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REGARDING WINTER FISH PRICES IN THE NORTHWEST TERRITORIES

To: Hon. Jack Davis,
Minister of the Environment and Minister of Fisheries,
Ottawa, Ontario.

From: The Great Slave Lake Fishermen's Federation,
Hay River, Northwest Territories.

November 24, 1971

VIABILITY OF NORTHWEST TERRITORIES FISHING INDUSTRY

The commercial fishing industry on Great Slave Lake and other lakes of the Mackenzie District of the Northwest Territories appears to be in a critical economic position. The situation is such that unless immediate steps are taken to correct or minimize present problems the industry will deteriorate rapidly and might collapse entirely, with drastic consequences not only for several hundred persons who derive their livelihood from commercial fishing, but also for the general economic wellbeing of the southern Mackenzie, and particularly the town of Hay River.

What has been happening over the past couple of years is that the industry's claim to viability has become progressively more tenuous. Prices paid to fishermen for their catch have failed to keep pace with increased operating and overhead costs. Inflation and other factors have made it virtually impossible for even the most energetic and astute of fishermen to break even at the end of a season or to operate "in the black." Considering the nature of their work, their hours of labor and their investments in equipment the majority of fishermen--both those with their own outfits and those working for wages--receive an extremely meagre return for their efforts.

The desperate position of northern fishermen can be seen by examining several main aspects of the situation:

1. Prices Paid to Fishermen

Gross revenues realized by fishermen are the result both of the prices paid to fishermen for their catch and of the amount of fish they are able to sell, and both of these factors are contributing to the economic difficulties fishermen now face.

During a period when fish prices should have increased to keep pace with increased production costs and the inflationary trend in the cost of living, the prices have failed to do so. In fact the prices for the winter fishing season have been dropping over the past several years, and modest improvement in summer prices has not been adequate to permit fishermen to recoup winter losses.

Initial prices on the 1971-72 winter season are such that fishermen can expect an average price of about 12¢ a pound. This is about 1¢ a pound lower than in the preceding season and 3¢ a pound lower than for the 1969-70 winter season.

The winter fish prices are the lowest in the past six or seven years, and when the declining purchasing power of the dollar over the years is taken into consideration the present price is the poorest local fishermen have ever received.

The figures for the average price realized by local fishermen are based on prices for medium round fresh whitefish, which accounts for some 90% of the local catch. It is of little help that better prices are quoted for grades of fish which are in short supply and comprise a very small portion of overall production.

Although prices for dressed fish are higher, fishermen have found that weather conditions on northern lakes are such that they will lose money if they attempt to dress their fish, because of the increased cost.

Detailed figures which were compiled a year ago by members of the Great Slave Lake Fishermen's Federation and officials of the Territorial Government and the Freshwater Fish Marketing Corporation indicated that fishermen would have to realize an average price of 100 per pound to break even on a winter's operations. (See Appendix A) Since then costs have continued to increase so that a price of 100 a pound this winter would not give fishermen much hope of breaking even.

2. Grading & Culling

The plight of fishermen can only be accounted for in part by the prices paid for fish. They appear to suffer a more serious loss from the new classification methods and excessive culling.

Changes in the weight limits between jumbo, large, medium and small fish mean that substantial portions of their catch are being classified in a lower size range, with resultant lower prices. Fish formerly accepted as "medium several years ago now are rated "small" because of the change in the minimum weight for mediums from 1 pound to 1 1/2 pounds. On the basis of prices for the 1971-72 season this represents a reduction in price from about 22¢ to about 10¢ per pound.

Although fishermen have recognized the importance of quality and have taken steps to insure that over the years their fish is delivered in better condition, nevertheless larger portions of their catch are being culled. Fishermen are not satisfied with the reasons given for this excessive culling nor with the explanations given for the disposition of fish culled from their deliveries.

Regardless of what prices top grades of fish may bring, fishermen receive a lower overall return when larger portions of their catch are culled or are purchased at lower classifications at very greatly reduced prices.

3. Production Difficulties

Fishermen also suffer substantial losses when their overall production falls below certain levels. In such cases the revenues from fish sold are insufficient to pay for the cost of outfitting, and the operation finished the season "in the red."

In light of the weak fish prices at the present time, almost any difficulty which results in increased operating cost

or reduced production can mean substantial losses on a season's operations. Such difficulties have arisen in the past couple of years, particularly in summer when fishermen are dependent on an adequate supply of ice, and on being able to deliver their catch without undue delay.

Recurrent difficulties have occurred with ice supplies, and many fishermen have faced substantial losses due to spoilage.

A problem has also arisen with the replacement of the various fish packers which used to operate on Great Slave Lake with a single vessel, the "Harold Broadhead." Instead of having their catch picked up every 3 1/2 days (twice a week), the fishing boats have had to wait 4 or 5 days, and in one instance as long as 10 days, for the one packer to pick up fish. In the meantime supplies of ice are exhausted and fish spoils.

4. Overhead Costs

Fishermen face overhead costs of various sorts, all of which have been increasing by leaps and bounds while fish prices remain static or decline.

The first expense that must be reckoned with is the cost of handling the fish at the local plant of the Freshwater Fish Marketing Corporation and shipping it to market. This is deducted directly from the prices which the fish realize on the market.

This expense is presently figured on the basis of 7¢ per pound for fresh fish--a 75 per cent increase in the comparable cost of 4¢ per pound for handling before the Marketing Corporation commenced operations in the summer of 1969.

Local fishermen might not be in as desperate a position as they are today if fish prices had also shown a 75 per cent increase, or if this and other production costs had remained at 1969 levels.

Other overhead costs which have experienced a similar increase in the past couple of years are those which are paid by fishermen out of the funds their fish brings them. This includes such items as: nets, bombardier repairs, fuel, grab, etc.

Some of these increases have been particularly steep. e.g. labor costs charged for bombardier repairs increased by 50¢ when this function was taken over by the Marketing Corporation in 1969.

Another example of the steady rise in the cost of production can be seen in bombardier prices. A vehicle which cost \$4,000 in 1955 now costs some \$9,000.

5. Cost of Living

Although the various factors mentioned above combine to give fishermen a greatly reduced net income, the general inflation of recent years had put fishermen in the position of requiring more revenue in order to feed, clothe and properly care for their families.

What many fishermen have been doing in order to provide themselves and their families with the necessities of life is to go more and more deeply into debt, or to neglect maintenance and replacement of their equipment to the point where it no longer functions efficiently.

The situation affects both those fishermen who operate fishing outfits (i.e. boats in summer and bombardiers in winter) and fishermen who work for wages, since wages, like net earnings, have failed to keep abreast of increased costs.

The situation is made more difficult by the recent decision by the Freshwater Fish Marketing Corporation to discontinue the practice of guaranteeing the wages of fishermen. This has meant greater difficulty in finding men willing to go out on the lake.

Of those who operated their own outfits last winter some 70 per cent did so at a loss.

ANTICIPATED CONSEQUENCES

If the problems which have been outlined continue and no remedial action is taken, a number of consequences seem inevitable:

1. Declination of Great Slave Lake Fishing Industry.

Over the past several years fishermen have been leaving the industry as they recognize that they cannot make an adequate living. This trend can be seen in the substantial decrease in the number of fishermen who were active during the past summer season.

Environment Canada records indicate that only 152 men were engaged in fishing, exclusive of plant personnel, during the summer of 1971. Addition of personnel employed in operation of the fish plant and packer brought the number employed in the industry to approximately 175.

These figures represent a reduction of 40 to 50 persons from the number employed in the summers of 1969 and 1970. The number of boats fishing dropped this summer to 25 from 35 in operation in 1970.

The trend is also seen in Environment Canada's figures for men and equipment engaged in winter fishing on Great Slave Lake in recent years.

<u>Season</u>	<u>Snowmobiles</u>	<u>Skidoos</u>	<u>Fishermen</u>
1967-68	46	6	103
1968-69	48	16	160
1969-70	51	12	154

The trend is further reflected in declining fish production. Production of whitefish from Great Slave Lake totalled 3,192,000 pounds in 1970. Production to date in the current year stands at 2,587,000 pounds so that even if December production this year matches that of last year, which appears unlikely in view of the poor winter prices, the whitefish catch will be down by more than 200,000 pounds.

What will happen if production levels continue to decline is that unit overhead costs will increase and become an even greater burden to those fishermen who remain in the industry.

It is impossible at the present time for fishermen to increase their income and solve their economic problems simply by increasing production and thereby reducing unit overhead costs.

The mechanics of fishing operations in this area are such that the productivity of individual fishermen cannot be greatly increased, and even if this were possible Great Slave Lake and other northern waters open to commercial fishing have limits on the amount of production they can sustain. In the case of Great Slave Lake it would seem that production limits have been reached with a catch of 3.5 to 4 million pounds.

Up until the past spring the quota for fish caught in Great Slave Lake was set at 9,000,000 pounds, considerably in excess of the actual production. This quota has been reduced to 4,985,000 pounds for the seasons commencing in 1971 and, due to the system of summer and winter quotas for different zones of the lake, can be expected to result in some depression in overall annual production.

It would seem that optimum levels of production in coming years would approximate the actual production figures for 1970 cited above providing, of course, that fish prices and other economic factors were to make the fishery a viable proposition.

The individual fishermen might be able to increase his productivity by utilizing more sophisticated machinery and equipment. But with the dubious prospects of the industry at the present time few fishermen will be able or willing to make such capital investments.

2. Local Employment Situation

As fishermen are forced to leave the fishing industry they are faced with the alternatives of finding other employment, or applying for social assistance. Most fishermen are industrious and would rather work than live on welfare, even if it means that they have to get by with fewer of the amenities than some of their neighbors who are on welfare. But other employment, particularly in the winter months, can be extremely hard to find in this area. Even without an influx of fishermen looking for jobs the unemployment situation in Hay River can only be described as grim.

The situation is such that many fishermen, regardless of their preferences and their efforts to find employment, will be forced onto welfare.

This will have a serious impact on the overall prosperity of the town of Hay River, which is one of the few northern communities which can lay claim to being economically viable. But the claim will be greatly weakened or destroyed if the commercial fishing industry folds or continues to experience hard times.

Almost continuously since its establishment in Hay River in 1945 the commercial fishing industry has been the largest employer in the town.

Even make allowances for its seasonal nature, it provides more employment in terms of man/hours than the combined industries of transportation and communications, which are often accorded the honor of being the "lifblood" of the town. Although the number of persons engaged in commercial fishing has tended to fluctuate considerably between summer and winter seasons, data collected in 1968 indicates an average figure for both seasons of 173 persons permanently engaged in fishing. (Roger Pearson, Resource Management Strategies and Area Viability, A Study of the Great Slave Lake Region.)

The actual number of persons who derive some income from commercial fishing is considerably higher, since there is a great turnover in active fishermen from week to week and between the summer and winter seasons. Many of those who fish do so at times when they are not employed in construction, trapping, transportation, etc., which are also seasonal in nature.

What the industry means to the town of Hay River in terms of dollars and cents is indicated by its annual gross payroll in excess of \$1 million. Payments by the Freshwater Fish Marketing Corporation to Northwest Territories fishermen, mainly located in Hay River, in its first fiscal year ending April 30, 1970, amounted to \$1,199,594 for 4,119,720 pounds of fish. (Freshwater Fish Marketing Corporation Annual Report 1969-70.)

As well as the payments to fishermen the industry brings into the town the salaries and other monies for operating the Marketing Corporation's local facilities--money which comes indirectly from the sale of fish caught in Great Slave Lake and other northern waters. The industry also requires the presence of Environment Canada offices and some 10 inspection and protection officers whose duties are principally concerned with commercial fishing.

Most of the other industries of the town depend to some extent at least, and often to a considerable degree, upon the fishing industry and people involved in it for clientele. e.g. merchants, transportation companies, utilities, contractors, garages and other service establishments, government agencies.

Revenues which come into the town as a result of commercial fishing are mostly spent in the town and therefore tend to generate prosperity to a greater extent than seasonal industries such as transportation, which involves large numbers of itinerant workers who spend the bulk of their earnings outside the town and outside the N.W.T.

Those in the commercial fishing industry have been on the whole one of the most stable factions of the town's population. The West Channel, which is a fishermen's community within but distinct from the rest of the town, showed that the adult population had an average length of residence of 12.1 years, compared with a figure of 6.9 years for residents of the "old town" on Vale Island, and a lesser figure for the New Subdivision which has developed since 1961. (Vale Island Ratepayers Association Housing Survey, 1970.)

These figures help emphasize the fact that those in the fishing industry have homes and other roots which would make it more difficult for them to relocate in order to find alternative employment.

The fishing industry is also one of the few in the Northwest Territories which provide substantial employment for Indian and Metis residents. About two-thirds are native, predominantly Metis. (Roger Pearson. Ibid.)

Hay River's position as a vital transportation and communications centre for development of the Mackenzie District and the western Arctic is well recognized, both by government and industry. But its ability to fulfill this role at present, or if oil and gas development in the north were to bring on a "boom" could be greatly impaired if commercial fishing, which has been one of the town's main economic assets, were to become a liability.

CONCLUSIONS

Members of the Great Slave Lake Fishermen's Federation feel that their present desperate position can be attributed to the decisions of the Federal and Territorial Governments to create the Freshwater Fish Marketing Corporation as the exclusive agency for the export sale of freshwater fish.

This was done without the assent of local fishermen who, for the most part, were very much in the dark about how the proposed marketing corporation would function. Many were dubious about the proposed plan because of prior unfavorable experience with a government fish marketing monopoly in the Province of Saskatchewan.

In any event, an Act of Parliament set up the Freshwater Fish Marketing Corporation and the Territorial Administration signed the Northwest Territories into the scheme.

The purpose of the plan, fishermen were told, was to market fish in an orderly fashion, increase returns to fishermen, promote markets and increase export trade in fish. We were told that a marketing corporation in a monopoly position would be able to demand better prices for our fish and reduce the gap between the cost of the fish to the consumer and the price paid to fishermen.

What has evidently been happening instead is that increasing amounts of fish caught in the Northwest Territories have been going into cold storage, since buyers can no longer be found for varieties and grades of fish which previously enjoyed a strong demand and relatively good prices.

At the same time overhead costs of fish handling, storage, etc. continue to rise so that fishermen are receiving a poorer return rather than an increased return for their fish.

Before the advent of the Marketing Corporation it is true that there was considerable fluctuation in the prices paid for northern fish. In the winter of 1958-59, for example, prices for medium whitefish ranged from 34¢ a pound at the beginning of the season to 35¢ a pound at the end, when Jewish holidays brought on a strong demand for Great Slave Lake whitefish.

In the past several years marketing has become more orderly and prices more static, but only to the extent that peak prices have been eliminated. Fishermen, who once were able to count on top prices for whitefish late in the winter season, no longer can do so.

Local fishermen are not in a position to be fully acquainted with all the whys and wherefores of export marketing. They are faced, however, with one simple stark fact: The Marketing Corporation is unable to sell their fish as well as the private fish companies were able to.

It can be suggested that the Marketing Corporation has not had sufficient time to organize its activities and achieve efficient handling and selling techniques, and that in due course it will achieve its objectives.

That may or may not be. But in the meantime fishermen are being made to suffer the consequences of the transition from free enterprise marketing to a government monopoly.

Members of the Great Slave Lake Fishermen's Federation feel that the Federal and Territorial Governments are responsible for the creation of the Freshwater Fish Marketing Corporation, and should therefore accept the responsibility of providing relief for fishermen from the adverse consequences of the change.

Whether the present plight of fishermen is of a transitory nature or whether their means of livelihood is permanently impaired or destroyed, their position is the result of the government's entry into the fishing industry.

We call on the government to take whatever immediate steps may be necessary to preserve our means of livelihood and assure us of a return for our efforts at least compatible with that we enjoyed before the government took over fish handling and marketing.

Our most pressing requirement is for an immediate increase in the prices paid for the fish we catch, and in particular in the price of medium whitefish which accounts for the bulk of our production.

If necessary prices should be maintained at an adequate level by government subsidy until such time as the government finds solutions to deficiencies in the present marketing setup.

Respectfully submitted by

THE GREAT SLAVE LAKE FISHERMEN'S FEDERATION.

APPENDIX A

Summary of operating costs and required revenues for winter fishing operations prepared November 15, 1970 by members of the Great Slave Lake Fishermen's Federation in conjunction with Mr. T. Mason and Mr. Tingling of the Department of Industry and Development, Government of the Northwest Territories, and Mr. Don Stewart, Director of the Freshwater Fish Marketing Corporation.

Quotations are on the basis of a one-Bombardier operation, employing four men, using 70 nets, throughout a four-month winter season:

OPERATING COSTS

Bombardier repairs	\$ 1,000.00
Nets, leads, floats	1,400.00
Tools and line	250.00
Wages - four men	5,600.00
Food	1,600.00
Fuel and oil for Bombardier	1,400.00
Camp fuel	260.00
Caboose and equipment	250.00
Bombardier insurance & license	50.00
Fishermen's licenses	20.00
Mitts	100.00
Truck	400.00
Miscellaneous	500.00
TOTAL	\$12,830.00

Presuming a reasonably good catch of 40,000 pounds of fish and an average price of 30¢ per pound, the operation would realize \$12,000 . . . a loss of \$830.00.