of the NNC to give it time to assess the socioeconomic impacts of the new program on its community.

Despite all this, the Conservative government and the opposition parties ignored these concerns and blindly accepted the government's excuse that it was too late to go back, meekly agreeing to benefit industry at the expense of the health of northern communities.

The Bloc Québécois recommends:

That the Minister of Indian Affairs and Northern Development postpone the existing and future changes to the Food Mail program and the Nutrition North Canada program until a full review of the socioeconomic impacts of these changes on the communities concerned can be conducted.

OR

That the Department introduce the Nutrition North Canada program as a pilot project in Nunavut, specifically in a few communities, and maintain the Food Mail program (with the food list amended as of October 3, 2010) in the other communities concerned for two years. At the end of two years, perform a cost comparison of the two programs to determine the one that is best suited to the needs of northerners and the associated costs.

