

LEGISLATIVE ASSEMBLY OF THE

NORTHWEST TERRITORIES

5TH COUNCIL, 29TH SESSION

SESSIONAL PAPER NO. 6-29

TABLED ON FEBRUARY 8, 1965



February 1, 1965.

NORTHWEST TERRITORIES

SESSIONAL PAPER NO. 6
(First Session, 1965)

UNIFORMITY IN PRICE OF FUEL OIL

At the second Session, 1964, Council discussed the high price of fuel oil in the North and agreed that consideration should be given to establishing a uniform price.

Action in this direction has already been taken by the Department of Northern Affairs and National Resources. A short report on the steps taken, follows:

SUPPLY OF FUEL OIL TO PRIVATE CONSUMERS IN NORTHERN CANADA

In the late 1950's the Department of Northern Affairs and National Resources built a number of bulk oil tanks to provide cheaper fuel oil in several northern settlements. The Department made tremendous savings in the switch from the use of drums to bulk handling and storage.

It was felt the savings made through bulk storage should be made available to private agencies.

In 1961, the Treasury Board authorized conditions under which sales of fuel oil could be made. This gave a six per cent margin, to represent some profit, to encourage private industry to provide the service.

The thinking was that this would cover about 30 communities where the oil would be available at a price much lower than at those where drums are required to transport and store oil. The cost at about 50 other settlements would still be high because of the necessity for the use of drums.

To extend the cheaper prices to as many communities as possible the Department thought of creating a region, whereby the smaller settlements with no tank could be serviced from the tank in the larger community. Discussion brought out the idea of using a uniform selling price for all settlements in a region. This, however, would place the Department in direct competition with traders selling oil in drums in those communities.

In an unofficial exchange of views in 1960, the Hudson's Bay Company expressed a willingness to undertake the distribution of oil on a regional basis. They were willing to retail the oil at all northern communities in which they had stores to individual consumers in minimum quantities of 10 gallons at a mark-up not exceeding 20 per cent.

It seemed reasonable that the Hudson's Bay Company should do the work as long as there was reasonable control over the operation in the best interest of the private consumer.

The requirement was to establish prices on a regional basis to eliminate the extreme difference in prices that existed at the time. Consideration was given to the small merchants but the only firm having posts throughout the North is the Hudson's Bay Company and so that Company is the only firm which can sell oil at a regional price. Other companies or the Hudson's Bay Company are free to erect their own facilities or offer to purchase departmental facilities by public tender.

In 1962, the Company presented an offer which was not final but subject to change. The mark-up (20%) was considered to be in terms of costs per gallon.

In the result, an arrangement was arrived at for the Hudson's Bay Company to

retail oil at a regional price in two regions at cost plus a mark-up of 15 cents per gallon. In the Western Arctic region cost was agreed to be 64 cents; in the Eastern region 32 cents.

In a report of 1962-63 operations of the Company, it was noted that the price in the Western Region was reasonable, but that in the Eastern Region it was too high. It was agreed the retail price of 79 cents should remain the same in the Western region. In the Eastern region the price was negotiated to 39 cents.

Seven centres had tanks constructed during 1963. The idea of creating two more regions was studied. Western Region was to be known as 'A' and the Eastern Region as 'B'. The new regions under consideration are to be known as 'C' and 'D'.

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
Holman	Rankin Inlet *	Great Whale River *	Pond Inlet *1964
Coppermine *	Baker Lake*	Sugluk * 1964	Pangnirtung*1964
Bathurst Inlet	Eskimo Point *	Cape Dorset *1964	Broughtan Island
Cambridge Bay *	Chesterfield Inlet *	Port Harrison	Arctic Bay
King William Island	Whale Cove *1963	Ivugivik	Clyde River
Perry Island	Igloolik * 1964	Wakeham Bay	
Spence Bay *	Coral Harbour *1963	Lake Harbour	
Cape Parry		Povungnituk	

* Indicates a location with bulk oil storage

Tuktoyaktuk had tanks completed in 1963 but it was considered a location by itself. The Hudson's Bay Company and Tuk Traders bid to see who were to handle the oil from a government tank. Tuk Traders were the low bidders at 45 cents compared to 46 cents by the Hudson's Bay Company.

The prices in region 'A' and 'B' were increased by the 1/2 cent Territorial fuel tax on April 1, 1964.

The foregoing report does not show that the objectives Council had in mind have been accomplished. It shows recognition of the problem and steps toward ameliorating it. Debates at the time showed that Council desires to see northern works and northern living subject to costs for basic services on a par with other parts of Canada. Oil is probably the No. 1 basic. Others are electric power, water, sewer, transportation. Council may wish to consider what further action is desirable.