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ANALYSIS

OF

FRESHWATER FISH MARKETING OPTIONS

DEPARTMENT OF ECONOMIC DEVELOPMENT AND TOURISM

February, 1982

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## SUMMARY

This report briefly reviews the problems confronting the NWT fishing industry and concentrates on an analysis of the options of remaining in or withdrawal from the Freshwater Fish Marketing Corporation.

Specifically the options examined were:

- 1) Maintaining the Status-quo - FFMC would continue to process Great Slave Lake fish and market same in the inter-provincial and export markets;
- 2) Partial Withdrawal from the FFMC - Fishermen be allowed to pursue markets for those species of fish that are not currently marketed by the FFMC and seek out new markets for all species in areas not adequately served by the Corporation. Marketing could be done independently of the FFMC or by the FFMC on a fee-for-service basis; and
- 3) Withdrawal from the FFMC - Fishermen individually or collectively would be responsible for marketing NWT fish.

After reviewing these options, the report concludes that there appears to be no advantage at this time, for the NWT to opt out of the FFMC since withdrawal would not succeed in eliminating the complex problems and high costs associated with operating a small fishery in the North nor necessarily improve fishermen's welfare. Also, the NWT would be unable to market the bulk of its fish more effectively than the FFMC. The Freshwater Fish Marketing Act provides for an accommodation relative to Option II, so the NWT could, through negotiations, attempt to exclude those smaller, unique northern fisheries. The report also identifies the existence of conflicts at the inter-personal level between individual fishermen and employees of the FFMC which require immediate resolution if the FFMC is to remain and operate successfully in the NWT.

I

INTRODUCTION

This review of the Freshwater Fish Marketing Corporation (FFMC) is conducted in response to a motion (Motion 11-81-3) that was passed during the 6th Session of the 9th Assembly of the Legislative Assembly of the Northwest Territories. The motion called for the Minister of the Department of Economic Development and Tourism to carry out an evaluation of the FFMC and its relationship with the NWT and report his findings with recommendations during the 7th Session of the Assembly. The objectives of the evaluation are to examine the option and implication of removing the NWT from the FFMC and to develop recommendations to achieve independence in marketing NWT fish.

The approaches taken in carrying out the evaluation, involve a review of the NWT's financial and legal relationships with the FFMC, and an objective analysis of the options of continuing with or opting out of the FFMC. The review was undertaken in consultation with the fishing industry (members of the Great Slave Lake Fishermen's Federation), the Department of Fisheries and Oceans, the Freshwater Fish Marketing Corporation and some other interested parties.

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II ANALYSIS OF OPTIONS

(A) MAINTAINING THE STATUS QUO - FFMC would continue to process Great Slave Lake fish and market same in the inter-provincial and export markets.

This option would provide for stability in prices and maximize benefits to the majority of fishermen over the long term, as it will keep intact, the single marketing desk for all of western Canada's freshwater fish production. It may not succeed, however, in maximizing the incomes of NWT fishermen although optimum benefits have and could continue to accrue to the aggregate FFMC fishery.

Cost to the GNWT will be minimal if this option were pursued, however, there might well be the need for continued and incremental annual price support until fishermen's incomes improve as a result of the development of new markets or inflation is reduced and maintained at a lower and manageable level. To this end, the Government of Canada along with the NWT and the other participating provinces will be required to support research and development for new products and markets since the fishermen are unable to finance such a program.

(B) PARTIAL WITHDRAWAL FROM THE FFMC - Fishermen be allowed to pursue markets (arrange volumes and prices) for those species of fish that are not currently marketed by the FFMC and seek out new markets for all species in areas not adequately served by the Corporation. Marketing could be through the FFMC on a fee-for-service basis.

This option was examined for the specific purpose of addressing the often made accusations that the FFMC has done/is doing a poor job of marketing fish, that it has not developed markets for certain species nor has it been able to expand its traditional markets.

Consideration of this option is consistent with the Freshwater Fish Marketing Act (R.S.C. 1970 c.f.-13) which makes provision for a participating province, through negotiations with the Board of Directors of the Corporation, to enter into special arrangements respecting the whole or particular geographical areas of that jurisdiction. Further, the Federal Government may prescribe regulations exempting certain species of fish or specific areas.

Thus, the Corporation would be well within its powers to enter into an agreement with the NWT that would provide for special concessions or powers for all of the NWT or for specific areas or species. For example, when the Board grants a licence to the Delta Fishery, it could state as a condition of such a licence that the fishery has the power to market its fish wherever it chooses.

(C) WITHDRAWAL FROM THE FFMC - Fishermen, individually or collectively would be responsible for marketing NWT fish.

This appears to be the choice of the Executive of the Great Slave Lake Fishermen's Federation, (Inuvialuit Development Corporation) but not of the Cambridge Bay Fishermen's Coop. Polling of members of the Fishermen's Federation is not yet completed.

There would be a substantial cost element to pursuing this option, which for the most part would have to be borne by the GNWT. Firstly, the GNWT as a signatory to the FFMC Agreement is liable for 5% of losses incurred by the Government of Canada resulting from a default in payment of its loans made to the Corporation. Secondly, the GNWT and or the fishermen (more realistically the former), would be called upon to make restitution for the Corporation's redundant assets in the NWT which are estimated at a minimum value of \$0.9 million. Thirdly, the level of support that the GNWT would be required to provide annually to maintain prices and/or offset operating deficits should exceed the current level of \$267,000. Lastly, the GNWT would also be expected to assist the industry through loan guarantees, and/or concessionary loans annually for working capital purposes.

Legally the FFMC would have the prerogative to prohibit NWT fish from those markets over which the Corporation would still retain controls; also it may want to retain the power to issue permits for the NWT to deal or trade in freshwater fish.



CONCLUSIONS

The information obtained during the review is incomplete, subjective and lacking in hard data on the pooling effects, cross-subsidization and cost breakdowns relative to the Great Slave Lake Fishery. Hence, it is inadequate for the purpose of basing as momentous and critical a decision as opting out of the FFMC.

Based on the examination, there does not appear to be any benefit to either the fishermen or the GNWT to withdraw the Great Slave Lake Fishery from the FFMC. The specific information required for basing a decision must, of necessity, be obtained from an audit of the FFMC's Hay River operations and an in depth analysis of the impact of opting out. The GNWT could in the interim, pursue through negotiations the exclusion of those northern fisheries that do not wish to be associated with the FFMC.

## RECOMMENDATIONS

It is recommended that the GNWT defers a decision relative to the Great Slave Lake until an independent assessment of the FFMC operations in that fishery has been carried out. This examination should specifically address the effect of the pooling practices, cross-subsidization, freight, operating costs and current production practices on the gross returns to fishermen.

It is recommended also that a comprehensive analysis of the impact of withdrawal on the NWT be conducted prior to arriving at a decision on the FFMC.

It is further recommended that the NWT negotiate with the FFMC, for special arrangements respecting those Northern fisheries that wish to pursue marketing of their fish independently of the FFMC.

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