

# The Competition of the Canadian and Newfoundland Fisheries

By STEWART BATES

THE competition of these almost adjacent fisheries exists mainly in the salt fish trade. The Canadian industry has, for some ten years, felt increasingly the penetration of Newfoundland into West Indian markets which had been hitherto regarded as Canadian territory. In this region, Canada has been giving ground steadily, but the rate of retreat has been increasing since 1935. Newfoundland, displaced from European markets, successfully competed the Canadian industry in the West Indies, and now regards that region as one of the main outlets for her salt cod.

From this summary statement, it is evident that the intensified competition between the two Dominions in the markets of the western hemisphere is not attributable to any caprice on the part of Newfoundland. She was faced with a gradual contraction of her normal European outlets, and was forced to dispose of her large supplies in whatever alternative markets were available. It happened that these markets were in the West Indies, and were regarded by the Canadian salt fish industry as its special preserve. In consequence, the new competition in the Caribbean markets has to be traced to developments in the salt fish trade in the world as a whole, the developments that contracted the European outlets for Newfoundland catch.

The world trade in this commodity has seen a fairly rapid expansion in the past twenty years, especially among the main producing countries, Norway, Iceland and even the United Kingdom. The naval value of possessing a good trawler fleet encouraged some of the consuming countries, like Italy, to add to the world's

fishing capacity. These steady increases in world supplies, coupled with the low standard of living in most of the consuming countries, forced down prices, and indications suggested that the saturation point in this trade was gradually being reached. Newfoundland, which depended for her economic existence on the maintenance of her exports, had to turn to the Caribbean region. In the struggle for a place in the world fish trade, she had to sell at low prices. In face of this competition the Canadian trade steadily expired, her codfish exports being in 1939, only one-third of their level of ten years before.

In general terms, it is easy to describe the condition as one in which Canadian exporters could not get down their costs and prices quickly enough to hold their share of former markets. But the concatenation of circumstances that prevented the adjustment of costs and prices is less easy to analyse; and to allocate to the different factors impeding adjustment, their relative shares is still more complicated. This is so because many of the relevant facts are not readily ascertainable: there is no organized exchange, and no international standards of quality-grades for the different types of fish so that information about trading conditions is not easily found and such as exists refers to the specific products of the different producers which are not, in any sense of that term, a single commodity. Furthermore trading is conducted, in Canada at least, through more or less independent exporters, each with his own agents in the importing countries so that facts as to marketing methods, agents commissions, etc., are not self-evident. Furthermore although the main market for Canadian fish is the Caribbean region, this as such has little economic unity (except such as is given by their

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common interest in sugar) and its division into republics and into the American, French, and British Islands involves wide diversity between them in the matter of tariffs, trade treaties, fees, etc. and in the matter of the regularity of transport to each individual island. All this diversity tends to hide those facts that are necessary to a proper discussion of Canada's loss of fish trading in the past decade.

It is clear—and representatives of the industry have contributed to this clarity—that many of the difficulties are external to the industry, that they have been imposed by circumstances outside the industry's control. So far as foreign competitors have been subsidised in their exportation, so far as they have received discriminatory advantages in the tariffs or exchange regulations of the importing countries, this is undoubtedly true. Similarly so far as the growth of British Empire preferential trading hurt Canada's fish exports to the non-empire countries and allowed Newfoundland equal preferential privileges in the Empire markets, then again difficulties were external to the industry. Again so far as Newfoundland and European competitors enjoyed certain transportation advantages, either in freight rates or regularity of service or both, so far once more the difficulties were external to the industry. In each of these instances, representatives of the trade have on different occasions pressed the appropriate authorities for action designed to remove discriminations against the Canadian trade.

Another group of external conditions has not proved even slightly amenable to pressure by representatives of the industry—and unfortunately this group of conditions appears to be imponderable. One such condition has been the constant economic distress in the "sugar" and "coffee" countries since 1927: this has affected their purchasing power. It has also however affected their economic policy, encouraging greater self-sufficiency and also bilateral trading. Thus in some islands there has been a definite attempt to develop home food industries: the most striking instance of this is the

rapid growth of the meat industry in Cuba, backed by political pressure which can ensure high tariffs against competitive imports like fish, as well as government assistance to encourage the growth of the home meat industry. This factor, at least so far as Cuba is concerned, represents an imponderable, for beef is now as cheap as fish and consumers tastes are altering. Again, as in the case of the Dominican Republic, bilateral agreements with France were for a time able to cause discrimination in the tariffs against Canadian fish.

‡ In the main, however, similar conditions confronted other salt fish producing countries: for example, Newfoundland which gained empire-privileges like those of Canada, suffered from all these conditions also, but her output has remained relatively stable. It may be contended that she has been supported for some years by the United Kingdom grant, but it is necessary to remember that she began the process of capturing Caribbean markets some years before she had to accept a Commission government. (There may be some connection between the process of price reduction necessary to capture markets and the subsequent financial crisis that evoked a Commission government, but that will concern us later.) In other words, while admitting the full gravity of the external conditions, some further explanation of Canada's decline in this trade is necessary.

There is one special condition, less applicable in Newfoundland, which may go far to provide this explanation. It is a condition external to the Canadian fish industry, but internal to the Canadian economy. The Canadian Atlantic fishery is not yet adapted to meeting the potential of its home market—i.e. to the full development of a fresh fish trade and to the prerequisites of such a trade—modern methods of catching, freezing, transporting and selling. The Atlantic fishery is still predominately a shore fishery with scattered producers, working singly or in small groups, without freezing equipment on boats and generally without freezing equipment available on shore, or without rapid

transport facilities to rail heads and markets. This fishery developed to meet the salt fish industry of the past: so far as the shore fishery goes it has made little adaptation of its methods.

Now on the one side, the costs of these fishermen are determined by North American standards: their equipment, gear clothing, etc., has to be bought at North America prices: on the other side they are selling their product to low-cost markets, to the negro and Latin populations of the Caribbean. Thus, given their old techniques of catching, etc., they are ground between the upper and nether millstones. So far as the Bank fishery goes (Lunenburg), their type of organization has been a little better able to stand the pressure, for it is a more efficient producer of salt fish. But it has not proved completely able and that fleet has dwindled since 1929, and some units of that fleet consider the alternative opportunities of fresh fishing superior to that of "salt" fishing. Nevertheless, the gap between costs and Caribbean prices is not quite so difficult to bridge in this type of fishery.

In the case of Newfoundland, this gap has been of a different sort. Its fishery is still almost entirely adapted to the export trade in salt fish. But since the economy of the island is greatly dependent on the fishery, and since employment alternatives are few, they have had to continue their fishery despite the approaching saturation point in the world salt fish trade, and to sell at whatever prices would ensure a reasonable disposal of the annual catch. The fall in export prices has been great since 1929. The attempt to maintain sales however, involved a very real cost to the fishermen and to the country. To the 37,000 fishermen, with average earnings around \$135 per head, the cost of finding markets was the relentless drive down (to below often) a mere subsistence level, the growth of debt, and in too many instances a depreciation of house, gear, and boats which prevented them from following the sea: inexorable economic facts compelled a reduction of their output. To the country as a whole, the subsequent

relief problem was met only at the cost of representative government. Against the falling Newfoundland prices—the uneconomic prices, since they failed to cover the costs of living—the Canadian salt fish trade could not long compete. The attempt to meet Newfoundland competition drove down Canadian "salt" fisherman's returns. In those areas where he had no alternatives, he too was pushed down towards subsistence levels: where the Canadian fisherman had alternatives—fresh fishing, lobsters, pickled trade—he turned to them and since none had much absorbtive capacity, returns in these branches also fell. Many fishermen however turned to the highway works of provincial governments, and more recently to the defence works of the Dominion. But this transition of the Canadian Atlantic fishery has been continuous since 1931. It became faster after 1935 when the United Kingdom schemes lent support to Newfoundland; after 1935 displacement of Canadian cod by Newfoundland cod becomes more evident than ever in the United States, Porto Rico, Jamaica, and Barbados, and Newfoundland emerges as a competitor in a hitherto reserved Canadian market (Santiago de Cuba). But the full impact of Newfoundland's low prices is not confined to Canadian codfish sales: it also affected cheaper varieties of fish sold in the Caribbean, because the fall in the price of Newfoundland cod made the price margin between their cod and Canadian scale fish, mackerel, etc., narrower than formerly, and Newfoundland cod began to compete with Canadian hake in Brazil and the Dominican republic, and even to affect mackerel prices in Jamaica, which in turn affected the prices of alewives and herring.

This discussion brings us back to the question of factors affecting Canada's competitive position. Hitherto the difficulties mentioned have been largely outside the control of the salt fish industry. But their effect has been unmistakable. As a "free" industry, in a capitalist regime in North America, it has been in process of decay. That decay was inevitable as was perhaps to

be expected since the technique of the shore fishery has altered little in this century. That the world demand for dried fish has expanded in this century is no reason for hoping that an industry with present North American costs but outdated methods can satisfy this demand at a profit. It may be possible to operate a salt fish industry at a profit by the use of capitalistic or large scale methods (vide French, Italian and Spanish trawler fleets). But these are absent in Canada's shore fishery as they are in Newfoundland's.

The decay however has been speeded by the nationalist movements among competitors and also buyers, so that the Canadian salt fish industry, with less than modern methods of catching, has for the past few years, faced a world market where its competitors were mainly national sellers, with funds available to sell at prices which would hold required markets (even Newfoundland after

1935). But the selling methods of the Canadian industry, even in face of these organized sellers has remained in the hands of individual sellers, competing among themselves for Canadian fish that were relatively expensive per quintal, and trying to compete with each other and with organized competitors in selling these in Caribbean and some other markets.

The Canadian salt fish industry lacks the modern methods of fishing, grading and selling of competitors like Norway. On the other side Canada may be as efficient as Newfoundland but the low subsistence costs there and the urgency of sales creates a type of price competition which also limits Canada's markets. Canada has found it difficult to compete with the costs and qualities of more efficient producers, and also with the lower subsistence costs of an almost equally efficient producer (Newfoundland).

## Hospital Care Insurance Plans

By G. HARVEY AGNEW

**V**OLUNTARY hospital care insurance, also known as "group hospitalization", or as the "periodic payment plan for the purchase of hospital care", has met with a remarkable degree of public approval during the past few years. Several American cities now have plans enrolling hundreds of thousands of members, one on its second million. Few movements, indeed, have been accepted so quickly by the general public. Why has this been so?

Without question the public mind was ripe for this movement. Prior to and during the years of the depression the reading public was deluged with articles on the cost of sickness. When exhausted of other subjects feature writers

could always hold their readers by reminding them how poor they were being kept by medical, hospital and nursing bills. That much of the data published was incomplete and inaccurate, and that many of the interpretations made and conclusions drawn were wholly erroneous did not matter. Sir Arthur Newsholm's exceedingly valuable International Studies broadened our horizon and the equally valuable report of the Committee on the Costs of Medical Care focussed attention on the problem in the United States. Here in Canada the most helpful study was that of the Committee on Economics of the Canadian Medical Association (1934).

The general conclusion of the people on this continent (if one dares to formulate a general conclusion) has been that we are not satisfied with the existing

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