



Northern Allowance

The Northern Allowance is intended to do the following:

Equalize the buying power of employees throughout the North by providing an allowance which equalizes employee buying power.

Key to the Northern Allowance is that it attempts to compensate an employee for reasonable differences in cost of living.

To do this the Northern Allowance has two indexes:

- Cost of Living Component
- Transportation Component

The base amounts used in each of these two indexes determine the total value of Northern Allowance for each community.

Transportation Component

- The transportation portion of the allowance varies by community.
- The transportation component uses an index based on the 7 day advance airfare rate to the community's point of departure in effect when the allowance was developed (Sept. 1995).

The index is calculated as follows:

$(\text{Community Rate} / \text{Yellowknife Rate}) * (\text{Base Amount})$

Cambridge Bay Airfare	=	\$1,125.64
Yellowknife Airfare	=	\$ 806.71

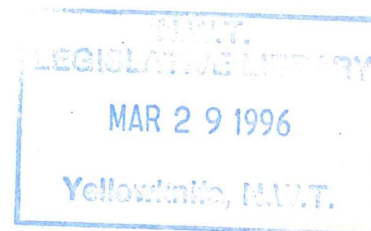
$1125.64 / 806.71 = 1.395$

When the Base Amount is set at \$1,250 the following occurs:

$(1125.64 / 806.71) * \$1250$
 $1.395 * \$1250$
 \$1743.75

This same process is used for all communities.

Attached for each community is the 7 day excursion airfare rate, the index and the transportation component of the allowance when \$1,250 is used as a base.



Cost of Living Component

The cost of living component of the Northern Allowance is based on several concepts:

- Statistics Canada measures the relative cost of living between NWT communities and major southern cities based on the purchase of a set basket of goods. These southern centers include Montreal for Iqaluit, Edmonton for Yellowknife, etc...
- Statistics Canada measures the cost of a basket of goods purchased in major Canadian centers, including Yellowknife
- These two surveys can be linked to a common community (Yellowknife) to determine the relative cost of a basket of goods in NWT communities on a consistent basis

Statistics Canada surveys northern communities once every four years (approximately). The information from these surveys is used to develop indexes for the Federal government's Isolated Post Price indexes.

Each community surveyed receives a rating in a five point range (100-105 for example). The index range compares the cost of living in the northern community to the nearest southern city.

Communities in the NWT may be compared to Edmonton, Winnipeg, Montreal or Vancouver, depending on their location. The first step in the process of developing a single index for the NWT is to rebase all communities to a single common point.

All communities were rebased to compare them to Yellowknife. This was because:

- salary rates are based on economic conditions in Yellowknife
- a single base city is necessary for comparisons between NWT communities
- Yellowknife is the only northern community surveyed in the Family Expenditure survey

Rebasing communities is done in the following steps:

Community	=	Arctic Bay
Original Base City	=	Montreal
Arctic Bay index to Montreal	=	172.5
Yellowknife index to Edmonton	=	137.5
Montreal index to Canada	=	99.95
Edmonton index to Canada	=	93.10

Yellowknife index to Yellowknife

(YK Index to Edm. * Edm. Index to Canada) / (YK Index to Edm. * Edm. Index to Canada)

$$(137.5 * .9310) / (137.5 * .9310) * 100 = 100$$

Arctic Bay index to Yellowknife

(Arctic Bay Index to Mont. * Mont. Index to Canada) / (YK Index to Edm. * Edm. Index to Canada)

$$(172.5 * .9995) / (137.5 * .9310) * 100 = 134.685 * (\text{see note below})$$

The same process is followed for each community.

Yellowknife, as the base of the index, requires an initial value to set the index in motion. The Family Expenditure Survey conducted by Statistics Canada provides a base. This survey purchases a basket of goods in major Canadian centers. The basket of goods purchased in Yellowknife in 1994 had a value of \$17,244. This number is manipulated by the index to determine the cost for the same goods in other communities. The basket includes food purchased in stores, household operations costs, household furnishings and equipment, the operation of automobiles and trucks, and personal care costs.

The formula used is:

(Cost of Yellowknife basket * Community Index Value/100) - Cost of Yellowknife Basket

Arctic Bay Index Value	=	134.685
Yellowknife Basket	=	\$17,244

$$(\$17,244 * 134.685/100) - (\$17,244) = \$5,981.08$$

The initial value of the allowance would be \$5,981.08.

To determine the total value of the Northern Allowance that was consistent with the overall compensation reduction, an additional \$500 was added to the based. By adding the \$500 to the base the calculation would change as follows:

$$((\$17,244 + \$500) * 134.685/100) - \$17,244 = \$6,654.51.$$

Attached are the current rebased indexes for all communities. All communities are rebased relative to Yellowknife. The list also includes the year the Statistics Canada Survey was conducted in the community and the calculated settlement allowance.

* Index figures provided by the NWT Bureau of Statistics

TRANSPORTATION COMPONENT OF THE NORTHERN ALLOWANCE

(Community Airfare/Yellowknife Airfare) * Base Amount

	7 Day Excursion	Base Amt. == => Relative	1,250 Amount
Northwest Territories			
Baffin Region			
Arctic Bay	1857.22	2.302	2,878
Broughton Islan	1801.88	2.234	2,792
Cape Dorset	1732.33	2.147	2,684
Clyde River	2029.79	2.518	3,145
Grise Fiord	2383.96	2.955	3,694
Hall Beach	1844.68	2.287	2,858
Igloolik	1844.68	2.287	2,858
Iqaluit	1382.44	1.714	2,142
Lake Harbour	1508.70	1.870	2,338
Nanisivik	1810.44	2.244	2,805
Pangnirtung	1653.15	2.049	2,562
Pond Inlet	2255.56	2.798	3,495
Resolute	1868.22	2.316	2,895
Sanikiluaq	1116.01	1.383	1,729
Keewatin Region			
Arviat	1154.53	1.431	1,789
Baker Lake	1587.88	1.968	2,460
Chesterfield Inle	1342.85	1.665	2,081
Coral Harbour	1790.11	2.219	2,774
Rankin Inlet	1160.95	1.439	1,799
Repulse Bay	1790.11	2.219	2,774
Whale Cove	1332.15	1.651	2,064
Kitikmeot Region			
Cambridge Bay	1125.64	1.395	1,744
Coppermine	1112.80	1.379	1,724
Gjoa Haven	1797.60	2.228	2,785
Holman	1631.75	2.023	2,528
Pelly Bay	2001.97	2.482	3,102
Taloyoak	1916.37	2.376	2,969

TRANSPORTATION COMPONENT OF THE NORTHERN ALLOWANCE

(Community Airfare/Yellowknife Airfare) * Base Amount

	7 Day Excursion	Base Amt. == => Relative	1,250 Amount
Northwest Territories			
Inuvik Region			
Aklavik	1355.69	1.681	2,101
Colville Lake	1348.20	1.671	2,089
Deline	1284.00	1.592	1,990
Fort Good Hope	1407.05	1.744	2,180
Fort McPherson	1371.79	1.700	2,126
Fort Norman	1196.26	1.483	1,854
Inuvik	1227.29	1.521	1,902
Norman Wells	1020.78	1.265	1,582
Paulatuk	1789.04	2.218	2,772
Sachs Harbour	1934.56	2.398	2,998
Tsiigehtchic	1320.24	1.637	2,046
Tuktoyaktuk	1466.97	1.818	2,273
Fort Smith Region			
Fort Liard	789.12	0.978	1,223
Fort Providence	782.52	0.970	1,213
Fort Resolution	998.71	1.238	1,548
Fort Simpson	1036.83	1.285	1,607
Fort Smith	645.27	0.800	1,000
Hay River	702.52	0.871	1,089
Jean Marie Rive	1036.83	1.285	1,607
Kakisa	799.61	0.991	1,239
Lac La Martre	999.38	1.239	1,549
Lutselk'e	998.71	1.238	1,548
Nahanni Butte	1036.83	1.285	1,607
Rae-Edzo	849.51	1.053	1,316
Rae Lakes	1061.44	1.316	1,645
Snare Lake	1020.78	1.265	1,582
Trout Lake	1036.83	1.285	1,607
Wrigley	1036.83	1.285	1,607
Yellowknife	806.71	1.000	1,250

COST OF LIVING COMPONENT OF NORTHERN ALLOWANCE

	Base Amt. ==>	17,244	500
(Community Index * (Base Amount + 500)) - Base Amount	Yellowknife = 100	Survey Year	Calc. Sett. Allowance
Northwest Territories			
Baffin Region			
Arctic Bay	135	1993	6,655
Broughton Island	127	1993	5,269
Cape Dorset	127	1993	5,269
Clyde River	127	1993	5,269
Grise Fiord	135	1993	6,655
Hall Beach	131	1993	5,962
Igloolik	131	1993	5,962
Iqaluit	123	1993	4,576
Lake Harbour	127	1993	5,269
Nanisivik	131	1993	5,962
Pangnirtung	127	1993	5,269
Pond Inlet	127	1993	5,269
Resolute	131	1993	5,962
Sanikiluaq	120	1992	4,106
Keewatin Region			
Arviat	115	1993	3,223
Baker Lake	126	1993	5,172
Chesterfield Inlet	126	1993	5,172
Coral Harbour	134	1993	6,472
Rankin Inlet	123	1993	4,522
Repulse Bay	134	1993	6,472
Whale Cove	130	1993	5,822
Kitikmeot Region			
Cambridge Bay	138	1994	6,952
Coppermine	136	1994	6,952
Gjoa Haven	140	1994	7,598
Holman	133	1994	6,307
Pelly Bay	145	1993	8,421
Taloyoak	140	1994	7,598

COST OF LIVING COMPONENT OF NORTHERN ALLOWANCE

	Base Amt. = = >	17,244	500
(Community Index * (Base Amount + 500)) - Base Amount			
Yellowknife = 100	Survey Year	Calc. Sett. Allowance	
Northwest Territories			
Inuvik Region			
Aklavik	125	1994	5,017
Colville Lake	151	1994	9,533
Deline	133	1994	6,307
Fort Good Hope	129	1994	5,662
Fort McPherson	122	1994	4,371
Fort Norman	125	1994	5,017
Inuvik	118	1994	3,726
Norman Wells	118	1994	3,726
Paulatuk	147	1994	8,888
Sachs Harbour	151	1994	9,533
Tsiigehtchic	122	1994	4,371
Tuktoyaktuk	129	1994	5,662
Fort Smith Region			
Fort Liard	105	1994	1,315
Fort Providence	104	1994	1,145
Fort Resolution	107	1994	1,790
Fort Simpson	107	1994	1,790
Fort Smith	104	1994	1,145
Hay River	100	1994	500
Jean Marie Rive	115	1994	3,081
Kakisa	107	1994	1,790
Lac La Martre	122	1994	4,371
Lutselk'e	122	1994	4,371
Nahanni Butte	113	1994	2,830
Rae-Edzo	107	1994	1,790
Rae Lakes	122	1994	4,371
Snare Lake			
Trout Lake	115		3,081
Wrigley	115	1994	3,081
Yellowknife	100	1994	500