



***Economic Opportunities In Commercial
Fisheries Of The Nwt
Type of Study: Industry Development
Fisheries, Fisheries Nwt General
Date of Report: 0
Author: Topolniski, D
Catalogue Number: 3-14-11***

3-14-11

Economic Opportunities in the Commercial Fisheries of the Northwest Territories

Dan Topolniski, Sidney Kerwin, and Allan Kristofferson

Despite major cultural changes, such as the shift from a nomadic lifestyle to more permanent residence, the residents of many small, isolated, and overwhelmingly native settlements in the Northwest Territories continue to rely on fishing, hunting, and trapping. This subsistence sector is of such economic, social, and cultural importance that it receives the first priority in use, subject only to the requirements of conservation. Commercial development can only take place where there are resources surplus to the needs of the subsistence harvest.

Although traditional harvesting activities are considered a priority, there is growing and widespread interest in commercial development of the renewable resource economy, as illustrated by recent recommendations from community and regional economic development conferences sponsored by the Northwest Territories Department of Economic Development and Tourism. Some commercial development proposals are linked to the original subsistence economy, as in the case of proposals for the harvesting of country foods for intra- and inter-settlement trade. Proposals for larger-scale, export fishery development are often viewed as compatible with traditional harvesting activity, as they build on skills gained and investments already made. Individual and community aspirations have been raised in anticipation of land claim settlements and the commitments of the federal and territorial governments to commercial development of the renewable resource sector.

"Government Roles

The Government of the Northwest Territories (GNWT), through its economic development program, has assigned a high priority to the goal of maximizing the economic impacts from the renewable resource sector of the Northwest Territories. The GNWT recently prepared a commercial renewable resources policy, and is now implementing projects under this policy. The Department of Indian Affairs and Northern Development (DIAND) and the Department of Regional Industrial Expansion (DRIE) contribute to this goal

through their economic development programming for N.W.T. residents, two major initiatives being DIAND's Economic Development Agreement and DRIE's Special Agricultural Rural Development Agreement. These economic development programmes, in addition to a number of other federal and territorial incentives (e.g., DRIE's Native Economic Development Program, the Department of Employment and Immigration's Community Futures Program, and GNWT's Foreign Assistance programme) provide funds for capital investment, as well as operational and training support.

The Department of Fisheries and Oceans (DFO) manages and protects the fish and marine mammal resources of the Northwest Territories in accordance with sound resource management practices and in consultation with those who use and enjoy the fishery. DFO participates in the economic development process, especially in assessing whether development proposals, especially in assessing whether development proposals are biologically feasible; formal arrangements now exist with federal development agencies to ensure consultation with DFO at the inception of project proposals. As development proceeds from the test fishing phase to a commercial operation, DFO provides services for inspection, enforcement, fishery management, and economic planning. ?

Economic Opportunities in the Fishery

There exist a number of development issues in the established commercial fisheries of the Northwest Territories that warrant consideration as a form of economic opportunity which too often tends to be downplayed: the maintenance of existing economic benefits from the commercial fishery. Therefore, a suggested priority is to address the requirements of the existing fishery.

inter-Settlement Trade

In each of the geographic regions-inland, coastal, and marine-the potential exists to expand the inter- and intra-settlement trade for country foods. This fishery does not face the economic and logistical constraints of the export fishery. Because local market opportunities are limited by the small population sizes of many communities, the required operations are small-scale and do not entail large capital investments.

Some observers have suggested further expansion of the wage economy will lead to a decline in the important subsistence fishing, thereby providing opportunities to expand local sales of a char and other species. In the short run, this potential will be limited by the growth in the territorial wage economy. Development for local sales cannot take place at the expense of the subsistence fishery, and in many communities individuals continue to satisfy their needs through subsistence fishing.

Export Trade

Inland Region

There exist large supplies of unused stocks in the inland fishery, including whitefish, round whitefish, lake chisco, trout, and northern pike. Despite this potential abundance, there is at present only very limited potential for export commercial fishery development. Lake trout do not stand up well to heavy exploitation, so this species is best allocated to the sport fishery. The high costs of production relative to market price limits the development potential for other species. Thus, for the valuable of these species, the limited whitefish, the distance to southern markets and competition from larger, more accessible fisheries (including Great Slave Lake) suggests that, under current price and conditions, development of an export commercial fishery would not be economically feasible.

Coastal Region

Arctic char stocks surplus to the current domestic and commercial harvest volume as determined from existing quotas suggest sufficient biological potential for fishery to expand. Possible areas for expansion of the char fishery are primarily in the Keewatin region, including the Chesfield Inlet and Rankin Inlet areas. The current quota within a 150-mile radius of Rankin Inlet plant is several times the current harvest of approximately 10030 kg. In the Kitikmeot region, the export opportunities appear to be more limited due to large distances to markets and the dispersed distribution of char stocks. In the south-west region of Baffin Island, potential for fisheries in Steensby Inlet on Nettilling Lake is being evaluated.

It has been recommended that phase development of the arctic char fishery be pursued to achieve development potential including the following assessment:

detailed market research to develop a marketing strategy for constructing additional fish processing facilities, and market analysis and pre-feasibility studies of Transportation and other costs involved before additional test fisheries are supported.

Marine Region

In general, the marine resources of the Canadian Arctic are relatively unexploited and largely unknown.

In the Inuvik Region, a Pacific herring stock assessment was carried out to determine the availability of herring roe in Liverpool Bay. The preliminary assessment concluded that potential revenues from the herring roe fishery were too low to justify Significant investment.

In the mainland central Arctic and some islands of the arctic archipelago, the marine species of some value include the arctic cod, turbot, polar cod, and caplin. The arctic cod is a key species in the arctic marine food chain. Cod are sometimes harvested by Inuit on hook-and-line by jigging in ice cracks in the spring and used as food for themselves and their dogs. A 1986 test fishery near Coppermine to determine if caplin could be harvested in commercial quantity was not successful. To date, it would appear that the potential for development of marine commercial fisheries in the Kitukmeot region is limited.

Of the marine species in the Keewatin region, turbot and caplin may be of some commercial value. Caplin are sometimes harvested near south-coast settlements such as Churchill, but recent test fisheries in this area have proved unsuccessful. Therefore, it appears that the potential for marine commercial fisheries in the Keewatin region is also limited.

The Baffin region appears to offer the best potential for marine commercial fishery development. Territorial interest in eastern arctic fisheries for shrimp, scallops, and turbot is quite recent (since the mid-1980s) and has arisen in response to favourable results from inshore test fishing activity (scallops and turbot in Cumberland Sound) and the existence of a large-scale commercial fishery in the offshore (shrimp, turbot, and Cod).

Recently, the economic development corporation of the Baffin Region Inuit Association received a licence and a resource allocation from DFO to enable territorial interests to participate in the northern

shrimp fishery. Although market potential seems favorable, the capital costs of a vessel are very large, and questions about the long-term availability of resources suggests a level of uncertainty for this venture.

Exploratory scallop fishing continues in Cumberland Sound, and there have been recent proposals for similar programmes in other areas in the Hudson Strait-Ungava Bay area. Prior to licensing and allocation decisions being made for these fisheries, DFO has recommended that financial viability be determined and market analysis conducted.

Test fishing for turbot has been conducted in the winter fishery at Pangnirtung. Although preliminary indications are that turbot is very abundant, it has been suggested that the sale of turbot and cod to southern markets is not economically viable because of strong competition from the Atlantic fishery, which has lower costs of production. Therefore, it was concluded that the market for these fisheries appears to be limited to the Baffin region.

Residents of Sanakluag harvest mussels, sea cucumbers, and sea urchins for their own use. A test fishery project for these species, conducted in 1985, concluded that a small specialty market could be developed in the South, but to date nothing further has come of this study.

Constraints to Fishery Development Potential

In terms of the factors restricting the private development of northern industry, it has been shown that output has not been directly limited by the availability of natural resources themselves. Rather, the effective limit has been private investors' estimates of probable profitability. Efforts to overcome the economic effects of remoteness have produced a deliberate reliance on high-grade natural resource occurrences and a persistent pursuit of efficiency through the vertical and horizontal integration of production processes.

From the foregoing review, it is possible to make some general observations with respect to the constraints on the fishery. Commercial development has been constrained by the relatively slow growth, depressed productivity and low abundance so characteristic of arctic fish resources. Development has also been constrained by the fact that territorial producers are remote from the places where most consumption occurs and the

production of other goods takes place. For many of the species of commercial interest there exist lower-cost sources of supply. Finally, in spite of a growing interest in commercial development, many northern residents have little or no experience with commercial ventures. In combination with these constraints to commercial development are such that, for the foreseeable future, the economic potential is relatively modest.

However, despite the biological and economic constraints, continuing emphasis will be given to territorial fishery development because of the limited economic base of many northern communities and the contribution of the fishery to social and cultural objectives. A fundamental public policy issue concerns the extent to which the development of the territorial fishery should proceed on both economic and social grounds. Addressing a similar issue in Atlantic Canada in 1982, the Kirby Task Force observed that the distinction between a "social" fishery and an "economic" fishery is false, because policy must reflect both economic and social realities. Nevertheless, there is a need to develop clear objectives for the fishery and to provide policy guidance on the extent to which trade-offs between economic efficiency goals and distributional and social goals will be made.

A draft arctic fisheries policy now being prepared by DFO will serve as a point of departure for public discussion of this issue. In the draft policy, DFO proposes to manage arctic fish and marine mammal resources in consultation with and between its clients—the people who use or enjoy arctic resources—and others who will be affected. It is proposed that fishing plans examine fishery development issues by incorporating information from a review of test fishing and economic development proposals, since the assessment of future demands is so important to fishery management planning.

To date, federal and territorial agencies have yet to agree on overall development priorities or a development strategy. As a result, N.W.T. fisheries development activity is perhaps best characterized by its ad hoc nature. In the absence of improvement in these areas, actual fishery development may be elusive. Accordingly, a number of proposals have been made to improve the planning and delivery of economic development programmes. A 1987 study concluded that the economics of commercial fishing leave little or no room for error.

it recommended that the federal and territorial government jointly formulate standard procedures to be implemented prior to the start of any new ventures. Another study recommended decision guidelines for the Natural Resource Development Subsidiary Agreement that stressed the need to establish development priorities and to follow a logical sequence of planning activities, from pre-feasibility analysis, stock assessment, and market analysis through to project implementation.

There is also a sense of frustration with the development process among individual and community applicants. There is an interest in establishing more local control of development planning and in streamlining the guidelines and review procedures of

funding programmed. As they relate to the fishery, these concerns mean that there is a need for better integration of community aspirations, economic development plans, and fishery management plans. Again, it is felt that the proposals in the draft arctic fisheries policy will serve as a useful point of departure for public discussion of how this might be achieved.

Regardless of who makes the decisions on funding or where those choices are made, there are a number of factors to be considered in planning for fishery development. The strategy proposed for the renewal of the Economic Development Agreement, if implemented, would offer a significant advance over earlier approaches. That strategy places an emphasis on pre-feasibility and market analysis prior

to the initiation of test fishing programs. Such preliminary project planning will provide an estimate of the potential benefits from development and could be the basis for interested individuals and communities to co-operate with the participating federal and territorial agencies in determining priorities for stock assessment, physical infrastructure, and local and market analysis.

Dan Topolniski is

Sydney C. Kirwan

~~Sydney Kerwin is~~

Al Kristofferson is

☺

Sydney C. Kirwan
Director, ~~Natural~~ Renewable Resources Development
Economic Development & Tourism
Government of N.W.T.

Dan Topolniski
Economist
Program Coordination and Economics
DEO
Winnipeg

Al Kristofferson
Biologist
Resource Allocation & Habitat Management