

LEGISLATIVE ASSEMBLY OF THE  
NORTHWEST TERRITORIES  
6<sup>TH</sup> COUNCIL, 38<sup>TH</sup> SESSION

RECOMMENDATION TO  
COUNCIL NO. 3-38

TABLED ON JANUARY 13, 1969



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Recommendation to Council 3-38  
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RECOMMENDATION TO COUNCIL NO. 3  
(First Session, 1969)

EVALUATION OF THE  
PRESENT PERMIT SYSTEM AS COMPARED  
WITH THE FORMER ROYALTY SYSTEM  
ON FUR

DISPOSITION

Tabled	To Committee	Accepted as Read	Accepted as Amended	Deferred (to Session)	Rejected	Noted not Considered
13-1-69	20-1-69				20-1-69	

EVALUATION OF THE  
PRESENT PERMIT SYSTEM AS COMPARED  
WITH THE FORMER ROYALTY SYSTEM  
ON FUR

Background

On July 1st, 1967, the Royalty System under which a royalty, or fur tax, had to be paid on fur exported from the Northwest Territories was replaced by a Permit System. The fundamental difference between these two systems is as follows:

(1) under the royalty system a fixed sum ranging from \$0.02 for muskrat and squirrel to \$5.00 for polar bear was levied on every pelt exported;

(2) under the permit system a fixed fee of \$1.00 for every shipment of fur is levied, regardless of quantities exported.

It was Council's intention to increase the income of the trappers, directly, by saving them the royalty, or a large part thereof, when they shipped their fur to outside auction houses, or indirectly, by a higher price - the amount of the royalty for each pelt - that they would presumably realize from the traders.

Considering the relatively low prices of pelts and the hard work of the trappers the intention behind the change in systems is commendable, indeed. However, it was not taken into account that traders do not purchase pelts individually but rather in bulk, whereby, the royalty is not considered or deducted. Even polar bear hides are sold on a straight footage basis without considering the royalty of \$5.00.

The then Northern Administration Branch recommended against the acceptance of the proposed change as it would result in a considerable loss of revenues for the Territorial Government, and would not, they believed, achieve the desired results. Furthermore, Provincial Governments have been increasing their fur tax although they enjoy a more stable economy in general.

Permit Vis-a-Vis Royalty System

As one year has passed since the inception of the permit system the Game Management Service is now in a position to evaluate the effects of this system and compare it with the former Royalty System.

As of October 15th, 1968 a total of 1249 Fur Export Permits were issued, resulting in a revenue for the Territorial Government of \$1,249.00. Under the Royalty System, however, revenues would have amounted to \$28,488.57. This means, the Territorial Government experienced a revenue loss of \$27,239.57.

The shipments made were as follows:

By Trappers	-----	313 or 25.2%
By Public (individual purchases for own use)-	-----	602 or 48.2%
By Traders	-----	334 or 26.6%

As stated above a loss of \$27,239.57 was incurred by the Territorial Government. However, this alleged loss was considered a gain to the northern economy. Persons shipping fur out of the Territories saved this amount by not paying the Royalty.

An interesting comparison is noted in the portion trappers, traders, and individual fur buyers gained from the \$27,239.57. The total saving can be determined by applying the former royalties to exported pelts and deducting the number of shipments at \$1.00 for each shipment.

Such a calculation reveals that the groups gained as follows:

(a) Trappers	\$2,227.40 or 8.5%
(b) Individual exporters	\$ 683.40 or 2.5%
(c) Traders	\$24,328.77 or 89%

From these figures it can be concluded that the purpose of the change from the Royalty System to the Permit System was not fulfilled, for the lion's share of the savings did not go to the trapper but to the trader, and there is no evidence that any trader paid higher prices to the trapper despite their substantial profits.

The records of two establishments were evaluated. One trader made a total of 27 shipments and paid \$27.00 to the Territorial Government. Under the former Royalty System he would have been required to pay a tax amounting to \$1,583.01. Consequently his savings under the new Permit System were \$1,556.01. The other trader making 23 shipments, and, using the same method of calculation, saved a total of \$1,362.00.

It was hoped that the change in systems would induce the trappers to ship their products to auction houses, where they would realize the fairest price, but this did not materialize. On the contrary, individual shipments dropped from 390 in 1966/67 to 313 in 1967/68, a reduction of 21%.

A few qualifying remarks must be made regarding persons purchasing fur for their own personal use. It will be noted from the figures shown that such persons gained in the overall average \$683.40 by the Permit System. Generally speaking, the gain resulted from the export of polar bear hides. As is evident, when a price of approximately \$300 is involved the royalty of \$5.00 or the permit fee of \$1.00 does not influence the transaction in one way or the other for a "scarce" resource is at stake.

The case with other furs, of course, is completely different. Residents and/or visitors of the Northwest Territories quite often purchase individual pelts for souvenirs. Prices paid for such individual pelts are considerably higher than those paid by traders or auction houses. For instance, colours which deviate from normal shades, in fox, marten, etc. bring very low prices from regular buyers because it is difficult to obtain matching pelts, but they bring top prices from individual buyers because of their rare occurrence. For example, if a person purchased one black fox, he now has to pay one dollar for the export permit instead of \$0.10 under the former tax system. In the case of muskrats the difference is more conspicuous as the former tax per pelt amounted to only 2 cents. As a consequence, the purchases of fur by individual buyers dropped considerably. For instance, purchases of blue fox dropped by 80%, white fox by 20%, red fox by 50% and beaver by 20%. It must be remembered that individual buyers purchase only a very limited quantity and are willing to pay top prices.

#### Conclusion

It can be concluded that the present Permit System is not an asset to the trappers and does not encourage the trapper to ship fur to outside markets. In addition, it has proven to be a financial liability to the Territorial Government.

#### Recommendation

The Commissioner, therefore, recommends the reinstatement of the former Royalty System with the amendment that trappers exporting their own fur be exempt from paying the royalty. This would ensure that the most needy persons would benefit.