

EQUITY AND FAIRNESS

***A NEW APPROACH TO
NORTHERN DEVELOPMENT***

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EQUITY
&
FAIRNESS

A NEW APPROACH TO NORTHERN DEVELOPMENT

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EQUITY AND FAIRNESS: A NEW APPROACH TO NORTHERN DEVELOPMENT

	PAGE
INTRODUCTION	iii
JOHN DIEFENBAKER'S VISION OF NORTHERN CANADA	1
URBANIZATION AND NORTHERN DEVELOPMENT	2
THE CASE FOR AN INDEXED NORTHERN INCOME ALLOWANCE	5
<i>ATTITUDES</i>	5
<i>LIFE IN NORTHERN CANADA -- THE HARDSHIPS</i>	5
<i>INCOME SUPPLEMENTS FOR NORTHERN TAXPAYERS</i>	12
<i>EQUITY AND FAIRNESS FOR NORTHERNERS</i>	16
INCOME SUPPLEMENTS IN OTHER COUNTRIES	18
OBJECTIONS TO AN INDEXED NORTHERN INCOME ALLOWANCE	19
<i>MOST NORTHERNERS ALREADY RECEIVE INCOME SUPPLEMENTS</i>	19
<i>LIKE IT OR LUMP IT!</i>	22
<i>NORTHERNERS DON'T WANT POPULATION IN-FLOWS OR ECONOMIC DEVELOPMENT</i>	23
NORTHERN DEVELOPMENT AND AN INDEXED NORTHERN INCOME ALLOWANCE	24
PROPOSALS FOR AN INDEXED NORTHERN INCOME ALLOWANCE	25
<i>AN APPLICATION OF EXISTING FEDERAL POLICY</i>	25
<i>CRITERIA</i>	25
<i>ANNUAL TOTAL INCOME SUPPLEMENTS FOR MARRIED FEDERAL EMPLOYEES IN ISOLATED POSTS</i>	27
<i>BOUNDARIES</i>	28
<i>PROPOSED TAX ZONES</i>	29
<i>DETAILS</i>	30

	PAGE
<i>PROPOSALS</i>	31
<i>ADMINISTRATION</i>	33
<i>SAMPLE CALCULATIONS</i>	34
<i>REVENUE LOSS TO THE FEDERAL GOVERNMENT</i>	36
OTHER RECOMMENDATIONS	39
<i>NORTHERNERS WITH FIXED INCOMES</i>	39
<i>EARLY RETIREMENT</i>	39
<i>PROVINCIAL TAXATION</i>	40
SUMMARY AND CONCLUSIONS	41
<i>SUMMARY</i>	41
<i>PROPOSALS FOR EQUITY AND FAIRNESS</i>	42
<i>CONCLUSIONS</i>	43
APPENDIX A	44
APPENDIX B	48
BIBLIOGRAPHY	52

INTRODUCTION

The majority, being satisfied with the ways of mankind as they now are -- for it is they who make them what they are -- cannot comprehend why those ways should not be good enough for everybody. (1)

Northern Canada ⁽²⁾ has not reached its potential for economic development because Northerners have not been treated fairly by our laws and institutions. A new and more enlightened approach to Northern Development is needed, one sensitive to the hardships of Northern living, and one which treats Northerners with equity and fairness.

Canada's economic development was influenced enormously by her frontier regions. This fact remains unchanged after 113 years of Confederation, although the frontier has receded somewhat. Today, that frontier is Northern Canada.

Major economic, social, and political challenges facing Canadians in the 1980's will only be resolved through the use of resources and space in Northern Canada and, more importantly, with the co-operation of Northern residents. There are two ways of securing their co-operation and, hence, of influencing Northern Development: through unilateral legislative and declaratory powers, or through negotiation, compromise, and a respect for the minority rights of Northern Canadians.

The first approach is unacceptable because it will isolate Northerners from the mainstream of Canadian life. Furthermore, this approach will increase regional tensions by cultivating feelings of resentment and isolation, and by destabilizing economic ties between Northern Canada and the rest of Canada.

Federal politicians must realize that national policies designed to win votes from those living in large cities -- the Urban majority -- but showing little consideration for the values and aspirations of those living in Northern Canada, will hurt all of Canada, both economically and politically.

¹ John Stuart Mill, *On Liberty* (Indianapolis: The Bobbs-Merill Company, Inc., 1975 (1859), p. 69.

² Northern Canada contains Zones A and B on Page 29. Specifically, Northern Canada is that area North of 55° in B.C. and Alberta, North of 54° in Saskatchewan, North of 52° in Manitoba, and North of 50° in other provinces. The Queen Charlotte Islands, other small islands off the coast of Northern Canada, and all of the Yukon Territory and the N.W.T. are also included.

Equity, national unity, and a healthy economy demand the second approach.

A Northern Development strategy founded on the concept of *equity and fairness for Northerners* (3) is consistent with the second approach and provides the theme for this paper.

We question the wisdom of allowing urban sprawl to absorb increasing shares of the nation's wealth while Northern Canada and, indeed, Canada's future, remain neglected.

Hardships endured by Northerners are surveyed and we show how *Northern taxpayers pay approximately \$470 million (real 1979 dollars) in unfair Federal taxes every year.*

Proposals for a Federal *Indexed Northern Income Allowance* created through amendments to the Canadian Income Tax Act are presented, along with their estimated cost to the Federal Government. Other recommendations include:

- *a cost of living allowance for Northerners with fixed incomes*
- *retirement one year earlier for every five years spent working in Northern Canada*
- *a Provincial Indexed Northern Income Allowance*

Canada's future is inextricably tied to Northern Development; and the key to successful Northern Development is a strategy based on *equity and fairness for Northerners.*

³We defined equity and fairness as follows:

FAIRNESS: *treating someone as you would want to be treated were you in their position*

EQUITY: *fair compensation*

JOHN DIEFENBAKER'S VISION OF NORTHERN CANADA

. . . In so far as Northern Canada is concerned, there can be no question whatever that in the territories there has not been a policy of vision in keeping with the tremendous potentialities of that area. . . In that area there are vast resources that should be developed, with the state making possible that development by providing the means and the climate for private industry to develop and expand. I can see this Northland of ours with developments envisaged by D'Arcy McGee in his magnificent speech at the time of Confederation as he saw that great Canada. I can see cities in Northern Canada north of the Arctic Circle. There are vast power potentialities in that area. I can see cities developing there as they are developing today in Norway, if only the government would catch the vision of the possibilities.

--The Right Honourable John G. Diefenbaker
February 11, 1957

URBANIZATION AND NORTHERN DEVELOPMENT

Ten years after the Ontario Government announced a major plan to stop urban sprawl from choking the Toronto region, (Toronto) is growing as fast as ever. (4)

Northerners, as we will demonstrate, are not treated fairly by Canada's Income Tax Act. This discrimination compounds their hardships and, because income is the most significant factor influencing Canadian migration patterns(5), it impedes Northern Development by discouraging people from living in the North and by encouraging them to live in urban centres.

A good case can be made arguing that Northern Canada has not been developed, but exploited; exploited to feed urban sprawl. Urban Canadians are a formidable political interest group. Almost 90% of Canada's population lives within 200 miles of the Canada-United States border and most of these people are clustered in cities. (6)

No federal political party could remain in power very long if its policies did not favour urban Canada. Consequently, although pipelines, tar sands plants, and hydro electric dams benefit rural areas and smaller communities in the North, these projects are undertaken in response to the needs of the majority -- urban Canadians -- with little regard shown for the values and aspirations of Northern Canadians.

National Unity is threatened because power, exercised by majority groups and insensitive to minority needs and wishes, is creating unnecessary feelings of resentment and isolation in Canadians. When an individual feels his ability to make fundamental decisions affecting his future and the future of his family is restricted, when he feels his freedom is impaired, he will identify with others who are experiencing the same feelings. These people will eventually see themselves as a group or region and, if they have the ability, will rebel.

⁴Michael Keating, "Regional Fences No Match For Urban Sprawl," The Globe and Mail, March 3, 1980 (Toronto).

⁵Economic Council of Canada, Living Together - A Study of Regional Disparities, (Ottawa: Government of Canada, 1977), p. 176.

⁶Eugene Fodor, Fodor's Canada - 1980 (Don Mills, Ontario: Nelson, Foster, and Scott, 1979), p. 46.

Feelings of resentment and isolation are present in Quebec because Canada's English majority have traditionally imposed their will on the French minority. Economic co-operation between Ontario and the Western provinces is threatened because Eastern manufacturers have always had more influence over the established political order and, thus, over Federal tariff, transportation, and industrial policies than Western oil, natural gas, lumber, and grain producers have had. Federal/Provincial relations are threatened because the Federal Government, which represents a constitutional majority, has continually infringed upon the legal rights of each Provincial Government, which represent constitutional minorities.

There is another serious conflict emerging between a majority and minority interest group: a conflict between Canadians living in urban centres in Southern Canada and those living in smaller communities in Northern Canada.

Throughout the history of Confederation, urban Canada has developed economically, socially, and culturally -- while the aspirations of people living in rural and Northern Canada have largely been ignored. As a result, the co-operation of Northern municipalities in planning and constructing huge pipeline or hydro electric projects is not secured as easily today by the Federal Government or large corporations as it was ten years ago; tension arising from the slow process of Indian Land Claims negotiations and government expropriation of Indian land for a pipeline right-of-way could erupt in violence; and Northern taxpayers resent paying unfair taxes to the Federal Government.

Other feelings of isolation and resentment were uncovered by the Berger and Lysyk inquiries into environmental, social, and economic problems accompanying proposed pipeline projects through the Yukon and Northwest Territories and, more recently, by the Northern Pipeline Agency's Public Hearings held in Northeastern British Columbia. These problems will only be reconciled when the Federal Government adopts a new approach to Northern Development.

There are healthier, more creative, and more productive ways to disperse people and industry throughout Canada than to concentrate most of both in a few concrete jungles.⁽⁷⁾ Northern Development should be seen as a necessary requirement for, but also as an alternative to, continued urbanization.

⁷ *West Germany has perhaps the healthiest economy and society of all Western Nations. Yet, with a population three times the size of Canada and territory equal to approximately one half the size of British Columbia, it has no cities as large as Toronto or Montreal.*

The consequences of channeling more and more Northern resources into bulging urban centres are increasing social illness and a less productive economy. Crime and other social problems abound in large cities. The Economic Council of Canada suggests the optimal urban size conducive to efficient manufacturing in Canada occurs when a city's population approximates 1.4 million people. (8) Nevertheless, the populations of Toronto and Montreal exceed this limit and continue to grow. How long will Canadian Governments delay before taking meaningful steps to control urban sprawl? Once that decision is made, how long will it take to bring about the desired result?

Canada is assuming an increasingly enviable position internationally as the world's supply of non-renewable resources diminishes. Efficient use of Northern resources will be crucial to Canada's continued economic prosperity for many decades to come. The North's resources can make Canadians energy self-sufficient; they already earn important foreign exchange needed to secure a favourable Balance of Payments; their exploitation is a primary stimulus for economic growth; and they will supply Canada's secondary and manufacturing industries long after resources in other countries disappear.

The Department of Regional Economic Expansion, in its 1979 overview of the regional economies, argues that:

" . . . Canada's growth and development is tied closely to its ability to meet world demand for resources and the extent to which resource-related industries can flourish."(9)

Clearly, successful development of Canada's North is in the best interests of all Canadians.

The amendments to the Canadian Income Tax Act we propose will ensure Northerners are treated with *equity and fairness*; but they will also encourage Northern Development and will entice Canadians to share in the adventure and excitement of Canada's frontier.

⁸ *Economic Council of Canada, Living Together, pp. 131 - 133.*

⁹ *Department of Regional Economic Expansion, Major Development Opportunities and Issues in Canada's Regions, (Ottawa: Government of Canada, December 1979), p. 20.*

THE CASE FOR AN INDEXED NORTHERN INCOME ALLOWANCE

ATTITUDES

Northern Canada is populated by many cultures. Canadians of European decent, of Inuit, Metis and other Native origins, work in mines and sawmills, or on oil drilling rigs and farms, or as trappers and prospectors. Northern Canada is a refuge for wildlife, a land of ice and snow, of forests, rivers, lakes, mountains, and muskeg. Canadians know it is endowed with abundant natural wealth, including large timber, oil, natural gas, tar sands, and mineral deposits.

Most Canadians see the North as a huge warehouse containing natural resources, one that will be emptied when necessary. They feel secure with this knowledge and, indeed, they should. These same people often forget, however, that Northern Canada is more than a warehouse . . . it is home for five percent of Canada's population.

Canadians should realize that residents of small Northern communities are often as overjoyed at the prospect of a huge hydro-electric project in their back yard as residents of large urban centres are at the prospect of a nuclear reactor in their back yard.

Northern residents don't want special status; but neither do they want to be taken for granted.

* * * * *

LIFE IN NORTHERN CANADA -- THE HARDSHIPS

. . . *Inadequate Services:*

Canada, like other industrialized nations, has changed dramatically with the introduction of computer technology, sophisticated communications systems, rapid transit, a massive service industry, and other modern developments. However, these changes have occurred primarily in urban centres where rapid economic growth, large populations, and relative affluence create demands for extensive cultural activities and many consumer services.

City dwellers accept communications services as part of their natural environment. Northerners see them as a luxury. Television, radio and even telephone services are poor and, with respect to television and radio, of limited variety.

TABLE 1 -- COMMUNICATIONS SERVICES

<u>LOCATION</u>	(a) <u>TELEPHONES/CAPITA</u> (Res. & Bus.)	(b) <u>AM RADIO</u> <u>STATIONS</u>	(b) <u>FM RADIO</u> <u>STATIONS</u>	(b) <u>TELEVISION</u> <u>STATIONS</u>
Ottawa, Ontario	.84	5	15	16
Toronto, Ontario	.82	7	26	17
Montreal, Quebec	.77	6	13	13
Edmonton, Alberta	.85	6	10	10
Vancouver, B.C.	.76	7	14	12
Whitehorse, Y.T.	.40	2	--	5
Yellowknife, N.W.T.	.41	1	--	3
Inuvik, N.W.T.	.40	1	--	1
Tuktoyaktuk, N.W.T.	.24	1	--	1
Frobisher Bay, N.W.T.	.13	1	--	1

SOURCES: (a) - Stat. Can. 56-203 (1978)
 - Explorers Guide N.W.T. (1978)
 - D.O.C. Winnipeg Regional Office (1978)
 (b) - Statistical Information Services
 D.O.C. (1978)

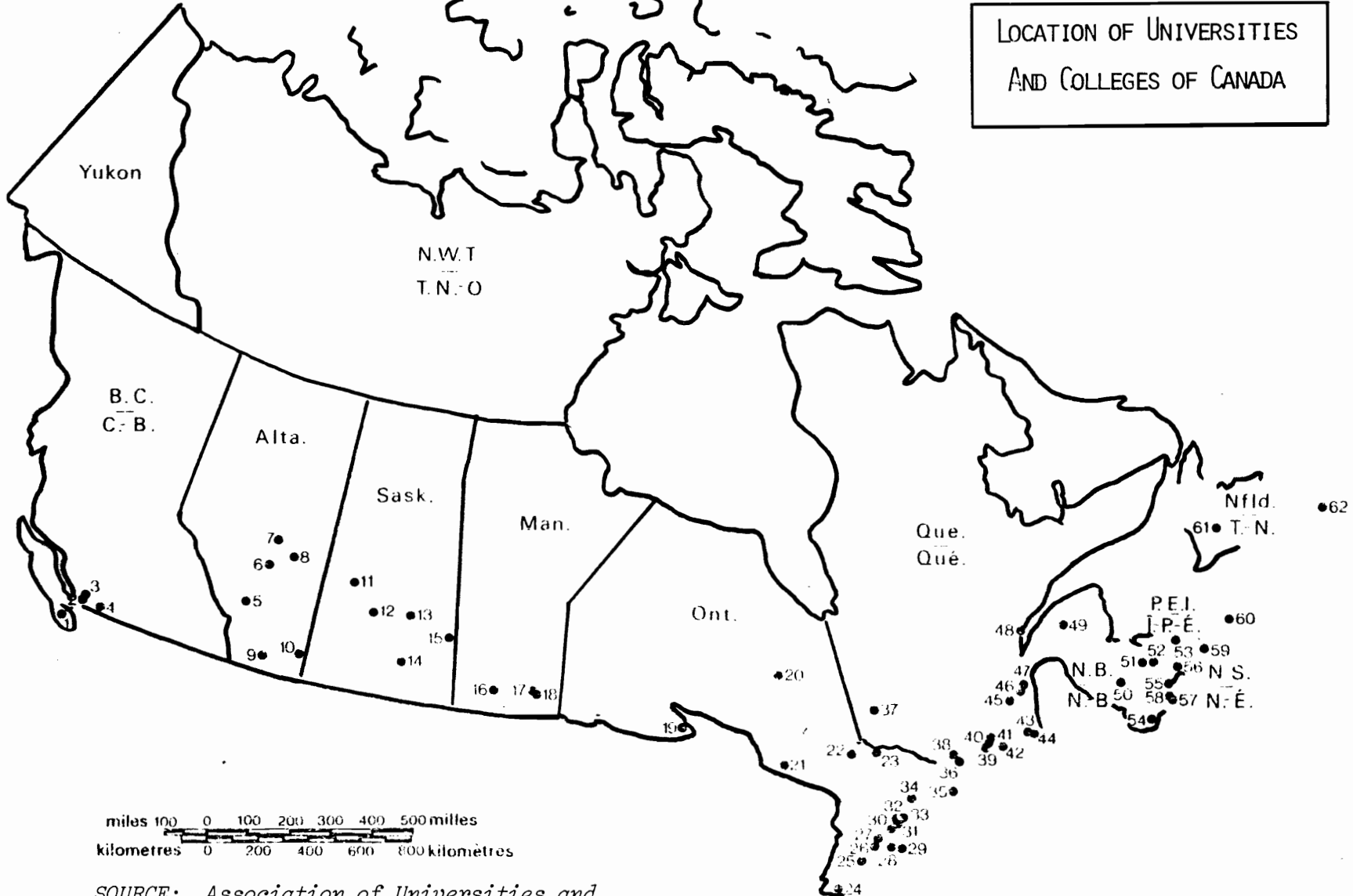
Mail service, where there is any, is very slow. Mail is delivered to the doorstep in cities at no cost, while Northern residents must often rent a mailbox and then drive to a central location for their mail.

Transportation and medical services are costly and in short supply. The poor transportation infrastructure impedes economic growth, isolates individuals, and leads to a higher cost of living. Skilled medical personnel and modern diagnostic and preventative equipment are found only in major cities. Thus, senior citizens in Watson Lake must move away from their homes and families to receive proper treatment. And children in Inuvik who require special therapy must travel hundreds of miles to receive treatment, placing distressing financial burdens on their parents. Health care, in general, is substandard: the infant mortality rate is 42.8 per 100,000 live births in the N.W.T. and 22.7 in the Yukon Territory, but 15.9 as a national average.⁽¹⁰⁾

Institutions offering higher education are located in Southern Canada. Consequently, students in Yellowknife face exorbitant transportation costs to and from a college or university, must leave their families for long periods of time, and, unlike students from Vancouver, cannot live at home while attending school.

¹⁰ The infant mortality rate is used to indicate the standard of health care in a region and equals the number of deaths of infants (under one year old) per 100,000 live births. Economic Council, Living Together, p. 58.

LOCATION OF UNIVERSITIES
AND COLLEGES OF CANADA



miles 100 0 100 200 300 400 500 miles
kilometres 0 200 400 600 800 kilometres

SOURCE: Association of Universities and Colleges of Canada, *Directory of Canadian Universities* (Ottawa: Association of Universities and Colleges of Canada, 1979)

Man's mind is the creative element in economic development, in social progress, and in cultural advancement. The productive capacity of our minds is maintained and strengthened through education. Educational institutions pass today's knowledge on to our children and prepare them for their role as future leaders in society. Young people who do not learn adequate skills in school and who gain little or no understanding of the complex world around them will not be effective leaders and will not compete equitably in job markets or the business world.

Compared with Urban youth, young people in Canada's North are isolated. Their education is of substandard quality, and they are not exposed in any depth to national and international affairs. Consequently, they are handicapped when migrating to urban centres in search of employment.

The North's sparse and dispersed population forces school districts to spend a disproportionate share of their annual budgets on bussing, causing the quality of education to suffer. Students find themselves inadequately prepared to meet the academic standards of southern institutions.(11) They are not inclined to seek post secondary education because it is largely impractical.(12) Culture shock inhibits them from attending southern institutions: they feel alienated, inferior, and discriminated against.(13)

In their empirical study of socio-economic effects expected from the proposed Alaska Highway Natural Gas Pipeline, the Women's Research Centre in British Columbia concluded that:

Regardless of whether the Alaska Highway Gas Pipeline is constructed, existing services in Fort Nelson and Whitehorse must be improved . . .(14)

A similar conclusion is reached when examining many communities in Northern Canada, particularly those furthest North. There are few shopping centres and limited recreational facilities. Residents of Fort Smith must travel several hundred miles to shop in Edmonton. The Unemployment Insurance and Immigration Offices in Dawson Creek must service the entire northeast corner of British Columbia. Some people drive 80 miles or more to see their dentist; others charter a plane. There are no psychiatrists or other special services: Employment opportunities for women are limited.

¹¹ Del M. Koenig, *Northern People and Higher Education: Realities and Possibilities* (Ottawa: Association for Universities and Colleges of Canada, 1975), p. 33.

¹² *Ibid.*, pp. 40 - 46.

¹³ *Ibid.*, pp. 29 - 30.

¹⁴ Women's Research Centre, *Beyond the Pipeline* (Vancouver, B.C.: Women's Research Centre, 1979), p. xviii.

. . . *Higher Rates of Crime and Suicide:*

Insufficient social services and police protection, compounded by isolation, boredom, and in some locations, rapid economic growth, have given the Yukon and Northwest Territories the highest crime and suicide rates in Canada.

The national offence rate is 8,459, while the rate is 33,331 in the Yukon and 31,929 in the Northwest Territories. (15) And the national suicide rate is 9.31, while the rate is 27.38 in the Yukon and 10.63 in the Northwest Territories. (16)

. . . *Higher Cost of Living:*

APPENDIX A contains price indexes used by the Federal Government to determine 'cost of living supplements' paid to Federal employees in Northern Canada -- the indexes are a composite of food, household operation, transportation, personal care, and tobacco and alcohol prices. The indexes show that the cost of these living essentials in Northern Canada exceed that in large cities in Southern Canada by 20 to 80%, depending on the degree of isolation.

. . . *Colder Climate:*

The cold climate has a major impact on both the lifestyles and the bank accounts of Northern residents. Average temperatures are colder and the number of frost free days fewer in Northern Canada than in the rest of Canada (see TABLE 2).

Living costs attributed to colder weather are difficult to quantify. We can compare prices in the North with prices in Urban centres, but we also need to know what quantities of different goods are purchased. For example, Northerners must purchase extra home insulation, extra clothing, extra blankets, and extra fuel for their automobiles and furnaces. An automobile's life is shortened by cold weather, snow, and ice, and by gravel roads.

Price indexes can, therefore, understate significant cost of living differences between urban and Northern Canada.

¹⁵*Economic Council, Living Together, p. 58.*

The offence rate is the number of offences reported per 100,000 population, aged seven and over.

¹⁶*Ibid., p. 58.*

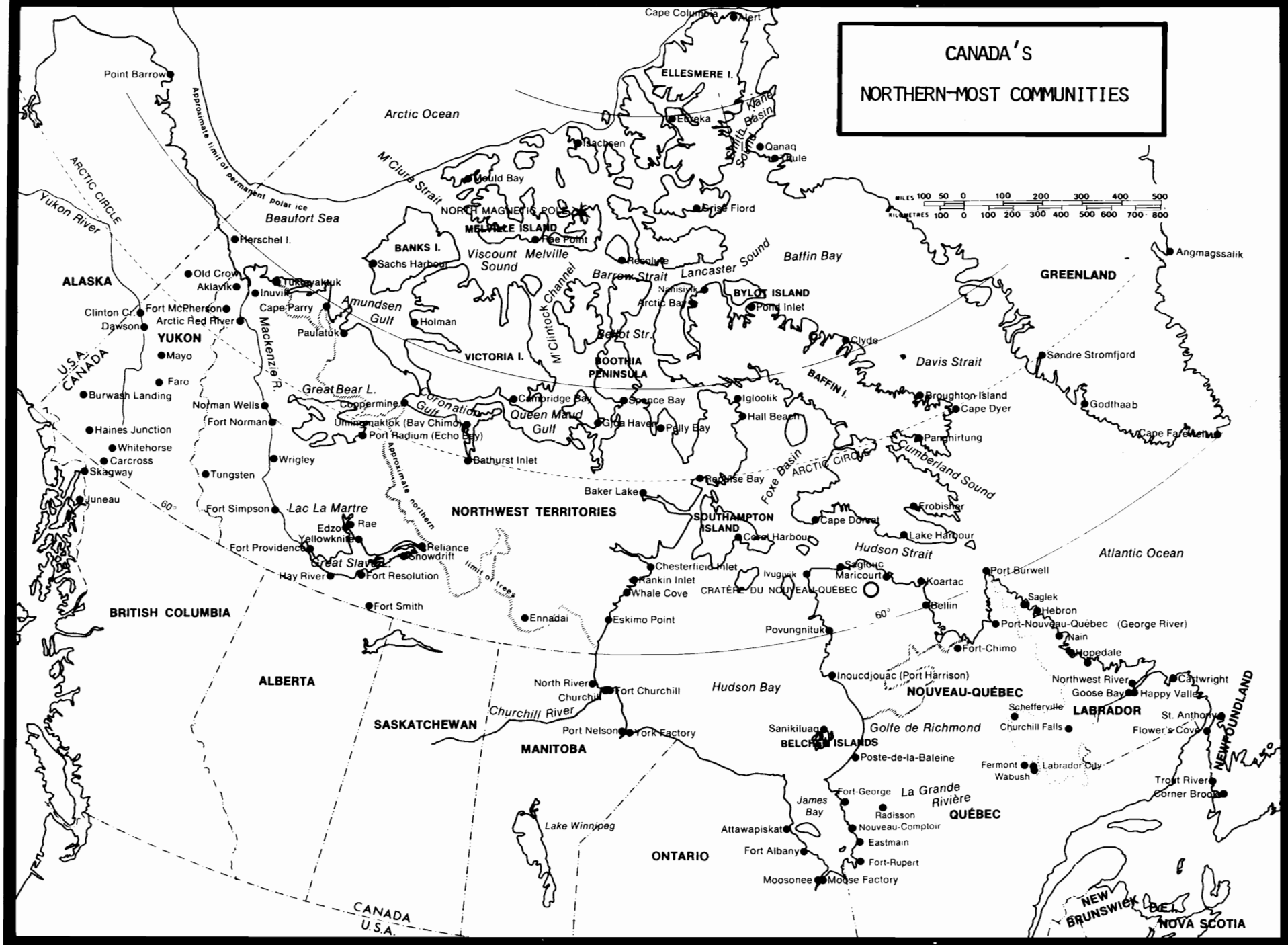
The suicide rate is the number of deaths by suicide per 100,000 inhabitants.

TABLE 2

CANADIAN CLIMATIC DATA

<u>LOCATION</u>	<u>MEAN DAILY TEMPERATURES (°C)</u>					<u>AVERAGE FROST DATES</u>	
	<u>ANNUAL</u>	<u>JAN.</u>	<u>APR.</u>	<u>JULY</u>	<u>OCT.</u>	<u>LAST IN SPRING</u>	<u>FIRST IN FALL</u>
Ottawa, Ontario	5.8	-10.9	5.6	20.7	8.7	May 11	Oct. 1
Toronto, Ontario	8.9	- 4.4	7.6	21.8	11.2	Apr. 20	Oct. 30
Montreal, Quebec	6.5	- 9.9	5.9	21.2	9.4	May 5	Oct. 7
Edmonton, Alberta	2.8	-14.7	4.0	17.5	5.4	May 14	Sept. 19
Vancouver, B.C.	9.8	2.4	8.9	17.4	10.1	Mar. 31	Oct. 30
Winnipeg, Manitoba	2.3	-18.3	3.3	19.7	5.4	May 25	Sept. 21
Dawson, Y.T.	- 4.7	-28.6	- 1.8	15.5	- 3.2	May 26	Aug. 27
Whitehorse, Y.T.	- 0.9	-18.9	- 0.1	14.1	0.7	June 5	Sept. 1
Aklavik	- 8.9	-28.6	-12.7	13.8	- 7.1	June 12	Aug. 30
Frobisher Bay, N.W.T.	- 9.0	-26.2	-14.2	7.9	- 4.7	June 30	Aug. 29
Resolute, N.W.T.	-16.4	-32.6	-23.1	4.3	-14.7	July 10	July 20
Yellowknife, N.W.T.	- 5.6	-28.6	- 7.8	16.0	- 1.2	May 30	Sept. 16

SOURCE: Canadian Almanac & Directory 1978
(Climatic Data, v. 814)



SOURCE: Department of Indian & Northern Affairs, North of 60 - Facts and Figures - Northwest Territories (1977) p. 25.

INCOME SUPPLEMENTS FOR NORTHERN TAXPAYERS

The majority of Northern taxpayers receive special compensation for working in the North. Federal, provincial or territorial, and municipal government employers, as well as large corporations, offer income supplements to attract and retain qualified personnel.

Federal government employees, for example, receive up to three different income supplements. They are given: an "environment allowance" assessed on the basis of population, climate, barren or taiga lands, and access to all-weather roads or public transportation; a "living cost differential" assessed on the basis of comparative living costs between the specified working location and the major source of supply as determined by Statistics Canada; and, a "fuel and utilities allowance" paid to subsidize high fuel and utility costs. (17)

Federal employees working in a location that formerly qualified for special income supplements but, because of recent changes in demographic or economic criteria, is no longer classified as "isolated", may still qualify for a "special location allowance". This allowance is compensation for abnormally high food, fuel, utility, and other commodity prices. (18)

The need for most employers to supplement employee incomes is easily understood: few people are willing to abandon a comfortable lifestyle in Ottawa for a more difficult one in Inuvik unless they receive financial compensation.

A married federal government employee who lives and works in Inuvik, Northwest Territories, receives \$5,088 per year over and above his annual salary; the same employee living in Grise Fiord, N.W.T., receives an income supplement of \$10,306 per year. (19)

The "Report of the Northern Mineral Advisory Committee" submitted to the Minister of Indian Affairs and Northern Development in August, 1979, states that . . .

. . . the total dollar value of benefits and subsidies provided to individuals by their employers is quite variable, ranging from an estimated \$4,500 to \$12,000 per year, with a mid-point of \$7,000 to \$8,000 per year for a family with two children. (20)

¹⁷ *Treasury Board of Canada, Personnel Management Manual System (Ottawa: Government of Canada, January 1979), Section 530-6, p. 2.*

¹⁸ *Ibid.*, p. 2.

¹⁹ *Calculated from Isolated Post Indexes and Income Supplement Data in Personnel Management Manual System, op. cit.*

The Report goes on to say that a married man with two children living in Yellowknife, N.W.T., receives an income supplement of \$7,500 working for the School Board, \$7,218 as a Federal Government employee, \$7,192 as a mining employee living in a company owned house, \$5,736 as a mining employee living in an apartment, and \$4,473 as a Territorial Government employee. These estimations included tax-free subsidies for shelter, power, oil, airfare, and territorial taxes, as well as a taxable Northern Income Allowance. (21)

TABLE 3 contains a summary of income supplements paid by the Federal Government to its employees throughout Northern Canada. These figures indicate the cost of living differences between Northern Canada and urban Canada by showing the income supplements required to balance the difference. The Map on Page 27 shows income supplements paid to Federal Government employees for 259 different locations in Northern Canada.

Clearly, if Federal Government or Noranda Mines employees have difficulty coping with living conditions in Northern communities, and, therefore, require special income supplements to compensate them for their hardships, then employees and owners of small businesses, and trappers, farmers and others living in the North must find life equally difficult.

All Northerners are culturally isolated, endure harsh environmental conditions, and pay higher prices for goods and services than do other Canadians. They are all entitled to a Northern Income Allowance.

²⁰ John Bruk et al., Report of the Northern Mineral Advisory Committee (Ottawa: Government of Canada, 1979), p. 40.

²¹ *Ibid.*, pp. 40 - 41.

TABLE 3

FEDERAL EMPLOYEE INCOME SUPPLEMENTS IN NORTHERN CANADA

14.

LOCATION	NUMBER OF ISOLATED POSTS CONSIDERED	HIGHEST ANNUAL INCOME SUPPLEMENT		LOWEST ANNUAL INCOME SUPPLEMENT		AVERAGE ANNUAL INCOME SUPPLEMENT		90TH PERCENTILE	
		MARRIED	SINGLE	MARRIED	SINGLE	MARRIED	SINGLE	MARRIED	SINGLE
Yukon Territory	17	\$ 4,730	\$2,643	\$2,227	\$1,333	\$4,002	\$2,355	\$ 4,655	\$2,793
Northwest Territories	54	\$10,306	\$6,211	\$1,220	\$ 732	\$7,008	\$4,212	\$ 9,566	\$5,740
Northern Quebec (North of 60)	6	\$10,226	\$6,136	\$9,238	\$5,543	\$9,910	\$5,946	\$10,226	\$6,136
Northern Labrador (North of 60)	--	--	--	--	--	--	--	--	--
Queen Charlotte Islands (B.C.)	5	\$ 2,513	\$1,508	\$1,220	\$ 732	\$1,845	\$1,107	\$ 2,513	\$1,508
Northern B.C. (North of 55)	21	\$ 5,531	\$3,319	\$1,220	\$ 732	\$2,509	\$1,485	\$ 3,280	\$1,968
Northern Alberta (North of 55)	22	\$ 4,905	\$2,943	\$1,220	\$ 732	\$2,568	\$1,541	\$ 4,075	\$2,445
Northern Sask. (North of 54)	16	\$ 5,918	\$3,551	\$1,220	\$ 732	\$3,335	\$1,939	\$ 4,655	\$2,793
Northern Manitoba (North of 52)	21	\$ 6,418	\$3,851	\$1,220	\$ 732	\$4,019	\$2,394	\$ 6,235	\$3,741
Northern Ontario (North of 50)	36	\$ 7,315	\$4,389	\$1,595	\$ 957	\$3,843	\$2,252	\$ 5,703	\$3,422

TABLE 3 (CONT'D)

FEDERAL EMPLOYEE INCOME SUPPLEMENTS IN NORTHERN CANADA

LOCATION	NUMBER OF ISOLATED POSTS CONSIDERED	HIGHEST ANNUAL INCOME SUPPLEMENT		LOWEST ANNUAL INCOME SUPPLEMENT		AVERAGE ANNUAL INCOME SUPPLEMENT		90TH PERCENTILE	
		MARRIED	SINGLE	MARRIED	SINGLE	MARRIED	SINGLE	MARRIED	SINGLE
Quebec Main (50 - 60)	24	\$ 8,078	\$4,847	\$ 976	\$ 586	\$3,847	\$2,308	\$7,851	\$4,711
Labrador Main (50 - 60)	23	\$ 4,951	\$2,971	\$2,465	\$1,479	\$3,653	\$2,210	\$4,838	\$2,903
Northern Nfld. (North of 50)	14	\$ 3,075	\$1,845	\$2,090	\$1,254	\$2,686	\$1,596	\$3,075	\$1,845
ZONE A	77	\$10,306	\$4,847	\$1,220	\$ 732	\$6,570	\$3,937	\$9,642	\$5,788
ZONE B	182	\$ 8,078	\$2,643	\$ 976	\$ 586	\$3,343	\$1,987	\$5,155	\$3,093

SOURCE: Treasury Board, "Isolated Posts Directive", Personnel Management Manual (Ottawa: Government of Canada, 1978), Section 530-6, Annex A, Schedules A, B, C, D, G.

NOTE: Figures for Table 5 were calculated by totalling the income supplements paid to married and single Federal employees at isolated posts in each region. The total income supplements are plotted on the map of Northern Canada on Page 27.

EQUITY AND FAIRNESS FOR NORTHERNERS

. . . *Discrimination:*

Regardless of any objections one might have to a Northern Income Allowance, the facts remain:

- (1) *After allowing for the purchase of essentials (food, clothing, shelter, fuel, transportation, health care, etc.), NORTHERNERS HAVE SMALLER NET INCOMES THAN OTHER CANADIANS.*
- (2) *The Canadian Income Tax Act requires Canadian families of equal size, earning the same gross income, to PAY THE SAME FEDERAL TAXES NO MATTER WHERE THEY LIVE OR WHAT THEIR COST OF LIVING.*
- (3) *As a result, CANADA'S TAXATION SYSTEM DISCRIMINATES AGAINST NORTHERNERS.*

. . . *Ability to Pay Principle:*

All Canadian Taxpayers are allowed a minimum deduction from their taxable income. They are granted further personal deductions for dependents: when an individual has other people dependent upon him or her for their sustenance, the resulting higher cost of living imposed on the taxpayer justifies the larger minimum tax deduction. The underlying principle of taxation on which a larger tax exemption for individuals with dependents is based is that people should be taxed according to their "ability to pay":

This calls for equal amounts of tax to be paid by taxpayers with equal abilities to pay and for different amounts of taxes when such capacities differ. (22)

One's "ability to pay" is usually defined in terms of income; the more money one earns, the greater one's capacity to pay and, hence, the more one is taxed.

The Federal Government recently indexed our taxation system in recognition of inflation's erosive effect on the "ability to pay":

. . . the benchmark tax structure should, if it is to be neutral, be based on real income and therefore both the rate structure and the tax base should be indexed for price inflation; . . . (23)

²² R.A. Musgrave and Peggy B. Musgrave, Public Finance in Theory and Practice (United States: McGraw Hill Book Company, 1973), p. 198.

²³ Department of Finance, Government of Canada Tax Expenditure Account (Ottawa: Government of Canada, 1979), p. 5.

However, the Federal Government failed to consider the price level. Both the rate at which prices rise relative to increases in our income and the price level itself affect real purchasing power. In Northern communities, where price levels are much higher than those in urban centres in Southern Canada, higher wages are needed just to make ends meet. If the "*ability to pay*" principle were given fair and practical consideration, and if the benchmark tax structure were truly neutral, then the Federal Government would permit personal income tax deductions to reflect the significant cost of living differences in Canada.

The Federal Government recognizes that inflation and the number of dependents affect one's "*ability to pay*"; it also recognizes that Federal civil servants facing a high cost of living in isolated locations deserve an income supplement.

Where one lives in this country affects one's "*ability to pay*". Since living essentials cost significantly more in the North than in other areas of Canada then, on grounds of equity and fairness, all Northern residents should be granted an Indexed Northern Income Allowance in the form of larger Federal personal income tax deductions.

. . . *National Unity and Northern Development:*

Speaking on National Unity in the House of Commons on April 15, 1980, Prime Minister Trudeau noted that:

. . . if a person cannot feel that in any part of the country he or she will get a fair share . . . of the abundance of wealth in this country and (have access to) the richness and diversity of its laws . . . then (he or she) will transfer their loyalty from the whole to the particular part of the country in which they choose to live . . . That is how we come to shut doors in each other's face, because we feel we will not get a fair share in every part of the country. (24)

Do Canadians in urban Canada feel they would receive a fair share of Canada's abundant wealth if they moved to Northern Canada? Are Northern Canadians treated fairly by the Canadian Income Tax Act when it does not acknowledge their high cost of living and ability to pay taxes? The answer to both these questions is "*no*".

Northern Development policy will be ill-fated and National Unity will be flawed so long as Northern Canadians are treated inequitably and unfairly by our laws and institutions.

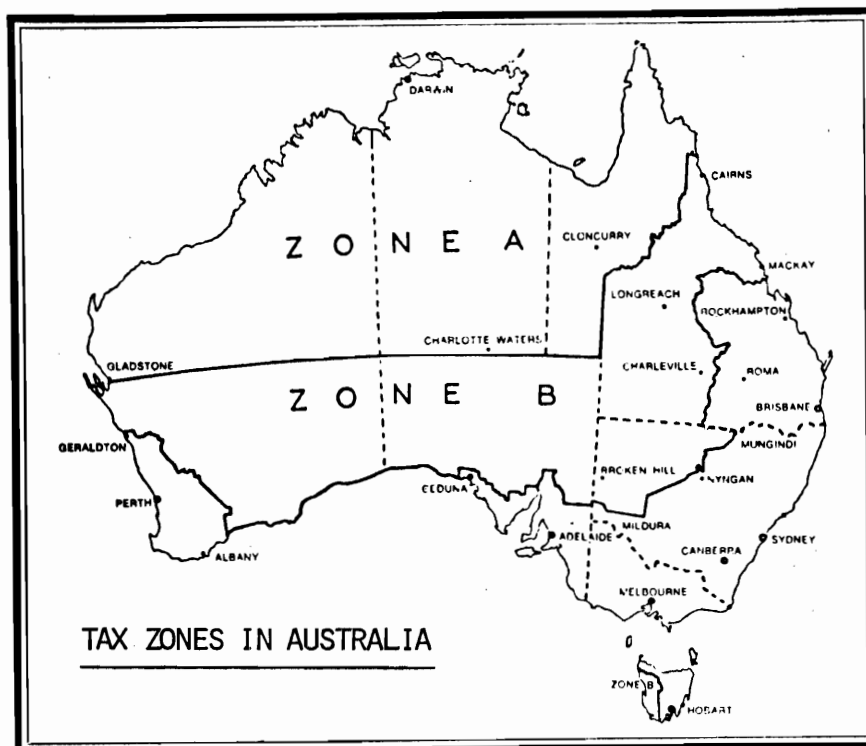
²⁴*The Right Honourable Pierre Trudeau, House of Commons Debates (Ottawa: Government of Canada, April 15, 1980), p. 33.*

INCOME SUPPLEMENTS IN OTHER COUNTRIES

Our proposals for an Indexed Northern Income Allowance are not unique. Income supplements for residents of areas having a high cost of living and other social, cultural, and climatic disadvantages, are granted in other countries. The Australians recognize that residents living in isolated and costly areas deserve an income supplement from their Federal Government. The following paragraph is quoted from the Australian Income Tax Act:

79A (1) *For the purpose of granting to residents of the prescribed area an income tax concession in recognition of the disadvantages to which they are subject because of the uncongenial climatic conditions, isolation and high cost of living in ZONE A and, to a lesser extent, in ZONE B, in comparison with parts of Australia not included in the prescribed area, a taxpayer who is a resident of the prescribed area in the year of income is entitled, in his assessment in respect of income of that year of income, to a rebate of tax ascertained in accordance with this section.* (25)

Residents of Greenland receive special taxation privileges from the State of Denmark. And monetary incentives are offered by the Central Government in the Soviet Union to entice migration to Northern areas . . . Canada is behind the times.



²⁵ "Section 79A - Rebates for Residents of Isolated Areas," *Assessment Act, Part III, Australia Master Tax Guide* (Australia: CCH Australia Limited, 1979), pp. 7752 - 3.

OBJECTIONS TO AN INDEXED NORTHERN INCOME ALLOWANCE

MOST NORTHERNERS ALREADY RECEIVE INCOME SUPPLEMENTS

One objection people have to a Northern Income Allowance is expressed something like this: "Since most Northern taxpayers receive an income supplement from their employer and earn higher incomes than people doing the same work in other areas of Canada, they do not need more money. If any group of Northerners should qualify for a greater income tax exemption, it should only be those who do not already benefit from an income supplement."

First--high wages alone do not provide sufficient compensation for the high cost of living and isolation in Northern Canada. If this were so, income supplements would not exist.

Second--the Federal Government has, in the past, classified some income supplements to Northern employees as "essential benefits" and not required taxpayers to declare these benefits as taxable income, even though the Income Tax Act makes no explicit provision for such exemptions. However, Revenue Canada has recently taken steps to implement strict taxing powers with respect to all employee benefits. The value of existing benefits will diminish significantly.

The following are headlines and excerpts from three of Canada's major newspapers showing public reaction to Revenue Canada's change in policy:

1. IT'S A TAXING SITUATION FOR NORTHERN MINERS:

The 240 mineworkers in the company town of Tungsten, N.W.T., . . . pay an annual average of \$12,500 (each) in taxes and get little back for it in the way of services.

. . . Tungsten is a mining town of 400 people, most of them single males working in the mine, but also some families.

According to rough estimates by local unions, they paid approximately \$3 million (in taxes). Canada Tungsten, also paid -- according to union figures -- approximately \$7 million in corporate taxes.

In other words, the Canadian Government took the town of Tungsten for about \$10 million last year.

In return, the Canadian Government supplied the town with one RCMP Officer, three teachers, and a small school. The people of Tungsten feel a little short-changed . . . (26)

²⁶Pete McMartin, The Vancouver Sun (Vancouver: Tuesday, March 25, 1980).

2. TAX MOVE INFURIATES THE NORTH (Whitehorse, Yukon):

All three Federal Parties campaigned in the Yukon on platforms which included opposing plans by Revenue Canada to tax special benefits to Northern workers to which it had turned a blind eye in the past.

However, after the election, it was discovered that none of the Parties were . . .

. . . in a position to offer a moratorium in the first place since it would require Revenue Canada to ignore the law.

That left both workers and employers in the Yukon flabbergasted as the former found themselves facing retroactive bills taxing benefits back to 1978 and the latter watched one of the few enticements they have for attracting employees slip through their fingers . . .

Another point that pops up in this dispute is that the workers receiving these benefits are the North's "have" employees. Perhaps just as many workers in the North are in the "have not" position of working for small businesses which cannot afford to hand out free flights or other aid and which pay only basic incomes. If their more fortunate fellow Northerners are saved from the tax man, it is reasonable to assume these workers would appreciate a break too. (27)

* * * * *

3. JEERING NORTHERNERS CONFRONT MUNRO ON GRIT TAX PLEDGE:

(Yellowknife, N.W.T.)

Many workers in the Territories are paid an extra northern allowance to offset the high cost of living and expensive transportation.

It was the second time in as many days that Munro had arrived in a northern community to be greeted by a demonstration. A smaller, but equally vocal group met the Minister . . . when he landed in Inuvik . . .

Northern benefits, which range from extra pay to employer-paid trips to southern centres and grants for students travelling to schools away from their homes, have always been taxable. But a change in Revenue Canada's policy . . . ended the traditional exemption of northern allowances from taxable income. (28)

²⁷ David Tait, The Globe & Mail (Toronto: March 29, 1980).

²⁸ CP, The Citizen (Ottawa: Tuesday, April 1, 1980).

Revenue Canada's change in policy will create financial problems for employers and will further discourage competent personnel from moving North. The labour market will become increasingly unstable and additional strains will be placed on labour/management relations because employees will demand higher salaries. Employers will face higher costs and some will be forced out of business. Clearly, significant problems will remain even if those Northerners currently not receiving salary supplements are given a special income allowance by the Federal Government. (29)

Just as Chrysler Corporation turned to the Federal Government for assistance when it faced financial difficulties, large companies operating in Northern Canada will lobby the Federal Government for increased subsidies and grants, or faster depreciation allowances on their capital equipment, and use this money to finance extra benefits for their employees. Large companies are skilled at this: they simply point out how much taxation revenue the Government stands to lose and how much welfare and unemployment insurance it will have to pay--and the Government signs a cheque. Smaller companies lacking the same political clout are rarely as successful.

The end result will be increased labour/management tension, unemployment, lost government revenue, more paper work for civil servants, more civil servants to do the paper work, and fewer employees receiving adequate compensation for the hardships created by Northern living conditions. Those who presently do not receive income supplements will not be any better off.

If all subsidies and benefits paid to employees in the North were classified and taxed as personal income, but all Northern taxpayers were allowed income tax deductions based on their cost of living and degree of isolation, problems arising from the change in Revenue Canada's policy would be solved. Labour/management tensions would be relieved because a Northern Living Allowance would be guaranteed. Employees would keep their jobs. The Federal Government's wasteful practices of hiring people to administer an unproductive program and taxing benefits financed by tax revenue in the first place would be eliminated . . . at least in this case.

Most importantly . . . all Northern taxpayers would be treated fairly.

²⁹See, for example, "Submission to the Department of National Revenue on the Taxation of Employee Benefits", Published by the Mining Association of Canada, 1979.

LIKE IT OR LUMP IT

Another objection to a Northern Income Allowance comes from the "like it or lump it" school of thought. In other words, "if people living in the North don't like the living conditions, they can leave. If they do like the living conditions, why should we compensate them? Northern residents are free to move South if they wish and if they remain where they are, it is by their own choice. Moreover, many people in the North enjoy the wilderness. Northerners live in open and unpoluted spaces and are, in many ways, compensated for the high cost of living and cultural isolation by Nature's beauty. Their lifestyle naturally entails a degree of isolation and higher costs. Why should the rest of Canada subsidize their incomes through tax exemptions?"

First, economic barriers — no job skills, widespread unemployment in Canada, the cost of moving — and social barriers — discrimination, feelings of alienation, cultural differences — prevent Northerners from securing employment in Canada's urban centres. These barriers are particularly prohibitive for Native Indians. In short, Northerners cannot "leave" very easily.

Second, Urban Canada will always need people working in the North to supply their industries with resources, their homes with electricity, their cars with oil, and their contractors with lumber. Northerners deserve fair treatment.

Third, there are many subsidies paid by one group of people in Canada to another and the validity of these subsidies is not questioned merely because those being subsidized enjoy living where they do. What would happen to Canada if Western Canadians argued that, because Maritimers enjoy living in the Maritimes, the cost of imported oil should not be subsidized; if rural Canadians argued that, because urban dwellers enjoy living in cities, public transit should not be subsidized; or if farmers in Saskatchewan argued that, because people in Southern Ontario enjoy their lifestyle, manufacturing wages should not be subsidized through tariff protection, which reduces the supply of imported manufactured goods, thus reducing competition, increasing profits and, ultimately, wages? Such bickering would divide our people into greedy little groups unable to function as a mature nation. Why use this argument against Northerners?

Fourth, by not allowing Northern taxpayers a fair income tax deduction based on their exhorbitant cost of living, Revenue Canada discriminates against them. We are not making a case for a subsidy, we are asking for equity.

NORTHERNERS DON'T WANT POPULATION IN-FLOWS OR ECONOMIC DEVELOPMENT

A third objection to a Northern Income Allowance is raised by people who express romantic, but insensitive feelings about life in the North and aspirations of Northern people. Proponents of this objection argue that "residents of Canada's North would prefer to pay discriminatory rates of taxation if it means discouraging population in-flows and economic development." Do Northerners enjoy being isolated, culturally deprived, unemployed, and cut-off from the mainstream of life in Canada?

Thorough examinations of the hopes and aspirations of residents in the Yukon Territory and the Northwest Territories were made by Thomas Berger in The Report of the Mackenzie Valley Pipeline Inquiry(30) and by Kenneth Lysyk in the Alaska Highway Pipeline Inquiry(31). They reach a different conclusion.

The Berger and Lysyk inquiries indicate only a small minority of Northerners oppose economic development. This minority consists primarily of "Whites" who have fled urban society for a life in the wilderness.(32) The main concern most residents of the Yukon and Northwest Territories have is one of degree: they fear unrestrained and large scale industrial development.

It is . . . clear to us that many Yukoners regard properly controlled economic development not only as inevitable but also as desirable. (33)

Berger suggests that Native people, who form the large majority of those living in the Mackenzie Valley and Western Arctic, want to build on their Native economy which is based on hunting, fishing and trapping. They are not opposed to economic change but want "economic development (to) accord with Native values and preferences."(34)

Progress, economic development, and the migration of people to Canada's North are not, by themselves, inconsistent with the values and aspirations of those already living there.

³⁰Thomas Berger et al., The Report of the Mackenzie Valley Pipeline Inquiry: Volume One (Ottawa: Government of Canada, 1977).

³¹Kenneth M. Lysyk et al., Alaska Highway Pipeline Inquiry (Ottawa: Government of Canada, 1977).

³²Kenneth M. Lysyk, p. vii.

³³Kenneth M. Lysyk, p. vi.

³⁴Thomas Berger, p. xxxi.

NORTHERN DEVELOPMENT AND AN
INDEXED NORTHERN INCOME ALLOWANCE

AN INDEXED NORTHERN INCOME ALLOWANCE *is fair; it will compensate Northerners for their hardships; it will resolve problems created by Revenue Canada's recent change in tax policy; it will help stabilize and increase the Northern labour force; it will give all Northern taxpayers, not just an elite few, the income supplement they deserve.*

AN INDEXED NORTHERN INCOME ALLOWANCE *will encourage Canadians to move North; but it will not cause large scale industrial development. Granting Northerners a larger tax deduction will put more money in their pockets, thus increasing their effective demand for goods and services and creating more opportunities for small businesses and entrepreneurs. Economic development resulting from this increase in effective demand will respond to the needs and desires of Northerners and their values will be reflected in their purchases and investments.*

AN INDEXED NORTHERN INCOME ALLOWANCE *will give Northerners greater equity and, more than any other economic policy could, will promote efficient economic development in accordance with the values and aspirations of Northern residents.*

PROPOSALS FOR AN INDEXED NORTHERN INCOME ALLOWANCE

AN APPLICATION OF EXISTING FEDERAL POLICY

Our proposals are not unique. They are not founded on any radical definition of equity and fairness. We have merely demonstrated that existing Federal policy regarding income supplements paid to Federal employees working in isolated locations should be applied to all Canadians, not just civil servants.

The dollar value of our proposals was determined in the same way that the Federal Government determines the dollar value of its income supplements. Even our boundaries are consistent with existing Federal policy.

* * * * *

CRITERIA

The Federal Government's "Isolated Posts Directive" states:

A location that is north of the 60th parallel of latitude shall (automatically) be designated as an isolated post . . . ; and,

A location that is south of the 60th parallel of latitude may be designated as an isolated post if (certain criteria are satisfied) . . . (35)

Criteria used to establish our tax zones were:

- (a) *Residents in Canada who live north of the 60th parallel of latitude should receive special consideration;*
- (b) *Locations qualifying as "isolated posts" according to Federal Government policy and receiving less than \$1,000/year in total income supplements per married federal employee should not be granted a Northern Living Allowance;*
- (c) *No community having a population in excess of 10,000 should be included in ZONE B;*
- (d) *The lower boundary of ZONE B should lie above major transportation infrastructure.*

³⁵Treasury Board of Canada, Personnel, Annex A, p. 53.

Plotted on the Map on Page 27 are letters representing dollar values of income supplements paid to married Federal employees working in Northern Canada. Income supplements totalling less than \$1,000 are not plotted. The great majority of isolated posts receiving income supplements over \$1,000 are located in ZONE A & B; other isolated posts are therefore not shown. The lower boundary for ZONE B parallels and lies above major transportation routes in ZONE C.

TABLE 4 - LEGEND FOR MAP

*ANNUAL TOTAL INCOME SUPPLEMENTS FOR MARRIED
FEDERAL EMPLOYEES IN ISOLATED POSTS*

\$ 0 - \$ 500	A
\$ 501 - \$ 1,000	B
\$ 1,001 - \$ 1,500	C
\$ 1,501 - \$ 2,000	D
\$ 2,001 - \$ 2,500	E
\$ 2,501 - \$ 3,000	F
\$ 3,001 - \$ 3,500	G
\$ 3,501 - \$ 4,000	H
\$ 4,001 - \$ 4,500	I
\$ 4,501 - \$ 5,000	J
\$ 5,001 - \$ 5,500	K
\$ 5,501 - \$ 6,000	L
\$ 6,001 - \$ 6,500	M
\$ 6,501 - \$ 7,000	N
\$ 7,001 - \$ 7,500	O
\$ 7,501 - \$ 8,000	P
\$ 8,001 - \$ 8,500	Q
\$ 8,501 - \$ 9,000	R
\$ 9,001 - \$ 9,500	S
\$ 9,501 - \$ 10,000	T
\$ 10,001 - \$ 10,500	U
\$ 10,501 - \$ 11,000	V

SOURCE: *Treasury Board of Canada, "Isolated Posts Directive", Personnel Management Manual (Ottawa: Government of Canada, 1978).*

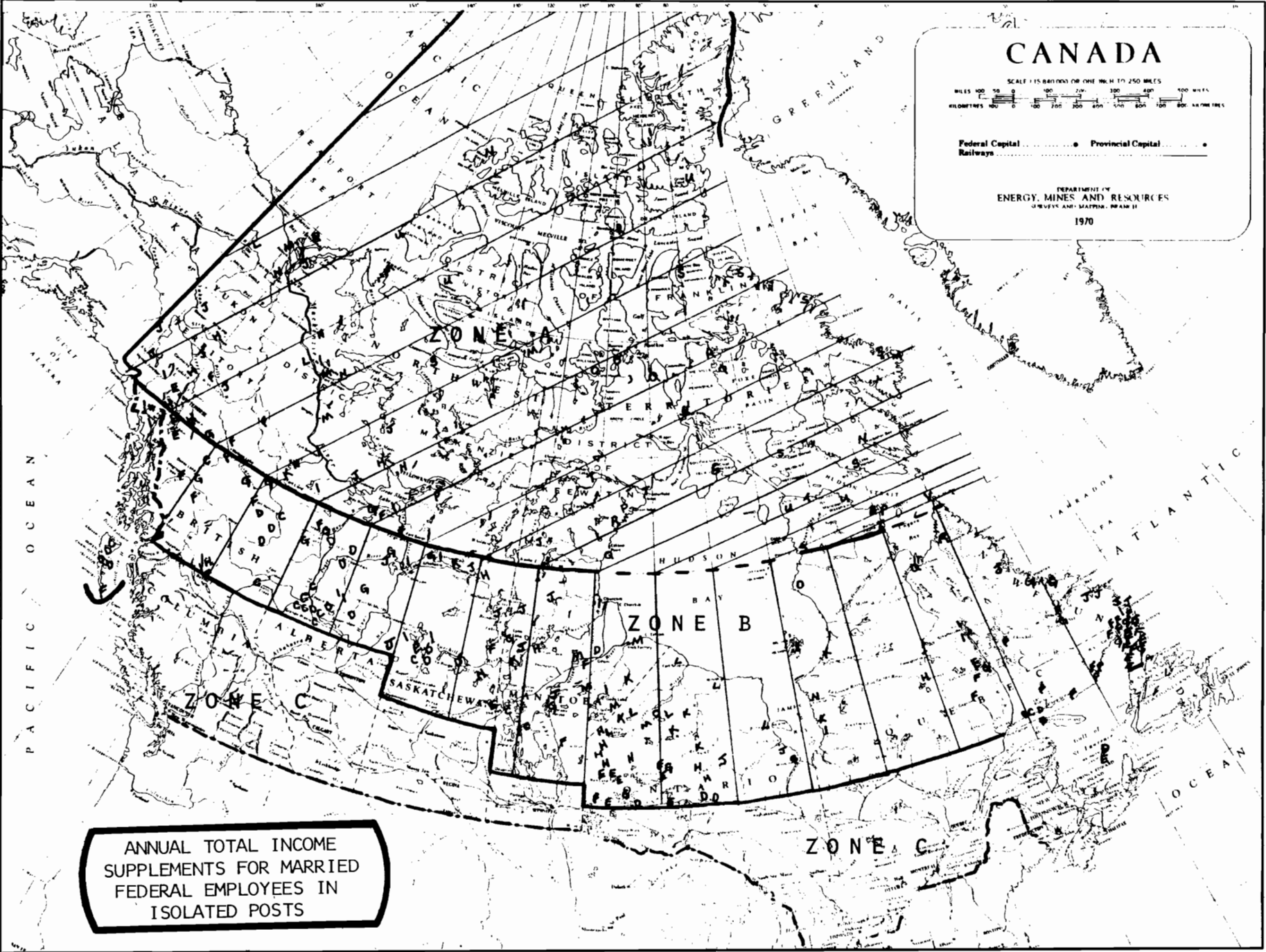
CANADA

SCALE: 1:15 (NATIONS OR ONE INCH TO 250 MILES)

MILES 0 100 200 300 400 500
KILOMETRES 0 100 200 300 400 500

Federal Capital Provincial Capital
Railways

DEPARTMENT OF
ENERGY, MINES AND RESOURCES
SURVEY AND MAPPING BRANCH II
1970



ANNUAL TOTAL INCOME
SUPPLEMENTS FOR MARRIED
FEDERAL EMPLOYEES IN
ISOLATED POSTS

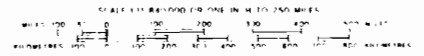
BOUNDARIES

Our boundaries will not please everyone. Those living close to, but not within, the chosen boundaries will feel discriminated against. Those living in other isolated areas having a high cost of living will also feel left out. Any boundaries chosen will seem more or less arbitrary, especially to those who feel qualified for a special income supplement but are not given one. A decision must be made, however, even though some people who should be included on grounds of equity and fairness, will not be included for practical reasons.

We did not include small communities in ZONE C because of the enormous difficulty in establishing many isolated boundaries, the desire to minimize the impact of our proposals on settlement patterns in communities situated on or near boundaries, and the desire to minimize administrative problems arising from boundary disputes.

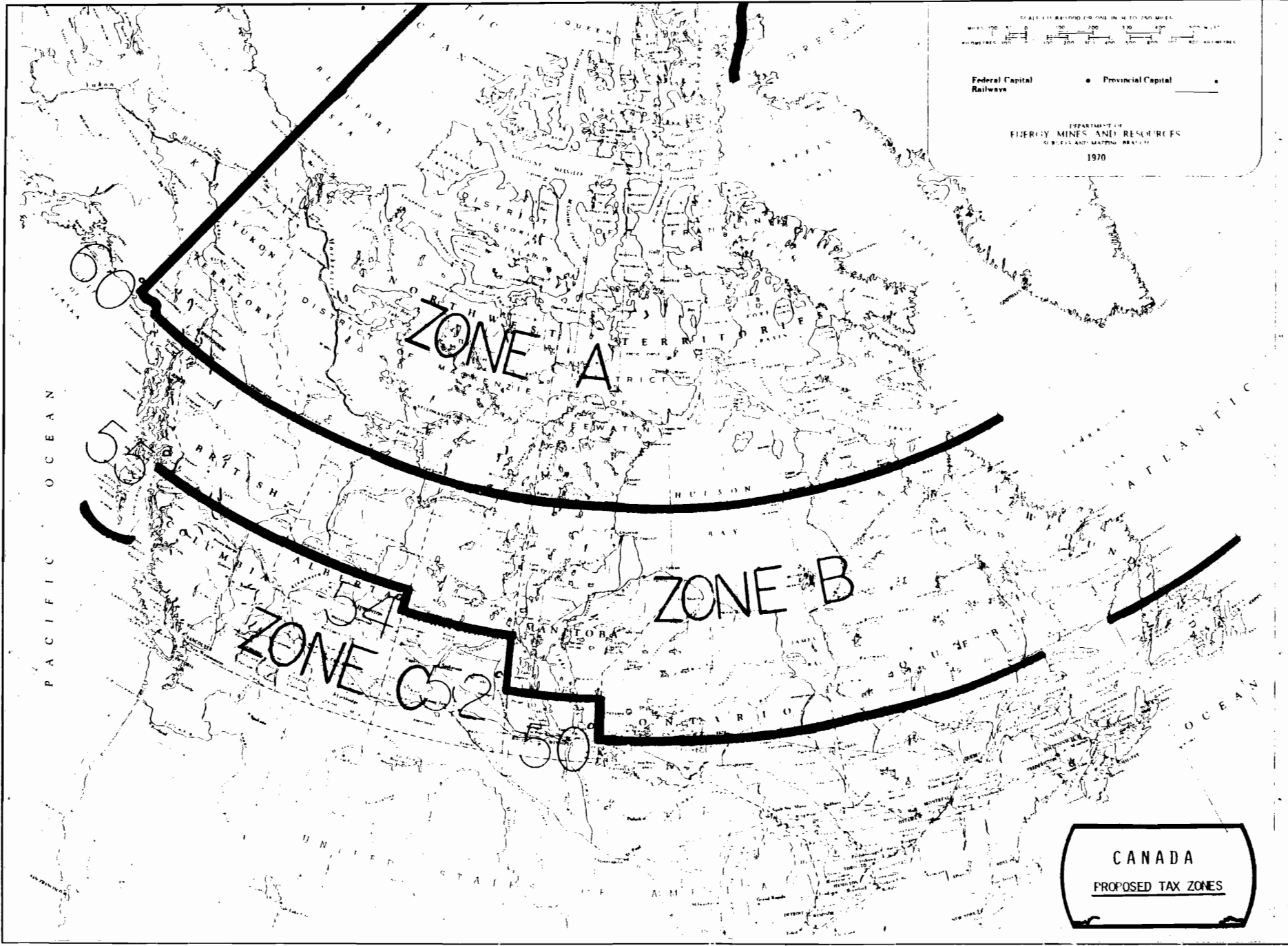
In the end, the importance of our proposals to the many Canadians who will receive an Indexed Northern Income Allowance will far outweigh the inconveniences caused by complaints over our choice of boundaries.

- ZONE A: That area of Canada located north of the 60th parallel of latitude, including all of the Yukon Territory and the Northwest Territories, and the northern most parts of Quebec and Labrador.
- ZONE B: That area of Canada lying between: the 55th and 60th parallel in British Columbia, and will include the Queen Charlotte Islands; the 55th and 60th parallel in Alberta; the 54th and 60th parallel in Saskatchewan; the 52nd and 60th parallel in Manitoba; the 50th and 60th parallel in Ontario; the 50th and 60th parallel in Quebec; the 50th and 60th parallel in Newfoundland, including Labrador; and will include all islands in the Hudson Bay, in the Gulf of St. Lawrence (excluding P.E.I.), and off the coast of Labrador. (The combined area in ZONES A & B is Northern Canada).
- ZONE C: That area of Canada not included in ZONES A & B.



Federal Capital Railways • Provincial Capital

DEPARTMENT OF ENERGY, MINES AND RESOURCES
 GEOLOGICAL AND MINING BRANCH
 1970



CANADA
PROPOSED TAX ZONES

DETAILS

- (a) The Northern Income Allowance (N.I.A.) should be indexed for inflation at the same rate as other personal income tax exemptions.
- (b) Taxpayers are only eligible to claim the full N.I.A. if they were "bona fide" residents⁽³⁶⁾ of Northern Canada during the preceding 18 month period⁽³⁷⁾.
- (c) Only a fraction of the total N.I.A. equal to the ratio of complete months spent in Northern Canada over the last 18 months, to 18 (i.e. number of months/18) is deductible.
- (d) The minimum residency requirement is 6 months.
- (e) A taxpayer who lives part of any year in both ZONE A and ZONE B qualifies for a fraction of both Allowances providing he meets the 6 month minimum residency requirement for both zones--in this case, the total Allowance cannot exceed that to which the taxpayer would have been entitled had he lived the entire year in ZONE A, and will not be less than that to which the taxpayer would have been entitled had he lived the entire year in ZONE B.
- (f) The maximum N.I.A. cannot exceed a taxpayer's net income, less all other deductions.

* * * * *

³⁶A "bona fide" resident is a person (other than a company or a trustee):

- (i) who resides in the area for more than 6 months of the year of income;
- (ii) who has actually been in the area, whether continuously or not, during more than one-half of the year of income; or
- (iii) not being a person to whom paragraph (i) or (ii) applies, who died during the year of income and at the date of his death resided in the area.

³⁷The "Report of the Northern Mineral Advisory Committee" also recommends an 18 month residency requirement (see page 39 of Report)

PROPOSALS

Three proposals are made for each zone:

PROPOSAL 1: for both zones is equal to the average income supplement paid to single Federal Government employees working in isolated posts in the specified zone (see TABLE 5: "Average Annual Income Supplement"), plus a housing allowance of \$1,500 in ZONE A and \$1,000 in ZONE B;

PROPOSAL 2: for both zones is equal to an income supplement no greater than that paid to 90% of all single Federal Government employees in the specified zone (see TABLE 5: "90th Percentile"), plus a housing allowance of \$1,500 in ZONE A and \$1,000 in ZONE B;

PROPOSAL 3: for both zones exceeds the highest income supplement paid to all single Federal Government employees in the specified zone (see TABLE 5: "Highest Annual Income Supplement"), plus a miscellaneous allowance. *PROPOSAL 3 IS RECOMMENDED BY THE AUTHORS.*

A fraction of the sum of all 'Basic Personal Exemptions' allowed on Federal Income Tax Returns — for children, spouse, old age, etc. — is included in the N.I.A. The fraction is $\frac{1}{2}$ in ZONE A and $\frac{1}{4}$ in ZONE B, representing an average cost of living difference between ZONES A and B and ZONE C.

Shelter, clothing, and automobile costs are not included in income supplements paid to Federal employees. In *PROPOSALS 1 & 2*, therefore, a housing allowance is included.

Other miscellaneous expenses, including clothing and the cost of purchasing transportation vehicles, are embodied in *PROPOSAL 3*.

ZONE A: (38)

PROPOSAL 1(a): Northern Income Allowance equals:
 $\$5,437 + \frac{1}{2} \times$ (The Sum of all Basic Personal Exemptions
 Allowed on Federal Income Tax Returns)

PROPOSAL 2(a): Northern Income Allowance equals:
 $\$7,288 + \frac{1}{2} \times$ (The Sum of all Basic Personal Exemptions
 Allowed on Federal Income Tax Returns)

PROPOSAL 3(a): Northern Income Allowance equals:
 ALL INCOME EARNED IN THE LAST 12 MONTHS, LESS OTHER PERSONAL
 DEDUCTIONS

ZONE B:

PROPOSAL 1(b): Northern Income Allowance equals:
 $\$2,987 + \frac{1}{4} \times$ (The Sum of all Basic Personal Exemptions
 Allowed on Federal Income Tax Returns)

PROPOSAL 2(b): Northern Income Allowance equals:
 $\$4,093 + \frac{1}{4} \times$ (The Sum of all Basic Personal Exemptions
 Allowed on Federal Income Tax Returns)

PROPOSAL 3(b): Northern Income Allowance equals:
 $\$5,000 + \frac{1}{4} \times$ (The Sum of all Basic Personal Exemptions
 Allowed on Federal Income Tax Returns)

³⁸The "Report of the Northern Mineral Advisory Committee" recommends an Indexed Northern Income Allowance of up to \$8,000 per year for qualified residents of the Yukon and N.W.T. (see pages 39 - 40 of Report).

ADMINISTRATION

Our proposals will not create an administrative burden for Revenue Canada; nor will they lead to more bureaucracy. Statistics Canada already gathers the necessary information and the Treasury Board already has a formula for applying that information to Northern income supplements. Our main departure from the Treasury Board formula is to propose an Indexed Northern Income Allowance that will be fair for all residents in a zone as opposed to only those residents in a particular community.

The dollar amount of an Indexed Northern Income Allowance should be adjusted periodically in response to fluctuations in cost of living differences between urban and Northern Canada. As Northern Canada develops, the need for a Northern Income Allowance will diminish.

Unless Provincial and Territorial Governments adopt proposals similar to ours, the Northern Income Allowance will require taxpayers in Northern Canada to calculate Provincial/Territorial and Federal taxes from two different net incomes so that only Federal tax revenue is affected. Provincial/Territorial taxes will be levied against net income before deducting the Northern Income Allowance, while Federal taxes will be levied against net income after deducting the Northern Income Allowance.

SAMPLE CALCULATIONS: (39)

CASE 1: A married man with three children born after 1963, whose wife and children do not work, would receive the following exemptions:

Basic Personal Exemption	\$ 2,650.00
Married Exemption	2,320.00
Exemptions for Wholly Dependent Children	1,500.00
	<hr/>
<i>SUB TOTAL:</i>	\$ 6,470.00
	<hr/>

If this man lived in ZONE A for the last eighteen months, he would receive additional deductions from his N.I.A. (*PROPOSAL 2(a)*) of:

$$(\$7,288 + \frac{1}{2} \times \$6,470) \quad \text{OR} \quad \$10,523.00$$

<i>TOTAL EXEMPTIONS:</i>	<u><u>\$16,993.00</u></u>
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CASE 2: A single woman with no dependants would receive the following exemptions:

Basic Personal Exemption	\$ 2,650.00
	<hr/>
<i>SUB TOTAL:</i>	\$ 2,650.00
	<hr/>

If this woman lived in ZONE B for the last six months, in ZONE A for six months prior to that, and in ZONE C before that, she would receive additional deductions from her N.I.A. (*PROPOSALS 1(a)* and *1(b)*) of:

$$\left[\frac{6}{18} \times (\$5,437 + \frac{1}{2} \times \$2,650) \text{ plus} \right. \\ \left. \frac{6}{18} \times (\$2,987 + \frac{1}{4} \times \$2,650) \right] \quad \text{OR} \quad \$ 3,470.50$$

<i>TOTAL EXEMPTIONS:</i>	<u><u>\$ 6,120.50</u></u>
--------------------------	---------------------------

SAMPLE CALCULATIONS (CONT'D):

CASE 3: A married man with two children born after 1963, whose wife earns too much for him to claim the Married Exemption, would receive the following exemptions:

Basic Personal Exemption	\$ 2,650.00
Exemptions for Wholly Dependent Children	1,000.00
	<hr/>
<i>SUB TOTAL:</i>	\$ 3,650.00
	<hr/>

If this man lived in ZONE B for the last twelve months and in ZONE C prior to that, he would receive additional deductions from his N.I.A. (*PROPOSAL 2(b)*) of:

$\left[\frac{12}{18} \times (\$4,093 + \frac{1}{4} \times \$3,650) \right]$	OR	\$ 3,337.00
		<hr/>
<i>TOTAL EXEMPTIONS:</i>		\$ 6,987.00
		<hr/> <hr/>

³⁹ Calculated from our proposals and with the use of: Revenue Canada, Your 1979 General Tax Guide and Return — For Residents of Ontario (Ottawa: Government of Canada, 1980).

REVENUE LOSS TO THE FEDERAL GOVERNMENT

Seen in isolation, our recommendations—*PROPOSALS 3(a)* and *3(b)*—will cost the Federal Government approximately \$70 million and \$400 million per year respectively in lost tax revenue. Revenue loss calculations are explained in APPENDIX B and results are contained in TABLE 5.

Funding for our proposals will come from four sources:

- (1) The Federal Government spends approximately \$20 million per year on isolated post benefits.⁽⁴⁰⁾ A Northern Income Allowance (N.I.A.) will free the Federal Government from paying most of these benefits; money saved here will help replace that lost from the N.I.A.
- (2) Corporations operating in Northern Canada deduct employee benefits from their taxable revenue. The N.I.A. will free these companies from paying some benefits, thus reducing their deductions from taxable revenue and increasing their taxes paid to the Federal Government. This increased corporate tax revenue will help replace lost personal tax revenue.
- (3) The lure of higher incomes provided by the N.I.A. will attract people to Northern Canada. Small businesses will respond to higher incomes and increased consumer demand for goods and services. New jobs will reduce unemployment insurance payments and increase Federal tax revenue, both of which will help finance the N.I.A.
- (4) How much Government revenue would be raised from the above three sources is difficult to determine. Any additional financing for the N.I.A. should be raised by increasing the rate of taxation levied against personal incomes of all Canadians—for example, all rates of taxation could be raised by $\frac{1}{4}$ or $\frac{1}{2}$ a percent.

⁴⁰Information obtained from Personnel Policy Branch, Treasury Board, Ottawa, April 1980.

Three reasons for including the fourth source of funding are:

- (a) Northern Canadians have \$470 million per year in unfair Federal taxes levied against their personal incomes (the cost of a N.I.A.). Assuming this tax revenue is needed by the Federal Government, then responsibility for paying it should be divided evenly across Canada's population and not heaped on Northerners.
- (b) A disproportionate share of Federal tax revenue, amounting to billions of dollars per year, is allocated to nation-wide services which, in reality, are provided almost exclusively to Urban Canada. Three examples are:⁽⁴¹⁾
- | | | | |
|-------|--------------|-----------------|-----------|
| (i) | Post Office: | \$1,274,804,919 | (1978/79) |
| (ii) | Transport: | \$1,657,882,000 | (1978/79) |
| (iii) | CBC: | \$ 481,671,000 | (1979) |

Granting \$470 million per year of Federal tax revenue to Northerners is a mere pittance by comparison.

- (c) An unnatural, inefficient, and inequitable quota of Canada's resources and population flows to large cities because the Canadian Income Tax Act discriminates against Northern Canada. Just as an artificially low price of oil will encourage excess and wasteful consumption of oil, similarly, an artificially low cost of Urbanization will encourage excess Urbanization, resulting in a waste of national resources.

Since part of the cost of Urbanization is imbedded in Federal taxes, which finance many services in Urban Canada, higher than equitable levels of taxation in Northern Canada and, consequently, lower than equitable levels of taxation in Urban Canada, will encourage excess Urban development at the expense of Northern development. This hidden incentive is undesirable from political, economic, and social viewpoints. The problem will only be resolved by ensuring Canada's taxation system is consistent with principles of equity and fairness, thus increasing Federal taxes paid by Urban Canada.

All Canadians are responsible for ensuring that Northerners are treated with equity and fairness.

⁴¹ Receiver General for Canada, *Public Accounts of Canada: 1978 - 79*. (Ottawa: Government of Canada, 1979) Volume 2, Table 2; Volume 3, p. 30.

TABLE 5
LOSS IN FEDERAL TAX REVENUE

<u>LOCATION</u>	LOSS IN FEDERAL TAX REVENUE					
	<u>\$4,000 N.I.A.</u>		<u>\$6,000 N.I.A.</u>		<u>\$7,500 N.I.A.</u>	
	<u>AVERAGE PER TAXPAYER</u>	<u>TOTAL MILLIONS</u>	<u>AVERAGE PER TAXPAYER</u>	<u>TOTAL MILLIONS</u>	<u>AVERAGE PER TAXPAYER</u>	<u>TOTAL MILLIONS</u>
Northern B.C.	\$ 874	\$ 47.99	\$1,305	\$ 71.64	\$1,620	\$ 88.94
Northern Alberta	\$ 861	\$ 40.60	\$1,286	\$ 60.63	\$1,601	\$ 75.49
Northern Sask.	\$ 849	\$ 16.69	\$1,269	\$ 24.94	\$1,554	\$ 30.54
Northern Manitoba	\$ 851	\$ 18.81	\$1,253	\$ 27.69	\$1,538	\$ 33.99
Northern Ontario	\$ 849	\$ 66.02	\$1,269	\$106.80	\$1,564	\$131.63
Northern Quebec	\$ 850	\$ 41.96	\$1,270	\$ 62.69	\$1,563	\$ 77.15
Northern Newfoundland (Including Labrador)	\$ 850	\$ 13.09	\$1,266	\$ 19.50	\$1,551	\$ 23.89
<i>TOTAL ZONE B</i>		<u>\$245.16</u>		<u>\$373.89</u>		<u>\$461.63</u>

<u>LOCATION</u>	LOSS IN FEDERAL TAX REVENUE					
	<u>\$7,000 N.I.A.</u>		<u>\$10,000 N.I.A.</u>		<u>NO INCOME TAX</u>	
	<u>AVERAGE PER TAXPAYER</u>	<u>TOTAL MILLIONS</u>	<u>AVERAGE PER TAXPAYER</u>	<u>TOTAL MILLIONS</u>	<u>AVERAGE PER TAXPAYER</u>	<u>TOTAL MILLIONS</u>
Yukon	\$1,511	\$ 20.20	\$2,107	\$ 28.17	\$2,995	\$ 40.04
Northwest Territories	\$1,312	\$ 28.75	\$1,387	\$ 30.39	\$1,387	\$ 30.39
<i>TOTAL ZONE A</i>		<u>\$ 48.95</u>		<u>\$ 58.56</u>		<u>\$ 70.43</u>

SOURCE FOR TABLE 5: APPENDIX B

OTHER RECOMMENDATIONS

NORTHERNERS WITH FIXED INCOMES

The case for an Indexed Northern Income Allowance applies equally well to Northern residents with fixed incomes—the elderly, the unemployed, and those on welfare; they also deserve a N.I.A. Fixed incomes paid by the Federal Government to Northern Canadians should, therefore, be increased in proportion to the cost of living differences between ZONE C and ZONES A and B.

Cost estimates for this proposal are not included in this paper. We suggest, however, that revenue to finance a N.I.A. for Northerners with fixed incomes be raised by increasing, for all Canadians, the rate of taxation and/or Canada Pension Plan and Old Age Security contributions and/or Unemployment Insurance Premiums.

* * * * *

EARLY RETIREMENT

In recognition of:

- (a) *those Northern residents who have already worked many years in Northern Canada and paid thousands of dollars in discriminatory Federal taxes, and*
- (b) *the cumulative impact of hardships and isolation endured by Northerners over time,*

and, as a means of:

- (c) *adding stability to the Northern labour force,*
- (d) *enticing Canadians to make Northern Canada their home, and*
- (e) *promoting Northern Development,*

we recommend that Northern Canadians be allowed to retire one year earlier for every five years spent working in Northern Canada. This benefit can be constrained by a maximum five year reduction in retirement age so that Canadians working twenty-five years or more in Northern Canada will be eligible for full Federal pensions at age sixty.

PROVINCIAL TAXATION

The case for a tax differential or an Indexed Northern Income Allowance can be applied to both the Federal and Provincial tax systems.

Like the Federal Government, Provincial Governments discriminate against Northerners by not adjusting provincial income taxes for cost of living differences, but also because provincial sales taxes are insensitive to important differences in living conditions.

The Provinces' gasoline taxes, which usually finance road construction and maintenance, are levied against all motorists at the same rate regardless of the condition and upkeep of local highways. In Northeastern British Columbia, for example, where the Province has not assumed responsibility for highway construction and maintenance since World War II, the gasoline tax is nevertheless inflicted upon area residents.

Retail sales taxes are also discriminatory: a disproportionately high share of sales tax revenue is siphoned from the pockets of Northerners because sales taxes are charged as a fixed percentage of retail prices even though retail prices are much higher in Northern Canada than in urban centres.

The Provincial Governments should consider restructuring their tax system using the criteria and boundaries proposed in this paper, and introduce a Provincial Indexed Northern Income Allowance to relieve Northerners of their unfair tax burden.

SUMMARY AND CONCLUSIONS

SUMMARY

Federal politicians must favour urban Canada — the largest political interest group in Canada — or lose their power. The result of this lop-sided distribution of political influence is exploitation: major economic projects undertaken in Northern Canada on behalf of urban residents are insensitive to the values and aspirations of Northern residents. The imminent dangers include protests from Northern Canadians and extraction of Northern resources to feed excessive urban sprawl.

Northern Development is an alternative to, and a necessary requirement for, continued urbanization. Indeed, Canada's future is closely linked to Northern Development; but successful Northern Development requires national policies founded on equity and fairness, not on exploitation.

Urban Canada has developed while Northern Canada has been ignored. Vast and sophisticated services and infrastructure are part of the natural environment in cities, but are luxuries in the North.

The cold climate, poor transportation; and sparse population cause high costs of living. Northern residents are isolated from the main stream of Canadian life. Their medical, communications, cultural, educational, shopping, protection, and other needs are not adequately met.

The high cost of living and the isolation in Northern Canada create financial and spiritual hardships not encountered in urban Canada. Many employers in the North must therefore pay special income supplements, ranging from \$2,000 to \$12,000 per year to attract and retain qualified personnel. Revenue Canada recently complicated the situation by announcing it will tax all Northern benefits that were once exempt.

Many Northern taxpayers do not receive any special benefits but must endure Northern hardships. They too deserve a Northern Income Allowance.

One reason Northern Canada is underdeveloped is that Federal laws and policies are not equitable. Consequently, hardships endured by Northerners are not compensated for . . . they are, in fact, compounded by a discriminatory tax system.

The Federal Government levies taxes according to one's "ability to pay". Inflation and the number of dependents affect real income and are, therefore, duly recognized by Canada's Income Tax Act. Price levels also affect real incomes and, hence, the ability to pay taxes; but Canada's Income Tax Act does not recognize the cost of living in its statutes. The result is a serious injustice suffered by the five percent of Canadians who live in Northern Canada.

Northerners pay \$470 million in unfair taxes every year. This figure was derived from information used to determine the value of income supplements paid to Federal employees working in Northern Canada.

Other side effects of Canada's discriminatory tax system are an unstable Northern labour force and a disincentive for people and business to locate in Northern Canada.

In Australia, Denmark, and the Soviet Union, special income allowances are granted to all residents inhabiting isolated and costly areas . . . Canada is behind the times.

* * * * *

PROPOSALS FOR EQUITY AND FAIRNESS

- (1) *Canadian taxpayers in the Yukon, in the Northwest Territories and in those parts of Quebec and Labrador North of the 60th parallel of latitude should be EXEMPT FROM ALL FEDERAL TAXES.*
- (2) *Canadian taxpayers in the remainder of Northern Canada deserve a Northern Income Allowance of \$5,000 PLUS ONE QUARTER OF THE SUM OF ALL BASIC PERSONAL EXEMPTIONS allowed on Federal Income Tax Returns.*
- (3) *Northerners with fixed incomes also deserve a Northern Income Allowance equal to the COST OF LIVING DIFFERENCE between Northern Canada and urban Canada.*
- (4) *Northerners should be ELIGIBLE FOR FEDERAL PENSIONS ONE YEAR EARLIER FOR EVERY FIVE YEARS SPENT WORKING IN NORTHERN CANADA. Canadians working twenty-five years or more in Northern Canada will be eligible for their pensions at age sixty.*

CONCLUSIONS

Our proposals are not unique. They are not founded on any radical definition of equity and fairness. We have merely demonstrated that existing Federal policy regarding income supplements paid to Federal employees working in isolated locations should be applied to all Canadians, not just civil servants.

The Indexed Northern Income Allowance (N.I.A.) will cost the Federal Government approximately \$470 million per year in lost tax revenue; this amount equals the unfair taxes currently levied against Northerners. Responsibility for raising the lost tax revenue should be shared evenly by all taxpayers.

Financing for the N.I.A. will come from reduced Federal employee income supplements and increased corporate taxes since our proposals will replace current Northern benefits. Other revenue from reduced U.I.C. payments and increased taxes will come from new economic activity responding to the N.I.A. The balance of funding can be raised by increasing the rate of taxation levied against all taxpayers.

Responsibility for financing the other proposals should be shared evenly by all Canadians. Revenue can be raised by increasing the rate of taxation and/or C.P.P. and O.A.S. contributions and/or U.I.C. premiums.

Our proposals will ensure Northerners are treated fairly. They are equitable and, because they are generalized incentives, they will not distort market signals; efficient economic development that is sensitive to values and aspirations of Northern residents will be encouraged. Our proposals will attract people and business to Northern Canada and will help create a stable, diversified, and productive national economy.

Northern Development will be ill-fated and National Unity will be flawed so long as Canadians know they will not be treated fairly by Canada's Income Tax Act and will not receive an equitable share of Canada's wealth if they move North.

Frontier resources provide the foundation for Canada's industrial progress. Today, the frontier is Northern Canada.

Our future as an industrial nation is therefore inextricably tied to the development of Northern Canada. A more enlightened approach to Northern Development . . . one founded on equity and fairness for Northerners . . . is essential to Canada's continued prosperity.

APPENDIX A

APPENDIX A contains price indexes showing the cost of living differences between major urban centres and selected locations in Northern Canada. The indexes were compiled by Statistics Canada for the Federal Government. They are used to determine 'cost of living supplements' paid to Federal employees in Northern Canada and are a composite of food, household operation, transportation, personal care, and tobacco and alcohol prices. Shelter costs, clothing, and automobile purchase are not included in the measurements.

The 'Base City' for each region has an index level of 100. If we take Anahim Lake, British Columbia as an example, the TABLE shows that retail prices for the above mentioned goods are 20 to 30 percent higher in Anahim Lake than in Vancouver, British Columbia.

The comparative indexes embrace the following: *

(1) FOOD:

- a) Meat, Fish & Poultry
- b) Dairy Products
- c) Fats & Oils
- e) Fruits & Vegetables
- f) Miscellaneous Groceries

(2) SUPPLEMENTARY GOODS & SERVICES:

- a) Household Operation
 - Soaps, Detergents, and Other Household
 - Other Household Care Articles
 - Laundry and Dry Cleaning
 - Telephone
- b) Transportation
 - Automobile Operation (Substituted by Snowmobile Operation at Locations where Automobiles are not Used)
 - Local and Long Distance Transportation
- c) Personal Care
- d) Tobacco & Alcohol

* SOURCE: "Notes on Isolated Posts Indexes", Treasury Board.
op. cit.

TABLE 6COST OF LIVING DIFFERENCES BETWEEN URBAN & NORTHERN CANADAZONE B*(BASE CITY INDEX = 100.0)*

<u>LOCATION</u>	<u>DATE OF SURVEY</u>	<u>BASE CITY</u>	<u>INDEX LEVEL</u>
<u>BRITISH COLUMBIA</u>			
Anahim Lake	May/June 1978	Vancouver	120.0-129.9
Blueberry I.O.S.	May/June 1978	Vancouver	*110.0-119.9
Dease Lake	May/June 1978	Vancouver	130.0-139.9
Fort Nelson	May/June 1978	Vancouver	110.0-119.9
Lower Post	May/June 1978	Vancouver	130.0-139.9
Stikine River	May/June 1978	Vancouver	*140.0-149.9
<u>ALBERTA</u>			
Assumption	June/July 1977	Edmonton	120.0-129.9
Chipewyan Lake	June/July 1977	Edmonton	*130.0-139.9
Fort McMurray	June/July 1977	Edmonton	100.0-109.9
Hay Lake	June/July 1977	Edmonton	120.0-129.9
Janvier	June/July 1977	Edmonton	*130.0-139.9
<u>SASKATCHEWAN</u>			
Black Lake	June/July 1977	Edmonton	140.0-149.9
Fond du Lac	June/July 1977	Edmonton	130.0-139.9
Ile A La Crosse	June/July 1977	Saskatoon	110.0-119.9
La Loche	June/July 1977	Saskatoon	120.0-129.9
Stoney Rapids	June/July 1977	Edmonton	130.0-139.9
Uranium City	June/July 1977	Edmonton	120.0-129.9
<u>MANITOBA</u>			
Churchill	Feb/March 1976	Winnipeg	120.0-129.9
God's River	Feb/March 1976	Winnipeg	150.0-159.9
Lac Brochet	Feb/March 1976	Winnipeg	140.0-149.9
Oxford House	Feb/March 1976	Winnipeg	140.0-149.9
Shamattawa	Feb/March 1976	Winnipeg	150.0-159.9
York Factory	Feb/March 1976	Winnipeg	140.0-149.9

**Indicates index calculated by association with other posts in same general area due to insufficient data being received.*

"Notes on Isolated Posts Indexes", Treasury Board, op. cit.

TABLE 6 (CONT'D)

COST OF LIVING DIFFERENCES BETWEEN URBAN & NORTHERN CANADAZONE B

<u>LOCATION</u>	<u>DATE OF SURVEY</u>	<u>BASE CITY</u>	<u>INDEX LEVEL</u>
<u>ONTARIO</u>			
Angling Lake	Feb/March 1979	Winnipeg	160.0-169.9
Big Trout Lake	Feb/March 1979	Winnipeg	150.0-159.9
Ogoki	Feb/March 1979	Toronto	150.0-159.9
Sachigolake	Feb/March 1979	Winnipeg	160.0-169.9
Spirit Lake	Feb/March 1979	Winnipeg	160.0-169.9
Winisk	Feb/March 1979	Toronto	170.0-179.9
<u>QUEBEC</u>			
Blanc Sablon	Sept/Oct. 1976	Montreal	120.0-129.9
Fermont	Sept/Oct. 1976	Montreal	120.0-129.9
Harrington Harbour	Sept/Oct. 1976	Montreal	*120.0-129.9
Mingam	Sept/Oct. 1976	Montreal	110.0-119.9
Natashquan	Sept/Oct. 1976	Montreal	*120.0-129.9
Schefferville	Sept/Oct. 1976	Montreal	120.0-129.9
<u>LABRADOR</u>			
Charlottetown	Sept/Oct. 1976	St. John's	*130.0-139.9
Fox Harbour	Sept/Oct. 1976	St. John's	*130.0-139.9
Labrador City	Sept/Oct. 1976	Montreal	120.0-129.9
Mud Lake	Sept/Oct. 1976	Montreal	130.0-139.9
Separation Point	Sept/Oct. 1976	Montreal	130.0-139.9
White Point	Sept/Oct. 1976	St. John's	130.0-139.9
<u>NEWFOUNDLAND</u>			
Blue Cove	Sept/Oct. 1976	Halifax	*120.0-129.9
Cook's Harbour	Sept/Oct. 1976	Halifax	*120.0-129.9
Flower's Island	Sept/Oct. 1976	Halifax	*120.0-129.9
Pine Cove	Sept/Oct. 1976	Halifax	*120.0-129.9
Ramea	Sept/Oct. 1976	Halifax	*120.0-129.9
St. Tunaire	Sept/Oct. 1976	Halifax	120.0-129.9

**Indicates index calculated by association with other posts in same general area due to insufficient data being received.*

"Notes on Isolated Posts Indexes", Treasury Board, op. cit.

TABLE 6 (CONT'D)

COST OF LIVING DIFFERENCES BETWEEN URBAN & NORTHERN CANADAZONE A

<u>LOCATION</u>	<u>DATE OF SURVEY</u>	<u>BASE CITY</u>	<u>INDEX LEVEL</u>
<u>YUKON</u>			
Beaver Creek	Oct/Nov. 1978	Vancouver	130.0-139.9
Dawson	Oct/Nov. 1978	Vancouver	130.0-139.9
Old Crow	Oct/Nov. 1978	Vancouver	160.0-169.9
Ross River	Oct/Nov. 1978	Vancouver	130.0-139.9
Watson Lake	Oct/Nov. 1978	Vancouver	130.0-139.9
Whitehorse	Oct/Nov. 1978	Vancouver	120.0-129.9

N.W.T.

Aklavik	Jan/Feb. 1978	Edmonton	140.0-149.9
Fort Good Hope	Jan/Feb. 1978	Edmonton	150.0-159.9
Fort Liard	May/June 1978	Vancouver	130.0-139.9
Gjoa Haven	May/June 1978	Edmonton	170.0-179.9
Inuvik	May/June 1978	Edmonton	130.0-139.9

NORTHERN QUEBEC

****FIGURES NOT AVAILABLE****

(See Page 15 For Living Cost Supplements)

SOURCE FOR TABLE 6: *Statistics Canada - Prices Division - Government Allowances Indexes Section, "Comparative Indexes of Retail Price Levels Encountered by Federal Government Employees". Treasury Board, op. cit.*

APPENDIX B

Estimates of the 'Loss in Federal Tax Revenue' (shown in TABLE 5), were calculated with the following formula:

$$\text{LOSS} = \text{OLD TAXES} - \text{NEW TAXES}$$

where,

LOSS: is the 'Loss in Federal Tax Revenue' (shown in TABLE 5)

OLD TAXES: are the 'Total Federal Taxes Payable' (shown in TABLE 7)

NEW TAXES: are calculated with the following formula:

$$\text{NEW TAXES} = \text{NO. EMPL.} \times \text{NEW AVE. FED. TAX}$$

where,

NEW TAXES: are the Total Federal Taxes that would be payable if Northerners were given Northern Income Tax Allowances recorded in TABLE 5.

NO. EMPL.: are the 'Number of People Employed' in a given region (shown in TABLE 7).

NEW AVE. FED. TAX: is the 'Average Federal Income Tax Payable Per Employee' in a given region after allowing for a deduction equivalent to the Northern Income Allowances recorded in TABLE 5. The N.I.A. is subtracted from the 'Average Annual Salary' (shown in TABLE 7) with the resulting net income having Federal taxes (shown in TABLE 8) levied against it.

NOTE

Different calculations were done for the Yukon and N.W.T. because we had access to preliminary estimates from Revenue Canada. In TABLE 7, the 'Total Federal Taxes Payable' was divided by the 'Number of People Employed' to get a new 'Average Federal Income Tax Payable per Employee'. Checking this figure with TABLE 8 gives an estimated 'Average Annual Salary'. The N.I.A. is subtracted from this figure with the resulting net income having Federal taxes (shown in TABLE 8) levied against it. The difference between 'Average Federal Income Tax Payable per Employee' before and after the N.I.A. is deducted, when multiplied by the 'Number of People Employed', gives the 'Loss in Federal Tax Revenue' (shown in TABLE 5).

FEDERAL PERSONAL INCOME TAX REVENUE

<u>LOCATION</u>	(4) % OF TOTAL LABOUR FORCE IN PROV. OR TER.	(5) LABOUR FORCE POP. ACTIVE (15 & OVER)	(6) NO. OF PEOPLE EMPLOYED	(7) AV. ANNUAL SALARY (1979)	AV. FEDERAL INC. TAX (8) PAYABLE/EMP. (MILLIONS)	(9) TOTAL FEDERAL TAXES PAYABLE (MILLIONS)
Northern B.C.	5%	60,100	54,900	\$16,932.97	\$3,053	\$167.61
Northern Alberta	5%	49,300	47,150	\$15,862.13	\$2,810	\$132.49
Northern Sask.	5%	20,800	19,650	\$14,249.35	\$2,453	\$ 48.20
Northern Manitoba	5%	23,600	22,100	\$13,410.23	\$2,280	\$ 50.39
Northern Ontario	2%	84,160	77,760	\$14,790.78	\$2,568	\$199.68
Northern Que. (1)	2%	55,920	49,360	\$14,731.03	\$2,556	\$126.16
Northern Nfld. (2)	10%	19,300	15,400	\$14,119.30	\$2,426	\$ 37.36
Yukon Territory	100%	N/A	13,368	\$18,272.43	\$3,385	\$ 40.04
N.W.T.	100%	N/A	21,914	\$20,160.97	\$3,841	\$ 30.39
Z O N E A	--	N/A	35,282	\$15,034.61*	\$3,667	\$ 70.43
Z O N E B (3)	--	313,180	286,320	\$19,483.31*	\$2,621	\$761.89

*Weighted Average

FOOTNOTES FOR TABLE 7

- (1) -- Includes all of Quebec North of 50 degrees.
- (2) -- Includes all of Labrador
- (3) -- Includes area North of 60 degrees in Quebec and Labrador which are actually part of ZONE A
- (4) -- The population figures recorded in "Population: Geographic Distributions - Federal Electoral Districts", Census of Canada (1976), were adjusted for a population growth equal to that occurring between 1971 and 1976, then divided by four to estimate the labour force, and then divided by the total labour force for the Province or Territory as reported by Statistics Canada in "The Labour Force", March 1979, to derive a percentage.
- (5) -- These figures are the corresponding percentage of the total labour force in the Province or Territory as reported by Statistics Canada in "The Labour Force", March 1979.
- (6) -- These figures are the corresponding percentage of the number of people employed in the Province or Territory as reported by Statistics Canada in "The Labour Force", March 1979, except for the Yukon Territory and the N.W.T., where figures are preliminary estimates by Revenue Canada for the 1978-1979 taxation year (Ottawa).
- (7) -- Source: Statistics Canada, "Employment, Earnings, and Hours", 1979. The figures are an average of all average weekly earnings for the months of January to October, 1979, multiplied by 52 weeks.
- (8) -- These figures are the average Federal taxes payable per employee earning the average annual salary in his region, assuming no Federal deductions. Calculations correspond with 1979 Federal Tax Table.

FOOTNOTES FOR TABLE 7 (CONT'D)

- (9) -- Total federal taxes payable are derived by multiplying the number of people employed in a given region by the average federal taxes payable per employee of that region. In the case of ZONE A, the Yukon Territory, and the N.W.T., the figures are preliminary estimates by Revenue Canada for the 1978-1979 taxation year (Ottawa). Note that these figures are less than what would be derived by calculations done for the Provinces. ZONE A estimates are less than they should be because the northern-most areas of Quebec and Labrador are not included. ZONE B estimates are greater than they should be because the northern-most areas of Quebec and Labrador are included.

TABLE 8

1979		RATES OF FEDERAL INCOME TAX	
<u>TAXABLE INCOME</u>			<u>TAX</u>
\$ 829 or less			6%
\$ 829	\$ 50	+ 16%	On Next \$ 829
\$ 1,658	\$ 182	+ 17%	On Next \$ 1,658
\$ 3,316	\$ 464	+ 18%	On Next \$ 1,658
\$ 4,974	\$ 763	+ 19%	On Next \$ 3,316
\$ 8,290	\$ 1,393	+ 21%	On Next \$ 3,316
\$11,606	\$ 2,089	+ 23%	On Next \$ 3,316
\$14,922	\$ 2,852	+ 25%	On Next \$ 3,316
\$18,238	\$ 3,681	+ 28%	On Next \$ 4,974
\$23,212	\$ 5,073	+ 32%	On Next \$16,580
\$39,792	\$10,379	+ 36%	On Next \$24,870
\$64,662	\$19,332	+ 39%	On Next \$34,818
\$99,480	\$32,911	+ 43%	On Remainder

SOURCE: Your 1979 General Tax Guide and Return - For Residents of Ontario (Ottawa: Government of Canada, 1980).

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