ADVISORY OPINION OF THE COMITÉ CONSULTATIF DE LUTTE CONTRE LA PAUVRETÉ ET L'EXCLUSION SOCIALE

THE IMPACT OF PUBLIC RATES INCREASES ON THE LIVING CONDITIONS OF LOW-INCOME GROUPS

Rates that exclude...
Solutions that unite

Québec

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To André Mignault,

a man of heart and vision who inspired us
to examine the issue of the impact of public rate increases

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…and to everyone who attended the forum held on November 22, 2007, at the Centre Saint-Pierre in Montréal.

TABLE
OF CONTENTS

FOREWORD

The Comité consultatif de lutte contre la pauvreté et l'exclusion sociale, constituted under a statute enacted to lay the groundwork for a poverty-free and more inclusive Québec in response to a sweeping grassroots movement, is empowered to advise the government on policies that have an impact on poverty and social exclusion and to monitor them.

The Comité consultatif has 17 members from some 12 regions of Québec and from all segments of society, including persons in situations of poverty and social exclusion. The values of equality, participation and trust are the cornerstones for its deliberations and action

Equality—equality of rights and the right to equality—is central to the action aimed at bettering the economic situation of persons living with poverty and social exclusion and improving their and the community's ability to act. The disparities that can hinder social cohesion must be reduced, income being uppermost, as well as unequal access to education, jobs, housing, recreation, culture, health, and well-being.

The Comité consultatif is convinced of the importance of the participation of every individual and group in actions to make Québec poverty-free and more inclusive. The participation of people personally affected by poverty and social exclusion is crucial. Their experience and input must be used in finding new approaches in the fight against poverty and social exclusion.

The Comité consultatif affirms its confidence in the will of people in situations of poverty and social exclusion to be the primary movers in changing their situation and that of their families. Strengthening the ability of individuals and communities to act will make society as a whole all the richer and foster lasting development.

At a time when Quebecers are pondering their identity and their ability to accommodate newcomers, when the cost and quality of healthcare grows more worrisome with each passing day, and when astronomical investments will be required to repair our crumbling infrastructure, the reduction of poverty is fading in public discourse. And yet, now more than ever, a poverty-free and more inclusive Québec is one of the prerequisites for our sustainable development and one of the most effective strategies for meeting the challenges we face, including social cohesion, labour shortages and healthcare costs.

With less poverty, all of us stand to gain immeasurably…

MESSAGE FROM THE CHAIR

The Comité consultatif de lutte contre la pauvreté et l'exclusion sociale is both pleased and proud to present its *Advisory opinion on the impact of public rate increases on the living conditions of low-income groups*. In June 2006, the members of the Comité consultatif decided upon three central focuses for their work, one of which was to help ensure that the life experience and input of individuals in situations of poverty and social exclusion are taken into account in the government decisions that concern them.

From this last focus, a priority emerged. In the opinion of the Comité consultatif, the hike in public rates in recent years had weakened the effect of government measures meant to improve the income of individuals and families. This had created a breach in the efforts made to reduce poverty, especially given that the measures have not benefited everyone equally. Some progress has been made for families, but the situation of single people in poverty remains worrisome.

We very soon realized that energy and transportation costs were priorities, not only because of the huge bite they take out of the budgets of low-income groups, but also because they are areas in which coherent public action operating within an integrated vision of sustainable development can have considerable benefits in terms of the integration of persons in situations of poverty and social exclusion.

Last November 22 in Montréal, the Comité consultatif organized a forum that brought together players from the transportation and energy sectors to share their ideas for measures aimed at countering the impact of rate increases on the living conditions of low-income groups. This exercise provided the basis for the Advisory Opinion I am submitting today. I hope that you will read it with interest and agree with us on the urgency of staying on course in our pursuit of poverty reduction. If Québec is to become one of the industrialized societies least afflicted by poverty, we must implement solutions that conquer divisions. This is exactly what we are recommending.

Tommy Kulczyk

Chair

PUBLIC RATE INCREASES
A BREACH

The user pay principle

Québec and Canada have a progressive tax system, in other words, the more income individuals have, the more tax they pay. This provides the basis for the social solidarity built into our respective tax systems. In 2001-2002, personal income tax generated 32.2% of Québec revenues, compared with 29.7% in 2005-2006.[1] During the same period, the corporate share held steady (roughly 8.12%). Alongside this, consumption taxes, State corporation dividends, and registration and licenses accounted for an ever-growing portion of Québec revenues, with the State making user fees more prevalent.

Many experts believe that because Québec has a greying population and public spending is high in relation to the generation of wealth, it should increasingly rely on user fees in response to the enormous cost of healthcare and infrastructure.[2] These experts see numerous advantages and few drawbacks to this option. One of these inconveniences is that the user-pay format is a form of regressive financing: "The fact of charging user fees for public goods or services may prevent less fortunate taxpayers from accessing them." The authors go on to say that "the State must then choose between offering softer-edged measures for this clientele or deliberately excluding them,"[3] which, of course, is not a possibility given the common values espoused by all Québec governments.

In analyzing the context and issues that influence action aimed at combating poverty and social exclusion, the members of the Comité consultatif de lutte contre la pauvreté et l'exclusion sociale (hereinafter referred to as the advisory committee unless the official designation is called for) quickly came to see rate increases for basic commodities, which had intensified in recent years, and the effects of the trend towards more extensive deployment of user fees on the living conditions of persons in situations of poverty and social exclusion, as causes for concern. Their research led them to conclude that the increases were detrimental to the offensive against poverty and action to ensure better income distribution.

This issue became a top-level priority for the advisory committee. These increases, especially those that involve basic commodities such as transportation and energy, could very well undercut government measures to improve the lives of persons in situations of poverty and social exclusion.

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1. See Tables J.2, C.1, C.4 and C.6 of the Budget Plan, 2007-2008 Budget. More than 40% of potential taxpayers have no income tax to pay because their income is below taxable levels.
2. Gilles N. Larin and Daniel Boudreau, *La tarification des services publics, financement différent ou taxe supplémentaire* – Fascicule 1 : *Un contexte favorable*, Chaire de recherche en fiscalité et en finances publiques, Université de Sherbrooke, 2008, 46 p.
3. *Ibid.*, Fascicule 2, *L'état de la situation*, p. 17.

When costs outstrip income

The impact of public rate increases on the living conditions of persons on a low income brings the insufficiency of the income of persons in situations of poverty and social exclusion clearly into focus. The advisory committee was aware that some progress had been made for families, but that the situation of single people in poverty remained worrisome. It was equally concerned about the plight of low-income workers, whose situations were worsening at pace with labour market changes and public rate increases.

According to the Year Three Report of the 2004-2009 Government Action Plan to Combat Poverty and Social Exclusion, the disposable income of a social assistance single-parent family with one young child went up 21.9% between 2003 and 2007.[4] During the same period, the income of an unattached adult on social assistance without a severely limited capacity for employment rose by a mere 4.8%,[5] at a time when the Consumer Price Index (CPI) increased by 7.7% in Québec, below that of basic commodities.

In examining price increases for basic commodities such as electricity, heating, transportation or food, we see that between 2003 and 2007, the cost of electricity rose by 13.5%,[6] and that between 2000 and 2006, that of natural gas, by 37.2%, and of oil, by 49.5%. From 2006 to 2006, the price index for public transit in Québec increased by 29.2%.[7]

On the food front, according to Dispensaire diététique de Montréal (DDM) calculations, the increase in the cost of a healthy diet was 11.1% in two years. Dietician Marie-Paule Duquette, a DDM employee since 1969, feels that governments should adopt measures for reducing the percentage of the household budget that poor families spend on housing so they can put these savings directly on the dinner table. From 2000 to 2006, the increase in housing costs outpaced the CPI—15.3% versus 13.6% (largely because of higher energy costs).

When these facts are considered, the impact of public rate increases on the living conditions of low-income groups becomes glaringly evident because housing, electricity, heating, food and transportation make up the bulk of their expenditures. Hefty cost increases for these commodities have adversely affected the quality of life of people who, for the most part, survive on a fixed income.

Ever-rising costs. A way of life

To better understand how low-income groups deal with the fallout of cost increases in the real world, the advisory committee commissioned a study of various groups of people in the low-income bracket in urban and rural areas alike, namely, the elderly, single parents, low-income earners and social assistance recipients.

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4. *Government Action Plan to Combat Poverty and Social Exclusion – Year Three Report*, Government of Québec, October 2007, p. 25.
5. *Ibid.*, p. 27.
6. The moratorium on electricity rate increases, in effect since 1998, ended in January 2004.
7. *Évaluation et atténuation des impacts des hausses de tarifs d'électricité et de transport en commun sur les ménages à faible revenu : réflexions et propositions de la CACQ*, document prepared for the forum on the impact of public rate increases, by Richard Dagenais, ACEF de Québec, on line at the advisory committee Web site at www.cclp.gouv.qc.ca.

This qualitative study,[8] conducted using a group discussion format, was aimed at answering questions such as the following: Did public rate increases affect individuals as much as the advisory committee had expected? What choices did these increases force these individuals to make? What effects did these increases have on their life and hopes?

Our study revealed that:

- After housing, energy and transportation are the two cost categories that make the biggest dent in the budgets of low-income groups
- Since low-income groups have very little financial leeway or none at all, public rate increases mean cutting back or cutting out, calculating every cent, and constant re-tracking in terms of budget planning
- The first expenses to be trimmed or eliminated are recreation, clothing and food.

Increases in the cost of transportation have a major impact because in order to work, get training or obtain healthcare services, being mobile is becoming a must. It is possible to cut corners when it comes to clothing and food because relief services, such as food banks and used clothing stores, have been developed. Many people resort to food banks on a regular basis, but it takes its toll on their self esteem.

You step on your pride and you do what you have to do.[9]

As the firm commissioned to do the study stated,[10] transportation is an expense that is hard to avoid or even reduce because there is no viable option.

This study gave the advisory committee a clearer understanding of the impact of public rate increases on the situation of people on low incomes. They grapple with financial conditions that are very hard to manage from day to day, with the resulting deleterious effects on their outlook and stress level and therefore their social and family life. Doing more with less is the daily lot of persons in situations of poverty and social exclusion: "This research serves to dispel the myth that these people are not doing well because they cannot manage their budget."[11] The truth is that persons in situations of poverty and social exclusion are always in survival mode.

The result is resignation. They see the ever-widening gap between the rich and the poor and feel abandoned and rejected. Many of them no longer believe in the measures designed to help them and others have neither the hope of escaping their situation nor the fortitude to try.

It's hard to think about the future when you don't even have a present.

The future seems like a dead end and there's no way out.

In one hand and out the other.[12]

8. *Discussion groups on the impact of rate increases on the living conditions of low-income groups - Analysis Report*, on line at the advisory committee Web site at **www.cclp.gouv.qc.ca**.
9. Testimony of a discussion group participant.
10. *Op. cit.*, p. 6.
11. *Op. cit.*, p. 17.
12. Other testimonies from the discussion.

FEES
THAT FEED EXCLUSION

The analysis on which the committee's planning and aims and objectives[13] is based bears out that public rate increases make the situation of persons on a low income even shakier and poke holes in the social safety net that the government action plan had hoped to help solidify.

As study of the issue continued, the advisory committee became aware that, given the income of the poorest members of our society, user fees exacerbate the exclusion that accompanies poverty. The increased prevalence of user fees and exorbitant hikes in the cost of basic commodities has meant that too many of our fellow citizens lack "the resources, means, choices and power needed to acquire and maintain their economic independence or to foster their integration and participation in society."[14]

The study commissioned by the committee,[15] whose highlights were presented above, revealed that energy and transportation are two areas where rising costs are particularly harmful to people on a low income and where the government can do a great amount to cushion the impact.

Furthermore, energy and transportation are possible points of convergence for the fight against poverty and social exclusion and protection of the environment. Energy efficiency and the development of public transit and access to it can contribute to improving the lives of Quebecers and can help Québec take up the environmental challenge. Energy and transportation are two fields in which a sustainable development approach is taking shape and gaining momentum in Québec and where there are opportunities for new forms of solidarity.

What follows is an analysis of the actual effects of the rise of energy and transportation costs on the lives of low-income groups and an overview of the various approaches for easing the impact.

13. *With Less Poverty, All of Us Stand to Gain Immeasurably, Planning, Aims and Objectives for 2006-2009*, Comité consultatif de lutte contre la pauvreté et l'exclusion sociale, p. 26 (available at www.cclp.gouv.qc.ca).

14. Poverty within the meaning of the *Act to combat poverty and social exclusion*, section 4.

15. *Discussion groups on the impact of public rate increases…, loc. cit.*

Transportation: A basic need that is largely unrecognized

Access to transportation is a very different problem depending on whether we are talking about urban or rural areas. As the advisory committee has pointed out,[16] between 2004 and 2006, the cost of transportation for low-income groups using public transit increased by 18%. In rural areas, where there is no public transit, the cost of transportation doubled (35.5%), due primarily to the steep hike in gas prices.

As Sainte-Anne-des-Monts Mayor Micheline Pelletier explained at the forum on the impact of public rate increases, in rural areas, lack of access to transportation is a more serious problem than in cities, and the consequences are more severe. Even in cities, the heavy increase in transportation costs has hindered the social integration of people who are poor. According to data complied by Richard Desmarais of the ACEF de Québec,[17] the price index for public transit grew twice as fast as that of the overall consumer price index in Québec between 2000 and 2006 (29.2% versus 13.6%).

The income of social assistance recipients who do not have a severely limited capacity for employment is approximately $610 a month.[18] Subtract amounts for rent, electricity and food, and the remaining amount does not cover a monthly bus pass. This means they must buy single bus tickets every time they need to travel to get healthcare services, go to a local employment centre or be interviewed for a job. The cost of single tickets has risen even more quickly than that of monthly bus passes.

> *Granted, getting around has never been easier thanks to the automobile and public transit, but, then again, never before has the pace of life been this hectic or life been this complex. The poorer you are, the more you need to get from place to place. The more you need to do this, the harder it is, the more it costs, the less you benefit from what the city has to offer, and the more likely you are to be swept up in a spiral leading to greater poverty, marginalization and exclusion.*[19]

For people in rural areas where there is no public transit, greater transportation costs exact a heavy toll in terms of their isolation and access to services. As Sylvie Bellerose of Solidarité Québec explained at the forum on the impact of public rate increases, the concentration of services (health, education, banking, etc.) in central cities in rural areas has increased the need for transportation at a time when intercity bus service is threatened, hours and schedules have been slashed, and some communities are being by-passed entirely.

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16. *Op. cit.*, p. 26.
17. *Évaluation et atténuation des impacts des hausses de tarif d'électricité et de transport en commun sur les ménages à faible revenu : réflexions et propositions de la CACQ*, document produced for the forum on the impact of public rate increases, available at the advisory committee Web site at **www.cclp.gouv.qc.ca**, p. 3.
18. $7307 a year, including social assistance benefits, QST refunds and property tax refunds.
19. *Transports, pauvretés, exclusions : pouvoir bouger pour s'en sortir*, J.P. Orfeil, ed., Éditions de l'Aube, 2004.

The ability of persons in situations of poverty to get from place to place in order to be actively involved in society and to become self-sufficient is therefore increasingly under siege in a world where the automobile, with the attendant problems it poses for the environment and health, reigns supreme. This phenomenon also contributes to deepening the disparities between the people who can afford to have a car or cars, those who cannot really afford to have or use one but who do because they must get to work somehow, and those who can no longer afford to use their car because of gas prices or who no longer have the means to even own one.

In 2002, 90% of workers whose incomes were above the poverty line had access to an automobile, compared with 70% of low-income earners and 52% of low-income unemployed individuals. Transportation is the solid third highest household expense in Québec and the one that varies the least in terms of share by income quintile.[20]

> *The poorer and more socially secluded you are, the more captive you are to public transportation. The bigger the increase in the cost of public transportation, the more of a stranglehold social exclusion has on the poor.*[21]

In fact, Myroslaw Smereka's quotation could be extended by saying that the less available public transportation is in urban and rural areas alike, the more inevitable social exclusion becomes for people on very low incomes. This is why rural public transportation and socially responsible pricing, sometimes called fair pricing, of public transit are pressing issues.

Experiments to increase mobility

Currently there are more than 12 million automobiles on Canadian roads, that is, nearly one for every two inhabitants.[22] Data from the General Social Survey on Time Use indicate that car dependence rose between 1992 and 2005 and that the proportion of persons aged 18 and over whose sole means of transportation is the automobile went from 68% in 1992 to 74% in 2005.[23] Automobiles have a heavy impact on the environment. "They bring noise and traffic jams and are the leading cause of accidental death. They have radically changed the landscape either directly, through the construction of highways, roads and other infrastructure, or indirectly, through the effects on population distribution."[24] There is growing awareness of the problems created by automobile and fossil fuel use.

After years of ignoring public transit, it is now dawning on governments that it is in their interest to introduce incentives for its use, hence, tax credits for public transit clients.[25] Transportation companies have established incentives for commuters to leave their cars at home and use public transit instead. In a number of Canadian cities, companies have worked with universities to further reduce the cost of public transit for students. In Sherbrooke, university students pay $9 a month and cégep students, $10. In Victoria the cost is $7 a month for university students, and Western University students (London, Ontario) pay $13 a month.

20. *L'exclusion sociale reliée au transport des personnes – Au cœur du développement durable*, Myroslaw Smereka, presentation given at the forum on the impact of public rate increases, available at the advisory committee Web site at www.cclp.gouv.qc.ca, p. 26.
21. *Ibid.*, p. 27.
22. *Environmental Incidence of the Automobile*, SOE Fact Sheet No. 93-1 Environment Canada, p. 1.
23. Martin Turcotte, *Dependence on Cars in Urban Neighbourhoods. Life in Metropolitan Areas*, Statistics Canada, 2008, p. 1.
24. See note 31.
25. Unfortunately, these non-refundable tax credits are of no use to people in situations of poverty.

In Europe and in France in particular, the right to mobility has been enshrined in legislation since 1982, where subsidized transportation is more common for seniors and students alike in city and inter-city transit. In several cities and regions, low-cost transportation is available for social minima recipients or unemployed people or job seekers. Sometimes transportation is offered free of charge to all users of certain main lines.

Last October in Québec, on the International Day Against Poverty, public transit was free in Sherbrooke. However, in Québec in general, the idea of subsidized transportation for low-income groups has made much less headway than in Europe, despite the unflagging efforts of Lise Boulanger, the president of the Sherbrooke association of transit users.[26]

As for public transportation in rural communities, since the early 2000s, Transports Québec has been promoting pilot projects aimed at pooling transportation services. In keeping with the Government of Québec's Rural Policy, the Ministère du Transport created a government assistance program for public transportation in rural areas, a five-year program (2003-2007) with a $10 million budget. Even though most regional county municipalities (RCMs) participated, the general consensus was that amounts and the time granted for developing adequate service provision were insufficient.

In June 2006, a Québec Public Transit Policy was adopted and in 2007, Transports Québec launched a new program, the Programme d'aide gouvernementale au transport collectif régional, which comes with a budget of $11 million for 2007 to 2012. Under this program, RCMs will continue to receive backing for developing public transportation services in rural areas. The program is also designed to help regions better plan their public transportation packages and to support access to interregional bus services.

Energy costs that hurt

From 1998 to 2004, there was a freeze on increases in the cost of electricity in Québec. As pointed out earlier, after the freeze was lifted, that is, from 2004 to 2006, these rates rose by more than 13%. In the meantime, gas and fuel prices oil increased at any even faster pace. Bear in mind that energy costs are the third biggest expense (after housing and food) for low-income households.

As early as 2005, before a number of the increases since authorized, on average, electricity accounted for 7.7% of the income of first-decile households (income not exceeding $15,600), twice that of the average for Quebecers as whole and four times more than for those in the upper 20% (incomes of $83,400 or more[27]). Slightly more than one fifth of low-income individuals are home owners, mostly in rural areas, and, on average, electricity consumes at least 10% of their income.

In talking with Hydro-Québec representatives, we learned that for large low-income families living in poorly insulated apartments, these figures were often in the 15% range and, at times, as high as 20%. To make matters worse, increases are even steeper after the first 30 kWh/day used.[28]

26. Mrs Boulanger was one of the winners of the Guy-Chartrand award in 2007 for her work to mobilize transportation users. She was a speaker at the forum on the impact of public rate increases.

27. *Stratégie clientèle à faible revenu*, document presented by Hydro-Québec Distribution when Hydro-Québec applied for rate increases in 2007, p. 5.

28. *Coût de l'énergie pour les ménages à faible revenu et Allocation énergie*, Union des consommateurs, document prepared for the Comité consultatif de lutte contre la pauvreté et l'exclusion sociale and available at the advisory committee Web site at www.cclp.gouv.qc.ca, p. 4.

How much longer can people on low incomes cope with having to spend more and more of their income on energy costs, especially given that the price of electricity is ever on the rise and that certain opinion leaders would like to see these rates pick up speed to secure the funding of public services for future generations? Understandably, low-income groups are increasingly concerned about costs that force them to hold back on other basic budget items.

In its Québec Energy Policy 2006-2015,[29] the government expresses its concern about the impact of escalating energy prices for persons on a low income.

> *The upwards pressure on energy prices and the price volatility of some specific energy products is a major concern for the Québec government, especially with respect to the financial capacity of low-income households.*
>
> *The Government intends to introduce a series of adjustments, by regulation or otherwise, to help low-income households that find it difficult to pay for energy products.*
>
> *By ensuring that the Régie de l'énergie, when examining requests for rated increases filed by energy distributors, orders studies on their impact on low-income households. (p. 89)*

Hydro-Québec Distribution's figures put the number of clients in serious default of payment at 40,000, half of whom had a payment agreement. In response to the government's concern, in 2003 and 2004 Hydro-Québec Distribution conducted a major study of clients who had failed to comply with their payment agreement. This study[30] does justice to the difficulties these clients face, despite the measures implemented to prevent disconnection or for possible arrangements for partial repayment of debt or debt repayment through instalments. The study identified the following characteristics as typical of these clients:

- Their average annual income was 64% of the amount considered the low-income threshold (LIS).
- Their average debt level was $8659, including outstanding electrical bills.
- In two thirds of cases, the person responsible for paying the bill was a woman.
- Most of these clients were single parents.
- More than half the people responsible for paying the electrical bill had not graduated from secondary school and only 23% had a job.

According to the data compiled during the study, these households spent $1148 a year on average on electricity, 27.5% more than low-income households in 2006.[31] This indicates that in many cases, it is not just a question of income, but also of substandard and energy-guzzling housing.

29. *Using Energy to Build the Québec of Tomorrow – Québec Energy Strategy 2006-2015*, at the Ministère des Ressources naturelles et de la Faune Web site at www.mrnf.gouv.qc.ca/energie/strategie.

30. *Actions commerciales destinées à la clientèle à faible revenu*, Hydro-Québec Distribution, document presented when Hydro-Québec applied for rate increases in 2006, pp. 14-15.

31. A reminder that this study was done in 2003-2004 and that average annual consumption was based on levels 12 months before payment agreements.

Hydro-Québec Distribution has concluded that these households do not have enough income to cover all their electrical bills and cannot meet their basic subsistence costs, and that its members often have a multitude of psychosocial problems.

These figures unmistakably confirm that the Régie de l'énergie cannot continue to authorize increases in the rates charged for electrical power, despite its sound arguments in support of a market price policy, without major consequences in terms of the living conditions of low-income clients, or, alternatively, without measures to substantially improve their income.

Insufficient measures

The measures established by energy distributors, Hydro-Québec Distribution in particular (the main energy supplier to low-income households), while helpful in providing relief to the most destitute clients, do not attack the root of the problem, namely, insufficient income and, partly because of this, poor quality housing for individuals and families in situations of poverty without access to social or coop housing. This is the case, in fact, of 80% of low-income households, despite sizeable investments for social housing under the Government Action Plan to Combat Poverty and Social Exclusion.

Creation of the Agence de l'efficacité énergétique attested to a will for better coordinated action on the energy-efficiency front, especially with regard to measures for low-income households. However, in talking to the energy distributors and the Agence, the advisory committee found that much needs to be done to make a difference for most low-income groups.

Éconologis, an Agence de l'efficacité énergétique initiative, is the main energy efficiency program for people with low incomes. It is co-funded by the main energy distributors and is delivered in collaboration with community organizations, many of which are family economy cooperatives (ACEFs). The program consists of two types of services, personalized advice and installation of energy-efficient products and, under certain conditions, free installation of electronic thermostats.

Louise Tardif, of the ACEF des Bois-Francs, an Éconologis program provider, spoke on behalf of the Coalition des associations de consommateurs du Québec at the forum on the impact of public rate increases. She outlined the positive outcomes of the program, namely, improved comfort and reduced costs for clients, and opportunities for organizations to reach a client base that has a multitude of needs and that is isolated.

However, the program has numerous drawbacks, one of which is its low rate of penetration. From October 1999 to April 2007, 38,741 out of 500,000 low-income households were visited by Éconologis teams, for a penetration rate of 7.7%.

This corroborates what Hydro-Québec representatives had to say about a similar Hydro-Québec program that predated Éconologis. They explained that while the penetration rate of the social and community sector was high, low-income households in private rental units or low-income property owners are a demographic that remains elusive.

Ms Tardif also drew attention to the fact that more and more people have substandard living conditions due to impairment, mental illness or severe psychosocial problems. This echoes the conclusions of a Hydro-Québec Distribution survey of persons with serious payment problems.

Ms Tardif maintained that many households cannot afford decent and well-insulated housing and that therefore its members end up in draughty apartments with thin walls and poorly fitted windows, hence, the need for thermal envelope programs.

As it now stands, measures of this kind exist only in the social and community sector. Part of the reason for this is the difficultly in getting owners to share renovation costs. In the case of tenants, there is the issue of owner responsibility and post-renovation rent control.

The members of the advisory committee would add that Québec, unlike a number of American states, has no measures for replacing energy-guzzling household appliances. When a refrigerator breaks down, it is often replaced by an even older appliance provided by a charitable institution (Emmaüs, Ozanam, etc.). This, of course, means an even higher electrical bill.

Protect persons with low incomes from public rate increases

The findings regarding the impact of public rate increases on the living conditions of low-income groups and, more specifically, on poverty and social exclusion, call for a certain number of general recommendations. Even at this early stage, there is a trend towards increased reliance on user fees as a means of securing the long-term survival of public service funding.

In the autumn of 2007, Finance Minister Monique Jérôme-Forget commissioned a group of experts, chaired by Claude Montmarquette, to table recommendations on public user fees as a whole. In replying to our invitation to the forum on the impact of public rate increases, Mr Montmarquette wrote to assure us that the panel was keenly aware of the repercussions of user fees on the redistribution of resources and especially, of the impact of public rate increases on low-income individuals.

At the time this Opinion was drafted, this group had not yet released its conclusions. It is nonetheless imperative that the government take the living conditions of people on a low-income into account in any further deployment of user fees or before authorizing increases in the cost of basic public commodities. Not only must these impacts be assessed, as prescribed by statute, but adjustment measures must be included within consumption-based taxation, sales taxes being a case in point.

The government must therefore seek to cushion the impact on low-income groups and prevent the living conditions of persons in situations of poverty and social exclusion from deteriorating.

RECOMMENDATION 1

That before authorizing increases in the price of basic public commodities or services or introducing new user fees, the Government of Québec not only analyze the impact of such action on the income of individuals and families in situations of poverty and social exclusion, but also implement adjustment measures aimed at compensating for any adverse effects when the decisions made are not consistent with the goals of the National Strategy to Combat Poverty and Social Exclusion.

As we have seen, public rate increases only add to the exclusion of the poorest of the poor, in other words, people totally reliant on Social Assistance Program resources for their subsistence. Since implementation of the Government Action Plan to Combat Poverty and Social Exclusion, their benefits have been semi-indexed based on a consumer price index that underestimates increases in the cost of basic commodities (housing, food, clothing, transportation).

This purpose of the decision to partly index the last-resort assistance benefits of recipients who do not have a severely limited capacity for employment seems to have been to offset the shortfalls incurred when the minimum benefit was introduced, or rather, when penalties for refusal to take steps towards employment or to accept a job were abolished. In recent years, however, the cost of housing, energy and transportation has shot ahead of the Ministère des Finances' cost increase index, and partial indexation has had an effect opposite to the one intended—it has exacerbated social exclusion.

The reduced purchasing power of childless social assistance recipients, who have not reaped the benefits of the vast improvements made to family incomes, is not acceptable given that most of these people, especially the chronically unemployed, have very little chance of getting a job unless they receive considerable assistance, which, all too often, is not forthcoming. When they become poorer, these people are forced into survival mode and do not have the resources to escape. Housing cost increases, including energy costs, as well as higher transportation costs in recent years, have worsened their situation.

Many groups that work with persons in situations of poverty and social exclusion are constantly lobbying the government for full indexation of all last-resort assistance program benefits. In the last Protecteur du Citoyen annual report, the Protectrice du citoyen, Raymonde Saint-Germain, joined this chorus in demanding this minimum guarantee.[32]

This Opinion does not address this issue per se, but considers that, in light of the goals enshrined in the *Act to combat poverty and social exclusion*, all Quebecers must have enough income to at least cover their basic needs. As we have said before, housing (including energy costs), food, clothing and transportation are the main budget items of persons in situations of poverty and social exclusion.

At this particular point in time, social assistance benefits must be indexed to take full account of the major impact of rate increases for basic commodities. This principle should also apply to all benefits or allowances aimed at income support for individuals and families.

RECOMMENDATION 2

That the Government of Québec proceed immediately to fully index benefits to all social assistance recipients, and that full indexation occur annually until the minimum benefit referred to in the Act to combat poverty and social exclusion has been achieved.

RECOMMENDATION 3

That the cost increase used to index benefits under the Individual and Family Assistance Act be based on increases in the cost of basic commodities, namely, housing, food, clothing and transportation.

RECOMMENDATION 4

That the principle of indexing on the basis of the increase in cost of the goods and services covered by allowances or tax or financial assistance measures aimed at income support for individuals and families be applied to all government measures and programs.

32. *Annual Report, 2006-2007*, Protecteur du citoyen, p. 60.

Access to transportation. A means of inclusion

Affirming the right to mobility

At the forum on the impact of public rate increases held in November 2007 by the advisory committee and themed *Rates that divide. Solutions that unite*, the verdict was unanimous—access to mobility is crucial to the process of social inclusion.

In Québec society, services are increasingly centralized and institutions, specialized. The result is that, more than ever before, access to jobs, training, healthcare, recreation and culture, and therefore, to social inclusion, necessarily entails access to transportation. In its policy document for 2006-2009,[33] the advisory committee posits that the battle against disparity involves more than narrowing the income gap and includes equal access to training, jobs, housing, recreation, health and well-being.

At the forum on the impact of public rate increases, Myroslaw Smereka of Transport 2000 Québec made an emotional plea for the need to make the right to mobility a priority in the fight against poverty and social exclusion. He argues that access to affordable transportation is a prerequisite for access to basics such as employment, training, leisure and healthcare.

The members of the advisory committee are entirely in agreement with this position, and even more so because the work done to examine the impact of public rate increases clearly demonstrated the extent to which transportation costs affect the lives of low-income groups. The same research found that the cost of transportation had skyrocketed in recent years, whether urban transit or the price of gas for people living in areas where there is no public transportation.

In talking with people from across Québec, especially those in outlying regions, the advisory committee heard comments from the positive and negative ends of the spectrum, about, on the one hand, reduced services in intra- and inter-regional transportation, and on the other hand, the extremely positive contribution that regional county municipalities (RCMs) have made to the fight against poverty and social exclusion by developing public transportation in rural communities.[34] This is why the advisory committee feels that government legislation must recognize the importance of gradually implementing measures for achieving the right to mobility and, hence, the following recommendation:

RECOMMENDATION 5

That the Act to combat poverty and social exclusion be amended to add a sixth paragraph to section nine (action to strengthen the social and economic safety net) that would read as follows: "make it possible for individuals to get from place to place under reasonable conditions of accessibility, quality and affordability, as well as at reasonable cost to society, notably through the use of public transportation, with special emphasis on persons with reduced mobility and persons in situations of poverty and social exclusion, especially in remote regions or regions that are not on the main transportation grid."

33. *With Less Poverty, All of Us Stand to Gain Immeasurably, Planning, Aims and Objectives for 2006-2009*, Comité consultatif de lutte contre la pauvreté et l'exclusion sociale, 2007, 44 p.
34. See *Experiments in increased mobility.*

Access to public transit is a critical factor in the social inclusion of all Quebecers and in sustainable development. Significant increases in travel and the use of automobiles have come at no small price and pose serious problems in establishing a policy for sustainable development.

Given cost and climate change, sustainable transportation should be our destination. In 1996, the International *Towards Sustainable Development* Conference, co-organized by the OECD and Environment Canada, was held in Vancouver. Nine principles of sustainable transportation emerged from this event.

The first of these nine principles had to do with access and equity as defined by the participants. They concurred that people are entitled to reasonable access to other people, places, goods and services, and that they should have more information about the access options available to them. In terms of equity, they agreed that Nation states and the transportation community must strive to ensure social, interregional and inter-generational equity and to meet the basic transportation-related needs of all people, including those of disadvantaged segments of society.

Public transit in rural areas. Conquering isolation

It bears repeating that rural public transportation is vitally important in the fight against poverty and social exclusion. At the forum on the impact of public rate increases, Micheline Pelletier, Mayor of SainteAnnedesMonts, showed that the involvement of all local players is essential in the assault on the causes and consequences of poverty and how the development of public transportation creates the hope of inclusion for people in areas where serious social and economic problems are compounded by distance and isolation.

In the latter case, most measures have been aimed at providing incentives for commuters to leave their automobile at home and use public transportation instead. In so doing, their target clientele has been taxpayers and workers who can afford to own a car. Very few of these measures have addressed the issue of fair rates, except in traditional areas such as discounts for students and seniors. The upshot has been that persons in situations of poverty and social exclusion have meagre access to these measures.

And yet, as the advisory committee has hammered home time and again,[35] between 2004 and 2006, people on low incomes had to absorb average hikes in prices of 18% for public transit. There is no doubt that the tide must turn if climate change and social exclusion are to be dealt a blow.

Québec has always endorsed the objectives of the Kyoto Protocol. In September 2007, the Appleton Foundation published its GreenApple Canada SMART Transportation Ranking Report in which 27 Canadian census metropolitan areas were rated on their performance from the standpoint of sustainable transportation. One of the indicators used is of clear interest in defining targets for improved access to public transit.[36] This indicator makes it possible to compare how much a monthly adult transit pass costs per year in a given census metropolitan area. The cost, which is population-weighted and adjusted by median household income, is compared with what an individual would pay when there is compliance with the Kyoto Protocol. When the Appleton Foundation's methodology is used, the cost of public transit in Québec's census metropolitan areas is found to range from 40% to 60% of the current cost in constant dollars, according to Mr Smereka's calculations.[37]

35. *Op. cit.*, p. 26.

36. See *L'exclusion sociale reliée au transport des personnes, au cœur du développement durable*, Myroslaw Smereka, pp. 13-16. The document is available at the advisory committee Web site at www.cclp.gouv.qc.ca.

37. *Loc. cit.*

The advisory committee believes that a target for reduction of the cost of monthly public transit passes must be set in order to address two unassailable values—the war against poverty and social exclusion, and environmental protection. Like most of their fellow citizens, the members of the advisory committee are convinced that the investments required to achieve this goal are well below the costs generated by poverty and social exclusion and that will be incurred if greenhouse gas emissions continue.

Even if the advisory committee's mandate deals primarily with the living conditions of persons in situations of poverty and social exclusion, it has nonetheless chosen to make a broader-based recommendation, one that combines a number of objectives that can contribute to the sustainable development of Québec and that brings people together and prevents client categorization.

RECOMMENDATION 6

That the various levels of government, commensurate with their areas of jurisdiction and fiscal capacity, institute measures to gradually halve the cost of monthly public transit passes in Québec municipalities.

Public transit in rural areas. Conquering isolation

In cities, the development of public transit and measures to foster its use are crucial to the movement towards sustainable transportation. There was a time when the various levels of government washed their hands of public transit funding. However, in recent years, they have come to realize that to face the environmental challenge head on, they must promote public transit use. This is why both levels of government have re-invested heavily in public transportation, whether in terms of infrastructure or measures to get people to use it.

She went on to recount that on the day public transportation was launched, people were in tears at the thought that a single bus made available at minimum cost suddenly opened up a whole new world to them. She also argued in favour of giving regions and RCMs means for organizing transportation services on their own based on their particular needs.

The *Programme d'aide au transport collectif régional* is an important piece of artillery in the war against poverty and social exclusion in rural communities. However, RCMs with a heavy concentration of poverty do not have the financial means for fully benefiting from the program.[38] In order to better align efforts to develop rural public transportation with local action to combat poverty and social exclusion, the more disadvantaged RCMs must be given greater support.

RECOMMENDATION 7

That the Government of Québec modify how the Programme d'aide gouvernementale au transport collectif régional is applied and adjust the budget earmarked for it accordingly so that all eligible RCMs, especially those with a heavy concentration of poverty, can benefit fully from this program, thereby making it possible for the persons in situations of poverty and social exclusion within their boundaries to exercise their right to mobility.

38. A reminder that the RCM of Haute-Gaspésie, whose main city is Sainte-Anne-des-Monts, was given a sizeable grant under the Fonds québécois d'initiatives sociales for carrying out a pilot project on a local strategy to combat poverty and social exclusion.

Rising energy costs. Flagging hope

As illustrated in the preceding sections, in terms of public rate increases, the cost of electricity and heating (energy costs) are the leading concerns for persons in situations of poverty and social exclusion.

The issue of energy has divided many of the stakeholders in the society-wide debate on Québec's future and challenges. Québec's hydroelectric capacity is considered by some to be "blue gold" and the tempting key to Québec's financial stability. In the wake of the recent end to the freeze on the cost of electricity, some are clamouring for a market price policy that will corner consumers into using less energy. Apart from the price of electricity, there is the rising cost of other energy sources, which is another reason to worry.

For persons on a low income, a sudden hike in energy costs creates two kinds of problems. First, as we have already seen, the portion of their income spent on energy is far greater than the average and is disproportionately high compared to that of more fortunate consumers. Secondly, a good number of people on a low income use too much energy because they live in poorly insulated dwellings and have old energy-guzzling household appliances.

Energy efficiency: Reach and response

The Government of Québec's concern over the impact of higher energy costs on low-income groups is well known. As you may recall, its Energy Strategy specifically addresses this issue. However, the measures introduced or stepped up as the result of the government's will to act on this front are light (awareness, installation of energy-efficient products, replacement of thermostats) or are aimed at ensuring ongoing access to energy or at making it easier for people in default of payment to settle their debts.

The committee's discussions with the Hydro-Québec and Agence de l'efficacité énergétique officials in charge of these programs and measures shed light on the problem of the lack of reach of these actions (1 out of every 5 low-income households) outside the perimeter of the social and community sector. Furthermore, measures with a higher impact, for example, those geared towards solving problems related to thermal envelopes, exist only in the social and community sector, despite the fact that these specific problems are a major cause of many low-income households' financial woes.

Lastly, Québec, unlike a number of American states, has no intermediate measures, such as replacing common household appliances with models that are more energy efficient.

Much remains to be done if these energy efficiency programs are to reach more people in situations of poverty and social exclusion and really help them find solutions that enable them to cover their electrical costs. To achieve this, poverty and social exclusion players and energy efficiency players will have to work together closely.

RECOMMENDATION 8

That the Government of Québec commission the Agence de l'efficacité énergétique, in collaboration with the Comité consultatif de lutte contre la pauvreté et l'exclusion sociale, to propose measures for greater reach into low-income households and to significantly improve the ability of these households to pay their electrical bills. The Agence and the advisory committee may mutually choose external partners to assist them in carrying out this mandate.

RECOMMENDATION 9

The Agence de l'efficacité énergétique and the Comité consultatif de lutte contre la pauvreté et l'exclusion sociale will table their proposals with the government before October 2008. The recommendations endorsed by the government will be built into the next Government Action Plan to Combat Poverty and Social Exclusion, expected to be released in 2009, and the government's contribution will be funded under the Plan.

Improve individual and family incomes—a must

Another facet of the committee's deliberations on measures to curb the impact of energy cost increases on the living conditions of people on a low income has to do with financial support.

In the consultations that took place, it was found that, overall, in terms of energy costs, an energy allowance was favoured over a fair rate.

Fair rates	Reduce energy costs by lowering the cost of natural gas or electricity for low-income households.
Energy allowance	Cover part of the energy costs of low-income households through an energy allowance or a tax benefit.

However, in the discussions that took place at the forum on the impact of public rate increases, the point was made that in order for the allowance to be effective, housing assistance measures would have to be completely overhauled to reach all the intended clientele. Furthermore, if similar price increases were to occur in other areas, or if new user fees were introduced that would jeopardize efforts to improve the standard of living of individuals and families in situations of poverty and social exclusion, we would be well-advised to consider other area-specific allowances. An energy allowance, while commendable, is only a stop-gap measure because the root problem is the insufficient income of a great many of our fellow citizens, who, simply put, do not have the resources to meet their basic subsistence needs.

The impact of public rate increases on the living conditions of low-income groups brings the importance of the committee's mandate under the Act to combat poverty and social exclusion clearly into focus. In the coming months, the advisory committee will table its recommendations on income targets and the means for achieving these goals aimed at improving the financial situation of individuals and families living in poverty. The Act also makes it mandatory to produce recommendations for a minimum last-resort financial assistant program benefit established pursuant to the *Individual and Family Assistance Act*.

Section 59 and the subsequent sections of the Act to combat poverty and social exclusion set an entire process in motion that could led to re-engineering of our social security system. The members of the advisory committee have said many times that all Quebecers must have the resources they need in order to have proper housing, food, clothing and mobility. This is truly the bottom line for a modern society serious about attacking poverty. Québec has resolutely committed to do this.

However, much work and discussion remain before determining the best ways of guaranteeing this minimum and of making the changes required to implement it. In the meantime, we must concentrate on ensuring that rising energy costs do not worsen the plight of low-income groups.

RECOMMENDATION 10

That the Government of Québec establish an energy credit paired with the QST refund pending decisions about income targets and a minimum last-resort financial assistance benefit and about the means of achieving both. The credit should be equivalent to the impact on the average cost of energy for people on a low income and compensate for the cost increases authorized by the Régie de l'énergie.

Adoption of this recommendation by the Government of Québec will not rectify the impact of past increases, but will ensure that future increases do not exacerbate the situation.

RECOMMENDATION 11

That the Government of Québec mandate the Ministère des Finances and the Ministère de l'Emploi et de la Solidarité sociale to work with the Comité consultatif de lutte contre la pauvreté et l'exclusion sociale to examine the advisability and feasibility of an integrated individual and family support system that empowers all Quebecers to have access to the goods and services they need to meet their basic needs in terms of housing, food, clothing and transportation, that fosters their economic and social integration, and that enables workers to have an income above the threshold the government has established as a poverty indicator.

Adoption of this recommendation by the Government of Québec will foster the search for solutions that are tailored to the situation in Québec, that offset the negative effect of public rate increases on the living conditions of low-income groups, and that are fully consistent with the target, aims and objectives enshrined in the *Act to combat poverty and social exclusion*.

APPENDIX 1

LIST OF THE MEMBERS OF THE COMITÉ CONSULTATIF DE LUTTE CONTRE LA PAUVRETÉ ET L'EXCLUSION SOCIALE

Voting members

Damien Arsenault
Mayor of Saint-Elzéar, Bonaventure County

Lucie Bélanger
Fédération des femmes du Québec

Michel Bellemare
Regroupement pour la défense
des droits sociaux de Shawinigan

Pascale Caron
Chief Research and Development Adviser
Caisse d'économie solidaire Desjardins
Vice-President of the Comité consultatif

Édith Cloutier
Director General
Centre amitié autochtone de Val-d'Or

Jane Cowell-Poitras
Member of the City of Montréal's
Executive Committee

Richard Gravel
Director General
Collectif des entreprises d'insertion

Jean-Claude Icart
Coordinator of the Observatoire international
sur le racisme et les discriminations
Centre de recherche sur l'immigration, l'ethnicité
et la citoyenneté (UQAM)

Tommy Kulczyk
Assistant to the Vice-President and Director
of Emergency Services, Sun Youth
Chair of Comité consultatif

Jeanne Lavoie
Adviser – Community Partnership
Rio Tinto Alcan

Réjeanne Pagé
Information Officer – Éconologis
ACEF de l'Estrie
ATD Quart Monde

Anne-Marie Rodrigues
Director General
Centre d'action communautaire de Montréal

Monique Toutant
Association de défense des droits sociaux du
Québec métropolitain

Céline Trudel
Director of Community Development
Centraide Québec

Nancy Villemure
Marketer
Zoum Armada

Non-voting members

Michel Hamelin
Assistant Deputy Minister for Seniors
Ministère de la Famille et des Aînés

Bernard Matte
Assistant Deputy Minister for Policy
Ministère de l'Emploi et de la Solidarité sociale

Comité consultatif de lutte contre la pauvreté et l'exclusion sociale

Québec

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