



Indian and Northern
Affairs Canada

Affaires indiennes
et du Nord Canada

INDIAN AND NORTHERN AFFAIRS CANADA DEVOLUTION AND TERRITORIAL RELATIONS BRANCH



FOOD MAIL REVIEW - INTERIM REPORT

March 2009

Published under the authority of the
Minister of Indian Affairs and Northern
Development and Federal Interlocutor for
Métis and Non-Status Indians
Ottawa, 2009
www.ainc-inac.gc.ca
1-800-567-9604
TTY only 1-866-553-0554

QS-8646-000-EE-A1
Catalogue No.R3-99/1-2009E
ISBN 978-1-100-12385-1

© Minister of Public Works and Government Services Canada

Cette publication est aussi disponible en français sous le titre :
Examen du programme Aliments-poste – Rapport provisoire

EXECUTIVE SUMMARY

The Food Mail Program is a Government of Canada program that pays part of the cost of shipping nutritious perishable food and other essential items by air to isolated northern communities that are not accessible year-round by road, rail or marine service. There are currently 135 communities eligible for the Program. Food prices in these communities are higher than in southern Canada and, for some, prohibitive. Limited access to healthy foods can be an economic burden on the health care system as a result of unhealthy diets. Most of the eligible communities have a young, predominantly Inuit and Aboriginal population, with below-average income and education levels.

The costs of the Food Mail Program increased on average 12% per year between 1996 and 2006 due to rising transportation costs and increased demand. The Program is now considered by some to be unsustainable. Within this context, Indian and Northern Affairs Canada was directed by the Government in fall 2006 to conduct an extensive review of the Food Mail Program. The review examined the Program's strengths and weaknesses and identified a number of opportunities to improve its efficiency and effectiveness as well as ways to contain costs. The review found that the Program has been successful in lowering the price of food in participating communities and has an important impact on economic activity in the communities it serves. The impacts of the Program on health and nutrition are complex and it would require greater financial and human resources in order to conduct a comprehensive analysis. A number of proposals are made throughout the report, including:

- Updating the list of eligible foods according to Health Canada's nutrition guidelines;
- Adding or removing entry points to improve efficiency;
- Developing a retailer agreement to improve Program visibility and accountability;
- Eliminating personal orders to improve retailer purchasing power;
- Implementing changes to rates according to the Program budget;
- Equalizing shipping rates between provinces and territories for the shipment of non-perishable foods and non-food items;
- Examining the possibility of subsidizing country (wild) food shipments and local greenhouse production; and,
- Investigating the viability of redesigning the Program as a retail subsidy that would deliver benefits to consumers at the point of purchase.

Stakeholder engagement should be undertaken to ensure support and understanding regarding the future of the Program. Any changes to the Program will need to be announced by the Minister in a timely manner to allow Program users to adjust.

TABLE OF CONTENTS

- 1 – DEFINITIONS 7
- 2 – INTRODUCTION 9
- 3 – HISTORY AND BACKGROUND 10
 - 3.1 BACKGROUND..... 10
 - 3.2 PROGRAM DETAILS..... 10
 - 3.3 PROGRAM HISTORY..... 12
 - 3.4 INTERNATIONAL COMPARISON 13
 - 3.5 FEDERAL ROLE 14
 - 3.6 FOOD MAIL COMMUNITIES 14
- 4 – A COMPREHENSIVE REVIEW OF THE FOOD MAIL PROGRAM..... 18
 - 4.1 PURPOSE OF THE REVIEW..... 18
 - 4.2 EVALUATION 19
 - 4.3 MINISTERIAL SPECIAL REPRESENTATIVE..... 19
- 5 – ANALYSIS OF THE CURRENT SYSTEM..... 20
 - 5.1 PROGRAM STRENGTHS..... 20
 - 5.2 IMPROVING EFFICIENCY AND EFFECTIVENESS 22
 - 5.3 ADDITIONS TO THE CURRENT PROGRAM 27
 - 5.4 CONTAINING COSTS..... 30
- 6 – PROGRAM ALTERNATIVES 35
 - 6.1 TRANSFER THE PROGRAM..... 35
 - 6.2 INCREASED WELFARE PAYMENTS 37
 - 6.3 REFUNDABLE TAX CREDIT 38
 - 6.4 FOOD SUBSIDY 38

7 –	ASSESSMENT OF OPTIONS.....	44
8 –	NEXT STEPS	45
8.1	STAKEHOLDER ENGAGEMENT.....	45
8.2	SHORT-TERM CHANGES TO FOOD MAIL	45
8.3	RETAIL SUBSIDY PILOT.....	45
8.4	PROGRAM OBJECTIVE AND CRITERIA.....	46
8.5	CURRENT PILOT PROJECTS.....	46
9 –	APPENDIX 1	47
10 –	APPENDIX 2	48
11 –	APPENDIX 3	50
12 –	APPENDIX 4.....	52
13 –	APPENDIX 5.....	57
14 –	APPENDIX 6.....	58
15 –	END NOTES.....	59

1 – DEFINITIONS

Eligible communities: Isolated northern communities without year-round surface access by road, rail or marine service. Communities that are isolated only for short periods of time during freeze up and breakup are not eligible.

Entry point: Verification stations at which Food Mail shipments are accepted by Canada Post and prepared for direct air carriage to the eligible community.

Northern Food Basket: Developed in 1990,¹ the first Northern Food Basket was comprised of 46 food items and used to measure and compare the cost of a nutritious diet in eligible northern communities versus the typical cost of such food items in the south.

Pilot Projects: Based on the recommendation of a 2001 report that surveyed nutrition and food consumption in two isolated northern communities in 1992 and 1997², three pilot projects were launched between 2001-2003 in Kugaaruk, Nunavut, Fort Severn, Ontario, and Kangiqsujuaq in the Nunavik region of Quebec. The pilots sought to test the impact on food costs and nutrient intake of providing communities with significantly lower postage rates for shipment of a highly focussed list of healthy foods. To implement these pilot projects, a list of priority perishable foods (milk, cheese, yogurt, fresh and frozen fruit and vegetables, frozen juice and eggs) was developed and the shipping rate was reduced from \$0.80 to \$0.30 per kilogram plus \$0.75 per parcel.

Revised Northern Food Basket: Introduced in 2008, the revised Northern Food Basket included 67 additional food items to better reflect the northern Aboriginal culture and diet.

Shippers: Businesses that have registered with Canada Post to be authorized to ship eligible items to eligible communities using the Food Mail network.

Communities making extensive use of Food Mail: Communities that reported receiving shipments of nutritious perishable food in volumes of at least 50 kilograms per person, per year or at least 10,000 kilograms per year at the community level.

Priority Perishable Food: Foods comprising most fresh dairy products, fresh and frozen fruits and vegetables, frozen juice concentrate, and eggs (and in one community whole wheat bread and cook-type cereals) are eligible under pilot projects for a reduced shipping rate of \$0.30 instead of \$0.80 per kilogram in order to assess health impacts.

2 – INTRODUCTION

This interim report flows from the commitment of the Minister of Indian Affairs and Northern Development to conduct a comprehensive review of the Food Mail Program and develop options to achieve the Program's objectives

The review engaged government departments, agencies, and consultants to conduct research on the Program's efficiency and effectiveness and to propose potential improvements and sustainable alternative approaches to supporting food security in the North.

To ensure appropriate guidance and information sharing, the Devolution and Territorial Relations (DTR) Branch at INAC set up an interdepartmental research group to carry out and review studies on various aspects of the Food Mail Program. The research group's composition is set out in Appendix 3. The group met monthly throughout the spring, summer and early fall of 2008 to share and review findings.

The Interim report provides an overview of the group's findings and corresponding proposals and will help inform and support a process of stakeholder engagement on Canada's role in addressing the high cost of nutritious food in isolated northern communities.

3 – HISTORY AND BACKGROUND

3.1 BACKGROUND

The Food Mail Program uses a Government of Canada transportation subsidy to provide residents of isolated northern communities with increased access to nutritious foods and other essential items. The Food Mail Program serves only isolated communities that are not accessible year-round by road, rail or marine service. Indian and Northern Affairs Canada (INAC) provides funding to Canada Post Corporation (CPC) to offer food shippers reduced postage rates, which help lower the price of eligible foods for consumers in eligible communities. Orders are picked up at airports and not delivered directly to the post office, retail store or home address.

An agreement between INAC and CPC outlines the roles and responsibilities for program management and delivery. INAC pays CPC a fee of 3.4% of Food Mail air transportation costs (excluding fuel surcharges and identifiable NAV CANADA fees) to cover program administration, procurement, contract management and related overhead costs.

3.2 PROGRAM DETAILS

The Food Mail Program subsidizes the shipment of nutritious foods and certain essential non-food items. Health Canada plays an important role by providing nutritional advice used in developing program policies.

For a complete list of eligible foods and products, refer to the program website www.ainc-inac.gc.ca.

Under the program, the postage rate for perishable foods is \$0.80 per kilogram plus \$0.75 per parcel.¹ Postage rates are structured to even out the prices of eligible products across the regions and communities using the program (see Table 1). Since almost all northern communities receive sealift or barge service in the summer, or have winter roads that can be used for the resupply of non-perishable foods and non-food items, higher postage rates are charged to discourage the use of air lift for these items. The rate charged is \$1.00 per kilogram in the provinces and \$2.15 per

I In order to keep the price of perishable foods equitable, four communities in the Beaufort Delta Region of the Northwest Territories, served through Inuvik, benefit from a lower shipping rate of \$0.30 per kilogram to offset the high costs of trucking food to this remote entry point at the end of the Dempster Highway.

kilogram in the territories plus, \$0.75 per parcel. Provinces and territories are charged a different rate to account for the fact that provinces generally have less storage capacity for non-perishable and non-food items than their territorial counterparts.

Table 1: Price of Eligible Products

	Provinces	Territories	+ per package
Perishable	\$0.80	\$0.80	\$0.75
Non-perishable/ non-food	\$1.00	\$2.15	\$0.75
Pilot projects	\$0.30	\$0.30	\$0.75

In fiscal year 2007-2008, 81% of program funding was applied to the shipment of perishable food, 13% to non-perishables and 4.5% to essential non-food items and 1% to priority perishable foods (a selection of nutritious perishable foods which are eligible for a reduced postage rate in 3 pilot communities – see section 5.1) The average subsidy on goods shipped under this program in 2007-08 was approximately \$2.54 per kilogram. Annually, this subsidy is equivalent to approximately \$650 per person, but can exceed \$2,000 per person in the most remote communities. In 2007-2008, 50% of Food Mail volume went to Nunavut and 29% to Northern Quebec (Nunavik) (see figure 2).

Figure 1: Food Mail Volumes by Category

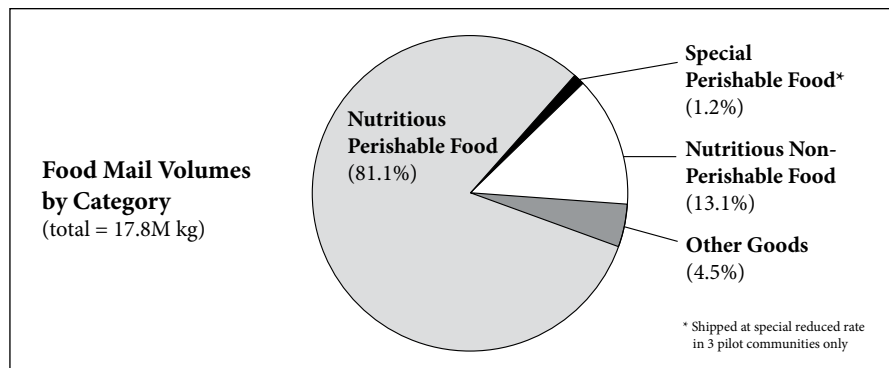
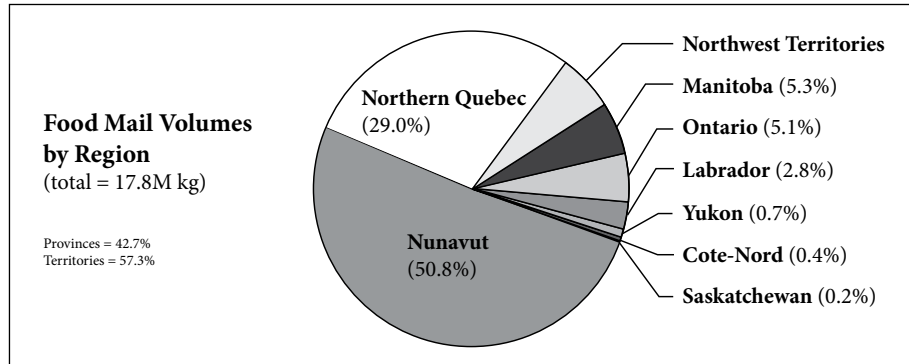


Figure 2: Food Mail Volumes by Region



There are currently 135 communities eligible to use the Food Mail Program, although only 81 are considered extensive users. These communities are serviced by one of 21 entry points, not all of which are active. (Refer to the map in Appendix 1 for more detail). Eligible communities that do not use the program make this choice because air cargo rates or other options for securing food delivery to the community are generally cheaper than Food Mail rates or more convenient. Retailers find the additional administrative burden of splitting their shipments into eligible and ineligible goods too great, considering the savings they would achieve for eligible goods only.

PROGRAM PRINCIPLES

The high-level principles applied to the Food Mail Program in the past are:

- **Universality:** All isolated northern communities without year-round access by surface transportation are eligible for the Food Mail Program.
- **Availability/Accessibility:** Sufficient nutritious foods to meet dietary needs are readily available for purchase in isolated northern communities.
- **Affordability:** The Food Mail Program should make nutritious food more affordable in isolated northern communities.

3.3 PROGRAM HISTORY

The Food Mail Program grew out of the Post Office's Air Stage System, which serves communities only accessible by air. The use of the mail system to deliver parcels of food to remote communities was established first in northern Quebec in the late 1960s. In the absence of an overall policy direction, the service expanded in an *ad hoc* fashion to northern Ontario and other remote "fly-in" communities. Changes to the Canada Post's rate structure in 1969 enabled an extension of this perishable food delivery service to the Baffin region of Nunavut.

When CPC was created as a Crown Corporation in 1981, it assumed responsibility for Food Mail service. As the number of communities served increased, CPC continued to provide this service at a loss.

In 1986, the Government of Canada decided that if Canada Post was expected to provide a service at less than cost, for public policy purposes, it should be explicitly subsidized. Accordingly, \$19 million was allocated to CPC for the Air Stage System, an amount that was scheduled to be reduced by \$1 million per year thereafter. Various conditions were placed on service including weight restrictions and agreements with consumers requiring mailing statements.

Inconsistencies in the kinds of products delivered through the Air Stage System called for a standardized policy, and in January 1990³ CPC excluded unhealthy items such as pop, potato chips and candy.

In 1991, the Government transferred program responsibility to Indian and Northern Affairs Canada after extensive public consultation and review. Following this change, the program criteria and policies were specified with a focus on uniform rates for nutritious perishable food, and higher rates for non-perishable food and non-food items.

During the time that INAC has managed the program, there have been a number of changes in order to improve efficiency and effectiveness. These changes have included the review and addition of Winnipeg as an entry point for service to Kivalliq, removing additional foods such as fried chicken and fruit drinks, and lowering the shipping rate for communities in the Beaufort-Delta region to account for the high cost of surface transport to the entry point of Inuvik.

3.4 INTERNATIONAL COMPARISON

A number of other countries address food security issues in isolated communities through programs similar to Food Mail. Australia does so through transportation subsidies and support for food retailing. In Alaska, the United States Postal Service operates the Bypass Mail service which provides subsidized parcel delivery, including food shipments, to isolated communities that lack road access to the rest of the state. In Greenland, food security for remote communities is addressed by supporting its transportation and, until recently, by maintaining a price ceiling that required that food and goods sold in remote communities not be priced more than 2.1% higher than the price found in larger centers.⁴ A comparison of these various food security initiatives and the similar challenges they and Food Mail encounter is found in Appendix 2.

3.5 FEDERAL ROLE

As a Government of Canada Program, Food Mail is unique. It supports other federal, provincial, and territorial government programs such as Aboriginal Head-Start, the Aboriginal Diabetes Initiative and the Canadian Prenatal Nutrition Program.⁵ The Government of Canada has subsidized Food Mail since the late 1960s, not because it was legally obliged to do so, but because this service to vulnerable communities was considered good public policy, particularly after fundamental program changes were introduced in the early 1990s to focus support on nutritious foods and other essential non-food items. Canada is a signatory to several international declarations and covenants affirming the right of all people, including Canadians, to have secure access to healthy foods.⁶ In addition, the Government of Canada delivers many national and international programs related to health and nutrition.⁷ That said, in Canada all levels of government play a role in food security and effective solutions require a multi-pronged, coordinated approach. However, as indicated in INAC's 2008/09 Report on Plans and Priorities (RPP), the Food Mail Program is one of three activities explicitly intended to support "Healthy Northern Communities" by addressing the health and well-being of communities and individuals in the North.

COMMITMENT TO THE NORTH

The October 16, 2007 Speech from the Throne affirmed the Government's broad-based commitment to the North, stating it would bring forward an integrated Northern Strategy focused on promoting economic and social development, among other priorities. The Government is determined to make tangible, practical progress in the quality of life experienced by Northern peoples in this country.⁸ Food Mail falls under the Economic and Social Development priority of this strategy. The Speech from the Throne stated that: "northerners must be able to meet their basic needs."⁹ Currently, poor health and social outcomes limit the participation of northerners in an ever-growing workforce.

3.6 FOOD MAIL COMMUNITIES

FOOD SECURITY

The World Bank defines food security as "Access by all people at all times to enough food for an active, healthy life." Despite long-term efforts to address the problem, food insecurity remains a matter of concern in Canada. Vulnerability to food insecurity in Canada is generally attributed to people on social assistance or with limited means who cannot meet their food requirements without compromising other basic needs.

As noted, Canada is a signatory to the International Covenant on Economic, Social and Cultural Rights and has recognized the right of all to an adequate standard of living including adequate food. The right to adequate food is realized when every individual has physical and economic access at all times to adequate food in a quantity and quality sufficient to satisfy dietary needs.¹⁰

In Canada, Aboriginal people living in isolated northern communities experience more acute income-related food insecurity compared to other Canadians.¹¹ As a result, northern populations are at risk of inadequate intake of nutrients and chronic diseases, highlighting the need for access to healthy affordable foods that underpin diet-related health.¹² The importance of access to, and consumption of, healthy, affordable foods for growth and development, and lifelong prevention of risk of chronic diseases, is well established through scientific evidence.

Food choices are governed by more than personal choice. Economic and social forces and factors related to the physical environment have an effect on the foods an individual may be able to access and afford.¹³ For many families in First Nation and Inuit communities, income and food costs may be significant factors in food selection, particularly given the high rates of unemployment in remote communities.¹⁴ In 2003, high cost was cited as a barrier to purchasing vegetables and fruits by 89% of participants in a dietary study in a remote northern Inuit community.¹⁵ Poor individuals tend to purchase cheap and filling foods that have low mineral and vitamin content but high levels of saturated fat and refined carbohydrates.¹⁶

A healthy diet contributes to an individual's physical health, and also more broadly to his or her social and economic well-being, contributing to positive impacts on families and communities. Diet is widely considered to be a major modifiable factor for an individual's growth and development during infancy, childhood and adolescence, and overall health and chronic disease risk throughout life.¹⁷

The total health expenditure per capita in the territories is much higher than in the provinces, and in the last decade it has been increasing at a higher average rate in the territories than in the provinces.¹⁸

HEALTH

Communities eligible for Food Mail have young, predominantly Aboriginal populations with low average incomes, low education levels, high birth rates and large families.¹⁹ In 2006, the average incomes of families varied from one region to another, ranging from \$39,069 in southern Labrador to \$66,580 in northern Quebec. The lowest average incomes were found among communities in Ontario, Manitoba, Alberta and southern Labrador, while the highest are found in northern Quebec, Sahtu (NWT) and Kitikmeot (Nunavut).

Today, the health of northern First Nations and Inuit is characterized by a post neonatal mortality rate three to four times higher than the national average. Rates of infectious diseases (e.g., meningitis, tuberculosis, gastroenteritis) and respiratory disease (e.g., pneumonia and bronchitis) are higher and average life expectancy lower than in the rest of Canada. Among Inuit, there is a higher prevalence of premature births and low birth-weight infants. First Nations and Inuit children suffer from more severe illnesses, with more frequent occurrences than average Canadians and, in the Northwest Territories, are hospitalized three times more frequently than non-Aboriginal children. Infant mortality rates are highest in the Baffin region and Labrador.

There is a growing concern among health authorities over the rapid emergence of lifestyle diseases, such as diabetes, cardiovascular disease, colorectal and breast cancer, as well as hypertension to which lifestyle is a contributing factor. All of these diseases appear to be directly related to the degree of acculturation or adaptation to a southern diet and lifestyle.

Northern First Nations and Inuit also suffer from a greater prevalence of mental illness, a much higher suicide rate, particularly among young people, and widespread abuse of alcohol and drugs where and when they are available. In a large number of communities, people express anxiety over their inability to adequately feed their families on their current income and grave concern over the possibility of further food price increases, especially at a time when the access to and safety of country food is in question due to climate change and contamination.

A deficiency or excess of any nutrient will, over a period of time, lead to ill health or disease. While severe nutrient deficiencies are rare in Canada, cases of vitamin D-deficient rickets are rising in Nunavut, according to a 2007 report published by the Nunavut Department of Health and Social Services²¹. This condition has been virtually eradicated in the western world. Northern First Nations and Inuit groups have been found to be at moderate or high risk of inadequate intakes of certain essential nutrients, such as iron and calcium, vitamins A, C and D, and folacin,

and to have a high prevalence of diseases which are either directly or indirectly nutrition-related. Inadequate intake of these essential nutrients may decrease immunity levels and increase susceptibility to infection. Inadequate iron intake may lead to iron-deficiency anaemia and interfere with optimum mental development, cognitive performance, work performance, capacity for physical activity, and, during pregnancy, with normal obstetrical performance.

The groups at highest risk of nutritional deficiency are pregnant women and infants. Nutrition during pregnancy and infancy has a major effect on the survival, health and development of the child. An inadequate diet during pregnancy increases the risk of low birth-weight infants. These infants have a greater risk of prenatal mortality and physical and mental handicaps. Poor infant nutrition impairs development and growth, learning and behaviour, resistance to infection and recovery from illness.

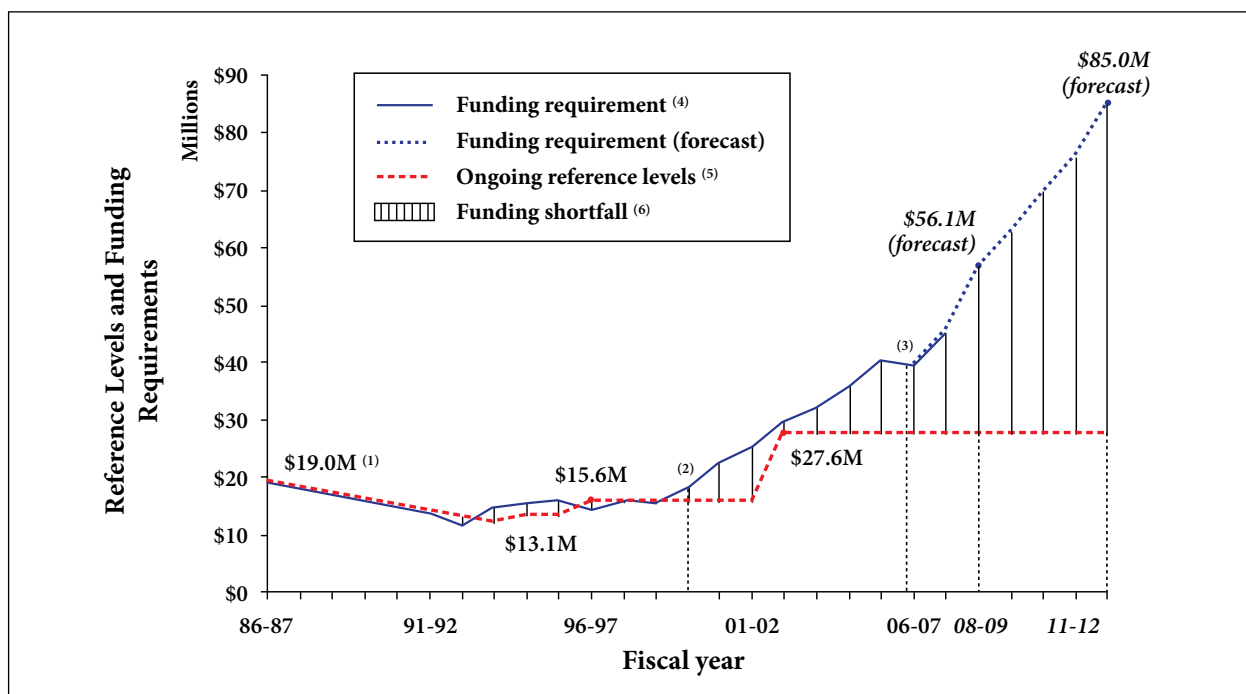
Most of the health and nutrition problems afflicting northern First Nations and Inuit are preventable, and are associated with poor socio-economic conditions, including diet. Thus by making nutritious food more accessible and affordable, the Food Mail Program seeks to increase its consumption, which contributes to better health outcomes in the isolated, northern communities it serves.

4 – A COMPREHENSIVE REVIEW OF THE FOOD MAIL PROGRAM

4.1 PURPOSE OF THE REVIEW

Due to rising transportation costs and demand, partly spurred by population growth, funding requirements for the Food Mail Program have increased significantly each year (see figure 3). Since the Food Mail Program was transferred to INAC in 1991, its funding reference level has been increased twice, first in 1996-1997 (to \$15.6M), then again in 2002-2003 (to \$27.6M). In 1999 the funding cap was removed. In no instance has the funding reference level ever had a price or volume escalator, nor is there an annual funding adjustment, such as the 2% annual increase allocated to Aboriginal programs at INAC. Between 1996-1997 and 1999-2000, the Food Mail Program was largely able to operate within its reference level. Since 1999-2000, INAC has covered program expenditures above the reference level through a combination of internal reallocation of funds, access to the Management Reserve, and sourcing from the fiscal framework. The program's core funding of \$27.6 million has long ceased to be adequate in the face of program demand and rising costs. For eight years in a row, since 2000-01, top-up funding has been required through supplementary estimates.

Figure 3: Funding Requirements for Food Mail



In this context, a program review was announced in November 2006 by the Minister of Indian Affairs and Northern Development, the Honourable Jim Prentice. In the summer of 2007, INAC began work on a comprehensive review of the Food Mail Program by reviewing all previous studies and undertaking new ones. In spring 2008, INAC hired a review staff of six, engaged a number of consulting firms and set up an interdepartmental research group to solicit guidance and support in reviewing the Food Mail Program (see Appendix 3). The group met monthly throughout the spring, summer and fall to share information and to coordinate research on various aspects of the Food Mail Program.

The goal of the Food Mail Review was to assess the program's strengths and weaknesses and identify opportunities for improvement. The Review Team considered the merits of various alternative options that could be used to achieve the program's key objective.

For a summary of the key findings see Appendix 4.

4.2 EVALUATION

As there had not been an evaluation of the Food Mail Program in the last five years, and as part of Treasury Board requirements, an evaluation is also to be completed in the 2008-2009 fiscal year by INAC's Audit and Evaluation Sector. The intent of the evaluation is to assess the performance of the program and to inform program planning and/or redesign. The evaluation is an independent, separate exercise from the Food Mail Program Review but will help shape future program direction.

4.3 MINISTERIAL SPECIAL REPRESENTATIVE

A Ministerial Special Representative (MSR) was appointed in August 2008 by the Minister of Indian Affairs and Northern Development to undertake discussions with Food Mail Program stakeholders. The MSR has engaged with senior government and industry officials to seek views and perspective on the program and potential alternatives. The MSR's findings are to be made public in a separate report.

5 – ANALYSIS OF THE CURRENT SYSTEM

5.1 PROGRAM STRENGTHS

AVAILABILITY AND AFFORDABILITY OF FOOD

The Food Mail Program results in reduced food costs in participating isolated northern communities. For example, the current subsidized shipping rate for perishable foods is \$0.80 per kilogram. Without the Program, shipping rates for perishable foods could be as low as \$1.24, or as high as \$11.51 in the most remote isolated communities.²⁰

To quantify the impact the Food Mail Program makes on the price of perishable food, one study compared the expected prices of the perishable portion of the Revised Northern Food Basket (RNFB) with and without the subsidy in 20 participating communities. Without the Food Mail Program it is estimated that 12 of the 16 communities would have the majority of the population spending more than 55% of their income on shelter and food. Of these communities, four were expected to have the majority of the population spending over 80% of their income on shelter and food.

PRICE IMPACT

Over the past five years, INAC has conducted pilot projects in three communities – Kugaaruk, Fort Severn and Kangiqsujuaq. The pilot projects assessed the impact of further reductions in shipping rates (from \$0.80 to \$0.30 per kilogram plus \$0.75 per parcel) for “priority perishable foods” (milk, cheese, yogurt, fresh and frozen fruit and vegetables, frozen juice and eggs). The reduction resulted in price reductions of about 15% to 20%. A review of three pilot projects found that in the short term the subsidy was passed on to the consumer in two of the five stores surveyed. Over the long term, the cost of priority perishables dropped by more than the additional subsidy. On average, 62% of the subsidy was passed to the consumer in pilot project communities.²¹ Empirical results show that prices for priority perishables in the pilot communities decreased significantly more than the \$0.50/kg decrease in transportation cost (estimates range between \$0.69/kg to \$1.04/kg lower).

HEALTH IMPACTS

This review investigated the impact of the Food Mail Program on the health of residents of Northern communities eligible for the Food Mail Program. Because of data limitations,

Health Canada was not able to investigate the correlation between the Food Mail Program and health care costs. While the Food Mail Program is a necessary contributor to healthy diets, it is not sufficient by itself to ensure healthy food consumption.²²

Nevertheless, Health Canada research documented how per capita expenditures on health are already higher in the territories compared to the provinces. Because of the relationship between nutrition and health, programs such as Food Mail can play a role in supporting healthy eating and controlling health care costs.

Clearly establishing the program impacts on health and nutrition is complex and beyond the scope and capacity of current review. There is a lack of baseline nutrition and health data in isolated northern communities and gathering such data is both time-consuming and resource intensive. Currently, a number of Inuit and academic partners have undertaken an extensive Inuit Health Survey in Nunavut, the Inuvialuit Settlement Region and Nunatsiavut. The survey will provide important baseline health and nutrition data for participating communities²³. Similarly, the 2004 Nunavik Health Survey was conducted to update the health profile on Nunavimmiut in such areas as general health and dietary habits²⁴. This data, however, is still not likely sufficient to assess Food Mail impacts on health. INAC is also conducting nutrition surveys in two pilot communities, Kugaaruk (2008) and Kangiqsujuaq (planned for 2009), to determine nutrition levels as a result of further reducing the shipping rate for priority perishable foods.

AIR TRANSPORTATION, PASSENGER AND CARGO

Transportation in the North is challenging due to the severity of weather and climate, the distances between communities and from southern cities, and the small population²⁵. Despite these challenges, every community participating in the Food Mail Program receives at least one Food Mail shipment per week, as per Canada Post's delivery standards.

The large volume of business that the Program provides for air carriers, many of which are Aboriginal-owned (e.g., First Air, Air Inuit, Aklak Air and Wasaya Airways) makes it of vital importance to the northern air transportation sector. Mail contracts add greatly to their ability to provide regular passenger service. Some carriers that have not been successful in bids for mail contracts feel that this business should be shared more broadly among carriers. However, CPC's position is that it gets the lowest rates by awarding contracts to only one carrier for each destination.

Changes to the Food Mail contracting process would have minimal impact on critical medevac and passenger service. Changes may, however, encourage more efficient and flexible cargo-only routing to the general benefit of the air transportation system.

The current level of Aboriginal participation in CPC's Food Mail procurement activities is very high. In spending approximately \$58 million in Food Mail-related transportation costs during 2008 (over 90% of Total Program Costs), CPC contracted with 13 air carriers and 2 surface transportation companies, several of which are Aboriginal-owned.

ECONOMIC IMPACTS

An economic impact analysis showed the Food Mail Program has an important impact on economic activity and that the costs of the program are somewhat offset by increased Government revenues. Results also suggest that \$36.3 million (inflation adjusted) spent annually on the program lifts real GDP by \$50.4 million and creates nearly 600 jobs. For each \$1 of inflation adjusted spending on the Food Mail Program, a \$1.39 increase in real GDP is generated. The increased economic activity produced by the Food Mail Program helps to partly offset its cost.

While the program is aimed at delivering food to isolated northern communities, the lion's share of the economic benefit is through the Government's purchasing of air transportation services, for which the majority of direct and indirect effects occur outside of the northern communities. The same can be said about INAC's direct expenditures on salaries and operations for managing the program.

5.2 IMPROVING EFFICIENCY AND EFFECTIVENESS

Food Mail Program costs have increased on average 12.4% annually due to rising fuel prices and demand. No comprehensive evaluation of the program has been undertaken since 1991. This review considered a number of options for improving Food Mail Program cost, efficiency and effectiveness.

CLAIMS PROCESS

The practice of claiming for damages during the transportation of perishable items is a normal part of airline cargo operations. International Air Transport Association (IATA) surveys show that most claims for damages are for fruit and vegetables, fish and seafood, and meat and meat products, largely due to decay (colour, texture, odors, and bruises) or damaged packaging.

Currently, Food Mail guidelines do not allow for any claims process. “*The Food Mail Program is a basic freight delivery service with no add-on options such as an on-time delivery guarantee, coverage against loss or damage, signature, delivery confirmation or collect on delivery.*”²⁶ According to CPC procedures, inspections for quality and item eligibility occur at the entry point. There are no procedures for inspections for in-transit shipments (entry point to destination). In some cases air carriers do pay out claims when it has been determined that they were at fault; however, there are no formal procedures for doing so. CPC could implement a claims process for the present Food Mail Program, but this would increase overall costs²⁷.

PROPOSAL # 1

**Investigate the cost and benefits of introducing a claims process
to create incentives for carriers to improve the quality of food upon delivery.**

RETAILER AGREEMENT

The review of the Food Mail Program outlined some weaknesses in the program’s design that could be rectified through a formal agreement between INAC and participating retailers. For example, the review identified a lack of awareness among consumers regarding the federal government’s efforts to reduce the cost of nutritious food in isolated northern communities. An agreement with retailers could hold them accountable for:

- Passing on to consumers the subsidy paid by INAC on eligible products by entering a legally binding agreement to a maximum percentage mark-up over the cost-landed price;
- Transporting goods in a covered vehicle to the retail location to improve the quality of perishable food on arrival;
- Displaying Food Mail signs on eligible products to inform consumers of their savings;
- Providing sales data to INAC to better inform future decisions on eligible products; and,
- Continuing to allow INAC officials to undertake food price surveys at retail locations.

Such an agreement could stipulate that in the event of retailer non-compliance, sanctions could be levied. The sanctions could call for a penalty payable to the band, hamlet or municipal office. If INAC chose to implement such an agreement with retailers, it could be challenged and would require consultation with retailers and INAC’s legal advisors to develop terms and conditions. Such a measure would bring additional transparency to the Program.

A similar agreement between INAC and shippers could be put in place to ensure that Canada Post's handling guidelines are being followed at entry points and during transit to the destination.

PROPOSAL # 2

In consultation with program stakeholders, INAC should develop an agreement between the department and retailers in order to improve program transparency and provide assurance that the Food Mail subsidy is being passed on by retailers to consumers.

A similar agreement should be developed to apply to firms involved in Food Mail shipping and handling.

LOGISTICS

The Food Mail Program provides a subsidy for the transportation of nutritious foods to eligible northern communities. Shippers are required to sign an agreement with Canada Post, which in turn contracts with airlines to deliver the goods. Retailers, individuals, and institutions order goods from southern suppliers. The review examined current Food Mail logistics and found a number of opportunities for improvement.

QUALITY

Shippers and retailers have raised concerns regarding spoilage and quality control problems with some goods shipped under Food Mail. However, shippers and retailers do not keep detailed data on product spoilage. Canada Post, which has also documented evidence of spoilage at various destination communities, indicates that spoilage is often due to incorrect transportation of goods between the destination airport and retailer, incorrect labeling and inadequate temperature control. These issues lie largely outside of the Food Mail Program system.

Canada Post undertakes inspections that follow shipments from point of origin to destination. In doing so, Canada Post is able to evaluate the quality of shipments throughout the distribution system, identify strengths and weaknesses, and make recommendations for improvement. These inspections have highlighted issues with logistics. As a result, improvements in the process have been made including, for example, better training for inspectors and providing guidance to retailers as to transporting and displaying goods.

ENTRY POINTS

A study of Food Mail entry points indicated that there may be opportunities for consolidation to improve service and reduce costs. The current system has 21 entry points, although not all of them are active. Transportation routes into the northern and remote regions of Canada historically, and to this day, follow three major routes:

- Edmonton and/or Calgary for services to the Northwest Territories, the Kitikmeot region of Nunavut, and the Yukon;
- Winnipeg for services to the Kivalliq region of Nunavut and Northern Manitoba;
- Ottawa and/or Montreal for services to Nunavik and the Baffin region of Nunavut.

A move to consolidate all shipments by major suppliers at the source would enhance food quality and reduce the labour of handling and processing at many entry points. All processing and inspections would be conducted at the entry point, allowing perishables to be shipped undisturbed to the destination (e.g., moving the entry point from Val d'Or to Ottawa or Mirabel).

A move to consolidate entry points would not require that all goods be flown from the entry point. For example, it is likely that the best situation for services to Yellowknife and beyond might be to use Calgary or Edmonton as entry points while still utilizing surface transport to deliver goods to air services operating out of Yellowknife. This change might accelerate the delivery of food to northern communities by allowing it to be inspected and certified as eligible Food Mail earlier in the shipment process, at the more southerly entry point. This would mean that the food trucked from Calgary or Edmonton would be ready for delivery to its final destination as soon as it arrives in Yellowknife for air shipment.

PROPOSAL # 3

Investigate and implement changes to entry points in order to improve efficiency and effectiveness of the Food Mail system.

PERSONAL ORDERS

Direct shipments to households and individuals are permitted under the program. Personal orders enable the purchase of specialty products (e.g. those chosen for cultural preferences or due to allergies) that may not be carried in retail stores. However, it is likely that personal orders are more often used by individuals with higher incomes who have access to a credit card, which is

necessary to open an account with a Food Mail shipper.²⁸ Personal orders are also used by institutions and daycares for breakfast and lunch programs. Several First Nations in Manitoba, with support from the Government of Manitoba, have made financial arrangements with suppliers in Winnipeg to pool orders which are flown to the community by Food Mail and stored in a handling facility until they are picked up by local households.²⁹

Data on personal orders is limited. However, it is estimated that this form of Food Mail accounts for approximately 5% of shipments from Val d'Or. Some stakeholders have raised concerns over the costs and fairness of this provision of the program. Canada Post has observed that small personal orders are more costly and labour-intensive to handle than bulk orders destined for northern retailers. Some northern retailers, who have high fixed costs for electricity and rent, question the fairness of personal orders, which put them in competition with southern stores that have lower energy and related overhead costs.

A review of personal orders found that an important source of competition in any participating Food Mail community is the fact that the Program allows individuals to purchase food and have it delivered directly to them, by-passing local grocery stores altogether. In some communities, personal orders are the only source of competition, which helps ensure local retailers pass on the subsidy to consumers.

Eliminating personal orders may make the Program less effective in reducing prices in northern communities by eliminating this measure of competition with southern suppliers. If the provision allowing for personal orders were removed, the volume of products shipped in this category would likely be diverted to retailers in the community. Thus there would be little if any program savings. Organizations that use Food Mail for breakfast and lunch programs would likely be negatively impacted by eliminating personal orders. However, eliminating personal orders may allow northern retailers to increase their buying power and capacity to purchase more foods in bulk at lower prices. This could result in lower food prices for northern consumers, especially those who cannot take advantage of personal orders.

PROPOSAL # 4

Consider eliminating personal orders to help control CPC handling costs, which are higher for small orders, and to focus program support on northern retailers.

5.3 ADDITIONS TO THE CURRENT PROGRAM

COUNTRY FOODS

Supporting access to traditional Aboriginal country food (e.g., wild berries and caribou) has numerous benefits, including:

- Contributing to positive health status;
- Encouraging exercise;
- Providing opportunities for economic development;
- Fulfilling spiritual, cultural and social purposes;
- Providing a connection to the land and sea; and,
- Teaching traditional knowledge.

Despite the benefits of country food in the North, it is not subsidized other than for equipment required for hunting, trapping and fishing. There is an opportunity for the Food Mail Program to enable the subsidized shipment of country food across the North.

To the extent that harvesting and distribution systems are in place and functioning well, country foods could be subsidized and could contribute to positive health outcomes. However, there are several elements that are seen as crucial to the successful integration of country foods into the Food Mail Program, including:

1. Partnerships with Aboriginal people;
2. Capacity building within participating communities;
3. Promoting country food for its nutritional value, accessibility, affordability, and cultural importance; and,
4. Development of Wildlife Management Systems.

In order to enable subsidization of country foods from certified meat and fish plants to travel, micro entry points will need to be established in communities such as Cambridge Bay, Kuujuaq, Pangnirtung and Rankin Inlet. The province of Manitoba is currently developing and implementing a country foods buying program that could be used as a model for Food Mail.³⁰

PROPOSAL # 5

Examine the opportunities for integrating subsidization of country foods through the Food Mail Program. Should country foods be integrated, establish micro entry points in participating communities.

GREENHOUSES

Given high and increasing transportation costs and concerns among some northerners regarding the quality and freshness of produce they receive, the review considered whether greenhouse operations in the North could be competitive with food shipped in from southern sources.

There are no technical limitations to producing fresh produce year round in controlled environment production facilities. There are numerous examples in remote and climatically hostile regions around the world, including deserts, the South Pole, underground, and in space. Limitations are purely economic, influenced by costs, access logistics, markets, and economies of scale.

Two case studies were developed at a high level to determine the cost of growing greenhouse tomatoes as a “model crop” in Iqaluit, a major Food Mail destination, and in Goose Bay, a Labrador entry point.³¹ Northern greenhouses can be feasible and offer many benefits, including decreased transportation costs and improved quality and freshness. The Government of Canada could provide financial support, in partnership with provincial and local governments, to set-up northern greenhouses. In addition, the Food Mail Program should consider lower rates for local greenhouse produce to encourage its purchase.

IQALUIT CASE STUDY

Iqaluit was chosen as a case study because it is the largest destination market for fresh produce via the Food Mail Program and fresh produce is also routed via Iqaluit to other Food Mail communities. Preliminary cost and market analysis indicate that it is feasible to grow greenhouse tomatoes and supply existing markets in Iqaluit at a lower cost than shipping from southern supplies for 6 months of the year from April to September. This would result in fresher local supply, plus avoid the cost to INAC of providing shipping subsidies.

Supplemental lighting could be installed to produce initial seedling transplants, thus slightly extending the growing season to 8 months of growing (March to October) with periodic supplementation of light during overcast outdoor weather conditions to optimize quality and yield.

Local greenhouse production of tomatoes in winter months is technically feasible but not yet economically viable due to high heating and lighting costs. If low-cost hydro electricity becomes available to Iqaluit in the future, greenhouse food production might become significantly more feasible.

Growing tomatoes in Iqaluit at the modelled greenhouse size would competitively supply 7,332 lbs of tomatoes annually for Iqaluit's annual estimated market of 23,146 lbs, reducing INAC's Food Mail subsidy otherwise required by less than \$10,000 annually. This represents 63% of Iqaluit's market requirement for tomatoes during 6 months of production, but only 32% of Iqaluit's total annual volume needs.

GOOSE BAY CASE STUDY

The quality of fresh produce in Goose Bay and in Food Mail destinations supplied via Goose Bay is generally considered fair to poor, particularly in winter months due to long trucking times (up to 3 days) to receive products from Montreal. The quality can be impacted by sub-optimum temperature control, handling in transit, as well as the age and freshness of the products shipped. A distinct advantage of greenhouse production in Goose Bay would be fresh products available to markets within hours of harvesting.

With the unique availability of low cost electricity, production costs for growing greenhouse vegetables in Goose Bay are low compared to the cost of trucking in greenhouse produce via Montreal. With supplemental lighting, greenhouse tomatoes can be profitably grown year-round. The economic challenge is that total volumes are rather small to support a viable "family farm" size, and product diversification with a range of greenhouse crops would be required.

As Goose Bay is a Food Mail entry point, cost savings to INAC from reduced shipping cost subsidies to coastal Labrador communities are not realized. Improved product quality, however, and reduced market place spoilage might permit retail prices for consumers to be lowered. If Goose Bay became an additional entry point for Iqaluit, it could increase demand for greenhouse-grown products and make Goose Bay a significant supplier of greenhouse-grown goods in northeastern Canada.

PROPOSAL # 6

Investigate the feasibility of implementing a greenhouse support program in partnership with provincial, territorial and local governments and determine whether this should be part of the Food Mail Program.

Determine whether a lower shipping rate could be applied to perishable foods grown in local northern greenhouses.

5.4 CONTAINING COSTS

The review identified a number of opportunities to contain costs of the current Food Mail Program, including revising shipping rates, eligible communities, the volume of products shipped, and the product eligibility list.

SHIPPING RATES

Shipping rates under the Food Mail Program have not changed since 1993-94 despite rising costs of fuel and increasing demand. As a result, Food Mail Program costs increased annually by approximately 12.4 % per year between 2001-2002 and 2005-2006. Demand accounted for 80% of growth while transportation costs accounted for 20%.

Similar subsidy programs in Greenland, Alaska and Australia have also had to deal with rising program costs in recent years. In 2006, Greenland abolished rules that regulated retail prices, including food prices in isolated settlements. The “same price” system required that goods and food sold in remote settlements in Greenland be priced comparably to those sold in larger towns, regardless of the added transportation costs. The policy was abolished because it was deemed unaffordable and an obstacle to community economic development. In May 2008, the U.S. Postal service increased rates for the Alaska “Bypass Mail” program by 9.5%, citing rising fuel prices for the service that ships goods to fly-in communities.

Current Food Mail rates are structured to provide a higher subsidy for nutritious perishable foods than for non-perishable foods and non-food items. This encourages the use of sealifts, barges and winter roads. There is also a rate differential between provinces and territories for non-perishable foods and non-food items. Provinces pay \$1.00 and territories pay \$2.15 per kg. In order to ensure the subsidy to all eligible communities is equitable, the price differential between provinces and territories could be eliminated. This could be done over two years to give retailers time to adjust.

Overall, fixed Food Mail Program rates diminish the ability of the program to meet its objectives, particularly when the price of nutritious foods increases dramatically. Based on the review, a number of options for changes to the rates were considered. Three options are presented here:

- Option 1: Pilot Project Model
- Option 2: Budget Cap Model
- Option 3: Budget Escalator Model

Option 1: Pilot Project Model

Shipping rates for priority perishables in all eligible Food Mail communities could be reduced from \$0.80 to \$0.30, as they were in pilot project communities. It is likely that such a low rate would entice new eligible communities to use Food Mail. This rate decrease would likely increase costs by an estimated \$25 to \$35 million annually above current requirements, unless a decision were taken to limit program support to this category, only, as a potential cost containment measure that better targets resources.

Option 2: Budget Cap Model

To contain costs, the program budget could be capped at the forecast 2008-09 cost (\$56M). To do so, rates would have to increase substantially in 2009-10 through to 2012-13 as depicted in Table 2 below. Under a budget cap scenario combined with changes to the eligibility list, funding for the Food Mail Program remains below the funding level that is currently required. Due to the nature of the Food Mail Program, it is impossible to cap program costs in the long-term without annual rate increases.

Table 1: Rate Increases Required Under a Budget Cap

YEAR	TOTAL VOLUME	RATE INCREASE	MONTH	FUNDING REQUIRED
2008-09	19.9M	\$0	N/A	\$56.1M
2009-10	22.3M	\$0.30	OCT	\$55.8M
2010-11	23.6M	\$0.20	OCT	\$55.3M
2011-12	25M	\$0.30	APR	\$55.4M
2012-13	26.5M	\$0.30	APR	\$55.5M

By raising rates, the cost of the revised Northern Food Basket (RNFB) would increase as depicted in Table 3. INAC currently has insufficient information to determine the price impact of the revised Northern Food Basket with the removal of non-perishable foods.

Table 2: Cost of the Revised Northern Food Basket under a Budget Cap

COMMUNITY	COST OF RNFB IN 2008	COST OF RNFB BY 2012-13
PEAWANUCK	\$518	\$610
GJOA HAVEN	\$423	\$515
SALLUIT	\$376	\$468
KUGLUKTUK	\$445	\$537
RIGOLET	\$297	\$389
OTTAWA	\$212	N/A

The impact of a \$1.10 per kg rate increase on the cost of a 2 litre carton of milk is shown in Table 3 below:

Table 3: Cost of RNFB in 2008 – Cost of RNFB in 2012-13

COMMUNITY	PRICE IN 2008	PRICE IN 2012-13 RATE INCREASE OF \$1.10/KG
DELINE	\$8.72	\$11.80
ULUKHAKTOK	\$7.44	\$10.52
GJOA HAVEN	\$7.49	\$10.57
SALLUIT	\$6.85	\$9.93
KUGLUKTUK	\$7.82	\$10.90
RIGOLET	\$5.99	\$9.07

Option 3: Budget Escalator Model

To minimize the impact on users of the Food Mail Program and ensure that nutritious foods are available at an affordable price, this scenario assumes that rates will only increase annually according to increases in the Consumer Price Index (CPI).^{II} Considering program costs are driven by factors outside of INAC's control, including increased demand and transportation costs (primarily fuel costs), this scenario also assumes a budget escalator. As depicted in Table 4, the budget is assumed to increase according to program need.

Table 4: Funding Required Using a Budget Escalator

YEAR	TOTAL VOLUME (KG)	RATE INCREASE	MONTH	FUNDING REQUIRED
2008-09	19.9M	\$0	N/A	\$56.1M
2009-10	22.3M	\$0.03	OCT	\$64.5M
2010-11	23.6M	\$0.03	OCT	\$68.3M
2011-12	25M	\$0.03	OCT	\$73.6M
2012-13	26.5M	\$0.03	OCT	\$81.1M

PROPOSAL # 7

To contain Food Mail Program costs, undertake consultations on potential rate increases based on the available budget resources and present stakeholders with the options for program savings.

Equalize the shipping rate for non-perishable foods and non-food items between the provinces and territories so that both pay \$2.15 per kilogram plus \$0.75 per parcel.

^{II} In 2008, CPI increased by 3.5%. As a result, this rate was used in the model in the calculations for this section of the report.

ELIGIBILITY LIST

As part of the review, INAC examined the list of perishable, non-perishable foods and essential non-food items with a view to ensuring that subsidized food is nutritious and that non-food items are indeed essential.

Based on consultations with Health Canada, foods eligible for subsidy were reviewed in light of fat content, sugar content, calcium to calorie ratio, and sodium content. It was suggested that some foods remain on the list on the basis of:

- Administrative complexity;
- Temperature sensitivity;
- Need when stored sealift products run-out; and,
- Expiry dates/best before dates that limit shelf life.

Essential non-food items were reviewed and products proposed for elimination based on the following criteria:

- Luxury: Products that are not necessary for a reasonable standard of health (e.g., beauty products such as make-up); and;
- Priority: Non-food items considered essential, such as personal hygiene products.

To ensure that the maximum amount of program resources is spent on subsidizing the shipment of foods that achieve maximum nutritional benefit, the program should consider the exclusion of less nutritious and non-perishable foods. The list in Appendix 5, combined with an acceptable shipping rate, would continue to ensure the availability of nutritious foods in isolated northern communities.

Based on future funding for the Food Mail Program, the eligibility list could be further narrowed to include only perishable and semi-perishable foods, or only priority perishable foods.

PROPOSAL # 8

Based on nutritional advice from Health Canada, announce and implement changes to the list of foods eligible for shipment.

Consider implementing a lower postage rate for the shipment of non-perishable foods and non-food items to communities that only have air transportation (Peawanuck, Ontario: Old Crow, Yukon).

ELIGIBLE COMMUNITIES

Communities are eligible for the Food Mail Program based on lack of access to year-round surface transportation, whether marine, road or rail. To contain program costs, eligibility could be based on income; communities with a high after-tax family income would no longer be eligible for Food Mail. Appendix 6 includes a list of 10 communities based on a combination of median income, population size and volume of shipment. The communities are ranked according to median income.

Removing communities from the Program based solely on income does not take into account those individuals who continue to live at or below the poverty line. Since there is insufficient data on those living below the poverty line, it would be unwise to remove eligibility based on median community income. In addition, the current system for administering the Food Mail Program does not allow for a distinction based on income level.

VOLUMES

Another option for containing program costs is to cap the total volume of products shipped or to cap by community, individual, or shipper/carrier. From an administrative standpoint, any of these caps would be very difficult to manage and significant program changes would be required. For example, in order to cap the current system by individual, the Food Mail Program would need to implement a food coupon or debit card system based on need and income. Total volumes would have to be adjusted annually and/or rates increased to respond to changes to transportation costs and demand. The result would be fewer kilograms of subsidized food annually per person and an increase in the price of nutritious foods. Depending on the quota and time period chosen, nutritious perishable food in some communities would cease to be available once the quota was reached. As a result, prices would increase significantly since the price of foods would reflect the cost of transportation normally covered by Food Mail. Under each scenario, monthly, quarterly, or annual quotas would have to be set. Annual or monthly adjustments would also require more administrative resources at INAC and CPC.

6 – PROGRAM ALTERNATIVES

The review explored a number of possible alternate means of achieving the overall objective of providing access to healthy and affordable food in isolated, northern communities. Alternative approaches, whether delivered by the federal, provincial or territorial governments, could include different mechanisms for subsidizing the transportation of food, and increasing levels of income support provided directly to individuals and/or households. The review examined various options including transfer options, refundable tax credits, a direct income support subsidy and a direct price subsidy.

6.1 TRANSFER THE PROGRAM

Food Mail is a discretionary program. It is neither established nor required by legislation and does not appear as either a federal or provincial responsibility under the Constitution Acts of 1867 or 1982. Nevertheless, it has been delivered in isolated regions of Canada by various federal undertakings for five decades. There is no statutory or constitutional impediment to a suspension, relocation or transfer of the program. That said, any significant changes to the program or its levels of benefits should be considered with regard to the impact on communities served.

TRANSFER TO CANADA POST CORPORATION

The program could be reassigned to CPC as a commercial consumer service. Annual federal funding transfers, the source of which would have to be determined, would need to closely match actual management expenditures and air contract costs. In this option, the Food Mail Program could be seen as one of many broad federally contracted services.

TRANSFER TO ANOTHER FEDERAL DEPARTMENT

The mandate of the program could be transferred to Public Works and Government Services Canada or Transport Canada, and characterized as a regional transportation subsidy.

Presently, the Food Mail Program is delivered at an annual cost of some \$ 56 million, with three full-time INAC employees (FTE) and the equivalent of 12.5 Canada Post FTEs who handle administration and delivery. It is unlikely that savings could be realized by relocating the service within the federal system. Current requirements would continue for program management, coordination and liaison with Health Canada.

TRANSFER TO ANOTHER LEVEL OF GOVERNMENT

In theory, responsibility for the Food Mail Program could be transferred to provinces and territories where the program is now operating. No legislative change would be required and operating funds could be added to current provincial transfers.

Transfer to the provinces and territories would, however, increase costs. The existing centralized program would lose its economy of scale and result in administrative and management duplication across nine jurisdictions. There would also be additional requirements to deliver Health Canada liaison and coordination with territorial and provincial management bodies. At minimum, staffing levels would need to triple to replicate the current level of administration in each province and territory. Related costs (e.g., administration, staffing, benefits, and program management) would likely double to provide the same level of service.

Because the program is important on a daily basis to Aboriginal groups and families and is delivered in areas covered by treaties and modern land claims agreements, it is important to note that any federal consultations would have to be conducted broadly and inclusively and in accordance with the Government of Canada's Guidelines on Aboriginal Consultation and Accommodation. In appropriate areas and circumstances (e.g., regional Aboriginal governments and elected Aboriginal organizations) discussions would have to be conducted in accordance with the Federal Policy Guide on Aboriginal Self-Government. In all cases, transfer discussions and negotiations would be conducted in accordance with the Privy Council Office (PCO) Guidelines for Federal Program Transfers.

Typically, transfer negotiations would encounter the challenge of how to transfer the program to each of the nine jurisdictions along with the resources necessary to deliver the same level of service. A formal transfer agreement would detail the powers and responsibilities being transferred and would identify the appropriate and adequate funding (e.g., 'one-time' equivalency or 'catch-up' funds, capital funds where appropriate and annual operation and maintenance funding to cover salaries, benefits and program budgets).

Programs delivered by territorial, provincial or regional governments may be more responsive to local needs, preferences and circumstances than the "one size fits all" approach of the Food Mail Program. They could be co-ordinated with other regional nutrition and health promotion programs. If they chose to subsidize or contract with air carriers rather than enter into new arrangements with Canada Post, the relevant provincial, territorial or regional governments would be able to stipulate different contract requirements to favour particular regional differences.

In Nunavik and Labrador, it may also be possible to transfer responsibility for the program to the Kativik and Nunatsiavut regional governments that are being or have been created, rather than to the provincial governments. In Labrador, however, the program also serves Métis communities as well as the Innu community of Natuashish, adding to the complexity of transferring the program to that jurisdiction. Although Nunavik is the major user in Quebec, communities in the Côte-Nord also use the program during the winter.

The total cost of administering as many as nine provincial and territorial transportation subsidy programs would be several times greater than the cost of administering a single federal program. Retailers with stores in many jurisdictions, such as the North West Company, would have to work with as many as nine different programs.

The program could be transferred to one or more Aboriginal institutions. A single, sole-purpose institution could be created to take responsibility for Food Mail in all isolated communities. Inuit Tapiriit Kanatami may be interested in assuming this responsibility for all Inuit communities, but arrangements would then have to be made for the rest of the program, stretching from Black Tickle, Labrador, to Old Crow, Yukon. That said, engagement to date with Aboriginal stakeholders has not elicited interest in such a transfer. Turning a universal program that predominantly serves Aboriginal people into an Aboriginal program administered by one or more Aboriginal institutions may not be seen as desirable, particularly in Nunavik and Nunavut where the emphasis has been on creating institutions of public government.

6.2 INCREASED WELFARE PAYMENTS

General subsidies (increased social assistance, cost-of-living transfers or refundable tax credits) are a mechanism frequently used to effect vertical redistribution of resources toward disadvantaged groups. These programs, as distinct from subsidies targeted on particular items, are typically more effective since they do not constrain or influence the consumption choices of their recipients.

Replacing Food Mail with higher social assistance payments, which are within provincial and territorial jurisdiction, though paid by INAC for Status Indians on Reserve, would allow the targeting of assistance to households in need, but the nutrition and health benefits of the current program would very likely be lost. Faced with much higher costs for healthy food and no increase in the cost of foods that are not currently eligible for shipment under the Food Mail Program, people could make less nutritious choices than they do at present, even if they were provided with additional income. Higher welfare payments would not address the needs of the working poor,

as Food Mail does. The increase in social assistance required in remote communities if Food Mail were eliminated would make it necessary to implement a complementary system of subsidies to the working poor and would drive up the cost of labour.

6.3 REFUNDABLE TAX CREDIT

Refundable tax credits could be targeted to individuals or families, based on need using tax returns, but are not sensitive to changes in a household's financial circumstances over the year. Tax credits are also not focussed on nutritious food, so the nutrition and health benefits of Food Mail would presumably be lost.

One of the difficulties with replacing Food Mail with additional income support, regardless of the mechanism for providing it, is that the amount of support required would be many times greater in the most remote communities than it would be in communities that are much closer to southern supply centres. The elimination of Food Mail service, which is provided at a uniform rate for perishable food, would mean that the cost of perishable food would increase by only a few cents per kilogram in some communities, but by perhaps as much as \$10 per kilogram in the most remote communities, since air cargo rates, unlike Food Mail rates, are distance-based and therefore differ greatly from one community to another.

6.4 FOOD SUBSIDY

According to economic theory, justifications for food subsidy programs include market failure, notably to correct for "externalities" associated with the consumption of particular goods. Externalities are costs or benefits not accounted for in the price of a good or service. The consumption of unhealthy foods gives rise to "negative externalities" such as increased health care costs to taxpayers and other spill-over effects of poor diet.

A subsidy intended to encourage the consumption of "healthy" food has "positive externalities," but may not succeed if consumers prefer unhealthy food, even with a significant subsidy on healthy food.

Targeted food subsidy programs may be most effective when combined with other measures such as public health education programs. A subsidy may help signal to consumers which foods are most consistent with a healthy diet. However this depends on the frequency and visibility of the subsidies, and the level of understanding of risks associated with an unhealthy diet.

DIRECT INCOME SUPPORT SUBSIDIES

Direct income support subsidies to buy food are a visible way of encouraging healthy food choices. Income-based food subsidies can be used to assist impoverished segments of a population with their food budgets. Delivery options include cash grants, food stamps, vouchers, or debit cards worth a set amount for specified food purchases. These programs increase consumer buying power at the point of purchase. Under these approaches, how food gets to a store shelf is not important. The wholesalers and retailers would be able to make purchase and shipment decisions without the influence of the current Food Mail subsidy; purchase and transportation decisions would be based on cost and quality of service.

ELECTRONIC DEBIT CARDS

Electronic delivery systems for food subsidies are still in their infancy, despite being in place in a limited way for the United States Food Stamp Program (FSP). There are technical and operational challenges yet to be surmounted for the FSP, such as limiting the foods eligible. Based on research, it does not appear that any other debit card program for targeted foods exists.

FSP debit cards are loaded with a certain cash value and drawn down as the consumer uses the card to make food purchases. Amounts are replenished every month. For the Food Mail Program, a debit card substitute could use embedded chip technology to limit the subsidy to healthy foods that would be identified by their product codes. When swiped at the retail counter, the card would communicate with the cash register to separate out foods eligible for the subsidy, with the subsidy showing up as a lump sum on the receipt. The discount on eligible foods would automatically be transferred from the consumer's card to the vendor's bank account. A consumer personal identification number (PIN) entry would complete a transaction to reduce risk of fraudulent use and to ensure retailer compliance (e.g. spoiled food being rung in after hours).

There are several technical and implementation challenges, including:

- Defining a family “head of household” who would be the card holder;
- Creating associated accounts;
- Transferring funds from individual accounts to retailer accounts;
- Getting cards and associated PINs to those residing in eligible communities;
- Standardizing bar codes for eligible items;
- Ensuring vendors have the appropriate technology and access to instant technical assistance;

- Distributing and replacing lost or damaged cards; and,
- Accounting for deaths, moves, dissolution of families.

In contrast to the current invisible transportation subsidy, issuing and requiring Northerners to carry an ID card may meet with resistance. In addition, many may not be familiar with debit card use. The cost of implementing and administering such a system would be significant.

FOOD COUPONS AND VOUCHERS

Food voucher programs generally take the form of manual (paper) systems offered on a renewable basis for selected items. These programs tend to be focused on small groups of consumers/communities with a defined profile (such as those on social assistance) and are easy to operate as they assume no technological equipment or expertise.

Vouchers are a form of income support that provide the sponsor with visibility and are more effective in ensuring the purchase of nutritious food than indirect subsidies or broad-based programs such as the US Food Stamp Program. These programs are often based on an existing low-income clientele where the incomes and household status of participants are known. It is thus easy to inform participants of the new program and the intention of the incentives. Their effectiveness and efficiency are high, but would be difficult to operate effectively on the large scale upon which Food Mail operates.

Food stamps or food coupons can be considered a form of income support, also targeted to those in need, that can only be spent or redeemed for nutritious food. Over the past two years, the Kativik Regional Government (KRG) in Nunavik has been providing food coupons as additional support to individuals on social assistance. The coupons can be redeemed at local stores to purchase foods.

Coupons (paper or debit card format) could be administered by the local welfare office and the amount distributed based on family size, need and local food prices. This would ensure that the economic circumstances of each household could be reviewed periodically, perhaps monthly. Retailers would be responsible for ensuring that only eligible items were purchased using these cards or coupons. Retailers would be reimbursed for the cost of the coupon and other administrative costs. In most communities, over 80 percent of the population would need to use this type of program, but the amount of support would vary depending on their particular circumstances.

When considering a large and dispersed population, such as in the North, vouchers would be cumbersome. Coupons pose challenges such as forgery, training employees how to handle lapsed or illegible coupons, causing delays at checkout lines, bartering for ineligible items, as well as how to establish entitlement based on a family basis. The coupons would need to be issued and picked-up by participants. Mailing paper coupons to a large group on a monthly basis would be costly and would present risks and difficulties when people moved or household size changed. Unless the coupons were for a narrow list of foods, it would be difficult to determine which foods were purchased, thus making it difficult to assess the impact on healthy diets.

PRICE SUBSIDIES

An alternative to debit cards or vouchers would be to provide a subsidy to reduce the price of food at the point-of-purchase or cash register. Price subsidies are typically a percentage of the good's sale price, though they could be a fixed value. The subsidy discounts the price for consumers or retailers on the spot or through a mail-in rebate. This type of subsidy is visible to consumers and can be used to signal the merit of some goods over others. There are two approaches to price subsidies at the point-of-/sale: food price discounts and retail subsidies.

FOOD PRICE DISCOUNT

A government-funded price discount is an income subsidy program that delivers purchasing power into the hands of consumers for certain foods.

In the 1980s, the Philippine Ministry of Agriculture (MA) implemented a pilot project to discount food for low-income households to help combat hunger and malnutrition. All residents in eligible villages received a subsidy for rice (a 32% reduction) and vegetable oil (a 50% reduction). Each household was issued a monthly, family size-based ration card that guaranteed a monthly quota of each product at a subsidized price. Small privately owned village stores were authorized as outlets. Food procurement, transportation, handling, and distribution were in the hands of the private sector. The Ministry of Agriculture monitored the program and audited store accounts. The coded, non-transferable paper card showed the subsidy quota per household and had space for the store owner to list and co-sign for purchases. Retailers were reimbursed bi-monthly for the subsidy only after sales were made, plus 3% of the gross sales of the subsidized commodities. All discount cards were redeemed by vendors (who held the cards for consumers) at month's end. The program used local banks to reimburse retailers.

Successful implementation of such a program depends on adequate understanding of the program's objectives, mechanics, benefits, and procedures. The program costs were low because of the choice of commodities; the use of an existing administrative structure; and mobilization of the private sector in the procurement and distribution of the subsidized food.

RETAIL SUBSIDY

As with debit cards or vouchers, a retailer-delivered subsidy program would provide the consumer subsidy for eligible foods at the cash register. The subsidy could take the form of a dollar or percentage discount. If a percentage discount were offered, the government would be sharing the risk of price changes with consumers. If a straight dollar discount were offered, the onus of price variability would fall on consumers.

A retailer-delivered cash register-based subsidy would avoid issues such as loading family-based debit cards, changes in household status, damaged or lost cards, bartering cards for other goods, etc.

The retailer or its corporate head office could submit a claim for subsidized food to a Government of Canada account weekly or monthly. Technology permitting, claimed amounts would be credited to the retailer's bank account automatically. Retail chains and large independents are most likely to have the technology needed to provide quarterly or annual data reports by community and food groups to help perform follow-up analysis. The program would need to track a significantly higher number of items and demand a more rigorous administrative apparatus to ensure accountability and responsiveness in the service of a vast region.

To maintain the present benefits, it is expected that costs to the Government of Canada would significantly increase with this new program as all eligible communities would now want to subscribe. Presently, 36 communities out of 135 prefer to use contracted cargo companies for food shipments rather than join the Food Mail Program.

Business decisions would dictate modes of transportation; payer visibility would be high and detailed analysis of the effect of the program would be possible. The program would involve many single transactions from many retailers as opposed to the bulk shipping system now in place so that administration costs could be expected to rise, at least initially. There would also have to be software modifications to standardize scanner codes.

This approach shifts risk of input fluctuations from the Government of Canada to consumers. The federal government could better share the risk by offering a percentage discount rather than a dollar amount, although this would lower budget predictability. It might be possible and preferable to give higher subsidies to more remote communities as per the proposed Manitoba food subsidy program.

The Government of Canada would need to hire a minimum of 30 new employees to develop, manage and monitor the Program. That estimate may be too low as it is less than the resources (80 employees) used to administer Transport Canada's Eco-Auto rebate program, which subsidizes the purchase of fuel-efficient cars. That program appears to be much less complicated to administer than the proposed food rebate. Compared to the latter, the Northern Food Rebate would need to track a significantly higher number of items and demand a more rigorous administrative process to ensure accountability and responsiveness in the service of a large geographic region.

Part of the overhead costs of this new program would be offset by eliminating CPC overhead, which currently provides INAC with accountability and oversight of the program's delivery. Administrative/ compliance roles would move from the CPC entry points to a larger number of communities. A partnership between INAC, Canada Revenue Agency (CRA) and Service Canada could be instituted. Total rebates to merchants anticipated under this option would be much higher than most of the rebate programs currently administered by the CRA.

PROPOSAL # 9

Investigate the viability of transferring the Food Mail Program to a retail subsidy by undertaking extensive research and implementing pilot projects in representative and interested communities.

Investigate the interest and feasibility of transferring the Food Mail Program to the provinces and Territories.

7 – ASSESSMENT OF OPTIONS

In order to evaluate any proposals for the current program or its alternative, criteria were developed to guide decisions. Each of the criteria have been defined below:

- 1. Affordability:** Nutritious foods in isolated northern communities are more affordable than they would otherwise be.
- 2. Availability:** Nutritious foods are readily available for purchase by the residents of isolated northern communities to meet their dietary needs.
- 3. Supports Federal Priorities:** The program supports federal government and INAC priorities and commitments such as the Northern Strategy, Aboriginal Agenda, Speech from the Throne, international agreements, Sustainable Development Strategy.
- 4. Universality:** All isolated northern communities without year-round surface access are eligible for the Food Mail Program.
- 5. Innovative:** The program introduces a local method of responding to food security issues in the North.
- 6. Monitoring and Control:** Program is designed in such a way as to enable INAC officials to monitor food prices and ensure the subsidy is passed on.
- 7. Financial Sustainability:** Program costs are contained.
- 8. Flexibility and Adaptability:** The program is flexible and adaptable enough to respond to changes in the operating environment.
- 9. Provincial/Territorial Participation:** The program is designed to encourage involvement of provincial and territorial governments in program delivery.
- 10. Minimizes Environmental Impact:** The program is designed to minimize the environmental impacts of access to southern foods in isolated northern communities.
- 11. Visibility:** Community members are aware of the program and the benefit they receive.

The assessment for short term improvements to the current system as well as each of the alternatives are discussed in sections 5 and 6 of this report.

8 – NEXT STEPS

8.1 STAKEHOLDER ENGAGEMENT

While the Government of Canada does not have a legal obligation to consult stakeholders on the Food Mail Program, stakeholders expect to be engaged. In the past, stakeholders have been consulted on changes to the eligibility list and changes to entry points. A Stakeholder Engagement phase should be undertaken in 2009. Engagement would be guided by the Food Mail review's findings as well as Government direction on the program's future. The objective of the engagement will be to gather feedback on proposed short and medium-term program changes (increasing shipping rates, modifying the list of eligible foods, and changing entry points) and the viability of a new subsidy model (retail subsidy or transfer to provinces).

To deliver on this objective, a Stakeholder Engagement Strategy should be designed to consult or engage with key stakeholders through workshops, roundtables or one-on-one meetings. Stakeholders include (1) senior representatives in provincial, territorial, regional and local governments, (2) Aboriginal organizations, (3) retailers shippers and airlines, (4) key experts, and (5) communities using the Program.

8.2 SHORT-TERM CHANGES TO FOOD MAIL

Based on the Review's finding to date, the Government of Canada may wish to announce some immediate changes to the Food Mail Program to improve its efficiency and effectiveness and to contain some of its costs while testing a long-term solution. These changes might include announcing modifications to the list of products eligible for subsidy to focus on nutritious foods, eliminating personal orders, equalizing shipping rates for non-perishable foods and non-food items between the provinces and territories, and modifying entry points.

8.3 RETAIL SUBSIDY PILOT

A retail subsidy may be a viable alternative approach to achieving the objectives of the Food Mail Program. To develop a more comprehensive understanding of a retail subsidy for nutritious food in remote northern communities, INAC should consider conducting pilot projects. The results of such pilot projects would provide valuable information regarding the feasibility of implementing a retail subsidy, the cost to the Government of Canada of such an alternative and

the administrative requirements for managing the process. INAC would need to develop such a retail subsidy in consultation with retailers, shippers and other government departments. For example, the province of Newfoundland and Labrador currently uses a retail subsidy in northern communities as a supplement to the Food Mail Program. Extensive consultation with Air Foodlift Subsidy representatives and participating retailers would help INAC design and cost an appropriate retail subsidy program for the pilot projects. Pilot projects could be implemented in at least three representative communities. Detailed communication strategies and an intensive monitoring and evaluation program would need to be developed. These measures would allow for successful pilot community participation and support a final report on the feasibility of such an alternative.

8.4 PROGRAM OBJECTIVE AND CRITERIA

Any changes to the current Food Mail Program will require a review and update of the program's objectives and criteria. The program objectives should better reflect the purpose of the program. Currently the program objective is:

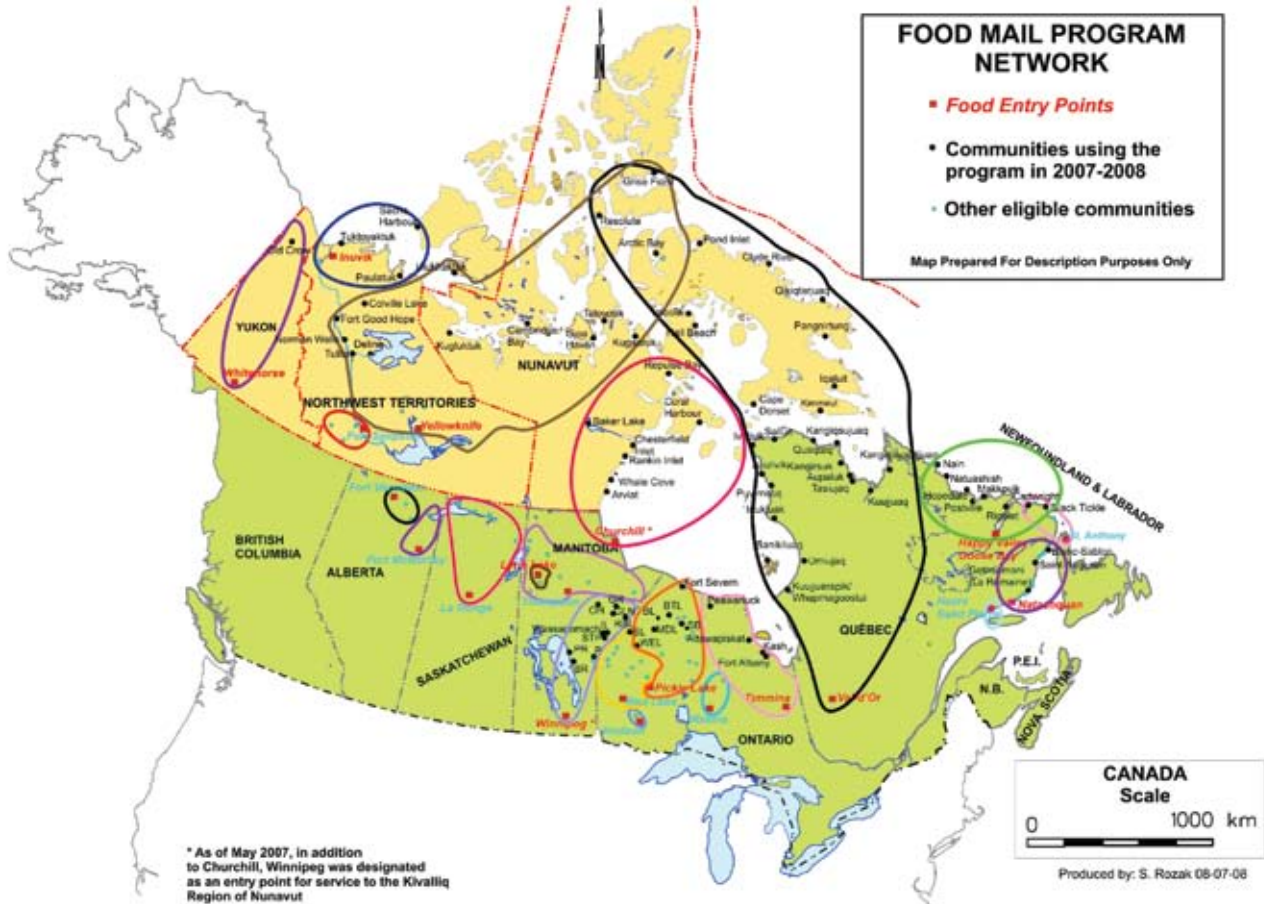
“To reduce the cost of nutritious perishable food and other essential items, thereby improving nutrition and health in isolated northern communities which do not have year-round surface transportation”

The program criteria are an annex to the Agreement between CPC and INAC. Program operations must comply with these criteria. Should the current program change or a new alternative to the Food Mail Program be chosen, these criteria will need to be updated.

8.5 CURRENT PILOT PROJECTS

The Food Mail Program is currently undertaking pilot projects in 3 communities (Kugaaruk, Fort Severn and Kangiqsujuaq) to determine the impact of further reducing the shipping rate for select perishable foods from \$0.80 to \$0.30. It is recommended that INAC consider whether it should continue the pilot projects if rates for perishable foods will be increasing in all other communities.

9 – APPENDIX 1: FOOD MAIL NETWORK MAP



10 – APPENDIX 2: INTERNATIONAL COMPARISON

	CANADA'S FOOD MAIL PROGRAM	GREENLAND	ALASKA/USA'S BYPASS MAIL	AUSTRALIA'S RASS
AT WHAT LEVEL IS THE PROGRAMME/ SERVICE DELIVERED IN EACH COUNTRY?	National	National	National (only applies to Alaska)	National
WHAT TYPES OF INTERVENTION EXISTS?	Transportation subsidy	Transportation subsidy and price ceiling	Transportation subsidy	Transportation subsidy
DOES THE INTERVENTION TARGET A SPECIFIC POPULATION?	Anyone living in isolated Northern communities	Anyone living in the design- ated isolated communities	Anyone living in a community with no road access	Anyone living in the designated isolated communities
ARE THERE CRITERIA SURROUNDING THE ELIGIBLE COMMUNITIES?	Yes (isolation)	Yes (isolation)	Yes, (isolation)	Yes (isolation and need)
HOW MANY COMMUNITIES ARE INVOLVED IN THE PROGRAMME?	140 eligible, though 81 extensive users	55	Approx. 246	239
HOW MANY PEOPLE BENEFIT FROM THESE PROGRAMMES?	100,000 eligible, though 70,000 extensive users	14,000	Approx. 150,000	Approx. 9,000
AVERAGE DISTANCE FLOWN?	1,200 km	2,000 km	885 km	Not available
DOES THE PROGRAMME DEFINE ELIGIBLE GOODS?	Yes	Yes (more widely than Canada)	All goods are eligible except construction material	No, but there is prioritization of passengers, freight, and indi- vidual requests.

	CANADA'S FOOD MAIL PROGRAM	GREENLAND	ALASKA/USA'S BYPASS MAIL	AUSTRALIA'S RASS
WEIGHT OF GOODS SHIPPED IN 2007-08	16 million kg	Not available	54-59 million kg (120-130 million pounds)	33,000 kg for 06-07 (+ 2,555 people)
WEIGHT OF GOODS SHIPPED PER CAPITA IN 2007-08	229 kg	Not available	373 kg	3.6 kg
COST TO SHIPPERS THROUGH THE PROGRAM	\$0.80/kg	Not applicable	\$0.88/kg (\$0.40/lb)	Not applicable
COST OF THE PROGRAM/SERVICE IN 2007-08	\$45.2 million	\$10.5 million	\$60 million	\$4.3 million (2008-09: \$11.5 million)
COST TO GOVERNMENT PER KG IN 2007-08	\$2.54/kg	Not available	\$1.06/kg	Not applicable
APPROXIMATE COST PER USER IN 2007-09	\$650	\$750	\$467	\$478
IS THE SAVING PASSED ON TO THE CONSUMER?	Yes, not by legislative / regulatory mechanism	Yes, by law	Not monitored	Not monitored
ARE FOOD PRICES MONITORED IN COMMUNITIES?	Yes (Revised Northern Food Basket)	Yes (Greenland Statistics)	Yes (the U of Alaska Fairbanks's Cooperative Extension Service Food Cost Survey)	Yes, but only in some states and territories.

11 – APPENDIX 3: SUMMARY OF KEY FINDINGS

KEY RESEARCH TOPICS	KEY FINDINGS	PROPOSALS
EFFICIENCY AND EFFECTIVENESS	<p>Claims Process: There are no procedures for inspections or supervision for in-transit shipments. In some cases air carriers have paid out claims when it has been determined that they were at fault. However, there are no formal procedures and the demonstration of fault is generally not possible.</p>	<p>Claims process: investigate the viability of introducing a claims process to create incentives for carriers to improve the quality of goods shipped</p>
	<p>Retailer Agreement: There is a lack of awareness among consumers regarding the Government of Canada's efforts to reduce the cost of nutritious food in isolated communities.</p>	<p>Retailer agreement: INAC should develop an agreement between the department and retailers to improve program management and provide assurance that the subsidy is being passed on to consumers.</p>
	<p>Entry Points: A move to consolidate all shipments BY MAJOR SUPPLIERS at the source would enhance food quality and reduce the labour of handling and processing at many entry points.</p>	<p>Entry points: investigate and implement changes to entry points to improve efficiency and effectiveness of the food mail program.</p>
	<p>Personal Orders: In some communities, personal orders are the only source of competition which helps to ensure retailers pass on the subsidy to consumers. However, eliminating personal orders may allow retailers to decrease prices because of their ability to purchase more foods in bulk.</p>	<p>Personal orders: eliminate personal orders to support northern retailers with their ability to purchase in bulk.</p>
	<p>Country Foods: The inclusion of country foods (e.g., wild berries, caribou) in the Aboriginal diet has numerous benefits. Despite the benefits of country food in the North, it is not subsidized, WITH THE EXCEPTION OF select equipment required to participate in hunting trapping and fishing.</p>	<p>Country foods: examine the opportunities for integrating subsidization of country foods through the Food Mail.</p>
	<p>Greenhouses: There are no technical limitations to producing fresh produce year round in controlled environment production facilities, as evident by numerous examples in remote and climatically hostile regions around the world.</p>	<p>Greenhouses: investigate the feasibility of implementing a greenhouse support program in partnership with provincial, territorial and local governments.</p>

KEY RESEARCH TOPICS	KEY FINDINGS	PROPOSALS
COST CONTAINMENT	Budget Escalator: To minimize the impact on users of the Food Mail Program and ensure that nutritious foods are available at an affordable price, this scenario assumes that rates will only increase annually according to increases in the Consumer Price Index (CPI).	Budget escalator: to contain program costs, determine acceptable annual rate increases based on engagement and budget resources.
	Eligibility List: Many food items currently eligible for subsidy could be shipped more economically by sea lift. However, some communities do not have access to sea lift; it is difficult for them to determine demand for a full year and storage is an issue.	Eligibility list: announce and implement, subject to an adjustment period, changes to the eligibility list based on nutritional advice from Health Canada.
TRANSFER OPTION	Transfer to the provinces and territories would increase costs and increase complexity. Retailers with stores in many jurisdictions would have to work with as many as nine different programs.	Investigate the interest and feasibility of transferring the food mail program to the provinces and territories
INCREASED SOCIAL ASSISTANCE	Replacing Food Mail with higher social assistance would allow targeting OF assistance to households in need but the nutrition and health benefits of the current program would very likely be lost.	
REFUNDABLE TAX CREDIT	Refundable tax credits could be targeted to individuals or families based on need using tax returns, but are not sensitive to changes in a household's financial circumstances over the year.	
FOOD SUBSIDY	Targeted food subsidy programs may retain some value in a supporting role when combined with measures to inform consumers on the merits and risks associated with particular diet patterns. A subsidy may help signal to consumers which foods are most consistent with a healthy diet.	Investigate the viability of transferring the program to a retail subsidy by undertaking extensive research and implementing pilot projects in representative and interested communities.

12 – APPENDIX 4: PROPOSED ELIGIBILITY LIST

CURRENT ELIGIBLE PERISHABLE FOODS	RATIONAL	FOODS TO BE ELIMINATED
Dairy products (e.g., fresh milk, UHT milk, buttermilk, chocolate milk, cheese, processed cheese, processed cheese spreads, cottage cheese, butter, cream, ice cream, ice milk, sherbet, yogurt, frozen yogurt, yogurt drinks, powdered milk)	<ul style="list-style-type: none"> • High fat • Sugar and/or fat • Saturated fat • High sodium content • Long shelf-life; heavy glass jars; do not require refrigeration • Evaporated milk (as shipped, undiluted) weighs half as much as the equivalent amount of fresh milk. This will also free up storage space that retailers can use for the non-perishable foods to be excluded from the program. Unlike fresh milk, evaporated milk provides vitamin C – and a high percentage of northerners have inadequate intakes of vitamin C. 	Processed cheese spreads, butter, cream, ice cream, ice milk, sherbet, frozen yogurt, cream cheese, dips
Milk substitutes (soy milk, rice milk, almond milk)	<ul style="list-style-type: none"> • Not calcium-fortified 	
Margarine	<ul style="list-style-type: none"> • Trans fats 	<ul style="list-style-type: none"> • Hard and hydrogenated margarine
Meat, fish and poultry products (fresh or frozen, including cured and smoked products, fish sticks and fish cakes)	<ul style="list-style-type: none"> • High fat and saturated fat • Considered removing cured and smoked meat products due to high fat and sodium content. However, this requires further research since it contributes other benefits to the northern diet. Stakeholders expressed considerable concern about the exclusion of these foods from the program, especially in view of the lack of cooking skills. 	<ul style="list-style-type: none"> • Bacon
Fruits and vegetables (fresh or frozen)	<ul style="list-style-type: none"> • Most pumpkins shipped are used for Halloween celebrations, rather than food 	<ul style="list-style-type: none"> • Whole pumpkins

CURRENT ELIGIBLE NON-PERISHABLE FOODS	RATIONAL	FOODS TO BE ELIMINATED
Fresh juice (pure or reconstituted), frozen juice concentrate, juice in TetraPaks and similar containers, all of which must be without sugar added	<ul style="list-style-type: none"> Excluding fresh and TetraPak juice from the program was not acceptable to stakeholders, given how this would reduce the variety of healthy beverages available and the concern that most northerners would substitute less healthy alternatives such as pop or drink crystals. 	
Bread and bread products without sweetened filling or coating (e.g. bagels, English muffins, croissants, bread rolls, Raisin bread, garlic bread, hamburger buns, hot dog buns, pizza crusts, frozen bread dough, tortillas)	<ul style="list-style-type: none"> High fat 	<ul style="list-style-type: none"> Croissants, garlic bread
Eggs and egg substitutes		
Selected semi-perishable food products (unsweetened seeds and nuts, cook-type cereals, whole wheat and rye flour, peanut butter, salad dressing, mayonnaise, yeast)	<ul style="list-style-type: none"> Weighs less than shipping fresh and frozen fruit and vegetables 	
Tofu, vegetable patties, similar vegetable-based meat substitutes, soybean-based milk substitutes	<ul style="list-style-type: none"> High fat 	<ul style="list-style-type: none"> Dips
Infant formula, infant cereals, other foods prepared specifically for infants		
Water (excluding carbonated and flavoured water)	<ul style="list-style-type: none"> Problems of unsafe water should be dealt with through other programs Weight 	<ul style="list-style-type: none"> All
Combinations of the above products (e.g., pizza, frozen dinners)	<ul style="list-style-type: none"> Considered removing these products from the program. However, they form a large portion of the Aboriginal diet. Restricting to low sodium foods would be administratively complex for retailers. 	

CURRENT ELIGIBLE NON-PERISHABLE FOODS	RATIONAL	FOODS TO BE ELIMINATED
Prescription and non-prescription drugs		(Moved to non-food items)
Canned products such as milk, unsweetened juice, fruit, vegetables, soup, meat, fish, poultry, stew	<ul style="list-style-type: none"> • High sodium 	<ul style="list-style-type: none"> • Canned meats and poultry, canned soup, canned combination foods (stews, corned beef hash, pasta)
Unsweetened juice in bottles or cans		
Dry beans, peas and lentils		
Dried fruit and vegetables, dried soup mixes	<ul style="list-style-type: none"> • High sodium • Canned soup, dry soup mixes and stews) account for 30-40 percent of the sodium in the diets of Inuit and First Nations women in the Food Mail Pilot Project communities. 	<ul style="list-style-type: none"> • Dried soup mixes, dried noodle mixes
Crackers, crispbread, hard bread, Pilot biscuits, melba toast		
Arrowroot and social tea cookies		
All purpose flour, cake and pastry flour		
Rice, other grains, popping corn (unpopped)		
Pasta (macaroni, spaghetti, noodles, macaroni and cheese dinners)	<ul style="list-style-type: none"> • High sodium 	<ul style="list-style-type: none"> • Macaroni and cheese dinners
Ready-to-eat breakfast cereals		

CURRENT ELIGIBLE NON-PERISHABLE FOODS	RATIONAL	FOODS TO BE ELIMINATED
Cake mixes, pancake mixes, muffin mixes, bread and roll mixes, bannock mixes, pizza mixes, jelly powders, pudding mixes, puddings (canned or ready-to-eat)	<ul style="list-style-type: none"> • High sugar • High fat 	<ul style="list-style-type: none"> • Cake mixes, muffin mixes, jelly powders, puddings (canned or ready-to-eat), gelatine, baking chocolate, candied fruit
Lard, shortening, cooking oils	<ul style="list-style-type: none"> • High fat • Saturated fat 	<ul style="list-style-type: none"> • Lard, shortening
Sugar, salt, baking powder, cornstarch	<ul style="list-style-type: none"> • High sodium • High sugar • Little nutritional value 	<ul style="list-style-type: none"> • Sugar, salt, cornstarch
Spices, flavourings and extracts		
Spreads, syrups, sauces, condiments, toppings, (excluding artificial cream products), ketchup, vinegar, relish, pickles, jam, honey	<ul style="list-style-type: none"> • High sodium • High sugar • Little nutritional value 	<ul style="list-style-type: none"> • All (except tomato-based pasta sauces)
Coffee, tea	<ul style="list-style-type: none"> • No nutritional value 	<ul style="list-style-type: none"> • Coffee, tea
Fruit drink crystals with vitamin C added	<ul style="list-style-type: none"> • No nutritional value 	<ul style="list-style-type: none"> • Fruit drink crystals with vitamin C added
Artificial sweeteners	<ul style="list-style-type: none"> • Kept on the list because it is a replacement for sugar 	

**NEW ELIGIBLE
NON-FOOD ITEMS**

RATIONAL

Baby items (e.g., diapers, wipes)

Disposable undergarments

Feminine hygiene products

Nursing pads

Toilet paper

Dental care items (toothpaste,
dental floss, denture adhesive
and cleaner, toothbrush)

Hand and other body lotions

Soap, shampoo, deodorant

Prescription and
non-prescription drugs

Nutrition supplements
(vitamins, minerals)

Medical devices

Snowmobile, ATV and outboard
motor parts

Fishing nets, rods and lures

13 – APPENDIX 5: ASSESSMENT OF COMMUNITY ELIGIBILITY

COMMUNITY	POPULATION (2006) ¹	% ABORIGINAL POPULATION ²	MEDIAN AFTER-TAX FAMILY INCOME (2005) ³	% HOUSEHOLDS IN 2005 WITH INCOME < \$30,000 ⁶
NORMAN WELLS	761	39.4	\$96,000	—
IQALUIT	6184	59.0	\$84,032	13.0%
KUUJJUAQ	2,132	72.9	\$69,248	—
CAMBRIDGE BAY	1,477	82.3	\$67,264	22.2%
RANKIN INLET	2,358	82.9	\$66,560	20.6%
SALLUIT	1,241	93.1	\$63,872	—
PUVIRNITUQ	1,457	95.1	\$62,848	—
INUKJUAK	1,597	83.9	\$59,520	—
GJOA HAVEN	1,064	93.5	\$53,504	18.8%
POND INLET	1,315	92.4	\$51,072	22.2%
TOTAL				

^{1,2,3,6} Statistics Canada 2006 Census of Population; ^{4,5} Canada Post Corporation;

14 – APPENDIX 6: CONTRIBUTORS

Agriculture and Agri-Food Canada

Canadian Transport Agency

Competition Bureau

Conference Board of Canada

Department of Finance Canada

Health Canada

IBM Consulting

Indian and Northern Affairs Canada

Interis Consulting Inc.

LPS Avia Consulting

Policy Research Initiative

Privy Council Office

Setaside Solutions

Transport Canada

Treasury Board Secretariat

15 – END NOTES

- 1 Indian and Northern Affairs Canada. *Northern Food Basket*. 13 July 2005. Accessed: www.ainc-inac.gc.ca/ps/nap/air/fruijui/nfb/nfbint_e.html. 15 October 2008.
- 2 Indian and Northern Affairs Canada. *Change in Nutrition and Food Security in Two Inuit Communities, 1992-1997*, Judith Lawn & Dan Harvey, Dialogos Educational Consultants, Ottawa 2001.
- 3 Indian and Northern Affairs Canada. *Food for the North: Report of the Air Stage Subsidy Review*. Published under Tom Siddon, Minister of INAC, 1990.
- 4 “Australia, Alaska and Greenland: Three Strategies for Addressing Food Security Challenges,” Draft Paper, Food Mail Review, INAC, 2008.
- 5 Health Canada “Importance of Access to, Consumption of, Healthy Affordable Food,” Draft Paper, Food Mail Review, October 2008, p.2
Breakfast Club of Canada/Breakfast for Learning
www.breakfastclubscanada.org
One X One
www.onexone.org
Aboriginal Head Start
www.phac-aspc.gc.ca/dca-dea/programs-mes/ahs_overview-eng.php
Brighter Futures
www.hc-sc.gc.ca/fniah-spnia/pubs/promotion/_mental/2006-sum-rpt/index-eng.ph
Canadian Prenatal Nutrition Program
www.phac-aspc.gc.ca/dca-dea/programs-mes/cpn_p_main-eng.php
Healthy Children Initiative
www.hlthss.gov.nt.ca/english/services/community_wellness/healthy_children_initiative.htm
Building Healthy Communities
www.hc-sc.gc.ca/fniah-spnia/pubs/promotion/_mental/2006-sum-rpt/index-eng.php
Aboriginal Diabetes Initiative
www.phac-aspc.gc.ca/ccdpc-cpcmc/diabetes-diabete/english/strategy/adi.html
- 6 These include the Rome Declaration and its corresponding Plan of Action at the 1996 World Food Summit, Universal Declaration of Human Rights, International Covenant on Economic, Social and Cultural Rights, and the Millennium Development Goals

- 7 Canadian International Development Agency website viewed November 13th, 2008 “Multilateral Programs – Health and Nutrition” www.acdi-cida.gc.ca/CIDAWEB/acdicidansf/En/FRA-330153122-QW6. An example of a nutrition program offered through CIDA is the “School Feeding in Mozambique – WFP 2007 and 2008” which supports the WFP’s feeding program used to purchase, deliver and distribute nutritious food.”

Health Canada website viewed November 14th, 2008 “Family Health – First Nation, Inuit and Aboriginal Health.” www.hc-sc.gc.ca/fniah-spnia/famil/index-eng.php. Health Canada offers many programs to encourage families to maintain a healthy lifestyle including the Aboriginal Diabetes Initiative; Aboriginal Head Start.

- 8 <http://pm.gc.ca/eng/default.asp>

- 9 Speech from the Throne “Strong Leadership. A Better Canada” www.sft-ddt.gc.ca/grfx/docs/sftddt-e.pdf

- 10 Committee on Economic, Social and Cultural Rights.

(1999) “General Comment No. 12 on the Rights to Adequate Food.” E/C.12/1999/5

- 11 Health Canada “Importance of Access to, Consumption of, Healthy Affordable Food.” October 2008, p. 4

- 12 Health Canada “Importance of Access to, Consumption of, Healthy Affordable Food.” October 2008, p. 4

- 13 Nutrition for Health, An Agenda for Action, Joint Steering Committee, 1996.

- 14 Health Eating in Aboriginal Peoples in Canada, Canadian Journal of Public Health, 96, Suppl. 3, S32-S36, 2005.

- 15 Health Canada (October 2008) “Importance of Access to, Consumption of, Healthy Affordable Food,” p. 4

Indian and Northern Affairs Canada, Sustainable Development Division “Remote Aboriginal Communities South of 60 Literature Review.”

- 16 Damman, S, Eide, W.B., and Kuhnlein, H.V. (2008) “Indigenous Peoples’ Nutrition Transition in a Right to Food Perspective.” Journal of Food Policy. 33 p.136.

- 17 Importance of Access to, Consumption of, Healthy Affordable Food, FNIHB Nutrition Unit, Health Canada, October 2, 2008

- 18 Health Status and Health Expenditure, Territories versus Provinces, Sameer Rajbhandary and Tim Prendergast, Microsimulation Modelling and Data Analysis Division, Applied Research and Analysis Directorate, Health Policy Branch, Health Canada, September 30, 2008.
- 19 “Socio-Economic and Demographic Profile of the Communities Eligible for the Food Mail Program,” Food Mail Review, INAC, 2008.
- 20 Final Report, Food Mail Review, Interis Consulting Inc. October 2008, pp. 6-7.
- 21 Ibid, p.24.
- 22 Impact of Food Mail Program on Health Status, Microsimulation Modelling and Data Analysis Division, Applied Research and Analysis Directorate, Health Policy Branch, Health Canada, September 30th, 2008.
- 23 Inuit Health Survey Website viewed November 14th, 2008 “About”
www.inuithealthsurvey.ca/?nav=home
- 24 Qaanuippitaa website viewed November 14th, 2008 “What is Qaanuippitaa”
www.qanuippitaa.com/en/what.aspx
- 25 Nunavut Government 2001 “Nunavut Transportation Strategy.” P.1
- 26 Canada Post Customer Guide (Food Mail Program)
- 27 Food Mail Program Status Quo Topology, LPS Avia Consulting, October 2008.
- 28 Conference Board of Canada. October 2008. “Economic Research to Assess the Measurable Impact of the Food Mail Subsidy Program.”
- 29 North-eastern Manitoba School and Health Centre.
August 2007 “Institutional Nutritious Direct-buy System Development Project.”
- 30 Northeastern Manitoba School and Health Centre.
August 2007 “Institutional Nutritious Direct-buy System Development Project.” p.8
- 31 Controlled Environment Agriculture (CEA), Food Production Opportunities in Northern and Remote Communities – Preliminary Feasibility Assessment, CEA Technologies International, INAC Food Mail Review, October 2008.

