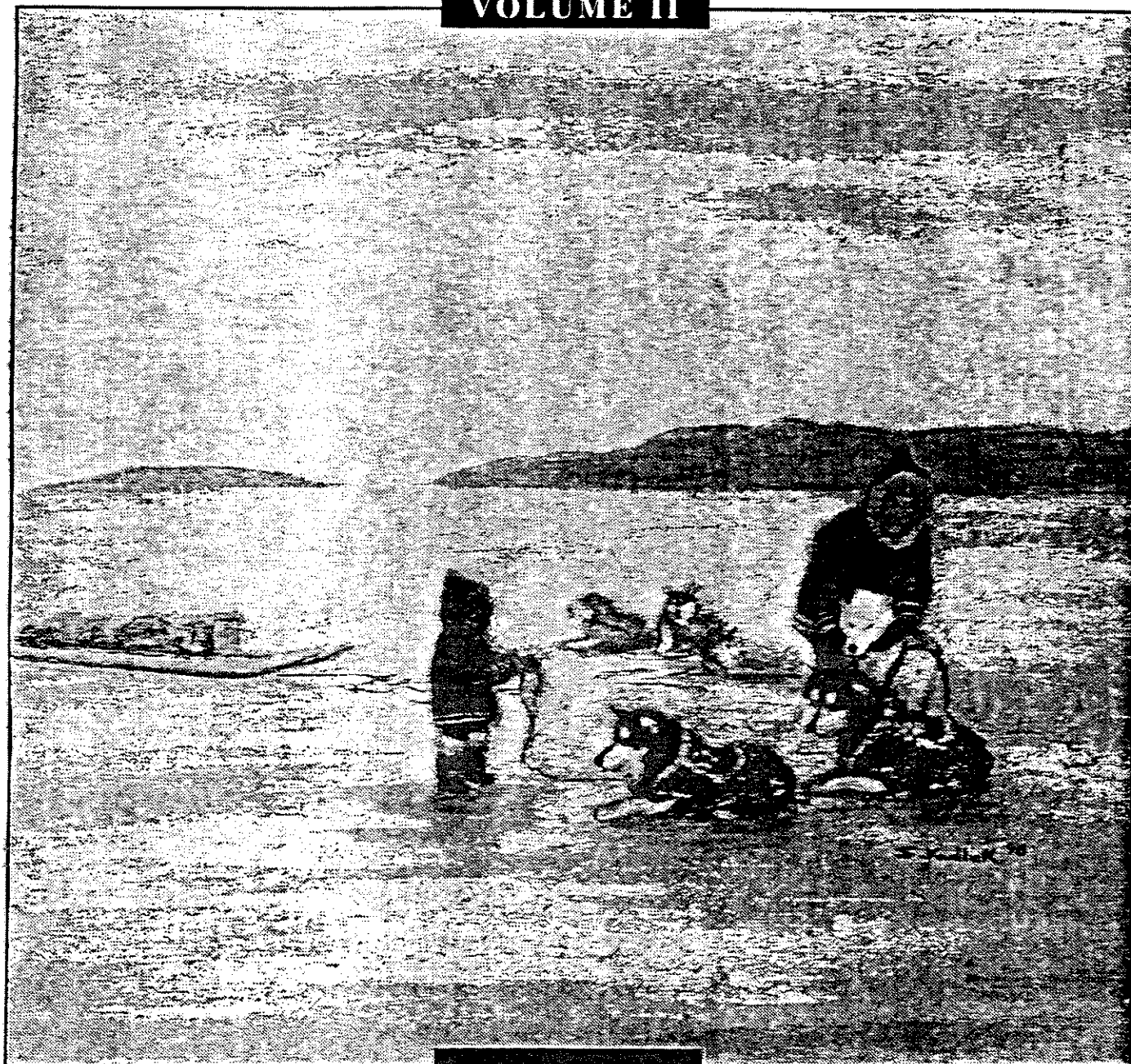


# Report of the Working Group on Taxation in Nunavik

**VOLUME II**



Report  
of the Working Group  
on Taxation in Nunavik

**VOLUME II**



## TABLE OF CONTENTS

### BIBLIOGRAPHY

### APPENDICES

1. Brief tabled with the National Assembly Committee on the Budget and Administration.
2. Excerpts from the proceedings of the Standing Committee on the Budget and Administration on February 18, 1993.
3. Thirteen letters between the Ministers, Kativik Regional Government, Makivik Corporation and union representatives from February 24 to May 6, 1993.
4. Brief on the taxation of food transportation costs in Northern Québec presented by the union representatives.
5. Summary of the 1,200 income tax returns prepared in the Nunavik region for the 1992 tax year.
6. Summary of subsidies on the transportation of goods and passengers.

## BIBLIOGRAPHY

- ADAM, Jean-Pierre. *Problèmes économiques et sociaux en baie d'Ungava et plus particulièrement à Port-Nouveau-Québec*, Centre d'études arctiques - CNRS, Paris, 1970 (unpublished).
- INDIAN AFFAIRS AND NORTHERN DEVELOPMENT CANADA. *Food for the North - Report of the Air Stage Subsidy Review*, Ottawa, 1990, 90 pages.
- BUREAU DE LA STATISTIQUE DU QUÉBEC. *Indice de vie chère des quatre-vingt-quatre localités isolées du Québec*, 1990, 64 pages.
- BUSSIÈRES, Paul. «Droits collectifs et pouvoirs chez les Inuit du Québec», dans *Études Inuit*, 16 (1-2), 1993, pages 143-148.
- KATIVIK SCHOOL BOARD. *Report of the Activities of Kativik School Board 1986-1992*, 217 pages.
- DUHAIME, Gérard. *Le pays des Inuit - La situation économique 1983*, Université Laval, 1987, 518 pages.
- OFFICE DE PLANIFICATION ET DE DÉVELOPPEMENT DU QUÉBEC. *Bilan socio-économique 1990 - Région Nord-du-Québec*, Québec, 1991.
- GROUPE DE RECHERCHE HYPOTHÈSE INC. *Schooling, Vocational Training and Economic Activity in Nunavik*, Kativik Regional Government, 1992, 150 pages.
- LAWN, Judith. *Air Stage Subsidy Monitoring Program : Phase I - Food Price Survey : Interim Report*, Department of Indian Affairs and Northern Development, 1993, 52 pages.
- MAKIVIK CORPORATION. *Internal Survey on Inuit Income Tax Returns*, 1993 (unpublished).
- MALAURIE, Jean. *Revenue et activités des ménages à Fort-Chimo - 1970*, Centre d'études arctiques, Paris, 1970 (unpublished).
- MINISTÈRE DE LA SANTÉ ET DES SERVICES SOCIAUX. *Registre des bénéficiaires de la Convention de la Baie-James et du Nord québécois*, Québec, 1993 (unpublished).

ROULAND, Norbert. *Les Inuit du Nouveau-Québec et la Convention de la Baie-James*, Association Inuksiutiit Katimajit et Université Laval, Québec, 1978.

SIMARD, Jean-Jacques and ROBITAILLE, Richard. *Le revenu personnel des autochtones touchés par le projet de la Baie-James - Tendances 1970-1986*, Groupe d'études inuit et circumpolaires, 1990, 84 pages.

STATISTICS CANADA, *1991 Census*.

**APPENDIX 1**

**Brief tabled with the  
National Assembly  
Committee on the Budget  
and Administration**

**SUBMISSION  
MADE TO**

**LA COMMISSION DU BUDGET  
ET DE  
L'ADMINISTRATION DE L'ASSEMBLÉE NATIONALE**

**Public Hearings On  
"The Financing of Public Services"  
and  
Government Expenditures, Fiscal Issues and  
the Deficit and Debt Financing**

**Presented by  
the Kativik Regional Government  
and Makivik Corporation**

**January 19, 1993  
Kuujuuaq, Quebec**

## TABLE OF CONTENTS

SUMMARY	1
1. INTRODUCTION	3
Two Objectives for Fiscal Policy in Nunavik	4
2. BACKGROUND	4
2.1 Specific Quebec Nordicity	4
2.1.1 Costs	4
2.1.2 The Transport System	5
2.1.3 Specific Economic Circumstances	5
2.1.4 Allowances as the Illustration	6
2.2 Several Appropriate Precedents	6
2.2.1 Arctic Jurisdictions	7
2.2.2 Quebec Policies	7
2.2.3 The Insular Dimension	7
3. URGENT ISSUES	8
3.1 The Issue of Equity	8
3.2 The Issue of Effectiveness	9
3.3 Specific Issues	9
3.3.1 The Issue of Renewable Resource	9
3.3.2 Retroactive Taxation of Allowances and Benefits	10
3.3.3 Implications of the Tax Credit Philosophy	10
4. RECOMMENDATIONS	11
4.1 Recommendation 1	11
4.2 Recommendation 2	12
4.3 Recommendation 3	12
4.4 Recommendation 4	12
4.5 Recommendation 5	12
4.6 Recommendation 6	12
Notes et References	13



## **SUMMARY**

Even today many people are surprised to learn that Inuit pay taxes and other levies like most people residing in Quebec. The reason is that people identify Inuit with Indians living on reserves who don't have to pay taxes and various levies.

People may also be surprised that Inuit do not live on reserves. The Nunavik territory where they reside and which they share with other Quebecers constitutes a public jurisdiction managed under Quebec law. Inuit institutions are also public with participation on the part of all regional residents without regard for ethnic origins.

As a result, Inuit, while proud of their aboriginal heritage, wish to retain their unusual legal status which signifies full taxpayer obligations and full participation in institutions of public government in Quebec.

Nevertheless Nunavik Inuit, who along with the other Quebecers have opted to live in an Arctic zone, face very arduous economic conditions. These include costs of living almost double the Southern Quebec average and unemployment surpassing 26%.

Furthermore, Nunavik is so isolated that it entertains no outside links with the world other than air services and very sporadic maritime services. In the far north, people live as if they were on an island off the coast of Quebec.

Because they occupy a very isolated region and because the costs of transportation boggle the mind, residents of Nunavik have to bear a very unfair tax burden. For example, an Inuit hunter involved in the subsistence economy, in contrast to farmers and similar food producers in southern Quebec, enjoys no fiscal exemptions : he has to pay full consumption taxation on the purchase of the expensive tools required to practice his trade. Moreover, when purchasing products imported from southern Quebec, he/she will have to pay more than 60% for the same food basket in comparison with compatriots residing in southern parts of the province.

Therefore, while Inuit and other residents of Nunavik have freely opted for full taxpayer status in Quebec and Canada, they feel that existing tax policies affect them in an unfair fashion. For the benefit of la Commission du budget et de l'administration, their representatives set forth several recommendations on this occasion.

In cooperation with the Government of Quebec, they would like new policies formulated to make their territory an autonomous fiscal zone. With Quebec, they would like to design policies which would favour economic development and the expansion of the regional tax base.

Together, Quebec and Nunavik representatives should identify transportation support programmes for Nunavik which would alleviate the impact of extremely high consumer costs.

In addition, further recommendations pertain to an improved tax regime for traditional hunting, fishing and trapping food production pursuits; to ensure full application of the evolving family tax credit system in the far north; and to the short and long term resolution of the problems flowing from retroactive taxation of northern employee allowances.

## 1. INTRODUCTION

The territory of Nunavik accounts for a large portion of the Province of Quebec. It extends beyond the 55<sup>th</sup> parallel north and borders Hudson Bay to the west, Ungava Bay to the north and Labrador to the east.

Nunavik counts some seven thousand (7,000) residents with a 90 per cent Inuit component. They live in fourteen fishing villages scattered along the lengthy coasts.

While the region mainly contains an Inuit population of hunters, fishermen and trappers for the most part, newcomers also inhabit that area with many migrants from Quebec itself. On the whole, these non natives have adjusted very well to northern community circumstances.

Worth the note, therefore, is the fact that both Inuit and other residents have mandated Kativik Regional Government and Makivik Corporation to present their submission to la Commission du budget et de l'administration of the National Assembly.

The Kativik Regional Government (K.R.G.) operates under the authority of councillors elected at large by all residents of Nunavik. In cooperation with other northern institutions such as the Kativik School Board or the Kativik Regional Development Council, it seeks to further the participation of all citizens in public government decision-making. On the basis of the James Bay and Northern Quebec Agreement signed with Quebec and Canada, K.R.G. enjoys jurisdiction in the following fields :

- municipal affairs;
- transportation and communications;
- justice;
- health and social services;
- education;
- economic development;
- environment, and
- regional development.

For its part Makivik Corporation according to the 1975 Agreement, must implement the following mandate :

- the prosperity of Inuit through financial management of compensation funds received in virtue of the 1975 Agreement, and
- the protection of Inuit political interests as well as the design and implementation of social and economic programmes with a view to improving conditions in northern communities.

## Two Objectives For Fiscal Policy In Nunavik

In contradiction with certain aboriginal groups, Inuit freely and carefully opt for full taxpayer status within Quebec and Canada, Just like other residents within Nunavik, they wish to make a meaningful contribution to Quebec and Canadian society as a whole.

In this context, and as will be argued during the course of this submission, they seek implementation of the concept of fiscal equity, that is reliance on the ability to pay on the part of citizens. However, first and foremost, Nunavik representatives want to emphasize the basic notion of fiscal effectiveness. This notion is based on the goal of expanding tax yields which would reflect improved economic circumstances. It also encompasses fiscal efficiency, i.e. collection at least cost through simplification of administration.

This twin perspective of fiscal equity and effectiveness pervades this submission during the course of which the attention of committee members will be drawn to :

- the background to northern tax issues;
- the factors indicating the need for revised tax and fiscal policies, and;
- the recommendations put forward by elected Nunavik representatives.

## 2. BACKGROUND

Residents of Nunavik can point to economic and fiscal conditions which set them apart from other Quebecers. Indeed, their "nordicity" differentiates them from compatriots living to the South. Moreover, they are in a position to cite many precedents in Quebec and elsewhere which show the need for a new fiscal model.

### 2.1 Specific Quebec Nordicity

Most Quebecers live alongside or near the great St. Lawrence region. As a result, they naturally tend to dismiss the province's extraordinary geographical diversity. After all, Quebec covers a territory the size of France, the largest in Western Europe.

Yet Nunavik constitutes a distinct social and economic region with special fiscal policy patterns. Distinctiveness flows from several dimensions, including the following :

#### 2.1.1 Costs

Federal outpost allowance services estimate that the cost of living in Kuujuaq surpasses Montreal prices by a ratio of 1.45, whereas an average family food basket, according to another federal survey, in Salluit surpasses a similar Ottawa bill by 66%<sup>1</sup> in same dollar terms.

Climate is a major factor in these cost constraints. In Kuujuaq, located to the south of Ungava Bay, there are three times fewer frost-bite days than in Montreal.<sup>3</sup> Construction costs are double the southern average, maintenance costs triple.

With respect to the taxation of consumption, inequality between North and South is quite startling. The same product sold in Kuujjuaq costs 45% more than in Montreal. If one accepts a combined federal provincial sales tax level prevailing in 1991 and equated to 15.56%, northern consumers will, in real purchasing power terms, pay a consumption tax of 23%. It is not surprising that the Organization for Economic Cooperation and Development (O.E.C.A.) in its report on taxation of consumption, depicted such levies as "somewhat regressive"<sup>4</sup>. In Quebec, such taxation first affects Inuit.

### 2.1.2 The Transport System

To the extent la Commission du budget et de l'administration continues to pursue its traditional focus on practical issues, it should be in a position to recognize Nunavik's insular status from the perspective of transportation.

In concrete terms, Nunavik constitutes an island. Unlike the James Bay region, no road links northern communities nor does any road provide a link with the South.

Because of the dearth of any maritime infrastructure, annual sealift operations often lead to tragic and disconcerting consequences, such as the loss of tons of heavy equipment. It is therefore not surprising that Nunavik representatives established maritime infrastructure as the first priority when engaging in talks with Quebec on the implementation of the 1975 Agreement in 1991.

As a result, Nunavik residents depend on air service for everyday survival. Air costs are not inconsiderable. As of 1992, a return airfare ticket Kuujjuaq-Montreal surpassed \$1,200. Despite strict budget constraints, this is why the federal government allocated \$18,204,000 for the airline postal subsidy service in 1988-89, with \$10,238,000 for James Bay and Northern Quebec alone<sup>5</sup>

### 2.1.3 Specific Economic Circumstances

First, labour market structures differentiate Nunavik from the rest of Quebec. Indeed Inuit under the age of 15 form over 40% of the native population : this demographic quirk bodes ill for the decrease in existing unemployment rates, around 26%. In addition and with regard to the fiscal focus adopted by la Commission du budget, K.R.G., on the basis of a survey conducted in 1991, stressed the following point :

Inuit ready to join the labour market (persons aged 15 to 64) accounted for 3,560 individuals, or 56.2 per cent of the regional population. In Quebec as a whole, the similar figure equates to 69.5%. It is therefore possible to conclude that the economic burden thrust upon those able to work, given the striking youth of Nunavik's population, is much heavier than that observed elsewhere in Quebec.<sup>6</sup>

An economic burden, let it be noted, which contains a fiscal component.

According to the most reliable and somewhat outdated survey of Nunavik economics, produced by Professor Gérard Duhaime<sup>7</sup>, the stereotype of over subsidised natives is somewhat misplaced : a total income of \$27,000 for the average Inuit family of seven in 1983. Moreover, Inuit spend 92 percent of their meagre income on the purchase of goods and services. Hence in their eyes the undue impact of taxes on consumption.

In a narrow sense, there is no manufacturing capability in Nunavik. Yet industry was the prime beneficiary of consumption tax reforms initiated by Canada and Quebec since 1991. On the other hand, 70 per cent of Nunavik employees work in the public sector whereas the Canadian equivalent is only 8 per cent<sup>8</sup>. As a result, competition which represents the principal obstacle against the inflationary effects of new taxes on the purchase of goods and services, simply does not prevail in Nunavik.

Finally, members of la Commission du budget should take into account the lack of any saving base in Nunavik.<sup>9</sup> In the event of a storm, the Inuit have no umbrella : they have to limit consumption.

#### 2.1.4 Allowances As the Illustration

With existing cost constraints, employers as a matter of course don't provide allowances for employees on the basis of generosity or some humanist ethic. However, most Nunavik employers have been forced to apply allowance schemes to compensate for high costs of living and related tax considerations.

For example, a review issued by Makivik Corporation<sup>9</sup> in 1985 observed that an employee, recruited from an outside community on the basis of an annual \$30,000 wage, could earn as much in financial cost of living and isolation allowances, semi-free housing, travel benefits and cargo payments. Without, it should be noted, this employee having local roots.

## 2.2 Several Appropriate Precedents

Over the years, over centuries, elected officials have tended to implement tax and spending patterns designed, throughout the Western world, to map onto the special conditions encountered by a given social or geographic group.

There is every reason to cite before this forum special G.S.T. and Q.S.T. policies implemented by Canada and Quebec for fishermen and farmers. K.R.G. and Makivik can, in this regard, note that the EDIPRO inventory of federal and provincial subsidies in Quebec allocated more than a hundred pages for the description of programmes to sustain farming whereas four pages are set aside for "northern" initiatives<sup>10</sup>. Be that as it may, Nunavik residents can cite other precedents leading to the concept of an Arctic tax policy.

### 2.2.1 Arctic Jurisdictions

Despite a tax yield assessed at double the level observed in Canada and because of high prices and consumer behaviour, the Government of the Northwest Territories has opted to implement no sales tax on goods and services. This is also the case for the Greenland Home Rule Government (next to Quebec) where, according to official reports, the overall tax burden in relation to family income does not surpass 26%, which is not the case for Quebec.<sup>11</sup>

### 2.2.2 Quebec Policies

With a view to countering high costs and the effects of isolation for residents in parts of Quebec, the provincial government established programmes to financially support maritime and air services for the Madeleine Islands and the lower and middle North Shore.<sup>12</sup>

- financial support for air services to the lower and middle North Shore in order "to ensure reasonable costs for residents" with price cuts up to 25 per cent;
- financial support for air services to the Madeleine Islands to ensure "reduced costs";
- financial support for maritime services to the lower and middle North Shore with direct subsidies for operators;
- similar support for maritime services towards the Madeleine Islands, and;
- support for air services designed to ensure links during the winter season.

Residents of Nunavik approve this transportation support philosophy. In their view, this policy should be developed and extended.

### 2.2.3 The Insular Dimension

The fact that Nunavik functions on the basis of mono-modal transportation, that is air service without access to road or maritime modes, reduces the region, in practical terms, to insular status.

In this circumstance, it would be useful from a polar perspective to remind members of la Commission du budget of policies adopted in favour of highly isolated or insular territories by government parties to the O.E.C.D.

Greenland is an integral segment of the Kingdom of Denmark with special status in relation to the twelve member European Community based in Brussels. It has access to both fiscal autonomy and unconditional, block funded, annual fiscal transfers from Denmark. The average Greenland tax burden/income ratio of 26 per cent results from these arrangements.<sup>13</sup> Elsewhere, fiscal experts could refer to the U.K. Channel Islands or the Isle of Man. And to many other illustrations of isolation.

In this respect, K.R.G. and Makivik would wish to acquaint the many francophone members of la Commission du budget with the isolation policies of the government of France:<sup>14</sup>

- the overseas territory of Saint-Pierre et Miquelon is entitled to full fiscal autonomy next to Quebec; French tax legislation does not apply to the islands.

### 3. URGENT ISSUES

Residents of Nunavik have made a commitment to the twin objectives of tax equity and tax effectiveness, as noted above. But other specific questions warrant the attention of government and Assembly members bent upon an improved fiscal system.

#### 3.1 The Issue of Equity

It would seem both absurd and disquieting that Nunavik taxpayers and Inuit consumers should, especially in respect of Montreal and Quebec City purchasing powers, be constrained to a combined G.S.T. and Q.S.T. goods and services consumption tax ranging from 23 to 28% depending on locations in Nunavik.<sup>1</sup>

As regards direct taxation and despite an annual federal "northern" deduction on personal income tax amounting to \$5,400 extending over areas far to the south of Nunavik and with access to roads,<sup>2</sup> basic personal income tax assessment rates apply to residents of Rigaud and to those in Salluit 2,000 kilometres to the North. The Government of the Northwest Territories implements, for obvious reasons of high prices, the most moderate income tax rates in Canada, as do other northern jurisdictions. Territorial fiscal experts assessed at some \$35 million the purchasing power steal from Ottawa in relation to real after tax income in 1988.<sup>3</sup> Applied to Nunavik, this figure would amount to over \$4 million.

One of the reasons why foreign governments, as briefly noted during the previous section on precedents for Nunavik, adopt special fiscal designs, is the simple and important imperative to achieve and maintain inter-ethnic harmony. This is not an academic issue in Nunavik and elsewhere throughout the Arctic.

According to the INAC report published in 1990<sup>4</sup> on the question of postal subsidies for air service to the North, per capita non-native revenues surpassed aboriginal incomes in 1985 by 400 percent! And members of la Commission du budget should be apprised that incomes achieved by non-native households represent a majority of revenue gained in Kuujuaq or Iqaluit (Frobisher Bay) on Baffin Island in communities where Inuit form a large majority.

These outsiders are also the first to benefit from generous allowance regimes implemented by public and private sector institutions in Nunavik and Baffin, although they remain, for the most part, for short periods of time.

It would be disastrous if a fiscal system which, for Nunavik residents, constitutes an unfair tax model, further increased socio-economic disparities between different



peoples on Quebec territory. Such distortion would be contrary to the general public interest.

### 3.2 The Issue of Effectiveness

Any tax system, through redistribution of income between citizens of the same polity, either corporate or personal income, should, over time, be designed to create wealth for the general good, for the benefit of all and each. Otherwise, taxation kills the tax base.

This seemingly trite cliché is relevant for the Nunavik region in that "the cost of doing business" far exceeds already high cost of living levels for Inuit. It should be noted that Inuit know small business already supplies about 50 percent of income and employment in neighbouring NWT and represents the key for future economic self reliance in Nunavik.<sup>5</sup>

For the moment, Nunavik citizens have to cope with the MIMO syndrome - "money in and money out" - which detracts from federal and provincial transfer objectives in the territory, i.e. economic self-reliance. Imports to Nunavik far exceed local production : like N.W.T. for the most part, Nunavik remains an economic colony. Observers estimate that 97 percent of every dollar transferred by government to Nunavik is spent in the South.<sup>6</sup>

A final observation on the obstacles to enterprise in Nunavik can be drawn from conclusions reached by K.R.G. and K.R.D.C. following a review commissioned in 1992.

If it is assumed that a small business in Nunavik operates on an annual \$500,000 turnover with net expected profit of \$25,000, and in relation to federal and provincial direct and indirect corporate taxation, as well as municipal fiscal levies, it was found that the firm in question generated fiscal revenues for different levels of government three times higher than net income,<sup>7</sup> that is over \$75,000.

That is to say also that tax outlays correspond to 15 percent of gross sales in a territory which still has to achieve a business and economic pre-take off stage. This phase depends on the accumulation of financial assets over time.

In these circumstances, it is very difficult to envisage the small business network required to manage Nunavik's very particular demographic patterns and associated labour market constraints.

### 3.3 Specific Issues

#### 3.3.1 The Issue of Renewable Resources

Like many other governments, Canada and Quebec seek to favour farm and fishery supply through financial and tax incentives. This national and provincial commitment

to the primary food production sector is further enhanced through a variety of taxation devices, which encompass special income tax evaluation methods as well as exemptions concerning the production and purchase of fresh food, especially with regard to G.S.T. and Q.S.T.

Residents of Nunavik and especially the Inuit support government promotion of "traditional pursuits" designed to strengthen Canadian and Quebec economic autonomy. Such activities are also essential for effective occupation of lands and waters, the first condition of political sovereignty.

Be that as it may Inuit hunters, fishermen or trappers have no access to tax measures for the purpose of buying equipment which have been granted farmers.

With unemployment rates double the Quebec average, Inuit, in order to survive, have to implement traditional pursuits such as hunting, fishing and trapping.

As a consequence, they are forced to purchase a wide range of equipment whether engines or skidoos, canoes or guns, in the same way southern farmers buy farm equipment. But unlike farmers, they have no access to food production input exemptions.

Moreover, their full purchases cost two times more than paid by farmers who don't have to bear sales taxation. In our view, this situation is unfair. It is also economically detrimental in that it detracts from food production needed by many Nunavik families.

### 3.3.2 Retroactive Taxation of Allowances and Benefits

It is somewhat surprising that tax officials have decided to impose retroactive taxation on allowances and benefits for fiscal years going back to 1987-88. This decision, in simple terms, means that some employees have received bills covering tens of thousands of dollars without, because of severe isolation, being in a position to discuss evaluations with officials residing in more temperate climates. It is based on the dubious notion of retroactivity. The consequences are clear. Despite existing cost constraints, employers may be forced to honour their employee debts.

This seemingly trite incident demonstrates the need for the design and implementation of a stable, predictable and appropriate northern tax environment.

### 3.3.3 Implications of the Tax Credit Philosophy

Over time and under the influence of debt service, the federal government now tends to substitute tax credits for direct financial transfers to families. This approach only makes sense if tax returns are filed. The new system now applies to G.S.T. family credits put into place in 1991 or to family allowance payments.

Economists and sociologists might well be tempted to weigh the implications of measures designed for literate southern families able, with technical aid, to file annual tax returns.

On the other hand, the problem for residents of Nunavik is quite concrete, e.g. the process of claiming family credits under Q.S.T. Over half the adult Inuit population as of 1992 failed to achieve schooling beyond eight years, in part because Quebec only initiated education programmes following the 1975 Claims Agreement. As a result, hundreds of Inuit families are, for objective reasons of history, in no position to claim tax credits because of their limited literacy and despite low income.

It would be misplaced to make reference in this context to tax evasion for the simple reason that many Inuit in a difficult economic environment would have every reason to file tax returns. Nunavik representatives and especially the Inuit would welcome any step made by the provincial Department of Revenue to cooperate in establishing a Northern Quebec tax register. Once again, specific interests can be reconciled with the good of the state.

#### 4. RECOMMENDATIONS

Nunavik representatives need to make realistic recommendations at a time of major fiscal crisis :

- in 1992-93, the combined impact of the federal and provincial deficits for the province of Quebec alone amounts to \$12.8 billion, the equivalent of \$1,700 per capita for one fiscal year;<sup>1</sup>
- whereas as deficit and debt were core issues during the 1992 American elections, the O.E.C.D. recently put them into perspective.<sup>2</sup> If residents of the United States opted for levels of taxation similar to those applying in Canada, the federal government in Washington would immediately move into comfortable budget surplus conditions. Indeed, Canada's tax burden in relation to G.N.P. is 10 per cent higher.

Residents of Nunavik share these concerns with other Quebecers.

In addition, Inuit in Nunavik face problems similar to southerners : budget austerity and cuts. The bell tolls for all of us.

##### 4.1 Recommendation 1

That la Commission du budget et de l'administration take into consideration the creation of a Nunavik Quebec task force, which would include the main provincial departments concerned such as Finance, Revenue and S.A.A.<sup>3</sup> and northern representatives in order, as of December 1993, to make practical proposals with respect to :

- . the establishment of a specific Nunavik territory tax regime which would reflect northern economic realities both in terms of philosophy and in terms of process;

- 11
- . the development and expansion of a genuine Nunavik tax base.<sup>4</sup>

#### 4.2 Recommendation 2

That, in the course of a second phase and in recognition of the complex effects of intergovernment taxation tradeoffs, the task force engage in talks with the federal Department of Finance and Revenue with a view to :

- . the consolidation of a Nunavik regional tax regime with reference to proposals made by the provincial-Nunavik group as of December 1993 ;
- . the development and expansion of a Nunavik tax base.

#### 4.3 Recommendation 3

That negotiations commence immediately between for the first part K.R.G. and Makivik Corporation and for the second part the Quebec Departments of Finance and Transport as well as S.A.A., as to how to subsidise air and sea service operators to Nunavik. In this respect, the North Shore and Madeleine Island precedents would provide useful guidelines. The working group on 'northern transportation' would, as a matter of course invite federal representatives from D.O.T. and Northern Affairs Canada.

#### 4.4 Recommendation 4

That the Quebec Department of Revenue implement, in cooperation with K.R.G. and Makivik Corporation, a system to facilitate the filing of tax returns by residents of Nunavik.

#### 4.5 Recommendation 5

That Quebec legislation and regulations be revised with regard to indirect taxation and taxation of consumption in order to provide Inuit hunters with the same fiscal exemptions enjoyed by other food producers in the province, including farmers.

#### 4.6 Recommendation 6

That the provincial Department of Revenue repeal regulations respecting the retroactive taxation of allowances and benefits. At the same time, in cooperation with Nunavik employers, it would formulate a stable, predictable regime which would be made fully public.

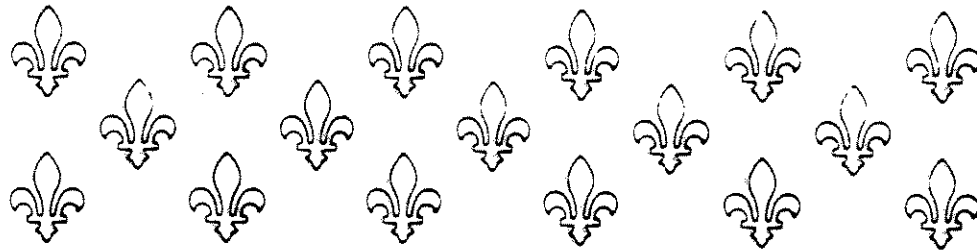
## NOTES AND REFERENCES

## BACKGROUND

1. Indian and Northern Affairs Canada (INAC), "Produits alimentaires destinés au Nord" rapport de l'étude sur la subvention accordée au service aérien omnibus" Ottawa, 1990, p.87.
2. INAC, "Produits alimentaires...", op cit, pp.85,88.
3. Statement on the part of Senator Charlie Watt, Senate of Canada, November 19, 1990.
4. O.C.D.E., "The taxation of Consumption", 1989, pp.36-45.
5. INAC, "Produits alimentaires..", op cit. p.72.
6. K.R.G., "Schooling, Vocational Training and Economic Activity in Nunavik", Kuujjuaq, 1992, p.7.
7. Gérard Duhaime, "Le pays des Inuit", Université Laval, 1989, 518 p.
8. Ibid
9. Société Makivik Corporation, "Employment and Income Patterns in Northern Quebec" - "Emplois et revenus au Nord québécois", Kuujjuaq, 1985.
10. EDIPRO, "Le répertoire des subventions et aides gouvernementales", Montréal, juin 1992, pp.XIII-IX with respect to federal programmes.
11. Greenland Home Rule Office, "Greenland Economic Report", Copenhagen, 1990, dir. Lars Vesterberg; GNWT Department of Finance, "Tax Options" Yellowknife, August 1988.
12. EDIPRO, "Le répertoire..." op cit, pp.401-407 with respect to provincial programmes.
13. Vesterberg, op cit.
14. Éditions Francis Lefèvre, "Précis de fiscalité" section Outre Mer, Paris, 1992, pp.1042-1051

**APPENDIX 2**

**Excerpts from the proceedings of the  
Standing Committee on the Budget  
and Administration  
of February 18, 1993**



---

---

# ASSEMBLÉE NATIONALE

---

---

DEUXIÈME SESSION

TRENTE-QUATRIÈME LÉGISLATURE

## Journal des débats

### Commissions parlementaires

---

---

Commission permanente du budget et de l'administration

Consultation générale sur le financement  
des services publics au Québec (11)

Le jeudi 18 février 1993 - No 38

Président : M. Jean-Pierre Saintonge

---

QUÉBEC

Débats de l'Assemblée nationale

Table des matières

Motion proposant le dépôt des études et des analyses du gouvernement au sujet des dédoublements et des chevauchements administratifs entre le gouvernement du Québec et le gouvernement fédéral	CBA-1775
Débat sur la recevabilité	
M. Jean Audet	CBA-1775
M. Henri-François Gauthrin	CBA-1776
M. Jean Filion	CBA-1776
M. Lewis Camden	CBA-1777
Décision du président	CBA-1777
Débat sur la motion	
M. Jean Filion	CBA-1778
M. Henri-François Gauthrin	CBA-1779
Mme Denise Carrier-Perreault	CBA-1780
M. Lewis Camden	CBA-1780
M. Daniel Johnson	CBA-1781
Mise aux voix	CBA-1781
Auditions (suite)	
Union des municipalités du Québec (UMQ)	CBA-1782
Parti vert du Québec	CBA-1791
Association générale étudiante des secteurs sciences humaines, arts, lettres et communication de l'Université du Québec à Montréal (AGEUQAM)	CBA-1799
Association provinciale des constructeurs d'habitations du Québec (APCHQ)	CBA-1811
Administration régionale Kativik (ARK) et Société Maïdvik	CBA-1820
12 groupes provinciaux de femmes et L'Intersyndicale des femmes	CBA-1827
Conseil de la famille (CF)	CBA-1839
Conférence des recteurs et des principaux des universités du Québec (CREPUQ)	CBA-1850
Dépôt de documents	CBA-1862
Remarques finales	
M. Jacques Léonard	CBA-1862
M. Gérard D. Lavoie	CBA-1863
Mme Pauline Marois	CBA-1864
M. Raymond Savoie	CBA-1866
M. Jean Filion	CBA-1867
M. Daniel Johnson	CBA-1869

Autres intervenants

M. Jean-Guy Lamioux, président  
 M. Michel Després, président suppléant  
 M. Jean Audet, président suppléant

M. Maurice Richard  
 M. Jacques Chagnon  
 M. Francis Dufour

- M. Ralph Mercier, UMQ
- M. Jean Ouimet, Parti vert du Québec
- M. Claude Rioux, AGEUQAM
- M. Benoît Renaud, idem
- M. Robert Dubois, idem
- M. Omar Beaudoin-Rousseau, APCHQ
- M. Gaëtan Rouillard, idem
- M. François Bernier, idem
- M. Marc-André Regnier, idem



## Table des matières (suite)

- M. Charlie Watt, Administration régionale Kativik (ARK) et Société Makivik
  - M. Mark T. Gordon, idem
  - M. Willie Watt, idem
  - Mme Yvette Brunet, 12 groupes provinciaux de femmes et L'Intersyndicale des femmes
  - Mme Ruth Rose, idem
  - Mme Danielle Falardeau, idem
  - Mme Cécile Signori, idem et CF
  - M. Bernard Fortin, CF
  - M. Jean-Pierre Lamoureux, idem
  - M. André Laroche, idem
  - M. Michel Gervais, CREPUQ
  - M. Patrick Kennell, idem
  - M. Claude Hamel, idem
- Témoins interrogés par les membres de la commission

Abonnement: 230 \$ par année pour les débats des commissions parlementaires  
70 \$ par année pour les débats de la Chambre  
Chaque exemplaire, 1,00 \$ - Index, 10 \$  
La transcription des débats des commissions parlementaires est aussi  
disponible sur microfiches au coût annuel de 130 \$  
Dans les 2 cas le TPS et la TVQ s'ajoutent aux prix indiqués

Chèque rédigé au nom du ministre des Finances et adressé à:  
Assemblée nationale du Québec  
Distribution des documents parlementaires  
5, Place Québec, bureau 188  
Québec, (Québec) tél. 418-643-2734  
GTR 5P3 télécopieur: 418-528-0381

Courrier de deuxième classe - Enregistrement no 1782

Dépôt légal  
Bibliothèque nationale du Québec  
ISSN 0623-0102

un secteur à part. Il est à considérer.

Mme Marois: Mais...

M. Bernier: C'est déjà le cas partiellement dans le domaine de la rénovation. Il s'agit d'étendre ça, une fois pour toutes, à tout ce qui s'appelle construction résidentielle. Une fois qu'on a rendu la ligne là, l'industrie s'organise.

Mme Marois: D'accord. Alors, je vous remercie.

M. Bernier: Merci.

Le Président (M. Lemieux): Il reste deux minutes du côté ministériel.

Où, M. le président du Conseil du trésor

M. Johnson: Oui, pour remercier nos visiteurs de leur présence moi aussi.

On s'est quand même attardés, tout à l'heure, sur la santé et sécurité et sur la complexité, c'est le moins qu'on puisse dire, des coûts du régime. On a deux minutes, apparemment, là. Qu'est-ce que vous suggériez, en deux minutes? Du côté du régime d'indemnisation ou alors du côté de l'administration? Parce que je pense que vous le savez, il faut toujours distinguer les deux. On a un régime qui, sur papier, à bien des égards, comme le 90 % du net... Je compare, finalement, avec le 70 % à 80 % du brut, mais taxable ailleurs. Mais du côté de l'administration, comme telle, est-ce qu'il y a des suggestions que vous apporteriez aujourd'hui?

M. Regnier: Dans le mémoire qui vous est présenté, il est parlé de privatisation globale au niveau de l'indemnisation. La raison est fort simple. C'est qu'après étude de divers pays qui, eux, ont adopté des systèmes comme ceux-là où ce n'est pas des monopoles d'État, on s'est aperçu que les coûts de la santé et sécurité sont souvent de beaucoup moindres. On parle jusqu'à 50 %, dans les cas extrêmes, pour des bénéfices à peu près comparables. C'est le cas, notamment, de la Belgique, c'est le cas du Portugal, c'est le cas de différents pays que nous avons eu l'occasion de vérifier.

Alors, la privatisation, pour nous, est-ce qu'elle est absolument nécessaire? Elle ne le serait pas dans la mesure où la CSST mettrait en place des systèmes de contrôle efficaces, des contrôles de deux façons. La CSST devrait émettre des contrôles au niveau de l'admissibilité et du suivi des dossiers. Ça serait déjà un premier pas comparativement au ledame dont elle fait preuve actuellement. Dans un deuxième temps, une compagnie d'assurances privée serait contrôlée par le gouvernement, et je ne crois pas que quiconque permettrait une sous-capitalisation d'une compagnie d'assurances privées, comme c'est le cas actuellement, à la CSST. Il y a un suivi

qui serait fait depuis longtemps. Je crois qu'on aurait cherché à redresser la situation depuis très longtemps. Alors, essentiellement, c'est au niveau du contrôle.  
(15 heures)

Le Président (M. Lemieux): Nous vous remercions pour votre participation à cette commission parlementaire.

M. Filion: Une question, M. le Président.

Le Président (M. Lemieux): Une rapide. Allez-y, M. le député de Montmorency.

M. Filion: Rapidement. C'est simplement une question qu'on a reçue cette semaine en commission.

La Corporation des maîtres électriciens et la Corporation des maîtres mécaniciens en tuyauterie ont soulevé le fait que l'harmonisation nuisait énormément à l'application de la construction. Pour eux, c'était rendu très lourd, etc. Est-ce que, pour vous, ça demeure toujours, l'harmonisation, un problème prioritaire, urgent, pour permettre un meilleur fonctionnement dans le monde de la construction?

M. Bernier: L'harmonisation, en tout cas... Le sens de nos commentaires par rapport à l'harmonisation, c'est véritablement... Il faut voir au niveau des crédits et des modalités de déclaration. L'harmonisation, dans ce sens-là, c'est un «must». Il faut le faire. Ce que les maîtres électriciens ont soulevé, je crois, ça référait beaucoup à la difficulté qu'ils ont à traiter des taux de 4 % et de 8 %, ces notions de meuble et d'immeuble, et je pense que, de façon assez complète, ils ont abordé le sujet. Nous, on est plus haut dans la chaîne, en quelque part, et je dirais, au niveau de l'administration, on n'a pas nécessairement de commentaires à formuler là-dessus. On ne voulait pas mettre ça en évidence, mais bien ce qui se passe au niveau des crédits.

Le Président (M. Lemieux): On vous remercie. Nous vous remercions pour votre participation à cette commission parlementaire, et j'invite immédiatement la Société MakVik à bien vouloir prendre place à la table des témoins. Nous suspendons une minute seulement.

(Suspension de la séance à 15 h 2)

(Reprise à 15 h 3)

Le Président (M. Audet): À l'ordre, s'il vous plaît. La commission du budget et de l'administration reprend ses travaux. J'invite maintenant la Société MakVik à prendre place. Si vous voulez vous approcher, messieurs, s'il vous plaît. Les gens de la Société MakVik, si vous voulez vous avancer, s'il vous plaît, et prendre place.

Alors, je vous rappelle brièvement nos ré-

gies de procédure. Vous disposez d'une période de 20 minutes pour nous exposer votre mémoire, et ensuite suivront des échanges pendant une quarantaine de minutes. Je vous inviterais, avant de procéder à votre présentation, à vous identifier, s'il vous plaît.

Une voix: M. le Président, est-ce qu'il y a un service de traduction?

Le Président (M. Audet): Vous pouvez y aller en anglais, il n'y a pas de problème.

Une voix: Très bien, merci. You were asked to introduce yourself, your colleagues.

Administration régionale Kativik (ARIK)  
et Société Makivik

M. Watt (Charlie): My name is Charlie Watt. I am the President of Makivik Corporation. I leave up the other part... and the person at the end is the Treasurer to the Makivik Corporation, Willy Watt; Mark T. Gordon is the Second Vice-President of Makivik Corporation, Mark Malone, one of our resource persons, had to replace... One of our delegates just got sick and had to be taken to the hospital quickly, and I was hoping that he would be here to represent the Kativik Regional Government, but unfortunately he is not going to be able to be here, so Mark Malone is going to be speaking on his behalf.

Let me first start off saying that we are happy to be here, and I do believe this is your last day. And on top of that, I would like to acknowledge that... especially the two committee members. I am happy to see them around the table, that is the Treasury - excuse my language, Sir - the President of the Treasury Board and the Finance Minister.

As you all know, the North is the North and the South is the South. The difference between the two, implication of it, reflect in many different ways. That is to say that the cost in the North is very high compared to our counterpart, that is the South, and it has been an ongoing problem for us for quite a number of years. I guess, on one hand - you can put it this way - we have waited for this type of forum to address our issues. The opportunity came and we are grateful for that.

I do not want to come across to the committee members... that what I have to say is negative. What we are trying to do here is to enlighten you, as a committee, to take the matters that we are going to put forward as serious matters. Once in the past, I have dealt with the GST, at the Senate level, and knowing the fact that how much impact that would have on the North, and I was not able to succeed what I was out to do, but mind you, though, when they took the vote on the issue, it was the closest tie that ever took place within the

Senate, dealing with the question of taxation. And if I were able to persuade maybe one or two members from the Opposition side, I probably would not be confronting the same problems that we are facing today. But, nevertheless, the problem was here even before that.

As you know, the Makivik and the Kativik regional governments, over the years, since 1975, have worked very closely together on the basis of a... more of a partnership, and those two organizations have been confronting with a number of different problems related to taxation. Our objective is to enlighten you as much as possible, to realize that there has to be fairness in terms of taxation. At this point, we do not feel there is fairness in recourse to taxation. Just to give you an example, on the GST plus Québec Sales Tax, in the South, it is 15%. When you take into account the transportation aspects, only to Kuujuaq, that same 15% becomes 23%. In one of our communities, which is the farthest North, it represents 30%. As you can see, taking those into account, there is no purchasing power left in the hands of the individuals, and it also affects, it is affecting some of the small businesses that we are trying to create in the North. We view the small business as one of the most important elements for the purpose of establishing a tax base.

(15 h 10)

Just to give you an idea on our experience. If you are handling in one year 800 000 \$, you will be lucky if you generate revenue, as a clear profit, within the ranks of 23 000 \$ to 25 000 \$. As you can see, the high cost of transportation is affecting us a great deal. As I mentioned, individuals that are living in the North have no purchasing power, practically. Today, if you go into any household, you find out that they are living in modern houses - for which we are grateful to the Government of Québec - but, nevertheless, the problem did not disappear. That is the house is practically empty, no furniture because they have no purchasing power. And the people who are earning some form of wages today have no choice but to share that one man wages properly spread into two or three additional households.

The factor is also related to a lot of opportunities for employment. So, if you are looking at the South of the planet, at these so-called third world countries, we are almost there basically. If I remember, back at the time when I was growing up, living in the isolated communities, before the bureaucracy moved into our territory, there were only basically the Hudson Bay Companies, at times, and at second, RCMP. And I remember that hard time, I was a product of that hard time, and I have lived through that. We are almost back to the same predicament that we were in, back in the early 1950s. That is how serious it is.

Therefore, committee members, honourable

Members, we have specific recommendations that we wanted to... sensitize you to a number of recommendations which are in the blue text that we have furnished you before the committee... before we came here. There are six items.

What is suggested here are some recommendations that the commission dealing with the budget administration take into consideration the creation of a Nunavik-Québec Task Force, which would include the main provincial departments, such as Finance, Revenue and S.A.A., and the northern representatives in order, as of December 1993, to make a practical proposal with respect to the establishment of a specific Nunavik Territory tax regime, which would reflect northern economy realities, both in terms of philosophy and in terms of process. That is n° 1 recommendation. And also it goes on to develop and expand a genuine Nunavik tax base.

Recommendation n° 2. That, in the course of a second phase, and in the recognition of a complex effect of the intergovernmental taxation trade-off, that the task force engage in talks with the federal Department of Finance and Revenue, with a view to consolidation of a Nunavik regional tax regime, with reference to proposals made by the provincial Nunavik group, as of December 1993, to develop and expand a Nunavik tax base.

Recommendation n° 3. That negotiations commence immediately between, for the first part, KRG, which is the Kativik Regional Government, and Makivik Corporation, and, for the second part, Québec departments of Finance and Transport, as well as S.A.A., as to how to subsidize air and sea service operators to Nunavik. In this respect, the North Shore and Magdalen Islands precedent would provide useful guidelines. The working group on northern transportation would, of course, invite federal representatives from the departments of Transport and Northern Affairs of Canada.

Recommendation n° 4. That the Québec Department of Revenue implement, in cooperation with KRG and the Makivik Corporation, a system to facilitate the filing of tax returns by the residents of Nunavik. As you know, most of our people, today, do not file income tax returns. Why they do not file income tax returns? First, they do not understand when it is written either in English or French. So, the majority of the... Basically, if you want to call it -being put into file 13-, which is the garbage can. Unfortunately! And, therefore, we had no choice, but to provide some assistance to those individuals, as Makivik Corporation. We had no choice, recently, at the last executive meeting, but to establish a department within Makivik, to provide some assistance to individuals, in the sense that if they do not file their income tax, they are not even going to be able to receive their family allowances. So, how are they going to survive? We have to do whatever we can to provide some

assistance in that area. Recommendation n° 4. That the Québec Department of Revenue implement, in cooperation... I have already said that.

Recommendation n° 5. That Québec legislation and regulations be revised with regards to indirect taxation and taxation of consumption, in order to provide Inuit hunters with the same fiscal exemptions enjoyed by other food producers in the province, including farmers. I do not think that this has ever been taken into account, especially when people have to help themselves to provide for and to bring the bread and butter to their families, that they have to, first, equip themselves either by snowmachine, by boat or by canoe, including the hardware that they need in order to capture the wildlife in order to bring the country food back home. So, that is important.

Recommendation n° 6. That the provincial Department of Revenue repeal regulations respecting retroactive taxation of allowances, and benefits at the same time, in the corporations with Nunavik employees. It would formulate a stable and protective regime which would be made for public.

Those are the six items as a recommendation that we put forward to you. Before I conclude my remarks, I want to stress the fact that, as Inuit living in the far North, we are very different from the Indians. We are taxpayers just like you, and we are happy to be taxpayers, but it has to be fair. And some of the points that we highlighted are very important in order to advance ourselves and move in the direction to establish more tax base.

As you know, the tax can also kill tax base. We would like to find the solutions with you, and I think we can, because you are not dealing with a large number of populations. I think it is a good avenue that should be taken seriously by the Government of Québec. More of a test case, how can we advance ourselves, stepping aside of that and examining what we can do together? This is one of the reasons why we are here in front of you.

So I leave the questioning up to you.

Le Président (M. Audet): Merci. Est-ce qu'il y a d'autres commentaires? Ça va?

Je vais maintenant reconnaître M. le ministre des Finances.  
(15 h 20)

M. Levesque: Well, I would like to extend our warmest welcome to you, Mr. Senator, and those who are with you. We are privileged to have you here today. We thank you for your interest in trying to find solutions to the financial difficulties of our times. I would not say only of the Québec government, but also of many governments. I imagine that you hear much of it wherever you are in the country or even outside.

I think that you have presented your case

very well. We shall certainly have time to look into this and analyse it. You mentioned, for instance, the creation of a task force with your group and Finance, Revenue and the Secrétariat aux Affaires autochtones. The latter is... The normal way to get to the government is through the Secrétariat aux Affaires autochtones. The Minister of Revenue knows much about it, as he was responsible for that Department not so long ago, and he will probably have a few words to say on this, as well as the Chairman of the Treasury Board.

But I would like simply to say that our Department of Finance is proceeding now with a certain work on fiscal matters applicable to Native people, and this brief that you are presenting today will help us in this work.

However, all this will have to be considered in a larger context. What kind of agreement can be reached concerning the responsibilities of a local nature or governmental nature, which could be achieved between the Native people and the Québec government? But I feel that this can be looked into after we are through and through the Secrétariat aux Affaires autochtones.

You also suggest that this same task force work with the federal Department of Finance and the federal Department of Revenue. I think that the federal Minister of Finance has already indicated his interest for this suggestion, but you might be more explicit on this, because you are closer, I imagine, to what is going on at the federal level. I imagine that you will have some more information from that source.

You have mentioned also - I will just finish, giving others the chance to come across - something about the sales tax, the Québec sales tax. You gave an example which I have noted, that the goods, when they arrive at destination, are not at the same price as when they leave here. And, therefore, the sum of tax that has to be paid on is higher than if it were here. Therefore, you are asking for some consideration, there.

Well, those are some of the things that we will look into. I cannot give you any answer right now, you did not expect any either, I imagine, to be precise. However, I would like, before concluding this exchange, to have you say a few words on... Did you ask for the same thing from the federal government? I imagine that when the GST comes there, it has the same effect as the Québec sales tax. So, sometimes, you know, harmonization happens. Did you get any indication that you would get a favorable answer from the federal government on this?

Le Président (M. Audet): Mr. Watt.

M. Watt (Charlie): O.K., Mr. Chairman.

First, let me, Mr. Laveque... I will go back to the first point that you have mentioned, that you are going to undertake and examine what

can be done for the Native people. That is always troublesome for me and also for my colleagues when the word "Native" is used to lump everybody together. And the same thing, it is also of concern and troublesome for me when the people use "aboriginal" in brackets, because we are not treated the same way, neither do we want to be treated the same way, Mr. Minister.

M. Laveque: I was referring though to what is the name given to the Department, and I was trying to find a translation for what we call "le Secrétariat aux Affaires autochtones". How would you translate it?

M. Watt (Charlie): Well, I can only translate it to ourselves, that is that we are Inuit, we are not Indian!

M. Laveque: Yes. Well, I could not say that because it would not have been right. I understand the distinction...

M. Watt (Charlie): Yes.

M. Laveque: ...I respect it. I would have liked to say that, but there was only one French word for it and I was trying to find a translation... I asked Mr. Savoie, the Minister of Revenue, if my translation, before I spoke to you, if that was good... We were still discussing when I had to say something!

M. Watt (Charlie): I guess the point that I would like to make, and that I have been making... Every opportunity that I get, I try to stress this point, the fact that we are not Indians, that we are taxpayers just like everybody else. You know, we are not living on a reserve concept, and when politicians are talking, in political terms, they have a tendency to lump everybody under one, so what I am basically saying to you is that you cannot, no longer, lump us into one, because we are not the same and, on one hand, we are taxpayers, and we are going to continue to be taxpayers. What we want to do, rather, is to try to find some way of expanding the tax base, otherwise, the scheme, the regime that is applied today is killing us. It is killing every opportunity that might exist. So, we just want you to open the eyes to that concept.

Coming back to the point you made, the time that I made a presentation in the Senate, in recourse to GST, there was a willingness to listen. There was an interest that was there. But when it comes time to vote, the politics override the logic. A reality, if you want to put it that way. And, therefore, I was put to vote and I was missing two... If I would have had two more people, we probably would have made some mileage with that. But nevertheless... and I have been told by inside sources from the Government

of Canada that they are still willing to sit down and try to work out some solution.

So, I think there is some positive in there that will be some beneficial to you as a minister of Finance. And being able to open the doors... and I think you and I probably have to... I might need your help also. That is basically what... I am trying to send the message to you that, I alone, I might succeed but, then again, I do not want to take any chances. I am going to need your help. Sometimes, as a senator, Sir, I look at that as a... very differently from the rest of the politicians, as you know. We are just barely surviving. Ha, ha, ha!

Le Président (M. Audet): Mme la députée de Taillon.  
(15 h 30)

Mme Marois: Je vous souhaite la bienvenue, à mon tour, à notre commission - je vais parler lentement - au nom de ma formation politique. J'ai lu votre mémoire avec beaucoup d'intérêt. Je pense que la discussion que vous aviez avec le ministre des Finances est très intéressante et éclairante quant au fait que vous voulez bien que votre peuple et que votre communauté soient connus et présentés, tel qu'ils sont dans leurs institutions, leurs façons de faire et d'être. Vous avez l'impression, parfois, si j'ai bien compris votre point de vue, d'être assimilés à des groupes qui sont davantage dépendants.

Par exemple, dans la Loi sur les Indiens, où on sait qu'il y a des communautés qui dépendent essentiellement de cette loi, dans le sens où elles ont un statut particulier, alors que, vous, je pense que ce que voulez nous dire - si j'ai bien compris, et c'est un peu le sens de la discussion que vous aviez avec le ministre des Finances - c'est qu'on ne se retrouve pas dans les mots que vous utilisez habituellement, votre Secrétariat, et on voudrait pouvoir apparaître aussi dans vos documents et dans le vocabulaire que vous utilisez. Je trouve ça fort intéressant comme échange.

Alors, cela étant dit, je suis très sensible à ce que vous présentez... Remarquez que rien n'ira à l'encontre, n'ira contre le fait que notre commission puisse recommander la création d'un comité comme celui que vous suggérez, pour se pencher sur les questions fiscales concernant votre communauté, parce que, si j'ai bien compris, ce que vous souhaiteriez que notre commission fasse, c'est qu'elle prenne en débat, en délibération des propositions que vous nous faites aujourd'hui et que ça ne soit pas seulement traité à l'intérieur du gouvernement, mais que ce soit discuté ici, à cette commission.

Alors, je voudrais d'abord m'assurer que cela est bien une de vos attentes. Ce que je peux vous dire, c'est que ça ne va pas à l'encontre des possibilités qui nous sont offertes et qui sont disponibles à la commission du budget et de l'administration. Nous pouvons débattre et

étudier des problèmes comme ceux que vous nous apportez et nous pouvons aussi, comme membres de l'Assemblée nationale, faire des recommandations au gouvernement. Alors, rien ne nous empêcherait de pouvoir le renvoyer. Je voudrais bien comprendre si c'est ça, la demande que vous faites auprès de la commission aujourd'hui.

M. Watt (Charlie): First, Madam, I thank you for recognizing the importance and also the fact that we are different from the other colleagues of ours, if we want to call them that, the Natives or Aborigines. Definitely, if you are highlighting the fact that not only the Government can make recommendations, I would have to say to you that I am in favour of whatever pressure group that could be created, because we are dealing with a big problem area.

And as you probably heard, it is happening also in our community, but I am not trying to undermine the other Aboriginal groups. If you take a look at Devils Inlet, for example, the condition of the community has generated a lot of social problems. When you have economic problems, you end up having social problems. And I am not looking for a way to answer our social decay, if you want to put it that way, I would rather look towards economic avenues to help out the social problems. I think this is the only way that we are going to be able to spearhead it and come up with the answers. If you examine it from the other side of the coin, from the social problem and then try to create, I think the outcome will be very different.

Keeping that in mind, I am all for any pressure group that could be generated, but what I see, the importance in this is that the governments today definitely have to take their responsibilities seriously, with all due respect. We need to establish a formal table so something will really take place, not just for the purpose of exchanging ideas back and forth. One of the reasons why we want to be involved in this is because we can contribute the knowledge that we have. When you are so far away from the sensitive area, it is pretty hard, especially when you are being preoccupied with a bigger picture, to see the smaller picture. What we are trying to do here is to sensitize you to the smaller problem. Then the bigger problems that you have... And the outcome of that smaller problem, if we can find the solution, at least maybe a little, small percentage of that will help the bigger problems. So, that is the direction we wanted to take, and I think it is feasible. I think it is the time, now, to genuinely examine that together.

Mme Marois: Je suis d'accord avec vous qu'il faut qu'il y ait, effectivement, un forum pour débattre et discuter de la réalité, parce que ce n'est pas qu'un problème - là, je veux faire la nuance - de la réalité que vous vivez, mais, à

cause de l'application de certaines lois, de certains règlements ou de façons de faire qui peuvent vous créer des problèmes ou vous empêcher de trouver des solutions qui vous permettraient de progresser et de vous développer.

Moi, je veux vous remercier de l'excellent mémoire que vous nous avez présenté. Quand on le lit, et quand je vous écoutais tout à l'heure le présenter, effectivement, vous faites état d'une réalité qui, souvent, nous échappe, nous du Sud - si vous me permettez cette expression, même si on n'a pas l'impression de l'être tout à fait parfois - et que seuls vous êtes en mesure de bien nous présenter si on veut tirer des conclusions et, surtout, apporter des solutions qui vous conviennent. Et là, on peut parler de choses plus précises.

Quand vous parlez du transport, je pense que c'est l'exemple que tout le monde peut très bien comprendre. Il y a des coûts énormes que vous avez à encourir, ce qui fait que, finalement, il y a des sommes absolument incroyables que vous devez payer pour les mêmes services que, nous, on a à des coûts beaucoup moindres. Donc, ça crée une pression sur votre économie qui est évidemment difficile à accepter.

Alors, je vous dis que votre mémoire est fort intéressante et pertinente. Je suis prête à ce que l'on débâte ici des recommandations à faire au gouvernement pour qu'il y ait un forum, pour qu'il y ait un lieu de discussion des réalités auxquelles vous êtes confrontés pour que se dégagent, par la suite, des pistes d'action et de solutions. Je vous offre, à cet égard, notre pleine et entière collaboration.

M. Watt (Charlie): Thank you very much, Madam. This is very encouraging, hearing you recognizing the importance. First, I would like to say that I would not like to put it in the form of our being ignored. I do not think that is the proper term for it. I think the real problem is that it is more of an oversight or lack of knowledge, a lack of understanding because of the distance between the two.

(15 h 40)

I would like to go into the fact that you mentioned that transportation is an item that skyrockets the cost of merchandise or any items that needs to be absorbed by the consumer. As you know, we own two airline companies. One is Air Inuit that services around the coast. Recently, three years ago, we purchased another airline company that operates from Ottawa and Montreal to Kuujuaq, on up to Frobisher Bay, and on up to Greenland. As you know, the aviation industry today, it is not comfort, and we are the only regional airline left in Canada. We had to do whatever we could with that airline company to turn it around, because when we bought it, it was in bad shape. It was at the bankruptcy state when we purchased it. I am

happy to say that we were able to turn it around, even during economic hard times. We are doing everything we can to reduce the price as much as possible, but at the same time that airline company has to survive.

So we are at the point where we are being pinched very hard, and both ways. As you know, the subsidies that we enjoyed before from the Government of Canada, postal subsidies, have been reduced. Not only by half, not only by 25 %, but by a lot less than that. So, we are struggling and, at the same time, we are sensitive to the consumer side. Our consumers are speaking very loud and they do not even have to speak any more. As I mentioned, all you have to do is to go into one household. You will realize what is happening. When they do have a little bit of dollars to spend, they are very, very selective now to buy only essential needs. Essential needs, that could be flour, lard, baking powder, tea and things of that nature. Forget about something that they need to... what you call... My English gets rough too at times, so excuse me. They cannot even afford to buy meaningful food, let us put it that way. So that is the problem.

Again, thank you very much for your intervention.

Mme Marois: Je ferai une dernière remarque, M. le Président.

Je pense que ce qui est intéressant aussi dans votre mémoire, c'est que vous faites référence à des façons qu'ont trouvées d'autres pays - vous mentionnez le Danemark, évidemment, et leur façon de faire - et je pense que ça pourrait être utile que l'on puisse regarder comment ça se passe ailleurs dans des conditions semblables à celles que vous vivez, confrontés à des réalités comparables, pour qu'on puisse peut-être s'en inspirer. Je pense que ça ne serait pas inutile comme démarche. En tout cas, on peut souhaiter qu'un travail soit fait dans ce sens-là.

Je vous remercie de votre intervention auprès de notre commission.

M. Watt (Charlie): Madam. Once again, Madam, I feel that I should say something, a comment, at least, in that area. I just came back very recently from an international organization's conference in Anchorage, Alaska. The participants of that group, who were dealing with economy in a global sense, were people from Greenland, people from the Northwest Territories, people from Alaska including Siberia, Siberia's input... That was the third time, now, that they have been involved in that area.

You are right. The individuals in Greenland do not pay taxes, sales taxes, that is, even though they are paying taxes to the Government of Canada and things of that nature. They are probably also paying taxes to Denmark, but no sales tax. I do agree with you, that is an area

that we should examine, because, as I mentioned earlier, if you overtax, it kills every possible opportunity to establish a tax base.

So, I do agree, those are the areas, the models that we should be looking at and even, going further, to see whether we can improve them. For example, Greenland is finally...

Minister Savoie, you and I were in Greenland at one time and I think both of us came back a little bit discouraged. I do not think that is a secret to anybody. Now, they are finally dealing with things that you and I were trying to talk about. They are restructuring their economy now, and they plan to rechannel their economy through Canada, some parts at least, rather than importing from Denmark, you know, all the way through.

So, the reason I am highlighting this is that, as the fruit of Quebec, regardless of how small we are, we are one of the major international players today. And that is something that Québec as a whole can benefit from.

I guess what I am trying to say, Madam, in that area, is: Do not look at us as a negative, look at us as more of a positive, because together we can go a hell of a lot further. And we need your help and your input in our deliberations dealing with some of the international events.

There are a lot of opportunities out there to be made, to make a dollar. We could be an arm for the Province of Québec, and this is not being examined, it is being ignored. And again, it is not your fault, it is a lack of knowledge again, lack of understanding.

Thank you.

Le Président (M. Audet): O.K. Je vais maintenant reconnaître le président du Conseil du trésor.

M. Johnson: Oui. Je vous remercie, M. le Président.

Very briefly, I welcome you in our former Senate here, right in this particular room. So I am sure you feel comfortable, as you should.

One of the points that you raised is, of course, the cost of travelling South from your land. My own inclination, if we are looking for equity, given the fact that I am President of the Treasury Board and having an expenditure problem, would be to restore equity by abolishing all grants for all forms of transportation to and from absolutely everywhere. Now, that is not practical. This is not what you had in mind, especially, and you do, indeed, and can make a case that your special situation might require some relief in transportation costs because of the fact that you already support a cost of living which cannot even begin to compare with the rest, certainly, of Québec.

How would you state that case - there is one - from your point of view, of asking the

government, federal and/or provincial, to recognize that special situation in terms of air transport to and from your land going South?

M. Watt (Charlie): First, I would like to just make a remark that is totally unrelated to the issue that we are talking about, maybe because I am naïve about certain parts of politics.

When I saw you on the Liberal side and I saw your brother on the PQ side, I used to wonder: What is going on there?

Des voix: Ha, ha, ha!

M. Johnson: And our father on neither, as you are well aware.

M. Watt (Charlie): Ha, ha, ha! Anyway, I always wanted to point that out to you, so... Anyway.

Nevertheless, I do not really have a clear answer to the questions that you are asking. Maybe Mark will be able to give you an answer in that area.

M. Johnson: Sure.

Le Président (M. Audet): Mr. Gordon?

M. Watt (Charlie): Mark T. Gordon.

M. Gordon (Mark T.): Yes. Thank you. I would like to try to, maybe with the time that we have, briefly answer part of the question and expend a bit more on it. For us, we have 14 small communities - some people might be amazed that some of them are quite small, 100 people, the largest one being about 1500 - scattered over the coastal areas of Northern Québec. We do cover a very large region. The distances are very great. The fuel cost alone represents about 30 % of the operating cost of an aircraft in our area, basically because we have to store fuel or the seller has to store fuel for the full year and bring it in by ship three months of the year during the summertime. Not to mention the fact that we do not have any roads in the region. We did have a subsidy through the post for food from the federal government which was initiated for a very basic need: to help us survive. We were in danger of being malnourished because of the lack of food of certain types, and the Government saw that there was actual need for a subsidy to be given for food items. But in the past few years, these subsidies have diminished to half of what they were three or four years ago - less than half - and the amount of food that could be shipped by mail is diminishing on a yearly basis.

(15 h 50)

Does that mean that we are getting healthier and the danger is gone? Far from it.



We have seen our population expend quite tremendously. We have a lot of people on welfare, unemployment. Even though... Our food costs might be anywhere from 45 % to 65 % more than what you pay down here. The rates of welfare paid and unemployment paid are the same as what you get paid down here, even though our food costs are tremendously high. I feel that we Inuit, even though we live in a remote area, have the basic right to pay the same amount of money for food as you do, living in the South.

We still feel that it is very dangerous for our people to live in their conditions today, even though a lot of improvement has been made with the help of the Government of Québec and also the Canadian government, but much needs to be done. We try to do as much as we can by ourselves, but it is very limited as to what we can do without the help of proper policies made by the Government of Québec, taking into account that some of these policies might have to span many years due to the fact that the region where we live is very isolated and quite different than what you see down here.

We identify ourselves more with the Northwest Territories Inuit. We live in the same conditions as the Inuit in NWT, taking into consideration the landscape, the water and our lifestyle. It is fortunate that we still live off the land, which is why we are able to survive living off the caribou and the fish. When you take policies into consideration, do not assume that we are going to survive like anybody else down here because we cannot. We have to be taken in context, differently, because the region where we live is much too different.

Thank you.

Le Président (M. Lamieux): M. le ministre du Revenu.

M. Savoie: Oui, merci, M. le Président.

Well, I would like to salute our guests as well and note that we took pleasure in reading the memoirs which you presented and some of the remarks which resulted in that presentation.

I have noticed that, in your recommendation 4, you say that one of the problems is filling out an income tax report on an annual basis because of the language difficulty. As you do have to fill them out, as there is a legal obligation to that effect, we would certainly like to make sure that you comply as much as possible. And although we have 12 points of service throughout the Province of Québec to assist people, I realize that, finally, for your communities, there is no straight assistance from the Government of Québec, from the Ministry of Revenue.

And so, what I intend to do is approach Mr. Simos and Mr. Mahala and try to work out with them the possibility of having somebody, perhaps in Kuujuaq, to work with the com-

munities, who could perhaps assist them in filling out the necessary tax forms. You also have businessmen up there who must have considerable difficulties in filling out all the various forms that have to be filled out by a local businessman. So, we will look into that, into that possibility, trying to set up somebody up there who we can form or who will receive the necessary formation to deal with these forms and to work with the local residents of the communities, of the Inuit communities. Perhaps that will give you satisfaction and perhaps it will also give us some money in return, seeing as how you people have denoted the wish to be able to execute your rights. So, we will.

M. Wall (Charles): I am very glad that you have put an interest in this recommendation 4. We would like to see some changes in the wording within this recommendation. It should read: "That the Québec Ministry of Revenue implement, in cooperation with KRG and Melvik Corporation. And instead of a system, it should read: "Put an office in the region and train local Inuit to facilitate the filing of income tax returns by residents of Nunavik."

M. Savoie: While we are still interested even with that change, perhaps the officer responsible for that could also deal necessarily with the federal forms. Perhaps that in the next week we could sit down with Mr. Mahala or Mr. Simos to see what we can do to get that ball rolling. And if we can come to some kind of working agreement, whereby an officer - I think a resident of Kuujuaq is important - could be formed, trained to assist you in filling out those forms, getting the vocabulary down right in both languages, then perhaps we could get the federal government involved in that as well. Because if you fill out the provincial tax form, you also have to fill out the federal tax form. I am sure that will please Mr. Wall no end, and I think that it will be good for the community. I think that it will be a positive step, and it will be our pleasure to participate with you in this realization.

As for the other measures, well, I think that, perhaps in conclusion, the Minister of Finance has demonstrated that he is willing to look at some of the elements with the federal government on this, that he recognizes certainly that the Inuit government is doing everything in its power to participate fully with the Government of Québec, and as such, we appreciate that. I do not think we say that enough, that we appreciate Inuit participation in our activities such as this commission, that we frequently see you and that every time that you do come, it is appreciated. And whenever we can give you satisfaction, we will, because we realize that it is important to look after our Northern communities.

M. Watt (Charlie): Mr. Minister, we definitely will follow that up. As a matter of fact, as an example, this is almost a month ago now, one of our long-term board members, which you probably know very well, Tommy Kaukai from Payne Bay, came to me one time and said: Look, I am in trouble. And I asked: What kind of trouble are you in? He said: I received a bill from Revenue Canada. I have not worked for many years and they are asking me to make the payment of 7000 \$. So, I looked at his case and gave it to some of our professional people to make an assessment of it because I know that Revenue Canada, when they do not have the correct information, they just come up with their own assessment, whether they are right or wrong. And fortunately, the 7000 \$ payment that he had to make to Revenue Canada turned out to be 1500 \$ payment that he had to make. Those are the types of things that are really troublesome. And I would not be a bit surprised at all if some of the people, without being properly assessed, I bet you that a lot of them have made a payment. Because it is not everybody who are not filing their returns. Some people are making a return on their income tax.

So, during that time - just to say the first thing that comes into my mind - I picked up the telephone and I was trying to call the Department of Indian Affairs here, in Québec City, for the same idea that you are suggesting. Definitely, we are going to follow that up. I think this aspect in relation to tax return and having somebody that understands, dealing with people, and educating and all that, this could be dealt with outside of this form we are talking about.

M. Sevole: O.K. Good. Glad to hear it.

M. Watt (Charlie): Thank you.

Le Président (M. Lemieux): Thank you for your participation in this committee.

Maintenant nous allons entendre le Relais-Femmes. Nous allons suspendre pour environ deux minutes.

(Suspension de la séance à 16 heures)

(Reprise à 16 h 3)

Le Président (M. Lemieux): À l'ordre, s'il vous plaît! À l'ordre, s'il vous plaît!

La commission du budget et de l'administration reprend ses travaux pour entendre le groupe Relais-Femmes. Je demandais, dans un premier temps, à la responsable de l'organisme, de bien vouloir s'identifier, de nous présenter les personnes qui l'accompagnent. Et, dans un deuxième temps, la procédure est la suivante: nous disposons globalement d'une heure: 20 minutes pour l'exposé de votre mémoire, suivra un échange

entre les deux formations politiques, 20 minutes pour le parti ministériel et 20 minutes pour le groupe de l'Opposition officielle. Nous sommes prêts à écouter immédiatement la responsable de ce groupe.

12 groupes provinciaux de femmes  
et L'Intersyndicale des femmes

Mme Signori (Céline): Bonjour. Moi, je vais spécifier tout de suite que l'organisme Relais-Femmes n'est pas l'organisme qui est ici en commission parlementaire. Nous représentons 20 groupes de femmes et, je vais les nommer: 12 pour les groupes de femmes et, la balance, pour L'Intersyndicale des femmes qui sont comme des comités de condition féminine de centrales syndicales.

Je suis très contente de voir M. Johnson revenir, j'étais un peu inquiète, je pensais qu'il était parti.

Le Président (M. Lemieux): M. Johnson est toujours là, madame.

Mme Signori: C'est bien, ça!

Le Président (M. Lemieux): Toujours, toujours!

Mme Signori: Merci. Alors, mon nom est Céline Signori, je suis présidente de la Fédération des femmes du Québec; mes collègues, en commençant par la droite, Danièle Falardeau du Syndicat des professionnelles et professionnels du gouvernement du Québec; à ma droite, Ruth Ross, qui est professeure d'économie à l'UQAM; Yvette Brunet, qui est ici pour représenter les aînées, les femmes aînées et qui est aussi de l'Association québécoise de la défense des droits des retraitées-es et préretraitées-es.

Alors, nous représentons la Fédération des femmes du Québec, le Regroupement des centres de femmes du Québec, Naissance-Renaissance, Information-ressources Femmes et logement, le Regroupement des centres de santé des femmes du Québec, le Regroupement provincial des maisons d'hébergement et de transition pour femmes victimes de violence conjugale; le Regroupement québécois des centres d'aide et de lutte contre les agressions à caractère sexuel; la Fédération des associations de familles monoparentales du Québec; le Conseil d'intervention pour l'accès des femmes au travail; l'Association des collaboratrices et partenaires en affaires; la Fédération du Québec pour le planning des naissances; et Relais-Femmes.

Du côté de L'Intersyndicale des femmes, l'Association professionnelle des technologistes médicaux du Québec, le Centre de l'enseignement du Québec, le Syndicat des fonctionnaires provinciaux du Québec, le Syndicat des professionnelles et professionnels du gouvernement du

**APPENDIX 3**

**Thirteen letters between the Ministers,**

**Kativik Regional Government,**

**Makivik Corporation**

**and union representatives**

**from February 24 to May 6, 1993**

APPROVED AUTOGRAPH  
2917 24 5



**LPA**

société **Makivik** corporation

February 24, 1993

Mr. Christos Sirros  
Minister of Native Affairs  
Secrétariat aux affaires autochtones  
875 Grande Allée E.  
Edifice "H", bur. 2.300  
Quebec, Quebec  
G1R 4Y8



Dear Minister Sirros,

As you know, on February 18th last, I made a presentation, along with Mark T. Gordon and Willie Watt, to la commission du budget et de l'administration on northern taxation and related questions.

It would be fair to say my colleagues and I were extremely gratified by the reception extended to us by senior members of the committee. Your colleague, the Honourable Gérard D. Levesque, Minister of Finance, welcomed the concept of a joint Nunavik Quebec task force to review taxation and related issues. The Honourable Daniel Johnson, President of the Treasury Board, took note of the unique transportation constraints faced by residents of Nunavik. For his part, the Honourable Raymond Savoie, Minister of Revenue, pledged to take immediate steps in order that all Nunavik Inuit concerned be enabled to file tax returns.

In thus reacting, your colleagues seemed to take into consideration both the Inuit option in favour of taxpayer status and the very special circumstances in which this option has to be implemented.

You may also be aware that Minister Lévesque suggested Nunavik institutions have recourse to S.A.A. in order to facilitate the establishment and operation of the joint task force. This is a suggestion I can only endorse.

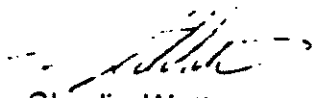
I am therefore writing to you to ensure the implementation of our recommendation on the creation of the joint task force. We would be most grateful were it to commence work in the very near future. Your role in achieving this goal is central.

.../2  
...

For our part, we have already created an internal working group on taxation and related questions which includes representatives of our different Nunavik institutions. This is a reflection of our determination to make a constructive contribution to task force deliberations.

Please don't hesitate to communicate with me and my colleagues were you to have further questions as to our joint venture on fiscal issues.

Sincerely yours,



Charlie Watt  
President



LPA

société Makivik corporation

February 24, 1993

Mr. Raymond Savoie  
Minister of Revenue  
3800 rue de Marly  
Sainte Foy, Quebec  
G1X 4A5

Dear Minister Savoie,

My colleagues and I, during the course of our presentation to la commission du budget et de l'administration on February 18th last, were very gratified by the welcoming hand extended by you and your colleagues from the Government of Quebec.

We took very careful note of your commitment to take immediate steps to enable all Quebec Inuit concerned to file tax returns.

Following suggestions made during the hearing on February 18th, I have written to your colleague, the Honourable Christos Sirros, ministre délégué aux affaires autochtones, in order to establish and operate a joint Quebec Nunavik task force on fiscal and related issues. A copy of this letter is enclosed.

Given your knowledge and understanding of northern circumstances, I feel your contribution to what we hope will be a constructive venture is essential. We would certainly appreciate it.

Sincerely yours,

Charlie Watt  
President

Encl. (1)

42 A\*



LPA

société Makivik corporation

February 24, 1993

Mr. Daniel Johnson  
Treasury Board President  
Edifice André Laurendeau  
1050 rue Saint Augustin  
Quebec, Quebec  
G1R 5A4

Dear Minister Johnson,

My colleagues and I, during the course of our presentation to la commission du budget et de l'administration on February 18th last, were most gratified by your positive comments and reaction.

We take careful note in particular of your searching questions on the very unique difficulties all residents of Nunavik face with regard to transportation.

In following up on suggestions made by your colleague, the Honourable Gérard D. Levesque, I have written to le ministre délégué aux affaires autochtones, the Honourable Christos Sirros, in order to ensure the establishment and operation of a joint Quebec Nunavik task force on fiscal and related issues. A copy of this letter is enclosed.

We would certainly welcome your contribution, and that of your officials, to task force deliberations. In this regard and having read your paper entitled "Living Within Our Means", I noted your emphasis on fiscal equity.

Sincerely yours,

Charlie Watt  
President

Encl. (1)

GLA



LPA

société Makivik corporation

February 24, 1993

Mr. Gérard D. Levesque  
Minister of Finance  
12 rue Saint Louis  
Quebec, Quebec  
G1R 5L3

Dear Minister Levesque,

During the course of our presentation to la commission du budget et de l'administration on February 18th last, my colleagues and I were most gratified by your positive comments and reaction as to fiscal issues affecting Inuit and other taxpayers in Nunavik.

Your endorsement of the concept of a joint Nunavik Quebec task force, or "table de travail", on fiscal issues is, in our eyes, a very welcome sign of your sensitivity towards our willingness to contribute, within our means, to Quebec prosperity.

I took note of your suggestion that we have recourse to le Secrétariat aux affaires autochtones to ensure the establishment and operation of the joint task force. As a result, I have written the enclosed letter to your colleague, the Honourable Christos Sirros, ministre délégué aux affaires autochtones.

We look forward with genuine expectation to your contribution and that of your officials to what should be a fruitful and interesting venture.

Sincerely yours,

Charlie Watt  
President

Encl. (1)

CLP





Monsieur Christian Sirros

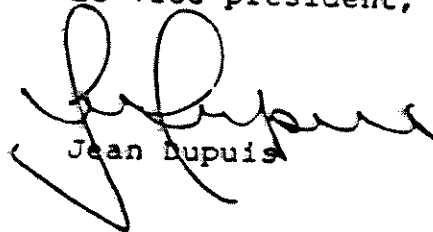
Le 2 mars 1993

institutions de la région Kativik ont été inclus dans les relevés d'emploi émis pour cette année et seront examinés sous peu par le ministère du Revenu.

Toutefois, en attendant que des mesures concrètes soient adoptées suite au rapport du groupe de travail conjoint Nunavik-Québec, nous comptons sur votre intervention directe pour que votre collègue monsieur Raymond Savoie, Ministre des Finances, révise sa position concernant le traitement fiscal de ces frais de transport pour toutes ces années et considère ces montants ni comme des allocations ni comme des avantages imposables reçus en vertu d'un emploi pour ne pas pénaliser inutilement les contribuables du Nunavik. Nous aimerions d'ailleurs vous rencontrer avec les ministres Savoie et Lévesque, ainsi que monsieur Marc-Yvan Côté, Ministre de la Santé et des Services sociaux, pour discuter des répercussions que l'imposition des allocations de transport aura sur les budgets de fonctionnement des organismes publics et parapublics du Nunavik.

Dans l'attente d'une prompte et favorable réponse, nous vous prions d'agréer, Monsieur le Ministre, l'expression de nos sentiments respectueux.

Le Vice-président,

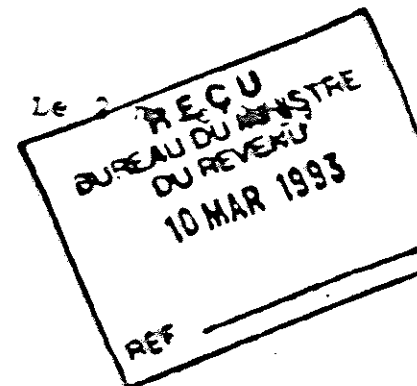


Jean Dupuis



ᐅᑎᐱᐱᑦ ᐱᑦᑦᑦᑦᑦᑦᑦᑦ ᐅᑎᑦᑦᑦᑦᑦ

Administration régionale KATIVIK Regional Government  
P.O. Box 9 KUUJJUAQ (QUÉBEC) CANADA J0M 1C0



Monsieur Raymond Savoie  
Ministre  
Ministère du Revenu  
3800, rue Marly  
SAINTE-FOY (QUÉBEC)  
G1X 4A5

Monsieur le Ministre,

Le 18 février dernier, monsieur Charlie Watt, président de la Société Makivik, présentait devant la «Commission du budget et de l'administration» un mémoire traitant de certains aspects de la fiscalité québécoise et de ses implications pour les résidents du Nunavik. Ce mémoire vous a d'ailleurs été remis par la suite en même temps qu'un second mémoire plus spécifique portant sur le traitement fiscal des frais de transport de denrées alimentaires remboursés par les employeurs à leurs employés au Nunavik.

Les commentaires favorables de plusieurs membres éminents de la Commission et de hauts fonctionnaires des ministères du Revenu, des Finances et des Affaires autochtones nous portent à croire que les recommandations contenues dans les deux mémoires seront attentivement examinées par le Gouvernement du Québec. D'ailleurs, le Ministre des Finances, monsieur Gérard D. Lévesque, a accepté volontiers la mise en place d'un groupe de travail conjoint Nunavik-Québec dont le mandat sera de faire des propositions en vue de la création d'une région fiscale tenant compte du contexte géographique et socio-économique particulier du Nunavik. Sur la recommandations du Ministre des Finances, nous entrerons sous peu en communication avec votre collègue, monsieur Christos Sirros, Ministre des Affaires autochtones, afin de mettre sur pied ce groupe de travail dans les plus brefs délais.

Enfin, nous apprécions la décision de votre Ministère d'éliminer les avis de cotisations relatifs à l'imposition des frais de transport de denrées alimentaires pour l'année financière 1989. D'un même élan, le raisonnement qui a dicté cette décision devrait, à notre avis, s'appliquer également pour les années financières 1990 et 1991 qui ont fait ou feront sous peu l'objet de vérifications de la part de la Direction de la vérification de votre Ministère. Quant à l'année financière 1992, les montants relatifs à l'allocation de fret aérien octroyés aux employés des

Monsieur Raymond Savoie

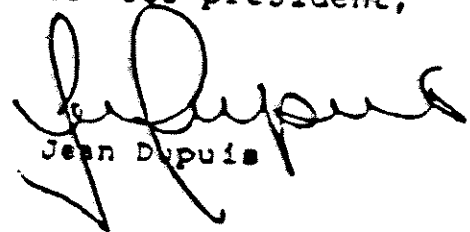
Le 2 mars 1993

institutions de la région Kativik ont été inclus dans les relevés d'emploi émis pour cette année et seront examinés sous peu par le ministère du Revenu.

Toutefois, en attendant que des mesures concrètes soient adoptées suite au rapport du groupe de travail conjoint Nunavik-Québec, nous comptons sur votre intervention directe pour que votre Ministère révise sa position concernant le traitement fiscal de ces frais de transport pour toutes ces années et considère ces montants ni comme des allocations ni comme des avantages imposables reçus en vertu d'un emploi pour ne pas pénaliser inutilement les contribuables du Nunavik. Nous aimerions d'ailleurs vous rencontrer avec les ministres Sirros et Lévesque, ainsi que monsieur Marc-Yvan Côté, Ministre de la Santé et des Services sociaux, pour discuter des répercussions que l'imposition des allocations de transport aura sur les budgets de fonctionnement des organismes publics et parapublics du Nunavik.

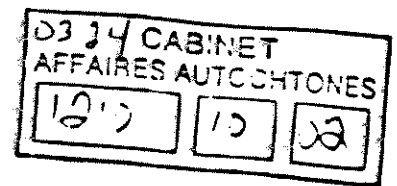
Dans l'attente d'une prompte et favorable réponse, nous vous prions d'agréer, Monsieur le Ministre, l'expression de nos sentiments respectueux.

Le Vice-président,

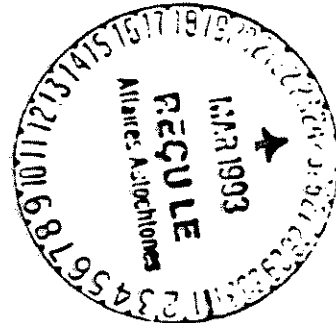


Jean Dupuis

1201 22 05 11  
1117 11 05 11  
1201 11 05 11



Montréal 12 mars 1993



M. Christos Sirros  
Ministre délégué aux affaires autochtones  
875 Grande Allée est, 2e étage  
Québec (Québec)  
G1R 4Y8

Monsieur le Ministre,

Au nom des travailleuses et travailleurs travaillant en régions nordiques, nous soussignés, désirons porter à votre attention une situation alarmante. Ces travailleuses et travailleurs du Québec subissent une imposition fiscale injuste sur certaines dispositions convenues par convention collective, accordées par les employeurs publics (hôpitaux, Commissions scolaires, CLSC, municipalités, ministères et organismes). Ces dispositions s'expliquent par les coûts économiques qu'engendrent les conditions géographiques et climatiques très particulières des régions où ils acceptent de travailler.

En l'occurrence, les employeurs assument les frais de cargo reliés au transport de denrées alimentaires, jusqu'à un certain volume annuel pour chaque employé.

Depuis octobre 1992, ces coûts sont considérés par Revenu Québec comme revenu imposable pour chaque employé visé, une lettre à cet effet ayant été envoyée aux employeurs locaux suite à la visite d'agents du ministère du revenu.

Il faut bien comprendre que ces employés n'ont aucun autre choix pour se faire acheminer plusieurs produits étant donné l'absence de facilité d'approvisionnement sur place.

Ces frais étant considérables l'ordre de grandeur étant de six mille à huit mille dollars par année par employé, vous comprendrez qu'un traitement pressant de cette question serait approprié. Bon nombre de personnes salariées ayant reçu des préavis de cotisation et un groupe moindre des avis de cotisation, les personnes touchées sont littéralement inquiètes.

31-03-93

La majorité des organismes signataires ont récemment rencontré le conseiller spécial du Ministre du revenu, M. Yves Thomas Dorval. Nos représentations peuvent se résumer à ceci: nous avons exprimé notre profond désaccord sur l'interprétation du texte législatif. Nous avons souligné les effets néfastes, non seulement sur les personnes touchées mais, à moyen et long terme, sur les services auxquels doivent s'attendre les populations résidant dans ces localités. C'est une mesure désincitative qui rendra encore plus difficile le recrutement de personnel qualifié. Nous croyons qu'une telle décision ne favorise pas le développement de cette région du Québec.

Ce faisant, nous avons demandé avec insistance au représentant du ministre, qu'il transmette à ce dernier notre demande à l'effet que le ministère du revenu surseoie à l'application de cette directive. De plus, devant l'importance d'un tel dossier, nous avons exprimé notre intérêt dans la participation à un comité dont le mandat serait de faire des propositions en vue de la création d'une fiscalité tenant compte du contexte géographique et socio-économique distinct du Grand Nord québécois.

Sachant l'intérêt que vous portez au développement du Nord québécois, nous sollicitons une rencontre afin d'analyser les solutions, notre seul souci étant de trouver une solution permettant aux citoyennes et citoyens demeurant dans ces localités d'y demeurer et de jouir de conditions de vie analogues à celles des autres québécoises et québécois.

Dans l'attente d'une réponse de votre part le plus rapidement possible, nous vous prions d'accepter, Monsieur le Ministre, nos salutations distinguées.

  
 Fédération des affaires sociales-CSN

  
 Fédération des Infirmières et Infirmiers du Québec

  
 Syndicat des Fonctionnaires Provinciaux du Québec

  
 Pratte, Villemare et Bélanger

cc: M. Raymond Savoie, Ministre du Revenu

Conseil exécutif

Le ministre délégué  
aux Affaires autochtones

Québec, le 16 mars 1993

M. Charlie Watt  
Président  
Société Makivik  
650, 32e Avenue  
Lachine (Québec)  
H8T 1Y4

Monsieur le Président,

Pour faire suite à la vôtre du 24 février 1993, j'ai demandé à monsieur André Maltais, Secrétaire général associé, de voir à coordonner la mise sur pied et le fonctionnement d'un groupe de travail Québec-Nunavik sur la fiscalité en milieu nordique.

Monsieur Maltais sollicitera la contribution des ministères auxquels vous vous êtes déjà adressé à savoir ceux des Finances et du Revenu ainsi que le Conseil du trésor. Sans doute cherchera-t-il aussi à obtenir la collaboration des membres du comité déjà à l'oeuvre au sein de la Société Makivik sur ces questions de fiscalité et de taxation.

De plus, vous trouverez ci-joint copie d'une lettre que j'adresse à chacun de mes collègues concernés témoignant de mon appui au projet de groupe de travail et sollicitant leur collaboration à sa réalisation.

Je crois aux mérites de la proposition que vous faites à l'effet d'examiner les circonstances particulières qui prévalent en milieu nordique, circonstances qui amènent les résidents du Nunavik à douter du caractère équitable de leurs contributions fiscales. Le groupe de travail Québec-Nunavik qui examinera cette question contribuera sans doute à trouver des solutions aux problèmes que vous avez soulevés en commission parlementaire le 18 février dernier.

Veuillez agréer, Monsieur le Président, l'expression de mes meilleurs sentiments.



CHRISTOS SIRROS

1.

Conseil exécutif

Le ministre délégué  
aux Affaires autochtones

March 15, 1993

M. Charlie Watt  
President  
Makivik Corporation  
650, 32e Avenue  
Lachine (Québec)  
H8T 1Y4

ENGLISH TRANSLATION

Dear Mr. Watt,

In response to your letter of February 24, 1993, I have asked André Maltais, Secrétaire général associé, to coordinate the implementation and operation of a Québec-Nunavik task force on taxation in northern areas.

Mr. Maltais will seek the collaboration of the government departments you have already approached, i.e. the ministère des Finances, the ministère du Revenu and the Conseil du trésor. He will no doubt request the cooperation of the members of the Makivik Corporation committee already studying taxation.

Enclosed you will find a copy of a letter I am sending to each of my colleagues concerned with this matter, in which I indicate my support for the proposed task force and request their collaboration in establishing the body.

I support your proposal to examine the special circumstances prevailing in northern areas, circumstances which bring the residents of Nunavik to question the fairness of their tax contributions. The Québec-Nunavik task force that will examine the question will undoubtedly contribute to finding solutions to the problems that you raised before the parliamentary committee of February 18, 1993.

Yours truly,

CHRISTOS SIRROS



Le ministre  
des Finances

Québec, le 7 avril 1993

Monsieur Jean Dupuis  
Vice-Président  
Administration régionale KATIVIK  
Boîte postale no 9  
Kuuujuaq (Québec)  
JOM 100

Monsieur,

La présente fait suite à votre récente lettre concernant le traitement fiscal des frais de transport de denrées alimentaires remboursés par les employeurs à leurs employés travaillant dans la région du Nunavik.

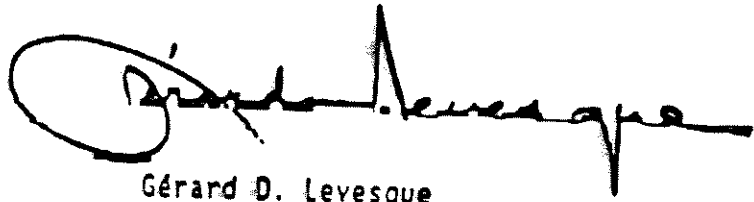
A ce sujet, j'aimerais d'abord préciser qu'en vertu de la législation fiscale actuelle, tant fédérale que québécoise, la valeur de tout avantage consenti par un employeur à son employé est généralement imposable à titre de revenu d'emploi. Il en est ainsi par souci d'équité envers tous les contribuables. En effet, ces règles permettent de s'assurer que les salariés sont imposables sur l'ensemble de leur revenu d'emploi, quel que soit le mode de rémunération choisi par les parties. Dans ce contexte, il m'apparaît difficile, à première vue, de rendre non imposable le remboursement des frais de transport accordés par les employeurs à leurs employés travaillant dans la région du Nunavik sans créer un précédent.

Je demeure toutefois particulièrement sensible à la situation que vivent les résidents des régions nordiques. C'est pourquoi j'ai demandé aux personnes responsables de ce dossier au ministère des Finances d'analyser au cours des prochains mois l'application du régime fiscal aux résidents des régions nordiques, en considérant à la fois les coûts de vie plus élevés qu'entraîne le fait d'habiter dans ces régions et le niveau des déductions fiscales dont ces contribuables peuvent déjà se prévaloir.

... 2

Enfin, le ministre délégué aux Affaires autochtones, M. Christos Sirros, a demandé au Secrétaire général associé du Secrétariat aux affaires autochtones, M. André Maltais, de constituer un groupe de travail sur l'application de la fiscalité en milieu nordique. Des représentants du ministère des Finances collaboreront aux travaux de ce groupe de travail qui nous permettra de mieux connaître la situation particulière des résidents des régions nordiques.

Veillez agréer, Monsieur, l'expression de mes sentiments les meilleurs.

A handwritten signature in black ink, appearing to read 'Gérard D. Levesque'. The signature is fluid and cursive, with a large initial 'G'.

Gérard D. Levesque

  Gouvernement  
  du Québec

Le ministre  
des Finances

Québec, le 28 avril 1993

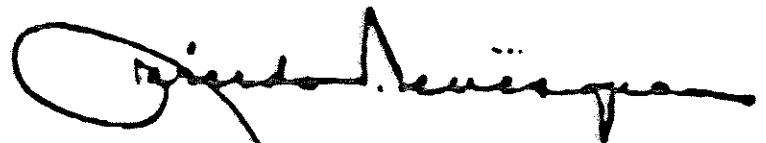
Monsieur Jean Dupuis  
Président  
Administration régionale Kativik  
P.O. Box 9  
Kuujuaq (Québec)  
J0M 1C0

Monsieur,

La présente donne suite à votre lettre du 26 avril dernier relative au groupe de travail Québec-Munavik concernant la fiscalité en milieu nordique.

Messieurs Luc Maunier et Réal Tremblay, respectivement directeur des politiques de taxation et directeur de la fiscalité du ministère des Finances, sont les représentants du ministère auprès de ce groupe de travail. Toutefois, compte tenu de la période prébudgétaire actuellement en cours, il ne leur sera malheureusement pas possible de vous rencontrer vendredi prochain. Les travaux du groupe de travail pourraient cependant débuter au mois de juin. Ces travaux porteront sur l'application de la fiscalité dans le Nord québécois et si, suite à ces travaux, des modifications aux règles actuelles s'avéraient nécessaires, elles ne pourraient être applicables qu'après la date de leur annonce. Aussi, nos discussions doivent porter sur l'avenir et non sur les cotisations émises par le ministère du Revenu à l'égard d'années déjà écoulées.

Veillez agréer, Monsieur, l'expression de mes sentiments les meilleurs.

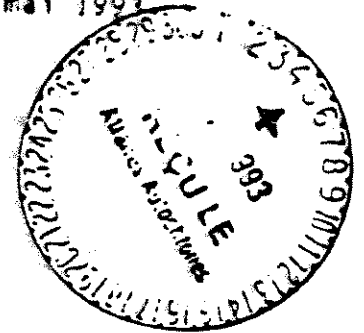


Gérard D. Levesque

Le ministre du Revenu

Sainte-foy, le 4 mai 1993

Monsieur Jean Dupuis, président  
Administration régionale Kativik  
P.O. Box 9  
Kuuujuaq (Québec)  
JOM 1C0



Monsieur,

J'ai bien reçu votre lettre relative à la fiscalité en milieu nordique et ses effets sur les populations et les établissements locaux, ainsi que sur les travailleuses et travailleurs oeuvrant dans ces régions. Je vous remercie de m'avoir fait part de vos préoccupations sur cette question et vous assure de mon grand intérêt pour le développement du Nord québécois.

À ma demande, le ministère du Revenu a déjà examiné les divers points juridiques qui ont été soumis à son attention sur l'imposition des allocations de cargo versées aux employés travaillant en régions nordiques. Le ministère a ensuite confirmé la position selon laquelle toute compensation accordée à ces employés pour le transport de nourriture doit être incluse dans le calcul de leur revenu.

Tout comme au fédéral, cette application de la Loi s'inscrit dans le cadre de la politique fiscale qui a d'ailleurs été confirmée par le ministre des Finances. Celui-ci a également annoncé que son ministère allait participer au groupe de travail Québec-Nunavik coordonné par le Secrétariat aux affaires autochtones, concernant la fiscalité en milieu nordique, et que les discussions devront porter sur l'avenir et non sur les cotisations émises par le ministère du Revenu à l'égard des années déjà écoulées. Je vous informe qu'un représentant du ministère du Revenu participe également à ce groupe de travail.

Dans ce contexte, vous comprendrez que le ministère du Revenu n'a pas de mandat pour modifier l'application de la Loi sur les impôts et que le sujet de votre représentation est étudié par le groupe de travail, qui verra à formuler ses recommandations aux instances appropriées.

Veillez agréer, Monsieur, l'expression de mes sentiments les meilleurs.

  
RAYMOND SAVOIE

Conseil exécutif

Le ministre délégué  
aux Affaires autochtones

Affaires autochtones		
2917	24	05

Québec, le 4 mai 1993

Monsieur Gilles Savoie  
Fédération des affaires sociales-CSN  
1601, rue de Lorimier  
Montréal (Québec)  
H2K 4M5

Monsieur,

La présente est pour donner suite à la lettre que vous nous avez transmise en date du 12 mars dernier au nom des employés des régions nordiques membres de la Fédération des affaires sociales, de la Fédération des Infirmières et Infirmiers du Québec, du Syndicat des Fonctionnaires provinciaux du Québec ainsi que d'un membre de la firme comptable Pratte, Villemaire et Bélanger.

Nous comprenons que votre représentation a trait à une interprétation de la loi de l'impôt à l'égard de certains avantages consentis par les employeurs à des employés oeuvrant en régions nordiques, avantages qui furent négociés au cours des ans entre les parties patronales et syndicales.

Nous sommes touchés par les préoccupations dont vous faites mention dans votre lettre à l'égard des populations nordiques pour lesquelles vos membres offrent des services très souvent essentiels. Par ailleurs, suite aux représentations des instances politiques de la région à la commission parlementaire du budget et de l'administration soumise le 18 février dernier, nous sommes bien au fait des difficultés que peuvent éprouver les populations nordiques dans le domaine de la fiscalité et de la taxation.

M. Gilles Savoie

/2

Suite à ces représentations, nous avons accepté de mettre sur pied un groupe de travail qui réunira des représentants des instances administratives régionales et provinciales afin d'examiner les circonstances particulières qui prévalent en milieu nordique. Ce groupe de travail aura comme mandat de proposer des solutions aux problèmes qui furent soulevés en commission parlementaire.

Je vous invite donc à transmettre ces informations aux personnes résidant en milieu nordique et que vous représentez, afin qu'elles puissent faire valoir leurs préoccupations aux instances régionales qui feront partie du groupe de travail.

Veillez agréer, Monsieur, l'expression de mes sentiments les meilleurs.

PN/rr



Christos Sirros

Conseil exécutif

Le ministre délégué  
aux Affaires autochtones

Québec, le 6 mai 1993

Monsieur Jean Dupuis  
Président  
Administration régionale Kativik  
C.P. 9  
Kuujuaq (Québec)  
JOM 1C0

Monsieur,

La présente fait suite à votre lettre du 2 mars 1993 concernant la mise en place d'un groupe de travail Québec-Nunavik sur la fiscalité dans le Nord et concernant le traitement fiscal des allocations versées aux employés et reliées aux frais de transport.

Vous savez sans doute que j'ai demandé à monsieur André Maltais, secrétaire général associé au SAA, de coordonner la mise sur pied et le fonctionnement du groupe de travail ci-haut mentionné. Ce processus est en marche et c'est monsieur Jean Rochon du SAA qui présidera le groupe de travail.

Quant au traitement fiscal accordé aux allocations pour frais de transport, ce sujet sera sans doute abordé dès les premières séances de travail du groupe Québec-Nunavik. De plus, M. Maltais, dans une communication récente avec madame Gisèle Desrochers, sous-ministre au ministère du Revenu, exprime le souhait de voir retardée l'émission de tout nouvel avis de cotisation en rapport avec ces allocations et ce, jusqu'à ce que le groupe de travail se soit penché sur ce problème. Je joins une copie de cette lettre aux présentes.

J'ai confiance que le groupe de travail Québec-Nunavik trouvera des solutions aux problèmes que vous soulevez dans votre lettre.

Recevez, Monsieur, l'expression de mes meilleurs sentiments.

  
CHRISTOS SIRROS ...

**APPENDIX 4**

**Brief on the taxation  
of food transportation costs  
in Northern Québec  
presented by the union representatives**





**BRIEF**

**ON THE TAXATION OF FOOD TRANSPORTATION COSTS  
IN NORTHERN QUÉBEC**

**PRESENTED TO THE  
NUNAVIK-QUÉBEC COMMITTEE**

**CEQ - CENTRALE DE L'ENSEIGNEMENT DU QUÉBEC  
CSN - CONFÉDÉRATION DES SYNDICATS NATIONAUX  
FIIQ - FÉDÉRATION DES INFIRMIERES ET INFIRMIERS DU QUÉBEC  
SFPQ - SYNDICAT DE LA FONCTION PUBLIQUE DU QUÉBEC**

**NOVEMBER 1993**

PRESENTATION

INTRODUCTION

1. HISTORICAL BACKGROUND

- The 1979 compensation system
- Tax changes
- The James Bay Agreement

2. THE CURRENT PROBLEM

- The position of union organizations
- The foundations of our position
  - The legal foundations

3. PROSPECTS FOR THE FUTURE

- The impact on personnel in these regions
- The discriminatory effects of this measure

CONCLUSION

APPENDIX

This brief is submitted jointly by the Centrale de l'enseignement du Québec (CEQ), the Confédération des syndicats nationaux (CSN), the Fédération des infirmières et infirmiers du Québec (FIQ) and the Syndicat de la fonction publique du Québec (SFPQ). These four union organizations represent more than 400,000 workers in the public and para-public sectors, almost 1,100 of whom work in northern Québec.

To begin, we wish to state our profound disagreement with the taxation of food transportation costs in the North. As we will show in the following pages, we believe that the Québec government has abdicated its responsibilities and acted in a cavalier manner with its northern personnel, both in its restrictive interpretation of the *Taxation Act* and in making its interpretation retroactive for 1991 and 1992.

In this brief, we wish to remind the government and the members of the Nunavik-Québec Committee of the origins of this compensation and the situation that prevails today, as well as the potential impact of maintaining this interpretation of the act with regard to food transportation costs, an interpretation that in our opinion denies the right of people working in the North to have an income comparable to that of people working in the same jobs in the other regions of Québec.

Following a systematic audit of the various taxable benefits for people working in remote regions, in October 1992 the Ministère du Revenu (ministry of revenue) made known its intention of implementing a restrictive interpretation of a chapter of the *Taxation Act*. This new interpretation sought to tax the amounts received by people working in remote regions as compensation for food transportation costs . Furthermore, the ministry announced at the same time that 1991 and 1992 would also be subject to the collection of the amounts due under this new interpretation, and attributed to the employer the obligation of deducting at the source the income tax on what it henceforth deemed to be income or a taxable benefit within the meaning of the act.

Since then, union organizations, with the strong support of their members working in these regions, have challenged this interpretation. For various reasons - ranging from commitments made by the government to northern populations, through to the negative impact of such a measure on both these populations and the individuals working in these regions - all the union groups affected have made representations and carried out various actions to get the Québec ministère du Revenu to revise its position on the taxation of food transportation costs.

## *1. HISTORICAL BACKGROUND*

---

The idea of compensating people assigned to work in the Far North has been around for a long time: as far back as 1969, special provisions were introduced in the collective agreements in order to facilitate recruiting and keeping qualified personnel.

The collective agreements then provided for special isolation and remoteness allowances, the reimbursement of moving costs and housing allowances. As well, a joint committee was established to examine the whole matter of isolation and remoteness, and in particular to analyse the problems in recruiting qualified personnel for certain regions.

During the 1970s, union organizations and employers improved the set of provisions on regional disparities so that fair compensation for the disadvantages of isolation and remoteness would guarantee the recruitment and retention of qualified personnel and the obtention of adequate services.

### *• THE 1979 COMPENSATION SYSTEM*

These negotiations culminated in the collective agreements negotiated in 1979, which put in place the whole system of compensation for regional disparities that is still in force today: isolation and remoteness premiums that vary depending on the geographic sector, the reimbursement of moving expenses, provisions for trips out to the "South", compensation for housing costs and, finally, payment of food transportation costs in certain localities.

For instance, in the specific case of Nunavik, this system of compensation is crucial to attracting a qualified labour force, if the objective set out in the *James Bay and Northern Québec Agreement* are to be attained. These objectives include having the population in the North benefit from health and social services, as well as services in education and vocational training, labour and income security, public works, recreation, hunting and fishing, justice, and workers' compensation (CSST - Commission de la santé et de la sécurité au travail).

But despite the compensation that the collective agreements provide for personnel working in the Far North, recruiting and keeping personnel is still a major problem today.

- **TAX CHANGES**

In the last few years, major changes in the way these forms of compensation are treated for tax purposes have had the effect of modifying their value and scope. In 1986, for instance, the provincial and federal governments amended tax legislation to consider part of the value of housing and trips out as taxable income.

As well as having significant effects on the disposable income of personnel working in the North, this tax system is particularly unfair because it puts people with family responsibilities at a greater disadvantage: the more dependents an individual has, the greater his or her needs for housing and the more he or she will be taxed; similarly, the more dependents an individual has, the larger the amount that family trips out add to taxable income. Finally, since 1987 the non-indexation of the housing deduction for persons living in remote areas has simply aggravated the problem of the reduction in disposable income. Thus the current provisions of the collective agreements are less favourable to attracting and keeping qualified personnel.

And if the Québec ministère du Revenu maintains its interpretation of the *Taxation Act* and taxes northern personnel for their food transportation costs, the situation will inevitably get worse.

#### • THE JAMES BAY AGREEMENT

Without reviewing all the reasons that led to the introduction of regional disparity premiums, and more specifically the compensation for food transportation costs that is found in the collective agreements, we wish to point out that the James Bay Agreement stated that "Québec must take account as much as possible of the exceptional problems of operating facilities and services in the North." The agreement added that carrying out this mandate would be made possible "by recruiting and keeping personnel; working conditions and benefits should be sufficiently attractive to encourage qualified people from outside... to accept jobs." As well, the agreement stipulated that "for the development and operation of health and social services and facilities, adequate amounts should be budgeted to compensate for the consequences of the exceptional costs in the North, and for transportation in particular...".<sup>1</sup> The same went for education and the public service.

We do not think that the restrictive way the ministère du Revenu wants to interpret the law complies with the spirit of this agreement.

---

<sup>1</sup> Gouvernement du Québec, *La Convention de la Baie James et du Nord québécois*, Editeur officiel du Québec, 1976, p. 272 (available in English under the title *The James Bay and Northern Québec Agreement*).

## 2. THE CURRENT PROBLEM

---

It has to be said that the clauses on the transportation of food now found in the collective agreements are aimed basically at supplying foodstuffs to regions that do not have road access and for which there are obvious supply problems. The payment or reimbursement of these costs does not involve the reimbursement of personal or living expenses, since the amounts paid cover only transportation costs, never the cost of food. As well, whether the transportation costs are reimbursed or paid by the employer, they allow for compensation for costs incurred not only for the public-sector employee but also for his or her dependents, be they adults or children.

The collective agreements also stipulate the maximum number of kilograms that may be transported with compensation for transportation costs. The number of kilograms takes into account the age and number of the worker's dependents. Thus these clauses make it possible to take account of the real needs for food supplies and inherent costs of transporting foodstuffs, without providing economic benefits.

### ● THE POSITION OF UNION ORGANIZATIONS

Since this interpretation of the *Taxation Act* was issued, the union organizations concerned have made representations on three levels. First of all, a demand was filed for a moratorium on assessments or preliminary assessments already issued in which indemnities received for transportation costs were deemed to be taxable income. Second, we asked the ministère du Revenu to issue a new directive amending its current interpretation so that costs incurred for the transportation of foodstuffs not be deemed a taxable benefit within the meaning of the act. Third, union organizations lobbied for the creation of a committee, to be composed of representatives



of union organizations, northern institutions and government. The union organizations (CEQ, CSN, FIIQ, SFPQ) wanted to give this committee a broad mandate. Their position was that the agenda for the committee's work should include all tax matters pertaining to the Far North in Québec and the issue of the economic and social development of the region.

- *THE FOUNDATIONS OF OUR POSITION*

Taxing the amounts received in compensation for food transportation costs runs counter to the spirit of the James Bay Agreement. For how can one talk of attracting and keeping personnel when the only compensation they are offered is a reduction in disposable income? Making transportation costs taxable results in fact in a substantial loss of income for persons working in the North, compared to those working in the other regions of Québec. Since the sums granted are tied to food supply problems and are used to pay costs attributable to the geographical location of the workplace, they are designed solely to make it possible for people holding the same jobs to have the same pattern of consumption, regardless of the place in which they work. Therefore, the compensation does not constitute an improvement in working conditions.

- *The legal foundations*

Our claim that it is not a taxable benefit within the meaning of the *Taxation Act* is also founded in law. Without doing an exhaustive review of the case law on whether or not certain amounts or payments made by an employer constitute a taxable benefit, we would like to clarify the elements that must guide the reaching of a decision on such a matter.

First, there must be a relationship between the amount received and the service rendered, something that cannot apply to the reimbursement of food transportation costs. This reimbursement does not flow from the nature of the work; instead, it is compensation for the expenses that the employee must incur to do his or her work, regardless of his or her job title.

Furthermore, the sums paid cannot be deemed a taxable benefit unless they confer an economic advantage, i.e., the person who receives the sums must be richer after receiving them, taking into account the environment in which he or she is. As we have already mentioned, the reimbursement of transportation costs does not have the effect of giving persons working in the North an additional economic benefit. At best, the money allows them to maintain a level of income comparable to that of workers in other regions, taking into account supply problems.

Case law also teaches that when the reason for the payment stems from the environment in which the employee must perform his or her duties rather than the nature of the service rendered, the payment cannot be deemed to be received by virtue of his or her job.

### 3. PROSPECTS FOR THE FUTURE

---

The union organizations believe that the impacts of the decision of the Québec ministère du Revenu will inevitably be negative. Through its short-term and long-term effects, the ministry's decision to tax transportation costs will put into question the objectives sought when the clause on food transportation was introduced into the collective agreements for our members working in remote areas.

- *IMPACT ON PERSONNEL IN THESE REGIONS*

As we have said repeatedly, this measure will result in a substantial reduction in their annual income for our members working in the North. Without being alarmist, it would be utopian to think that our members' desire to work in the Far North and to participate in the development of these regions will not put into question by the decision of the Québec ministère du Revenu.

For some people, a reduction in the number of days of work might be one possible way of countering the effects of this measure, given that a significant reduction in income can cause a reduction in the tax rate. Such a reduction in disposable income, combined with fewer days of work, could prove to be a logical choice.

So whether it is an increase in the number of vacant positions or a reduction in the number of days worked by each individual, thereby necessitating a greater turnover in personnel, it is our contention that the quality of services will be affected.

Nor should it be forgotten that if persons who have acquired definite expertise in their respective fields of work leave or reduce their number of days of work, this can only delay the attainment of the objectives of development and self-sufficiency for northern populations.

- ***THE DISCRIMINATORY EFFECTS OF THIS MEASURE***

Moreover, such a measure is unquestionably utterly unfair in its application. The fact that the reimbursement is based on real transportation costs and that these differ depending on the remoteness and the number of dependents means that the farther away a person's workplace is, and the more dependents he or she has, the more his or her after-tax income will be affected, and consequently, the poorer he or she will be. Thus, this measure creates an unfairness based on workplace and marital status, especially for persons with family responsibilities.

Moreover, it should not be forgotten that the retroactive application of this measure will mean that many northern workers will have to pay back hundreds and even thousands of dollars to the tax collector. Inasmuch as the annual income of people working in the North will be less than it would be if they worked in the South, some people will obviously have choices to make.

As well, in a context in which the recent amendments to the *Unemployment Insurance Act* penalize people who leave their jobs, and with the Québec government brandishing Bill 198 on reductions in staffing levels, we are justified in thinking that it is very opportunistic of government authorities to apply such a measure at a time when people have very little chance of changing jobs. Hence, there will be a steadily growing loss of motivation among employees working in these regions.

Until northern populations take full charge of all local services, they are still entitled to expect quality services, and this is what we want to continue to provide. However, if the rights duly negotiated by union organizations to ensure better recruitment and retention of labour are affected, the quality of services is also liable to be affected by the loss of personnel in the region qualified to meet the needs of the populations.

## CONCLUSION

---

As we have already mentioned, the sums received pursuant to the collective agreement represent the actual cost of transporting foodstuffs and are used solely to make available consumer goods that can be obtained elsewhere in regions accessible by road. Moreover, since the compensation only covers the costs of transporting food and not the cost of the food, it does not confer any economic benefit.

The harmful effects of such a measure on workers have been clearly highlighted, along with the very predictable consequences for the economic and social development of the regions affected. Furthermore, the foreseeable negative results of this measure run contrary to the government's political commitments, commitments that it contracted when it signed the James Bay Agreement.

In this context, we reiterate our demand that food transportation costs not be deemed a taxable benefit, and we ask the Québec ministère du Revenu to modify its interpretation and cancel all the procedures undertaken so far.

But we wish to emphasize the importance that our organizations attach to improving the quality of life of the populations of northern regions as well as our openness to any proposal aimed at attaining this objective.

	Salluit (dollars)	Povungnituk (dollars)	Montréal (dollars)
<b>Worker, no spouse and no dependent child</b>			
Base pay	42,618	42,618	42,618
Remoteness premium	8,207	6,958	--
Pension fund and union	<u>(3,835)</u>	<u>(3,835)</u>	<u>(3,835)</u>
Gross earnings	<u>46,900</u>	<u>45,741</u>	<u>38,783</u>
Net income after taxes if:			
a) Transportation costs taxable	<u>23,905</u>	<u>24,380</u>	<u>26,682</u>
b) Transportation costs not taxable	<u>27,775</u>	<u>27,425</u>	<u>26,682</u>

**Worker, spouse and two dependent children**

Base pay	42,618	42,618	42,618
Remoteness premium	14,469	12,264	--
Pension fund and union	<u>(3,835)</u>	<u>(3,835)</u>	<u>(3,835)</u>
Gross earnings	<u>53,252</u>	<u>51,047</u>	<u>38,783</u>
Net income after taxes if:			
a) Transportation costs taxable	<u>20,553</u>	<u>23,061</u>	<u>29,846</u>
b) Transportation costs not taxable	<u>33,085</u>	<u>32,669</u>	<u>29,946</u>

**APPENDIX 5**

**Summary of the 1,200 income tax returns  
prepared in the Nunavik region  
for the 1992 tax year**



STATISTICAL INFORMATION WITH REGARD TO  
EMPLOYMENT INCOME AND TOTAL INCOME  
DRAWN FROM THE FEDERAL INCOME TAX RETURNS  
PREPARED BY MAKIVIK CORPORATION FOR THE YEAR  
1992 ON BEHALF OF RESIDENTS OF NUNAVIK

Community:	No. of Persons Surveyed:	Total Employment Income	T o t a l Income
Ivujivik	41	\$ 467,425.74	\$ 516,807.90
Kangiqsujuag	41	381,751.13	412,004.28
Kangiqsualuujjuag	78	650,609.64	922,334.16
Montreal	1	00.00	3,071.10
Kuujjuaraapik	31	118,282.69	194,235.68
Kangirsuk	79	629,835.67	790,837.44
Inukjuak	173	1,447,810.50	1,759,818.26
Akulivik	60	632,474.45	709,316.42
Aupaluk	24	345,718.79	375,895.82
Umiujaq	53	629,157.78	689,139.34
Kuujjuag	291	4,521,057.25	6,890,548.33
Povungnituk	70	812,892.59	889,936.88
Quaqtaq	37	348,591.26	460,687.06
Salluit	205	1,275,572.85	1,492,534.50
Tasiujaq	27	384,822.29	436,544.89
<b>Total</b>	<b>1,211</b>	<b>\$12,646,002.63</b>	<b>\$16,543,712.06</b>

Average Employment Income = \$10,442.61

Average Total Income = \$13,661.20

**APPENDIX 6**

**Summary of subsidies for the transportation  
of goods and passengers**

Summary of subsidies for the transportation  
of goods and passengers

---

Îles-de-la-Madeleine maritime service

- Grant of \$3,100,000 for the transportation of goods for 1994-1995.
- The contract covers 1987 to 1997.

Program to reduce air fares for Îles-de-la-Madeleine residents (Decree 1878-92 of December 16, 1992)

- The program's cost is limited to \$225,000 per budget year.
- It applies to the transportation of passengers.
- The program came into force on January 1, 1993 and ends on August 31, 1995.

Middle and Lower North Shore maritime service

- Grant of \$4,792,000 for the transportation of goods and passengers for 1994-1995.
- The contract covers 1992 to 1997.

Middle and Lower North Shore air service

- Grant averaging \$3,749,242 a year for the transportation of goods and passengers.
- The contract covers 1991 to 1995.

SAA, April 6, 1994