Arctic Development Library

Economic Facts - Baffin Region
Type of Study: Statistics/surveys
Date of Report: 1992
Author: G.n.w.t. - Economic Development & Tourism
Catalogue Number: 11-55-59

ECONOMIC FACTS - BAFFIN REGION

Sector: Tourism

11-55-59

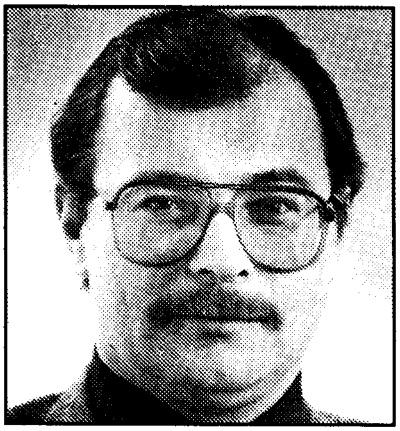
Statistics/Surveys

BAFFIN REGION
ECONOMIC FACTS

JULY, 1989

Department of Economic Development& Tourism
Government of the Northwest Territories

From Gary Singer
4/21/92



MINISTER'S MESSAGE

With ever increasing challenges to economic development in the Northwest Territories and the many opportunities and constraints facing the regions, there is a pressing need for the Department of Economic Deveiopmenttotake a leadership role in creating a more dynamic environment to meet the economic needs of the communities.

Government's role is to provide a climate within which people can prosper, using their own resources and initiative to solve problems. To create that climate, we need a plan which will make the best possible use of our limited resources and provide a basis for the difficult decisions which lie ahead. We are optimistic that by encouraging the underlying themes of participation, development, and self-reliance in developing an economic strategy we can at least begin to prepare for these economic and social challenges.

The GNWT is only one participant in building our economy. This new planning initiative will make every attempt to incorporate unlimited participation and consultation in the development of an economic strategy. We recognize the importance of having meaningful participation from residents of the NWT in the decision making process. Individuals, businesses, communities, and aboriginal organizations must work together with us in making those decisions about how we develop.

This profile merely provides an overview of the opportunities and constraints to economic development in the Baffin region. The next step is to undertake a process of consultation towards a strategy to overcome some of the major constraints to development, to develop identified opportunities, and to increase the level of participation in the economy by Inuit people of the region. Over the next five years our economic strategies need to concentrate on expanding our tourism and cultural industries, small scale renewable resource development, import substitution programs, and support programs for the small business sector. I am enthusiastic about the challenge of working with the NWT business community in developing new economic opportunities for Northerners.

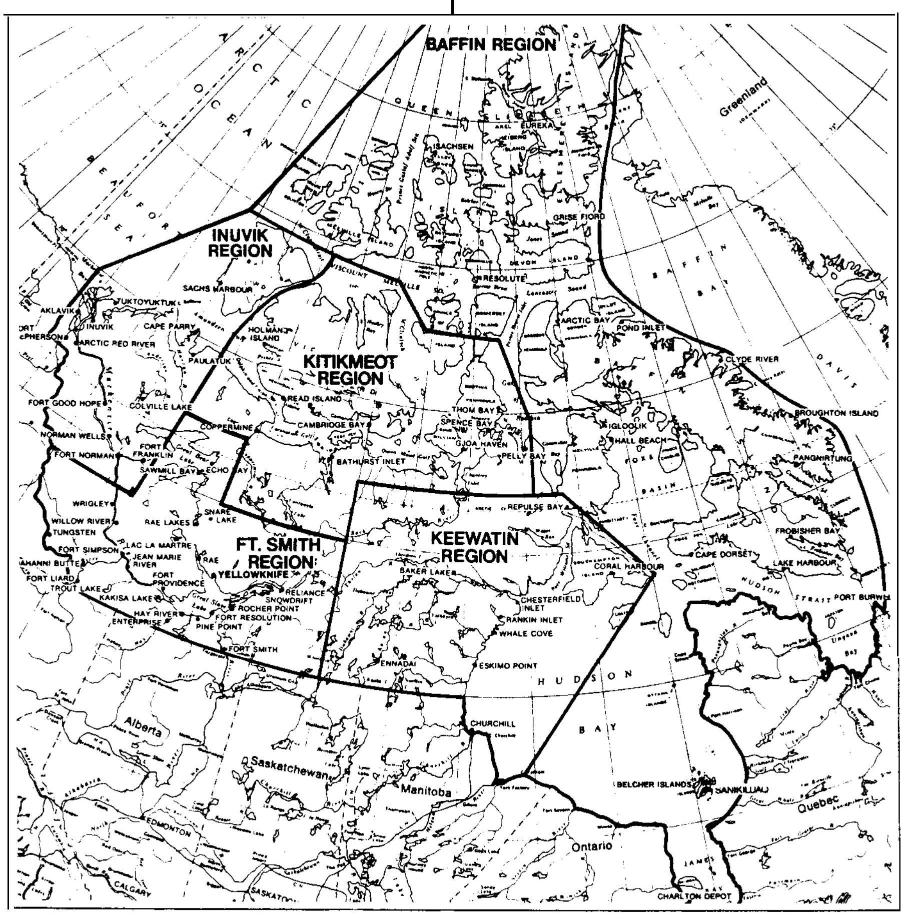
Honorable Gordon Wray
Minister

BACKGROUND

The Baffin Region is comprised of fourteen communities and just over 10,000 people. Nine of the communities are scattered around the coast of Baffin Island, the fifth largest island in the world. The region stretches from Sanikiluaq in southern Hudson's Bay to Grise Fiord on Ellesmere Island in the high Arctic.

The administrative center of the region is Iqaluit (formerly Frobisher Bay) a town of approximately 3,000 people located in the southern end of Baffin Island. The remaining thirteen hamlets range in size from Grise Fiord at only 75 people to Pangnirtung with over 1,100 people. Eighty-two percent of the residents of the region are Inuit.

While the primary industry and largest employer of the region is Government, this is a modern phenomenon. In the nineteenth century, the quest to find a Northwest Passage to the east brought sailing ships from Britain and America to the eastern Arctic. The unfamiliar sailing conditions and unforgiving Arctic climate took its toll on these early explorers, perhaps the most famous of all being the 1854 Franklin Expedition in which the entire crew of 154 men perished. The massive search to determine the fate of the Franklin crew resulted in even more ships exploring the coast of Baffin Island, and inevitably the discovery of the eastern Arctic's resources, notably the northern Right whales (Bowhead). Throughout the 1800's stations were established by Scottish and American whaling companies throughout the eastern Arctic and increasing contact was made with the Inuit who found employment at the whaling stations.



Whaling continued into the early part of this century and even today elders from communities such as Pangnirtung remember growing up during the final years of the whaling stations in Cumberland Sound.

While some Baffin communities such as Lake Harbour date back to 1923, early communities were little more than a Hudsons Bay company post and perhaps the church. For much of this century the Inuit of the eastern Arctic lived in isolated coastal camps comprised of only a few families each,

The 'opening up' of the isolation of the eastern Arctic has often been credited to the construction of the Distant Early Warning sites (Dew Line) after the Second World War. These radar sites necessitated improvements to airstrips and transportation links, and became employers of Inuit who lived adjacent to the sites. The emergence of communities and Government services such as housing, medical care and education culminated in the early 1960's when most Inuit families moved from their traditional camps into communities.

Today the Baffin economy is largely dependent on the presence of the Federal and Territorial Governments. Of the $85,000,000 of income to the Region in 1986, 27.5% was derived from the Government of the Northwest Territories, the Federal Government contributed 4.9%, Crown Corporations 3.8%, unearned income (transfer payments) constituted 9.4 % of the regional income. Businesses added another 27.5%, arts and crafts totaled a significant 11%, municipal governments 8.2% and finally third party agencies and associations contributed an additional 3,9% of the Region's income.

The transition from a traditional Inuit hunting economy to a modern Government-dominated economy in just thirty years has had its most dramatic effect in the labour force. High unemployment rates exist in all communities except Iqaluit and the mining community, Nanasivik. The contrast between native and non-native employment is even more striking and is related in part to the education and skill level differences between the two groups. In a labour force survey conducted in 1984, the unemployment rate for the Region was estimated at 21%. The unemployment rate was 29% for the Inuit; but, only 3% for the non Inuit.

Government investment coupled with a steady growth in tourism and arts and crafts has stimulated the development of trade and service businesses. In 1986 there were 193 businesses operating in the Baffin Region, 60% of which provided either retail, tourism, transportation/communication or construction services. Processing and manufacturing amounted to less than 1% of the registered businesses. Almost half of these businesses are located in Iqaluit which serves as the transportation hub for the Region.

The Baffin Region now enjoys daily jet service to/from Ottawa and Montreal by two carriers using 737 and 727 aircraft. Twice weekly service to Yellowknife and weekly service to Nuuk, Greenland has opened the region to both national and international transportation links. Baffin communities are linked by Twin Otter or HS 748 service which can be as frequent as four times a week.

The 1980's set the framework for the growth of the Baffin economy by developing improved transportation links, establishing regional sources for goods and services and by continuing to increase the number of skilled labourers who are graduates of the regional high school and the Iqaluit-based campus of Arctic College.

As the Baffin Region enters the 1990's the economic prospects look strong in some sectors. A large labour force and stable investment environment holds the key to continued economic growth.

OPPORTUNITIES

Small Business

Iqaluit serves as the business center for the Region. Of the close to two hundred active businesses in the region approximately half are located in Iqaluit.

The retail sector dominates each community as the largest small business employer (21 % of the work force) followed by the service sector (14%), transportation and communication (14%),-tourism (12%) and construction (11 %).

This rapid growth may be attributed to several factors. The population has been growing at an average of 3.5% per annum creating a significant increase in consumer demand for goods and services. Government investment in buildings and infrastructure climbed steadily throughout the decade creating a steady demand for supplies, services and labour. Iqaluit developed as the regional hub for many of these services but as the smaller communities have grown so have the small, owner operated businesses providing services previously handled by government.

Construction

The shift in policy by the Territorial Government in the mid-1 980's toward recognizing the amount of northern ownership and northern labour in assessing contract bids created an opportunity for construction firms to establish in the Baffin. Today 11% of Baffin businesses service the construction industry and employ 18°A of the labour force. The GNWTthrough the Department of Public Works and the NWT Housing Corporation have the largest and most constant construction budget followed by Municipalities,

A private housing boom in Iqaluit, and in some of the larger communities, gained momentum throughout the last decade and created a demand for serviced land, building supplies and maintenance services. This boom continues to be fueled by employer subsidies for private home ownership and by the steady increase in the value of homes.

Arts and Crafts

Recent figures suggest that the Baffin arts and crafts industry has rebounded from the early 1980's recession. In 1981/82 direct income from the arts and crafts industry throughout the Baffin had dipped to approximately $5,000,000. A 1987/88 survey estimated that direct income to the region from arts and crafts had climbed to between $10,000,000 and $11,000,000 per annum. In many respects the arts and crafts industry is the region's flagship.The products are distinctively eastern Arctic, the producers constitute 25% of the Inuit labour force, and the industry generates new wealth for the Region by exporting most of the product. Combined with the region's tourism attractions, the arts and crafts industry distinguishes the Baffin region throughout the world.

With increased public investment planned by the GNWTto foster product development and promotion, the future should witness a steady return on investment for this industry.

Tourism

While the eastern Arctic has been the destination of explorers for several centuries it has only been in the-last twenty years that a tourism industry has developed. Two National Parks anchor the Region's scenic drawing cards, Auyuittuq Park near Pangnirtung and Northern Ellesmere Park in the high Arctic. In an effort to plan and develop the tourism industry for a controlled, quality growth, the GNWT in 1981 began working with the community of Pangnirtung on a long-term community-based tourism development plan. Today Pangnirtung's tourism industry, woven around the colourful history of the community, is recognized worldwide for its unique Arctic tourism product.

Growth in the Region's industry has been steady throughout the 1980's fostered in part by the improved air access to the Region and in part by the improved quality of accommodation and tourist services in most communities. At the present time over sixty tour packages are offered to the Region translating into approximately 3,000 visitors and $8,000,000 in income annually. Tour wholesalers offering adventure travel packages describe the Baffin as one of the last frontiers in the world that can offer a genuine blend of adventure, culture and spectacular scenery. A ten year capital investment plan by the GNWT for tourism public infrastructure and attractions will continue to foster growth in this sector.

Renewable Resources

Hunting for domestic use is still an important informal economy to the region, replacing food imports by up to $17,000,000 annually. The construction of small processing/freezer facilities in most Baffin communities in 1986, fostered a small but growing industry in the processing and sale of caribou, musk ox, muktuk (whale) and commercial fish products. More recently, businesses have recognized opportunities in value-added processing of the domestic food products including smoked fish, precooked and packaged meat portions and dried meats.

Baffin's commercial fishery has experienced significant growth since 1985, Fifty percent of Canada's offshore shrimp resources lie contiguous to Baffin Island, Of sixteen offshore shrimp licences issued in Canada, Baffin's Regional Development Corporation now controls one licence and shares another. As Canada is becoming more attracted to the Baffin's resources, opportunities for increased northern participation in this industry look very promising. Already shrimp trawler employment has meant over $1,000,000 in wages to the Region's Inuit in 1988.

Commercial char exports have been limited to less than 50,000 pounds in recent years as communities struggle to determine the best method for harvesting char resources. Winter fisheries have proven highly successful in both char and inshore turbot. In 1989, the Baffin winter turbot harvest was in excess of 300,000 pounds, translating into more than $450,000 in revenues for the community owned fishing company in Pangnirtung. The extent of the fish resource in Arctic waters is still largely unknown. The growing concern about stocks in Atlantic Canada will undoubtedly trigger increased exploratory activity in the eastern Arctic.

Mining and Energy Resources

The exploration boom for oil and gas in the early 1980's made a significant contribution to north Baffin communities, However, development of the oil and gas resources in the north Baffin and high Arctic are largely on hold as Canada concentrates its efforts on developing the Beaufort Sea deposits.

Two lead zinc mines in the region,the community of Nanasivik, and the self-contained mine, Polaris, on Little Cornwallis Island continue to export between 60,000 to 120,000 tonnes of zinc concentrate annually, as well as smaller quantities of lead and silver concentrate. Nanasivik mine is expected to close in early 1990's while Polaris should be active well into the year 2000.

There are approximately 450 jobs between the two mines; 15-20°A of the people are hired out of the Baffin Region.

CONSTRAINTS

Business opportunities in the Baffin Region can be difficult to seize because of the relatively immature economy and unskilled labour force that dominates the investment climate. It takes a thorough understanding of these constraints to successfully take advantage of business opportunities.

Labour Force

A shortage of skilled labour has forced many companies to import employees from southern Canada. The availability of skilled labour in the Region improves each year as an increasing number of graduates from high school and Arctic College enter the labour force. However labour costs, local or imported, are still high. The average annual earnings for Baffin wage earners are '$25,912.

Equity

The required equity base to lever debt-financing, venture capital or Government funding programs is still scarce, particularly in the smaller communities. Consumer savings are not a significant capital pool, particularly as Iqaluit has the only bank in the Region. Net disposable income is low in the communities. In addition, the cost of living is higher by two and one half times Montreal's.

The evident correlation between higher education and higher earnings has resulted in a large concentration of disposable income with transient Government employees.

Debt Financing

Most existing businesses in the Baffin describe problems of obtaining short and long term financing, Chartered banks are cautious about lending into smaller communities and lines of credit are conservative,

The financing requirements associated with the annual sealift of supplies distinguish business operations in the eastern Arctic and pose particular problems in times of rising interest rates.

Banks and Government loan programs are demanding an increasing level of sophistication to business plans accompanying financing proposals. Business management and financial planning skills are still limited in the smaller communities, and only in the last few years have professional accounting firms established offices in Iqaluit. Legal and insurance practices have yet to locate offices in the Baffin.

Government grant programs are increasing their information requirements with applicants having to demonstrate long term viability and evidence that the grant will not disrupt the existing business market.

Venture capital opportunities are few because of risks associated with high costs of operating and lengthy returns on investment. The infancy of most businesses in the eastern Arctic tends not to attract venture capital interests.

DEVELOPMENTS

Communities in the eastern Arctic are experiencing growth rates between 2.5% and 4.5% per annum. At the upper end of the range this means the doubling of populations in just twenty years. This rate of growth will indefinitely sustain a demand for housing, infrastructure and public facilities. The GNWT's recent move to privatize some build/lease projects will create opportunities for northern-owned and broadly represented companies to participate in the construction and in some cases, ownership, of Government leased housing and facilities.

The construction of a Forward Operating Base in Iqaluit along with numerous short range radar sites in the Baffin region will have spin-off benefits to the construction industry and some limited employment opportunities for northerners.

The future of the Arctic commercial fishing industry shows promise. Intensive exploratory fishing "efforts must begin immediately in order to identify the extent of known species and to identify new resources. As the Atlantic Canada fishery continues to experience problems more attention will turn north to Arctic fishing resources. The NWT must ensure a prominent place in licencing discussions on inshore and offshore groundfish, shrimp and scallop resources.

By all accounts a great deal of growth can still occur in the developing tourism industry. As public infrastructure and attractions develop, and recent promotional efforts increase consumer awareness, demand for the adventure travel/cultural tourism product offered in the Baffin Region will inevitably increase. Steady improvements to accommodations and tour services will quickly show returns.

Long awaited public investment in arts and crafts to stimulate product development, training, and a new marketing image will enhance Baffin's competitive position in the industry.

SUMMARY AND CONCLUSIONS

The Baffin economy reflects the structural problems which the NWT faces as a whole. Business activity and development is concentrated largely in Iqaluit, just as Territorial economic growth is concentrated around Yellowknife. The challenge for Government is to ensure economic growth occurs beyond Iqaluit by investing in the resource base during the initial high risk years of development. Government must also create a positive investment environment for the private sector by creating opportunities for venture capital investment and by establishing a steady policy base for developing those sectors which hold the most potential for viable, sustainable development.

The settlement in land claims in the near future will provide a sound economic base for native investment in new and existing economic opportunities. All initiatives will require a comprehensive look at the risks, the community needs and the alternatives for investment.

THE DEPARTMENT OF ECONOMIC DEVELOPMENT & TOURISM

The Department of Economic Development and Tourism has staff living in, or visiting, all NWT communities. They are thereto assist with business development or investment, no matter how small the proposal. In most cases, if you plan to start, modernize or expand a business, you should contact your local office at the Department for advice or assistance.

Baffin Region

Head Office: Iqaluit,
Northwest Territories
X0A 0H0
Phone: 819-979-5311
Fax:: 819-979-6026

Regional Superintendent:
Katherine Trumper

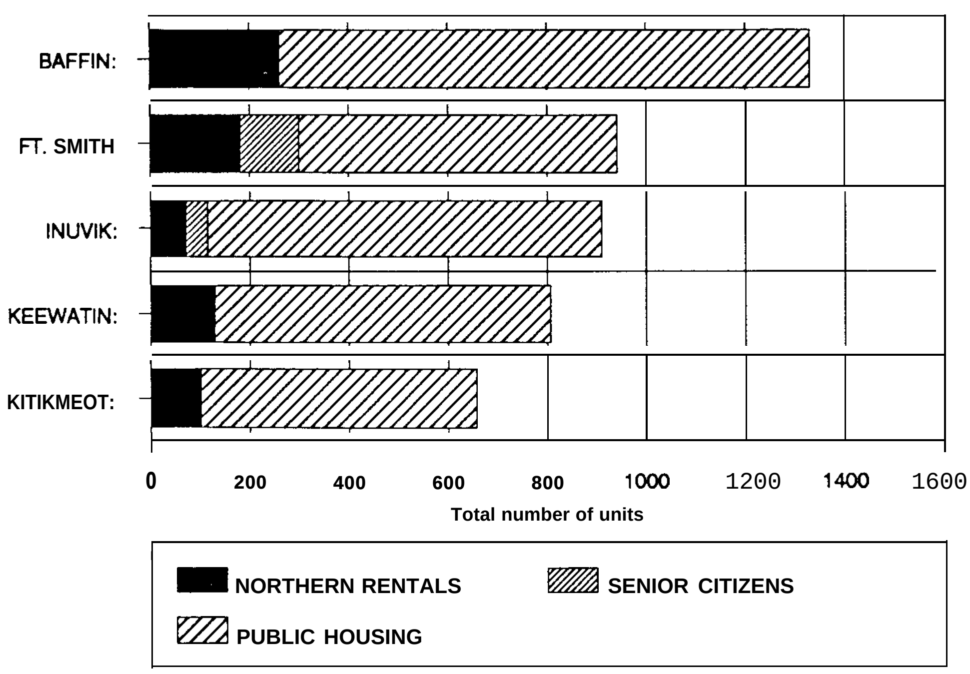
Regional Offices:
Igloolik: 934-8866
Pangnirtung: 473-8950
Pond Inlet: 899-8988

Social Housing inventory: A Regional Comparison

REGION	NORTHERN RENTALS	SENIOR CITIZ.	PUBLIC HOUSING	TOTAL INVENTORY
BAFFIN:	262	0	1067	1329
FORT SMITH:	183	118	642	943
INUVIK:	73	41	795	909
KEEWATIN:	129	0	678	807
KITIKMEOT:	103	0	554	657

Source: NWT Housing Corporation, 1988

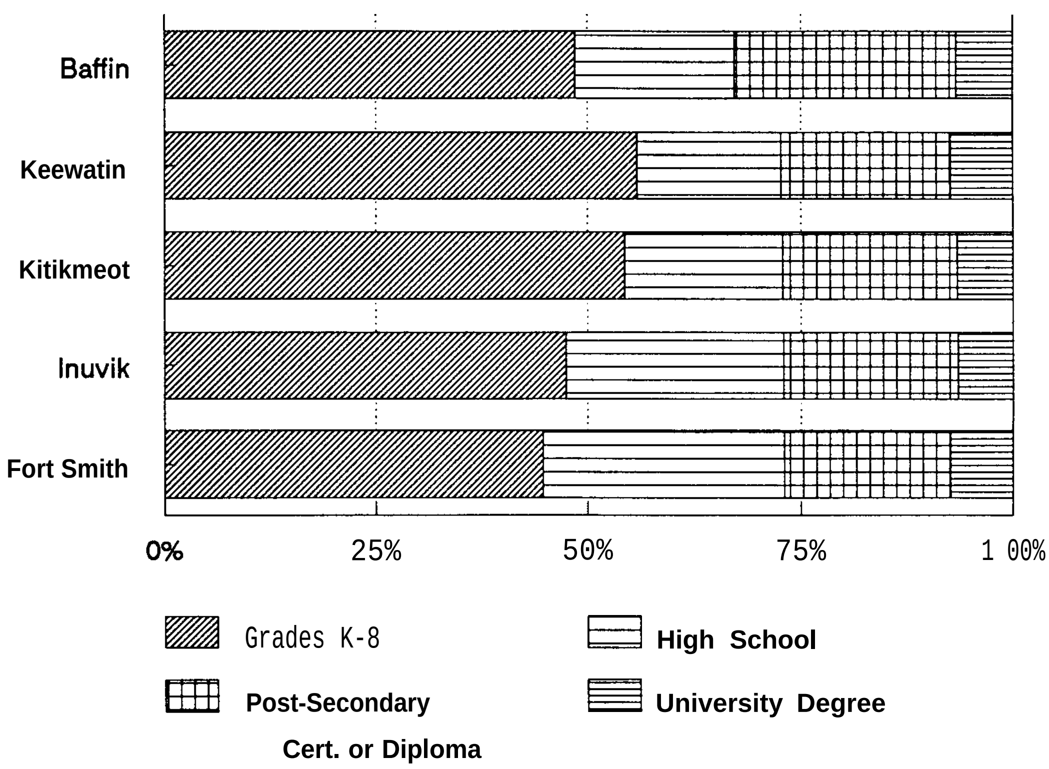
Social Housing Inventory -1988



Education Completed
NWT Labour Force

	Total	Gr.8	Gr.12	Cert./Diploma	Univ.
Baffin	4,706	2,248	869	1,210	308
Keewatin	2,380	1,290	394	462	168
Kitikmeot	1,871	892	304	336	107
Inuvik	4,939	3,709	2,005	1,609	504
Fort Smith	14,909	12,570	8,028	5,530	2,053
NWT	28,805	20,707	11,600	9,147	3,139

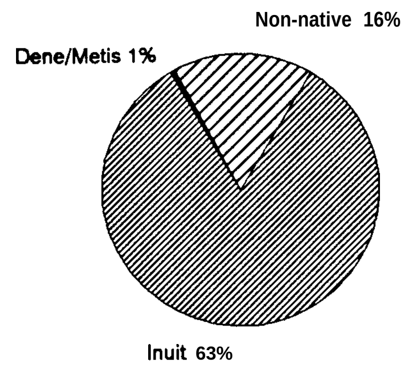
Source: Labour Force Survey, 1984



Population Mix

Inuit	8,305
Non-native	1,635
Dene/Metis	61

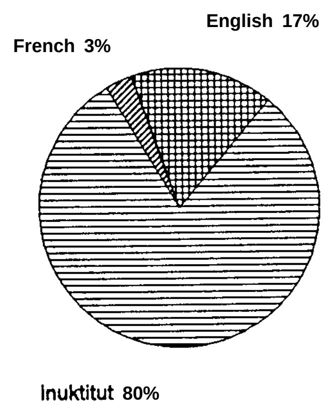
Source: Bureau of Statistics, 1987p.



Languages Spoken

English	1,610
French	300
Inuktitut	7,845

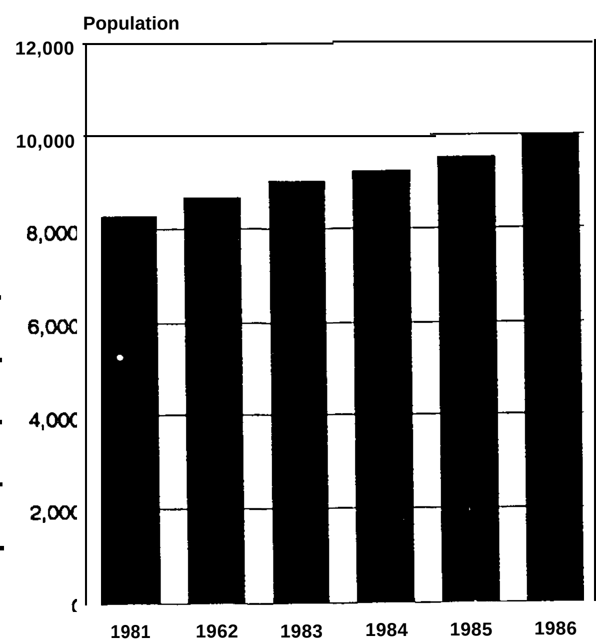
Source: 1986 *Census*



Population Growth

1981	8,297
1982	8,683
1983	9,037
1984	9,248
1985	9,528
1986	9,975

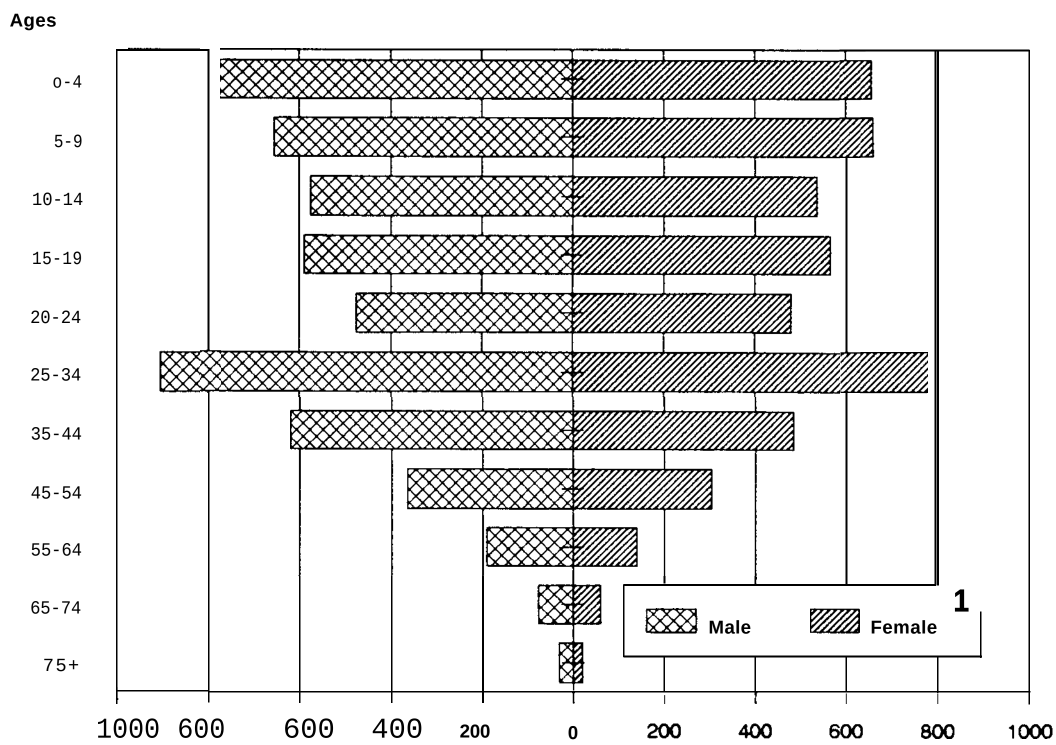
Source: 1986 *Census*



Sex and Age

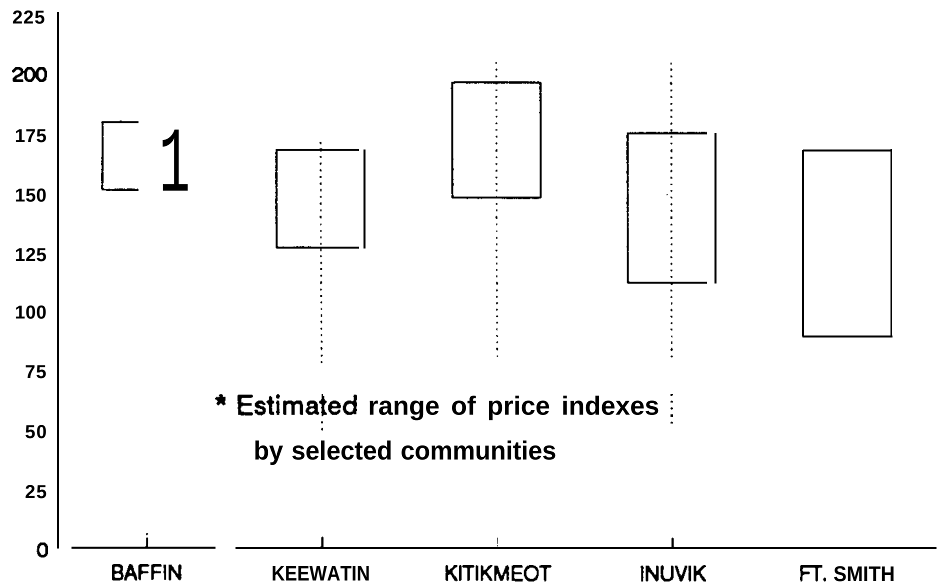
Age Range	Males	Females
0 4	775	**655**
5-9	655	660
10-14	575	535
15-19	590	565
20-24	475	480
25-34	905	810
35-44	620	485
45-54	*365*	305
55-64	190	140
65-74	75	*60*
75+	30	20

SOURCE: 1986 Census



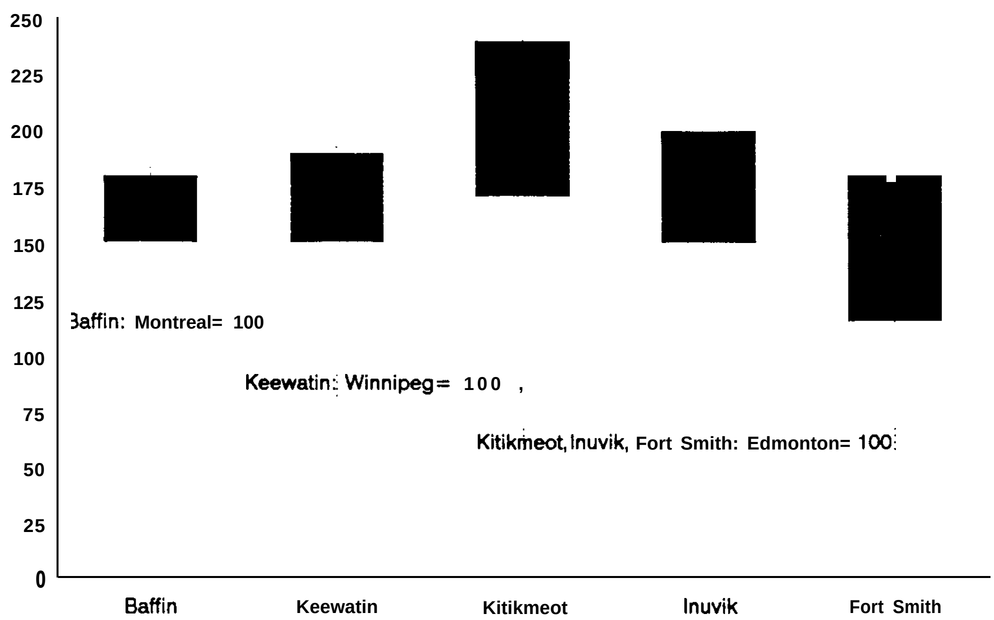
FOOD PRICE INDEXES

1987 (**Yellowknife** = 1 00)



Average Living Cost Differentials

Price Index Ranges: base city = 100



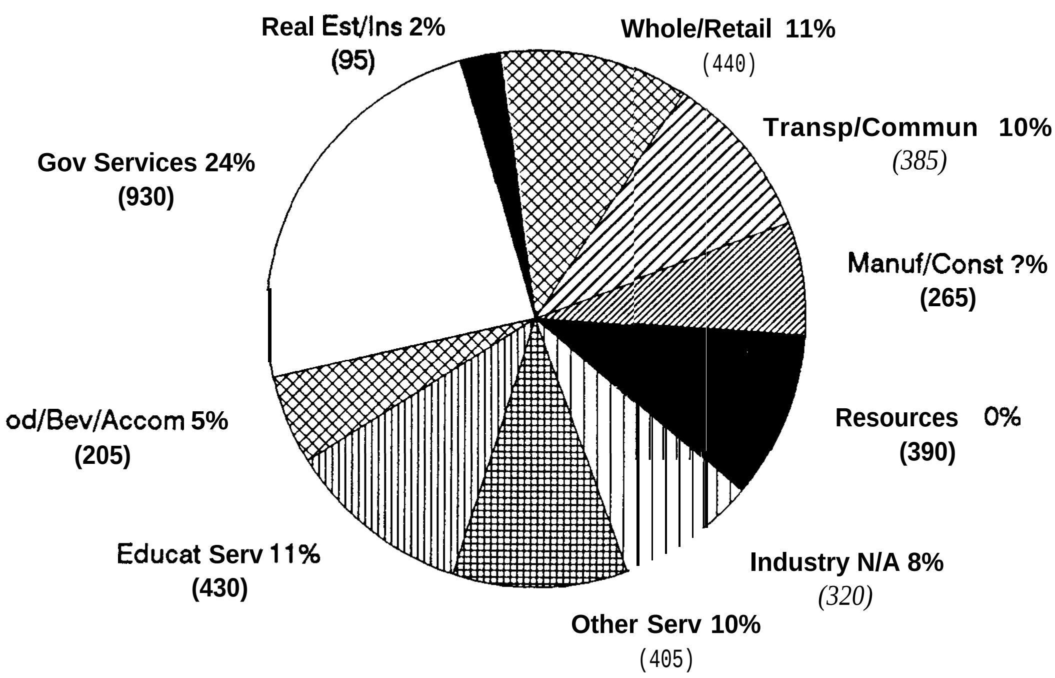
Source: Bureau of Statistics Sept. 1988

	Popul. over 15	Labour Force	Particip. Rate(%)	Employed	Unemployed	Unemp. Rate
NWT	34,930	24,370	70	20,950	3,420	14
Baffin	6,120	3,865	63	3,015	845	22
Keewatin	2,975	1,725	58	1,365	360	21
Kitikmeot	2,340	1,225	52	955	265	22
Inuvik	5,755	3,920	68	3,335	580	15
Ft Smith	17,750	13,635	77	12,275	1,365	10

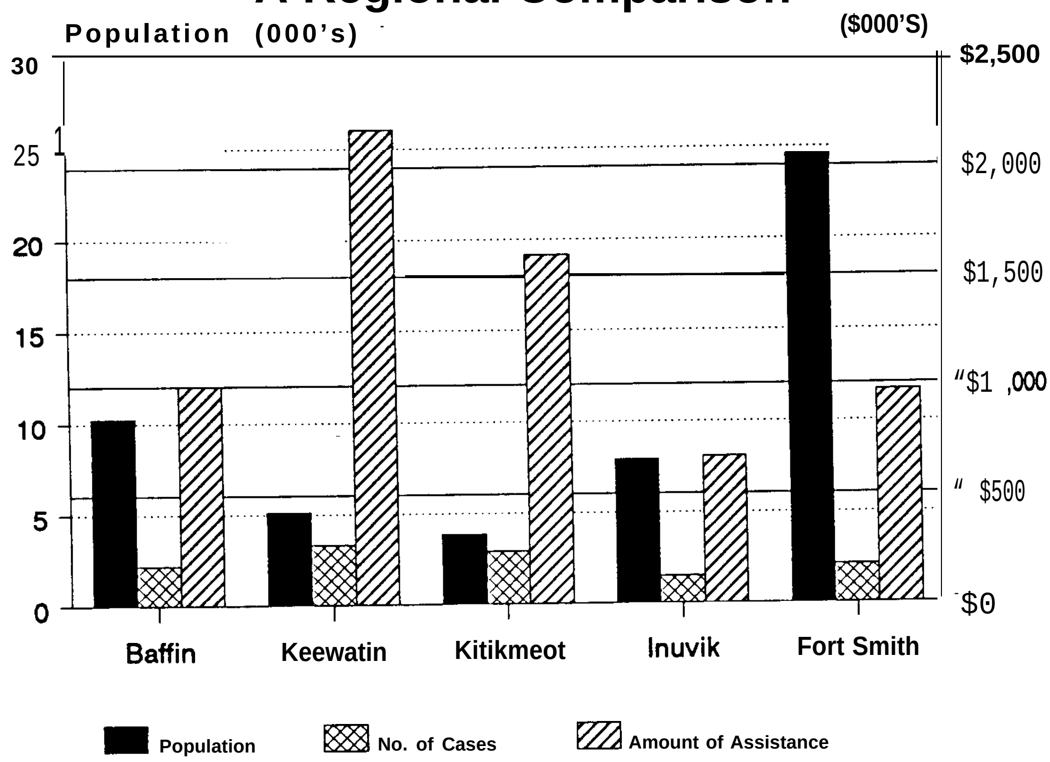
Source: 1986 Census

BAFFIN LABOR FORCE

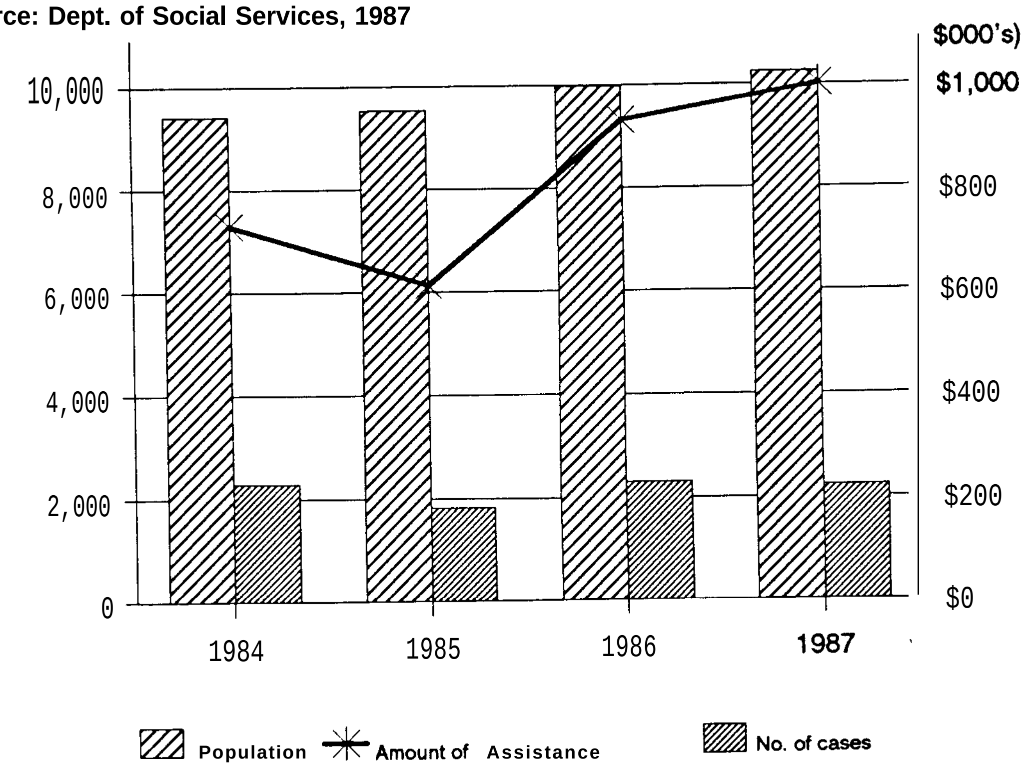
All Industries



Social Assistance Payments - A Regional Comparison



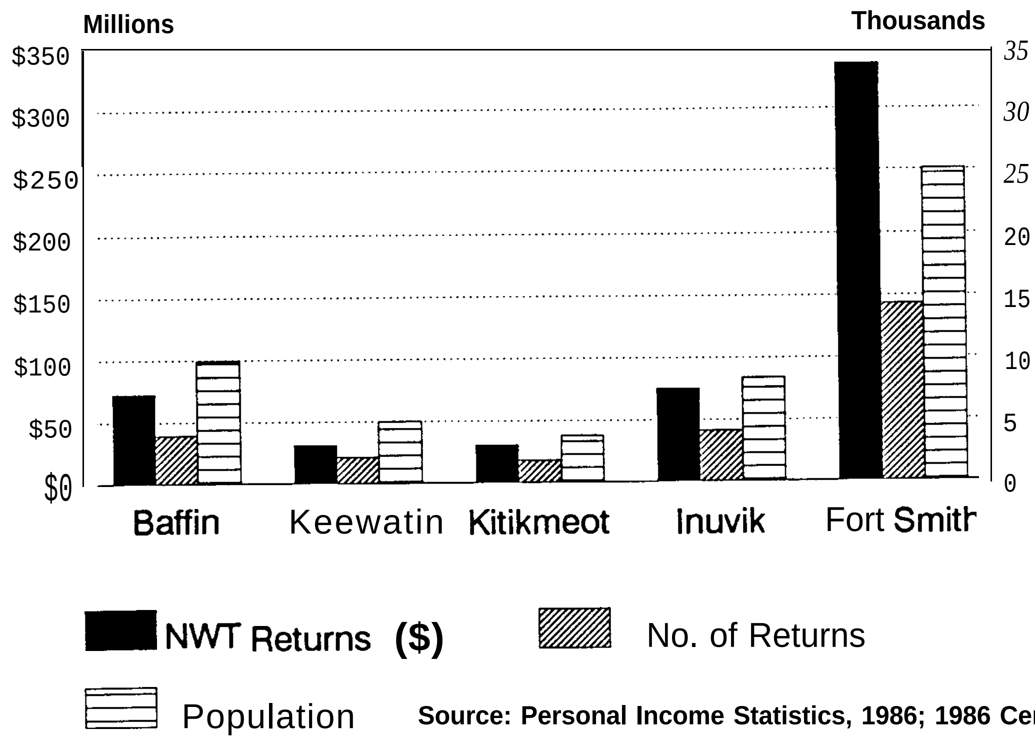
Source: Dept. of Social Services, 1987



PERSONAL INCOME TAX RETURNS AND INCOME -1986

	All Returns (No.)	All Returns ($ '000)	With Employment Income (No.)	With Employment Income ($'000)	With Pension Income (No.)	With Pension Income ($'000)
NWT	26,280	546,850	23,630	483,668	1,640	8,875
BAFFIN	3,930	73,021	3,370	65,868	260	873
KEEWATIN	2,130	31,747	1,880	28,452	140	557
KITIKMEOT	1,780	30,623	1,530	27,960	150	571
INUVIK	4,140	75,299	3,740	66,382	280	1,455
FT SMITH	14,300	336,160	13,120	295,006	810	5,419

	With Investment Income (No.)	With Investment Income ($ '000)	With Self-Employed. Income (No.)	With Self-Employed. Income ($ '000)	With Other Income (No.)	With Other Income ($ '000)
NWT	7,070	16,251	2,180	6,979	13,710	31,077
BAFFIN	730	1,395	180	329	2,190	4,555
KEEWATIN	260	309	110	129	1,170	2,301
KITIKMEOT	270	488	80	305	1,000	1,911
INUVIK	870	1,707	310	479	2,160	5,276
FT SMITH	4,940	12,352	1,510	6,349	7,200	17,035



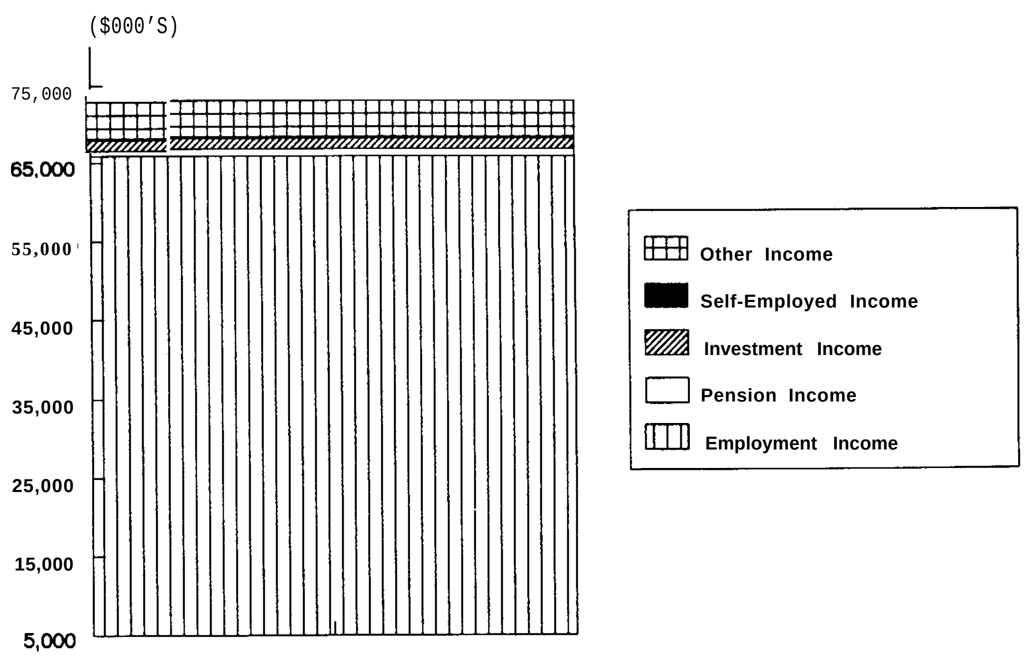
Source: Personal Income Statistics, 1986; 1986 Census

PERSONAL INCOME TAX
Number of Returns Filed by Region - 1986

	All Returns	over $2,000	over $4,000	over $6,000	over $10,000
NWT	26,280	21,620	19,340	17,600	16,110
BAFFIN	3,930	2,870	2,490	2,190	1,970
KEEWATIN	2,130	1,550	1,280	1,120	990
KITIKMEOT	1,780	1,220	1,010	900	820
INUVIK	4,140	3,420	2,970	2,630	2,350
FORT SMITH	14,300	12,550	11,580	10,740	9,940

	over $15,000	over $20,000	over $30,000	over $40,000
NWT	13,460	11,320	7,550	4,440
BAFFIN	1,640	1,400	1,010	670
KEEWATIN	780	650	400	200
KITIKMEOT	690	580	380	260
INUVIK	1,860	1,500	890	540
FORT SMITH	8,440	7,130	4,810	2,770

BAFFIN REGION
Personal Incomes -1986



Source: Personal Income Statistics, 1986

ECONOMY

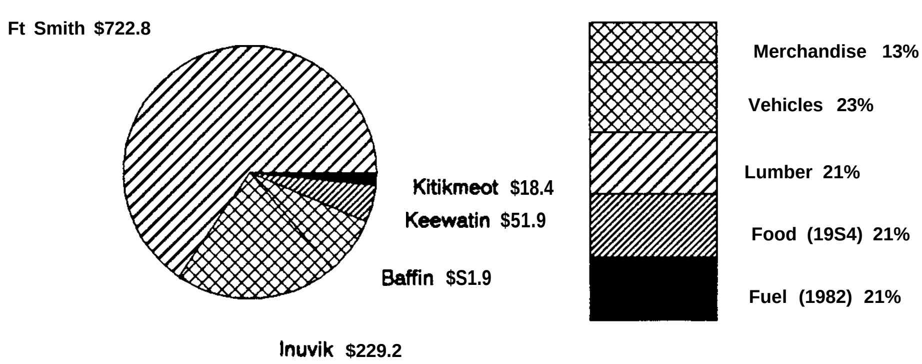
TYPE OF GOODS IMPORTED

($000)

	KITIK.	KEEWAT.	SMITH	INUVIK	BAFFIN	TOTAL
Fuel(1982)	8,795	8,550	29,862	25,831	17,586	90,624
Food(1984)	2,932	12,048	66,576	32,121	17,384	131,061
Lumber	2,656	1,962	29,738	15,659	17,181	67,396
Vehicles & Machinery	2,896	6,403	393,138	126,049	18,936	547,422
General Merchandise	907	22,932	203,455	29,537	10,829	267,659
TOTAL	18,386	51,895	722,769	229,197	81,916	1,104,162

*Source: Don **Ference** & Assoc. Import Substitution Report, 1987.*

IMPORTED GOODS



NWT ($000's) **Baffin** ($000's)

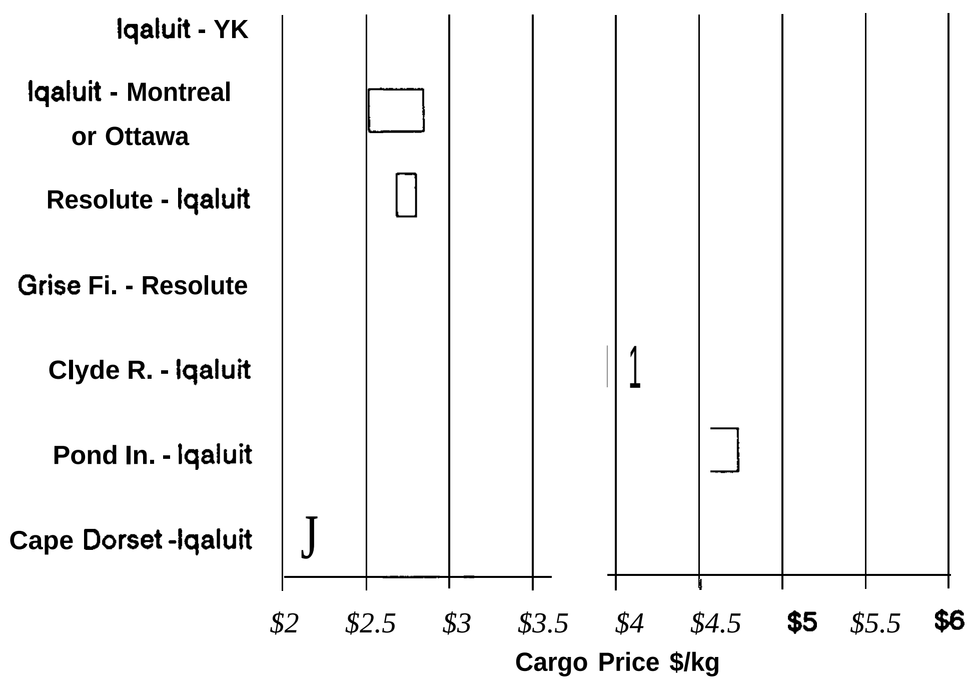
Air Cargo Rates

($ per Kg.)

Departure/Destination	Low	High
Iqaluit - Edmonton	5.25	5.81
Iqaluit - Yellowknife	3.30	3.34
Iqaluit - Mont. or Ottawa	2.52	2.85
Resolute - Iqaluit	2.68	2.80
Grise Fiord - Resolute	2.12	2.12
Clyde R. - Iqaluit	3.95	4.15
Pond Inlet - Iqaluit	4.50	4.72
Cape Dorset - Iqaluit	2.09	2.19

Note: Cargo prices vary and depend on the airline being used. Minimum charges apply and vary between $22 to $30. Low indicates 45 kg or less, High indicates greater than 45 kg and less than 200 kg.

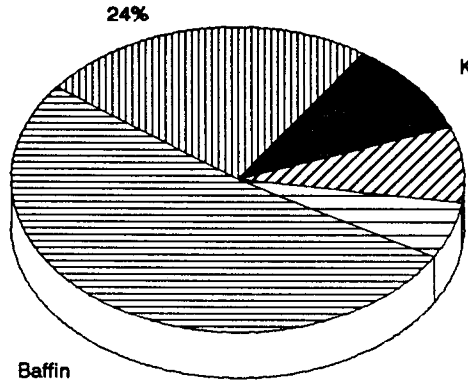
Source: Kenn Borek Air; NWT Air; First Air (Telephone Interviews February, 1989)



Arts and Crafts

Regional Sales -1987

NWT: $25 Million



Source: Department of Economic Development& Tourism 1989.

Fish Harvesting in the Baffin

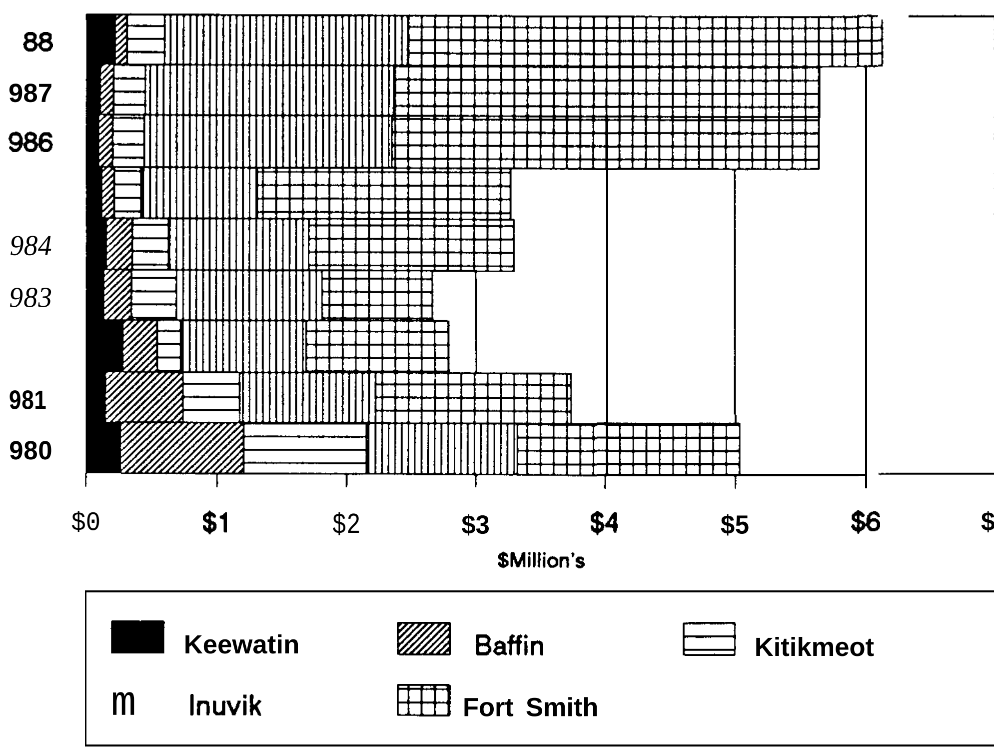
TYPE	1 988/89	Value
SCALLOPS	50 tonnes	$80,000
TURBOT	100 tonnes	$600,000
SHRIMP	1,500 tonnes	$7.3 Million
ARCTIC CHAR	50 tonnes	$190,000 (WHLSE)

FUR HARVESTING FOR THE TERRITORIES ($000's)

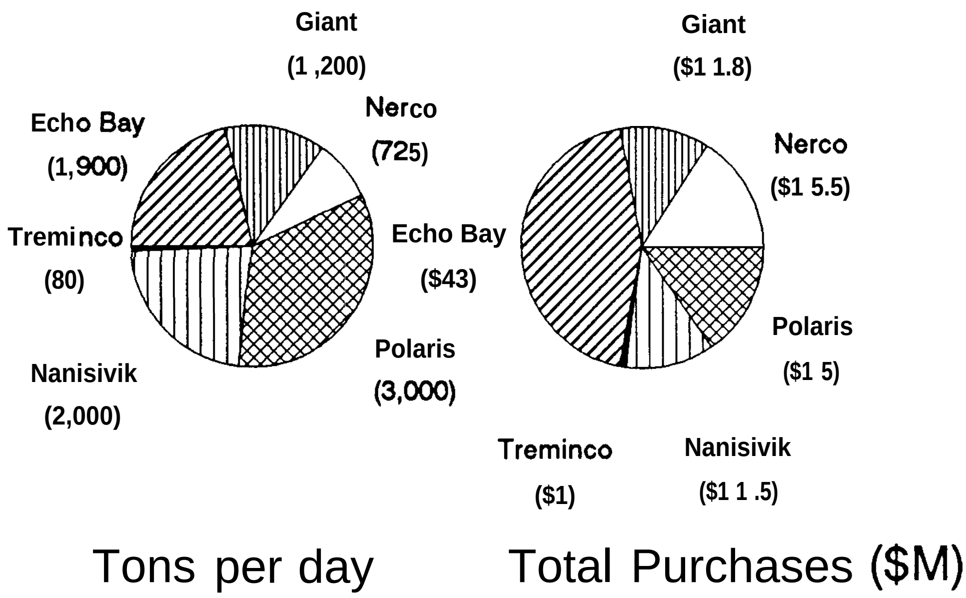
	1988	1987	1986	1985	1984	1983	1982
Keewatin	223	106	96	117	156	141	283
Baffin	82	106	108	100	198	207	263
Kitikmeot	292	238	238	202	273	343	179
Inuvik	1,873	1,912	1,913	894	1,079	1,121	966
Ft Smith	3,666	3,290	3,289	1,954	1,589	854	1,103
NWT	6,136	5,652	5,644	3,267	3,295	2,666	2,794

Source: Department of Renewable Resources

Value of Fur Caught



Operating Mines
Purchasing Profile 1986



Source: Stevenson Kellogg Ernst & Whinney, Mining and Exploration Strategies Report, 1987.

Lead & Zinc Production
1988

N.W.T.	**$544.9** M
BAFFIN REGION	**$212.7** M

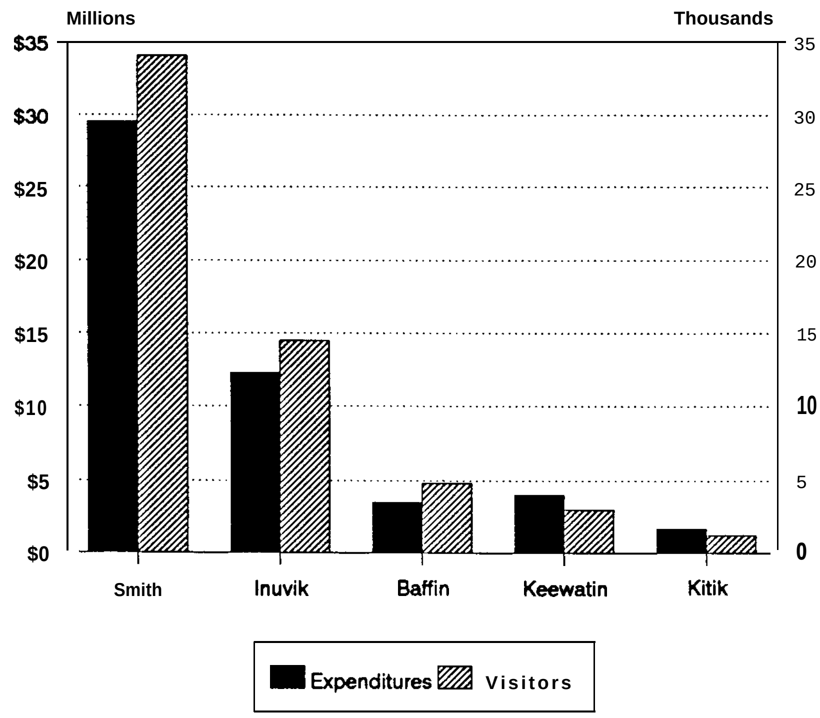
(Nanisivik Mine $66.7M)
(Polaris Mine $146M)

Source: Energy, Mines & Resources Canada & The NWT Chamber of Mines

0 0

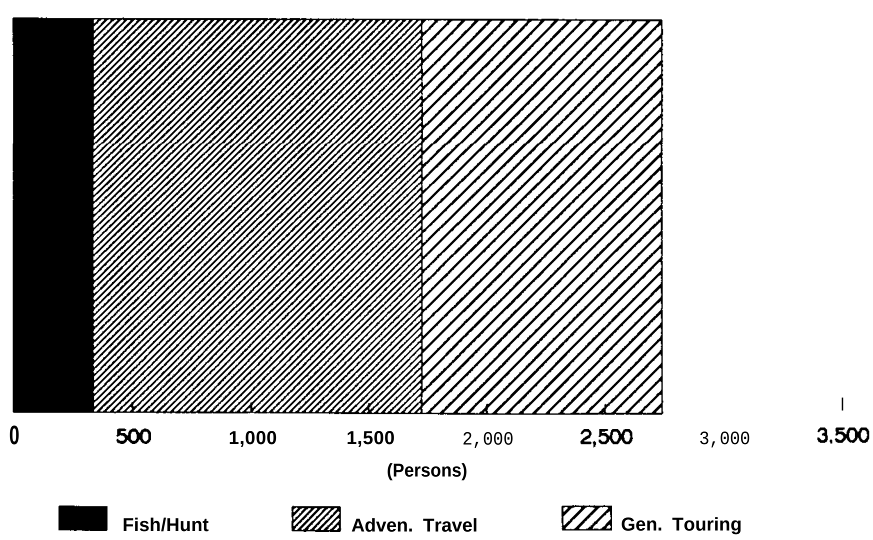
VISITORS AND EXPENDITURES

1987 Estimate



PLEASURE TRAVEL

BAFFIN -1988



Source: Department of Economic Development & Tourism