



Newfoundland and Labrador

The Economy 1993

THE ECONOMY 1993



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Preface

The Economy is an annual publication which provides a review of economic performance in Newfoundland and Labrador during the previous year and an economic outlook for the current year. Readers who require only a brief overview of key economic indicators are referred to the summaries at the beginning and end of this report and also to the “Overview of the Provincial Economic Environment”.

The research, writing and co-ordination of *The Economy* is carried out over a period of several weeks. While every effort is made to include only the most up-to-date information available, in some instances data contained in tables, diagrams and analyses will have been revised between the time of writing and the date of release. As well, data used in this publication may be inconsistent with data provided in past publications due to revisions.

The Economic Research and Analysis Division would like to thank David C. B. Dawe, the Queen’s Printer and the staff of Printing and Micrographic Services Division for the cheerful and patient cooperation which they always demonstrate throughout the printing process. As well, special thanks are extended to Gary McManus of the Memorial University of Newfoundland Cartographic Laboratory (MUNCL); and to George Courage and the staff of the Newfoundland Statistics Agency for their assistance. We would also like to acknowledge the important contributions made by Brian Delaney and Paul Hendrickson, Department of Forestry and Agriculture and we are grateful to the Hibernia Management and Development Company Limited (HMDC) for providing us with the photograph of the Hibernia construction site at Bull Arm. *The Economy 1993*, like previous editions, has also been enhanced considerably by the excellent suggestions and willing contributions of a number of individuals from both the public and private sectors.

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GRAPHICAL STATISTICAL INDICATORS

1983-1992

NEWFOUNDLAND AND LABRADOR

Diagram 1



Diagram 4

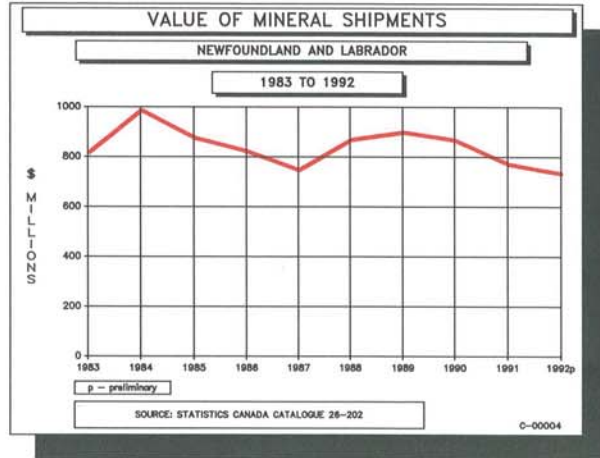


Diagram 2



Diagram 5

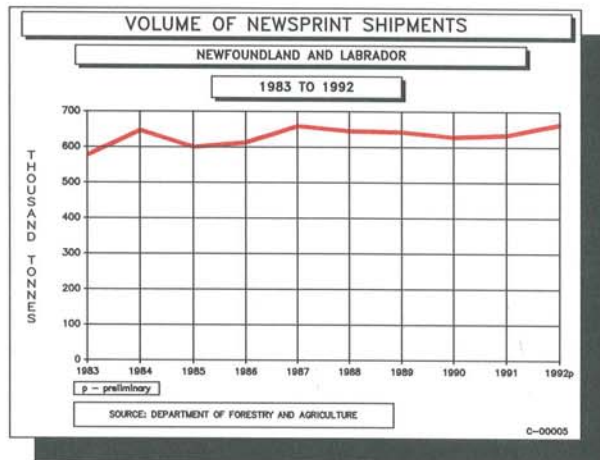


Diagram 3

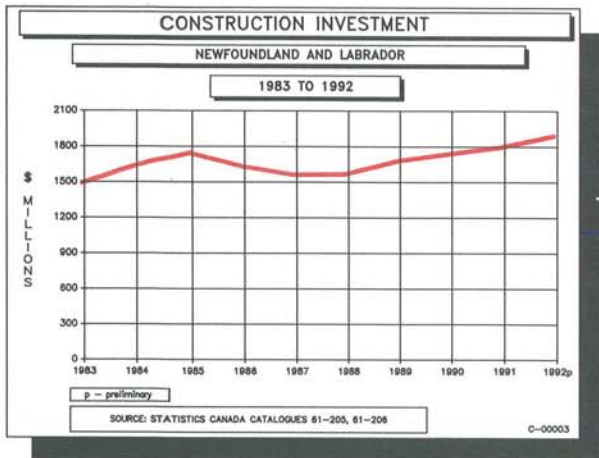


Diagram 6

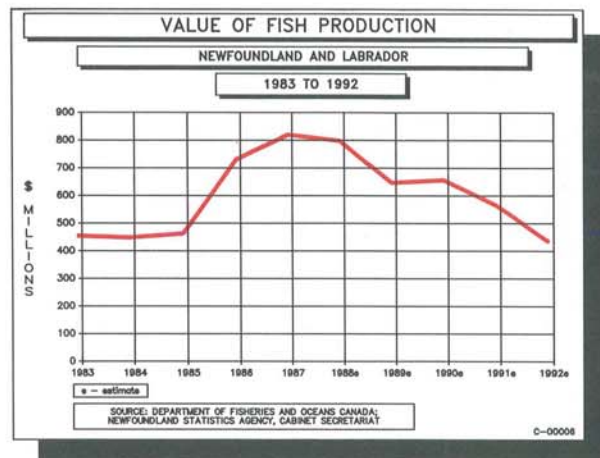


Diagram 7



Diagram 10

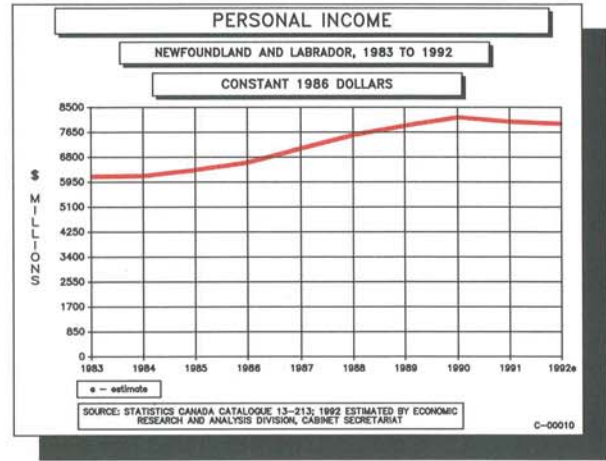


Diagram 8

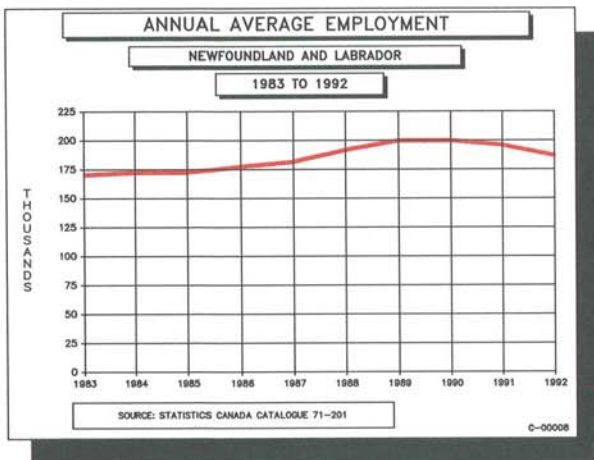


Diagram 11

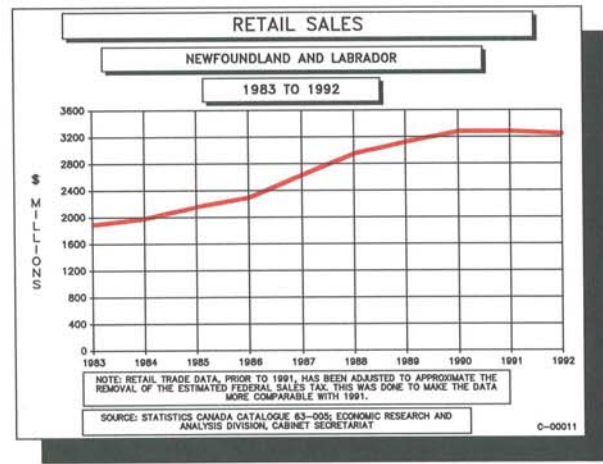


Diagram 9

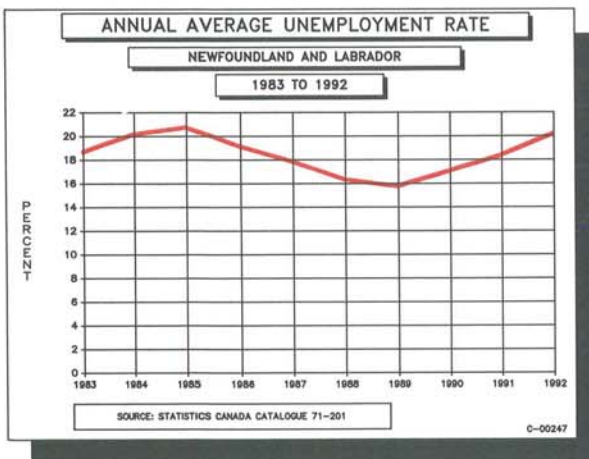
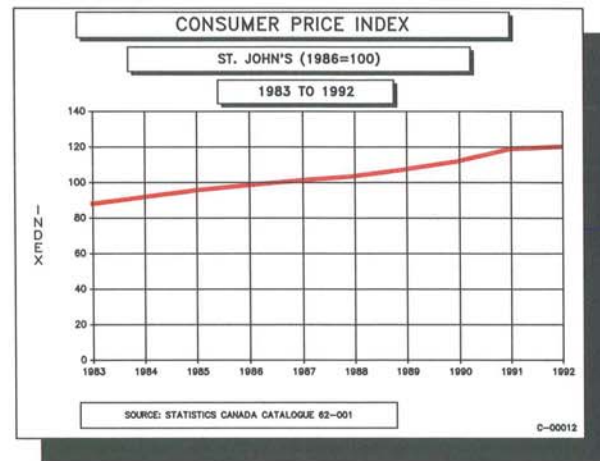


Diagram 12



SUMMARY OF PERFORMANCE IN 1992

International and Canadian:

- North America staged a mild recovery while growth weakened in Japan and Germany began an economic downturn.
- The Canadian economy experienced considerable difficulty pulling out of the recession as employment declined and economic activity continued to lag behind the United States.

Newfoundland and Labrador:

- Real GDP fell by an estimated 3.2 percent as the effects of the recession were compounded by the moratorium on northern cod implemented in July.
- The inflation rate, at 1.1 percent, was the lowest since 1962.
- Personal income grew by 0.3 percent, a decline of 0.8 percent in real terms.
- The real value of retail sales fell by an estimated 1.4 percent.
- Fish landings fell by about 40 percent due to the ban on northern cod fishing and reduced flounder, capelin and herring landings.
- Newsprint shipments increased by 4.8 percent, however, value fell by 10.9 percent in the face of lower prices.
- The value of mineral shipments declined by 10.2 percent due mainly to lower iron ore shipments.
- Hibernia development expenditures and employment were higher than in 1991.
- Activity in some segments of the construction industry was boosted by expenditures from the Hibernia project.
- Housing starts fell by 19.9 percent to their lowest level since 1966.
- Tourist activity fared well despite poor economic conditions: both the number of tourist trips and expenditures increased.
- The level of employment fell by about 9,000, partly because of the ongoing recession but primarily due to the crisis in the fishery.
- The decline in the size of the Province's labour force was not enough to offset employment losses: the unemployment rate rose by 1.8 percentage points to average 20.2 percent.

SUMMARY OF OUTLOOK FOR 1993

International and Canadian:

- Growth in the major industrialized countries is expected to remain below potential as weakness in Europe and Japan curtails stronger growth in North America.
- Growth in Canadian GDP is expected to improve significantly, but the unemployment rate will remain stubbornly high.

Newfoundland and Labrador:

- Economic growth is expected to resume in 1993. Real GDP is forecast to increase by 1.2 percent.
- The rate of inflation is forecast at 2.2 percent, higher than the rate recorded last year.
- Personal income is expected to increase by 0.4 percent. After inflation, however, real personal income will decline by 1.7 percent.
- Retail sales are expected to increase slightly: the real value of sales is forecast to grow by 0.2 percent.
- Fish landings are expected to fall, reflecting the first full year of the northern cod moratorium.
- Newsprint shipments are expected to be up slightly due to improved market conditions.
- The value of mineral shipments is forecast to increase marginally.
- The Hope Brook Gold Mine will be operating on a full-year schedule in 1993 with gold production expected to double.
- The Hibernia project will continue to be a major contributor to the economy: project investment and employment are both expected to rise.
- Any improvement in the construction industry is expected to be slight and the level of activity is more likely to be about the same as last year.
- Housing starts are expected to register some improvement, following three consecutive years of declines.
- Tourist activity is expected to increase slightly: small gains are anticipated in both resident and non-resident travel.
- The cod moratorium will continue to affect Provincial labour market activity. Employment is expected to fall by an additional 4,000 and the unemployment rate is expected to rise slightly.

The International and Canadian Economies

Marginal growth in world output over the past year was boosted by a modest recovery in North America and strong growth in the newly industrialized economies of Hong Kong, South Korea, Taiwan and Singapore. Continuing economic austerity in Eastern Europe, however, combined with persistently tight monetary policy in Germany and severe asset deflation in Japan, hampered growth. Consumer and business confidence in Germany and Japan has been severely undermined, initiating an economic downturn in Germany and weakening growth in Japan. The United Kingdom was the only major industrialized nation in the G-7 countries to experience an actual decline in real Gross Domestic Product (GDP) last year, as indicated in Table 1.

TABLE 1

REAL ECONOMIC GROWTH RATES IN THE G-7 COUNTRIES

	1987 Share in Total G-7	1991	1992e	1993f
United States	41.9	-1.2	2.1	3.1
Japan	22.3	4.4	1.5	1.5
Germany	10.3	3.7	0.8	0.0
France	8.2	1.2	2.0	1.4
Italy	7.0	1.4	1.2	0.7
United Kingdom	6.4	-2.2	-1.0	1.1
Canada	3.9	-1.7	0.9	3.0
G-7	100.0	0.9	1.5	2.0

e: estimate; f: forecast

Source: Various, available upon request.

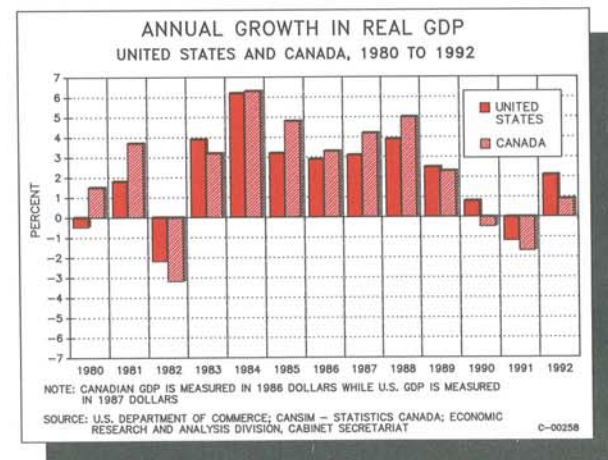
Most G-7 countries, with the exception of Germany, continued to ease monetary policies during 1992. Stagnant economic growth, combined with abrupt declines in inflationary pressures, allowed interest rates to fall dramatically, setting the stage for a marginal improvement in economic growth. Establishing the groundwork for a sustainable recovery in the major industrialized countries is, however, proving to be more difficult than previously anticipated. Germany's tight monetary policy has driven the country's economy into recession. This factor, combined with the Japanese economic slowdown, is severely restricting external sources of growth for the countries who are attempting to recover from the 1990/91 recession, mainly Canada, the United States, and the United Kingdom. In addition, most industrial countries are continuing to grapple with underlying structural problems in their economies. As a consequence, overall growth in the G-7 countries was far

below potential in 1992 and is expected to be less than robust in 1993.

Economic growth in North America in 1993 will be partially offset by weakness in the German and Japanese economies. The United States and Canada are expected to be the leaders in G-7 growth with real GDP increases of 3.1 and 3.0 percent respectively. The United Kingdom is also expected to post marginal gains in output after two years of recession. In Italy and France, growth will weaken slightly as the downturn in Germany spills over into their economies.

The United States economy grew by 2.1 percent in 1992, due mainly to surprisingly strong economic activity in the last half of the year (see Diagram 1). The main sources of growth were a 2.2 percent expansion in consumer expenditures, a 6.3 percent increase in exports and 13.2 percent growth in residential investment. The two major factors which constrained economic growth were a 9.6 percent escalation in imports and a 6.8 percent decline in non-residential construction investment.

Diagram 1



The U.S. unemployment rate averaged 7.4 percent in 1992, up from 6.7 percent the year before. Weak employment growth, combined with an expanding labour force during the first half of the year, pushed the unemployment rate to a peak of 7.8 percent in June. In the second half of the year, however, the size of the labour force stabilized and employment advances strengthened, allowing the unemployment rate to fall to 7.3 percent by year end.

Lower than potential economic growth, combined with declining world commodity prices and a wide output gap, constrained U.S. inflation during the past year. The annual average Consumer Price Index (CPI) grew by three percent, down from 4.2 percent

in 1991. The hesitant recovery in conjunction with falling inflation prompted the Federal Reserve Board to gradually ease U.S. monetary policy throughout the year. The Federal Funds rate fell slowly from approximately four percent at the beginning of the year to just below three percent by the end of December. The prime bank rate, however, remained very stable throughout the year. The only change in the rate occurred in July when it fell from 6.5 percent to six percent.

U.S. recovery forecast to strengthen in 1993

The U.S. recovery is expected to gain momentum in 1993 as low interest rates and the positive effects of restructuring take affect. Real GDP is forecast to grow by 3.1 percent as expanding consumer expenditures, together with growth in housing starts and machinery and equipment investment, boost economic activity. Exports are also expected to contribute to growth, however, previous high expectations for this sector have been dashed by weakening activity in Europe and Japan.

With the economy still operating well below capacity and restructuring ongoing, the unemployment rate is expected to recede slowly in 1993. This factor, in conjunction with relatively modest economic growth, will keep inflationary pressures down. The excess capacity in production and labour markets, following three years of less than potential growth, will take several years to eliminate. As the stronger pace of the recovery continues in the coming months, the Federal Reserve Board will most likely begin a gradual tightening of monetary policy in the second half of 1993. The prime rate, however, is not expected to change significantly.

Canadian recovery weak in 1992

The Canadian economy experienced considerable difficulty during the past year as it attempted to pull out of the recession. Real GDP grew by 0.9 percent following a 1.7 percent decline in 1991 (see Diagram 1). Expenditure data for the year revealed strong growth in exports and residential investment. Modest growth was recorded in machinery and equipment investment and consumer spending. Declines in non-residential construction activity and expanding imports, however, were major negative influences on economic growth.

In the past year, economic expansion has been heavily concentrated in service industries. During the first eleven months of 1992 real GDP in the service sector was up by two percent on a year-over-year basis while goods producing GDP declined by 0.6 percent. The uneven and sluggish growth reflected high consumer debt loads, high unemployment levels and economic restructuring that is occurring in the economy. Lagging productivity growth in recent years, combined with the recession and increasingly competitive international markets, forced the Canadian economy to undergo fundamental industrial restructuring during 1992. As a result, many Canadian companies were forced to reorganize their operations in order to compete in the international marketplace. This restructuring began to pay off in terms of productivity growth during the past year. Productivity, measured by output per employee, made significant gains during the first eleven months. Economy-wide productivity increased by two percent on a year-over-year basis, with a particularly strong gain of 4.4 percent occurring in the manufacturing sector.

Economic restructuring constrained growth in 1992

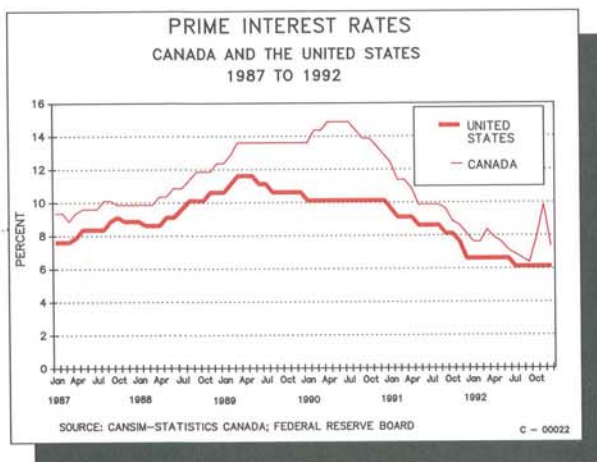
In spite of the productivity gains, the ongoing restructuring in the national economy was a major constraint on economic activity and contributed to a 0.8 percent decline in annual average employment last year. The unemployment rate increased steadily throughout the first eleven months of the year and peaked at 11.8 percent in November before declining to 11.5 percent in December. The annual average unemployment rate was 11.3 percent, up one full percentage point from 1991. Canadian labour markets did show some signs of improvement in the last part of 1992, however, as seasonally adjusted employment recorded marginal month-over-month increases in seven of the last eight months.

The sluggish recovery, combined with falling employment, low consumer confidence and declines in major commodity prices such as iron ore, oil and newsprint, dampened wage and price increases in 1992. The Canadian inflation rate declined dramatically from 5.6 percent in 1991 to 1.5 percent last year, the lowest rate since 1962. A decline in food prices in conjunction with only a slight increase in energy prices were major factors in the extremely low inflation rate. The core inflation rate (excluding price increases in food and energy) decreased to 2.1 percent, down from 5.8 percent in 1991, and well below the Government's three percent target. Prices are

expected to increase slightly in the near term due to the recent depreciation of the Canadian dollar. Like the U.S. economy, underlying inflationary pressures will continue to be moderated by Canada's high unemployment rate and output gaps in production and labour markets.

Weakness in the Canadian economy along with low inflation led to significant declines in interest rates during the first three quarters of 1992. Towards the end of the third quarter, however, a high Canadian dollar, combined with uncertainty over the upcoming referendum and continued narrowing of the Canada-U.S. interest rate differential, brought the Canadian dollar under speculative pressure in international currency markets. Late in September pressure in these markets forced the dollar to decline sharply and the Bank of Canada raised the bank rate by nearly two percentage points in an effort to defend the currency. Soon after, the chartered banks followed suit and raised their prime rates (see Diagram 2). The volatility in financial markets lasted until late November, but towards the end of the year the dollar stabilized near 78 cents US and interest rates declined significantly. At the end of 1992 the bank rate stood at 7.36 percent and the prime rate was 7.25 percent.

Diagram 2



The Canadian economic recovery is expected to gain momentum in 1993. Real GDP is forecast to grow by three percent as an expanding U.S. economy and a lower dollar promotes strong growth in exports. Escalating consumer demand, combined with growth in residential construction and machinery and equipment investment, will add depth to the recovery. Housing starts, which were up by 7.7 percent in 1992, are poised for a further increase in 1993 as declining real prices, low interest rates and strong immigration boost demand. The tremendous amount of excess capacity in commercial and industrial real estate which accumulated during the 1980s, however, will

result in further declines in non-residential construction this year.

Even with three percent growth in real GDP, the recovery will be weak by post war standards, as major structural adjustments continue in the manufacturing, airline, and retail industries. This restructuring in conjunction with low corporate profits will constrain business investment and employment growth in 1993. An expanding labour force along with weak employment growth will hold the unemployment rate above 11 percent. CPI inflation is forecast to average between 2.5 and 3.0 percent as modest economic growth, combined with large capacity gaps in production and labour markets, continue to restrain price increases.

With inflation well in hand and economic growth moderate, the Bank of Canada is expected to continue relaxing monetary policy during the year. A gradual decline in interest rates is forecast for 1993 with the bank rate averaging approximately six percent and the prime rate lingering near the seven percent level. The dollar is expected to remain between 78 and 80 cents US, but will be subject to both up and downside risks in the coming months. Stronger economic growth and low inflation should make the Canadian currency attractive to foreign investors, however, currency markets are becoming increasingly concerned about Canada's growing foreign debt. This factor combined with the political uncertainties associated with the upcoming Federal election and the expected narrowing of the Canada-U.S. short-term interest rate differential, will create downside risks to the dollar.

Overview of the Provincial Economic Environment

The past year proved to be a difficult one for the Provincial economy as resource problems in the fishery continued and the recession which began in 1990 lingered. As a result of the problems experienced in the economy, real Gross Domestic Product (GDP) decreased by an estimated 3.2 percent and declines were recorded in a number of other leading economic indicators. Employment in 1992 fell by 9,000, or by 4.6 percent, with over half of the decline originating in the fishing industry. The labour force also declined during the year, but the drop was not large enough to offset the employment losses. As a result, the unemployment rate rose by 1.8 percentage points to 20.2 percent.

Personal income rose by an estimated 0.3 percent in 1992 to more than \$9.8 billion. While employment was lower in 1992, the income losses associated

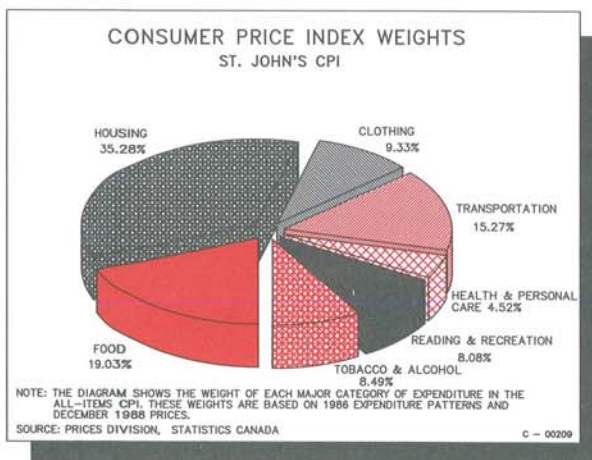
with the lower employment were at least partially offset by transfer payments from the Unemployment Insurance and the Northern Cod Adjustment and Recovery Programs. After adjusting for inflation, however, personal income fell by 0.8 percent in real terms. Retail sales, housing starts and the number of new motor vehicles sold all declined from the previous year's level. Investment was also lower last year, expenditures were estimated to be 1.3 percent below 1991.

On the positive side, inflation in 1992 was the lowest in 30 years. Interest rates fluctuated during the year, but remained lower than in 1991. The Canadian dollar also declined relative to its American counterpart, particularly in the latter part of the year. The lower exchange rate was a positive development for exporters as a number of the Province's exports are often priced in U.S. dollars.

Diagram 3



Diagram 4



The rate of consumer inflation in St. John's, as measured by the Consumer Price Index (CPI), was 1.1

percent in 1992, the lowest inflation rate since 1962 (see Diagram 3). Low inflation reflected the underlying weakness in the economy and sluggish consumer spending. Inflation at the national level was also low last year. The CPI for the Country as a whole rose by only 1.5 percent from 1991.

The CPI is a composite index which compares the cost of purchasing a fixed *basket* of goods and services in one year with the cost of purchasing the same basket in previous years. The major groups of items included in the CPI are outlined in Table 2. The weight attached to any particular group in the CPI

1992 inflation rate lowest in thirty years

is determined by that item's importance in overall consumer spending. The weights assigned to the major categories of the CPI are illustrated in Diagram 4. Price changes in 1991 and 1992 for the major commodity groups are shown in Table 2. This table shows that declining food and energy prices were the major contributors to the low inflation rate in St. John's last year. Decreases in the prices of these items partially offset increases elsewhere.

TABLE 2

INFLATION ST. JOHN'S CONSUMER PRICE INDEX 1991 AND 1992

Category	1991	1992
Food	5.4%	-2.3%
Housing	5.5	0.5
Clothing	9.6	2.4
Transportation	2.9	1.9
Health & Personal Care	7.8	1.4
Reading & Recreation	5.9	2.7
Tobacco & Alcohol	12.7	5.0
Energy	8.0	-1.2
ALL ITEMS	6.1	1.1

Note: The energy category displayed above is not exclusive of the other major categories. Movements in components of the energy index also influence indexes such as transportation and housing.

Source: Statistics Canada catalogue 62-001; Economic Research and Analysis Division, Cabinet Secretariat.

The volatility in oil prices illustrated in the table reflects the 1990 Middle East crisis. Energy prices rose sharply in late 1990 and early 1991, coinciding with strong growth in oil prices. The decrease in energy prices last year primarily reflected the drop in oil prices following the resolution of the Middle East

conflict. Energy prices fell by 1.2 percent in 1992, a decrease which was considerably less in absolute value than the eight percent increase recorded for this item in 1991. Food prices fell by 2.3 percent in 1992, the first annual decline in the food index since 1971. A decline in the cost of food purchased from stores caused the overall decline in food prices; the cost of food purchased from restaurants rose last year. A decline in food prices was also experienced at the national level where the food price index fell by 0.3 percent, the first decrease since 1959. Downward movement in food prices at the national level was believed to partly reflect strong competition among food stores and a relatively good growing year for many commodities. These same factors may also have influenced Provincial food price changes.

The largest price increase in the St. John's CPI in 1992 was recorded for tobacco and alcohol products, probably due mainly to tax increases during the year. The lowest price increase among the major commodity groups occurred in the cost of housing, perhaps a reflection of lower mortgage interest rates and an underlying weakness in rental markets which kept rental rates down.

Personal income, which measures the total income accruing to all individuals residing in the Province, was estimated at \$9.8 billion in 1992, up slightly from a year earlier. In real terms, however, personal income fell by 0.8 percent. While personal income is a measure of income that accrues to individuals in the Province, *personal disposable* income is probably a better measure of the income available to households in the Province. Personal disposable income consists of personal income minus direct taxes such as income tax, Unemployment Insurance (UI) premiums and contributions to the Canada Pension Plan, and other payments made to governments by individuals such as motor vehicle licence fees. Personal disposable income declined by an estimated one percent in real terms in 1992.

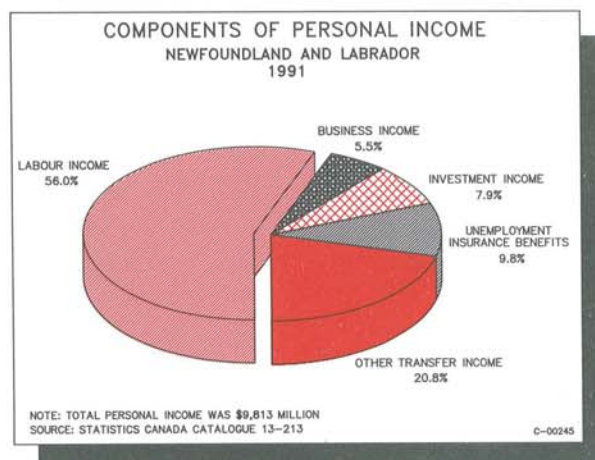
Personal income has the following components: labour income, business income, investment income and unemployment insurance benefits and other types of transfer income. The relative importance of these components to total personal income in 1991 is illustrated in Diagram 5.

Labour income consists mainly of total wages and salaries received by workers in the Province. The level of wages and salaries in the Province is primarily determined by the number and types of jobs, the duration of these jobs and the rates of pay. In the past, total employment and total real labour income have generally moved in the same direction.

Transfer payments to individuals represent the second largest component of personal income in the Province. Some components of transfer income, such as family allowances and old age security payments, are primarily related to demographic and social factors, while others, such as unemployment insurance benefits, are often mainly a reflection of the nature and level of employment and economic activity.

Many residents of the Province derive a large part of their income from ownership of business property. The business income component of personal income includes the net income of unincorporated businesses, including rental income, as well as the net income of farm operators from farm production. Unincorporated business income includes the earnings of self-employed fishermen and professional practitioners such as doctors and dentists as well as the earnings of most small businesses.

Diagram 5



Investment income is generated by the accumulated savings of households that are held in the form of financial assets. Investment income is comprised of the interest and dividend payments generated by these financial assets.

Strong growth in transfer payments prevents drop in nominal personal income

Personal income by component from 1986 to 1992 is contained in Table 3. As this table shows, income growth was strong in the late 1980s. Real personal income growth peaked in 1987 at 7.2 percent before gradually slowing in the three years that immediately followed. In 1991 weaker growth in a number of key components, combined with higher inflation, resulted in a decline in real personal income.

TABLE 3

PERSONAL INCOME BY COMPONENT (\$ millions)							
NEWFOUNDLAND AND LABRADOR							
	1986	1987	1988	1989	1990	1991	1992e
Personal Income	6,702	7,394	8,053	8,703	9,413	9,813	9,842
% Change	7.2	10.3	8.9	8.1	8.2	4.2	0.3
% Change (Real)	4.1	7.2	6.4	4.2	3.7	-1.8	-0.8
Labour Income	3,785	4,245	4,595	4,955	5,323	5,493	5,463
% Change	6.4	12.2	8.2	7.8	7.4	3.2	-0.5
% Share	56.5	57.4	57.1	56.9	56.5	56.0	55.5
Business Income	455	517	537	522	539	539	497
% Change	12.9	13.6	3.9	-2.8	3.3	0.0	-7.8
% Share	6.8	7.0	6.7	6.0	5.7	5.5	5.0
Interest, Dividends and Miscellaneous							
Investment Income	474	483	558	686	804	776	627
% Change	9.2	1.9	15.5	22.9	17.2	-3.5	-19.2
% Share	7.1	6.5	6.9	7.9	8.5	7.9	6.4
Unemployment							
Insurance Benefits	607	647	747	818	844	966	1,064
% Change	10.8	6.6	15.5	9.5	3.2	14.5	10.1
% Share	9.1	8.8	9.3	9.4	9.0	9.8	10.8
Other Transfer Income	1,381	1,502	1,616	1,722	1,903	2,039	2,191
% Change	5.2	8.8	7.6	6.6	10.5	7.1	7.5
% Share	20.6	20.3	20.1	19.8	20.2	20.8	22.3
Personal Disposable Income	5,588	6,168	6,707	7,285	7,719	8,049	8,057
% Change	5.9	10.4	8.7	8.6	6.0	4.3	0.1
% Change (Real)	2.8	7.3	6.3	4.7	1.6	-1.8	-1.0

e : estimate

- (1) Labour income includes wages and salaries and supplementary labour income.
- (2) Business income consists of net income of farm operators from farm production and net income of unincorporated businesses including rent.
- (3) Other transfer income is mainly comprised of payments from governments to individuals in the form of family and youth allowances, old age security payments, etc.
- (4) Data for 1992 was estimated by Economic Research and Analysis Division, Cabinet Secretariat.
- (5) Personal Disposable Income consists of personal income minus direct taxes (i.e., income tax, contributions to UI and pensions, etc.) and transfers to government from persons.
- (6) UI estimates do not include payments for the course cost component of training claims.

Source: Statistics Canada catalogue 13-213; Economic Research and Analysis Division, Cabinet Secretariat.

Real personal income fell for the second consecutive year in 1992, due to inflation. Income increased marginally in nominal terms as higher transfer income offset losses in other major income components. Lower labour, business and investment income reflected the impacts of the recession, the moratorium and relatively low interest rates. Transfer payments, on the other hand, grew by an estimated 8.3 percent in 1992, or about seven percent in real terms.

Labour income was the largest single contributor to gains in the level of personal income throughout the late 1980s. Real gains in labour income over this period reflected rising employment levels and wage settlements that exceeded inflation rates. In the last two years, however, both falling employment levels and inflation have eroded real labour income.

Labour income, which consists of wages and salaries and supplementary labour income, declined by an estimated 0.5 percent, or 1.6 percent in real terms, in 1992. An increase in supplementary labour income, no doubt reflecting increased employer UI and Canada Pension Plan premiums, was more than offset by lower wages and salaries. Wages and salaries paid to workers in the Province fell by 0.9 percent in the first eleven months of 1992. This translated into a real decline of 1.7 percent after accounting for inflation. This drop occurred despite an increase in real average weekly earnings. The weekly earnings of workers in the Province averaged \$510 in the first eleven months of the year, up by 2.1 percent or 1.2 percent in real terms.

Labour income in the goods producing sector, which accounts for about one-quarter of total labour income in the Province, declined by 8.7 percent in the first eleven months; declines were recorded in all industries except agriculture. Decreases ranged between one percent in primary forestry to over 29 percent in primary fishing. The largest absolute drop in labour income occurred in the manufacturing industry, which reflected lower production of fish products. It should be noted that labour income figures for the primary fishing industry are not fully reflective of earned income in the entire harvesting sector because the income of self-employed fishermen is not included in labour income figures but rather in the business income category in Table 3.

In the service producing sector, labour income rose by 2.1 percent despite the fact that employment in this sector declined last year. This increase is partially due to higher average weekly earnings. In addition, labour income statistics do not include income from self-employment while employment statistics do; this may also be a factor explaining the inconsistency between changes in labour income and changes in employment in the service sector. The only industry within the service sector to record a decline in wages and salaries in the first eleven months was the wholesale and retail trade industry.

The Northern Cod Adjustment and Recovery Program (NCARP), announced by the Federal Minister of Fisheries in July, is designed to replace the direct income loss associated with the moratorium. The income provided to fishermen and fish plant workers, however, is transfer income and, as such, will not appear in earned income figures. Further details concerning the moratorium are provided in the *Fishery* section.

The second largest contributor to personal income gains over the past decade has been transfer income. Between 1986 and 1992 transfer income

grew by 8.6 percent on an annual average basis. Some of the growth in transfer income was attributed to automatic inflation indexing of Federal programs while other increases were due to a heightened utilization of some social programs. For example, UI benefits grew at an annual average rate of 9.8 percent between 1986 and 1992, well above the 6.3 percent growth rate recorded for labour income. The strong growth in benefits recorded between 1986 and 1989, occurred at a time of strong growth in part-year employment. In 1990, a decline in part-year employment contributed to weaker growth in UI benefits (the number of beneficiaries actually declined in 1990). As well, it is believed that delays in the passing and implementation of Bill C-21, new UI legislation, kept the average number of beneficiaries artificially low in 1990. Strong growth in UI benefits resumed in 1991. This was partly due to the low growth observed in 1990 and also to some of the changes in the UI program introduced by Bill C-21. This legislation was intended to strengthen the labour market adjustment of unemployed workers through special assistance and training. In this regard, the Bill extended the number of weeks that recipients participating in training programs could receive benefits from 104 to 156 weeks. The Bill also extended the number of weeks that maternity/parental benefits could be collected from 15 to 25 weeks.

Unemployment Insurance benefits paid to individuals in the Province grew by an estimated 10.1 percent in 1992 to reach \$1.1 billion. After accounting for inflation, this amounted to about nine percent in real terms and reflected increases in both the number of weeks paid (up by 4.6 percent in the first eleven months) and in the average weekly benefit payment (up by 5.3 percent in the first eleven months). The biggest increases in benefits last year accrued to regular and training claims. Regular benefits rose by 7.2 percent while training payments more than doubled. In the first eleven months of 1992 training benefits and supplementary allowances, such as travel expenses incurred in obtaining training, amounted to slightly more than \$51 million. This compared with \$22.3 million for the same period in 1991. The monthly average number of UI beneficiaries increased at a slower rate than benefits in 1992. During the first eleven months, the monthly average number of beneficiaries rose by 2.4 percent to 81,600. Most of the growth in beneficiaries came from training claims. The average number of training beneficiaries rose from about 1,800 in 1991 to 4,000 in 1992.

Consumer spending within the Province makes a significant contribution to the local economy. This is because the purchase of goods and services in the Province generates income and employment for local producers, distributors and merchants. The final con-

tribution of expenditures to the domestic economy varies with the degree to which the items purchased are produced locally.

Retail sales declined over the previous year

It is estimated that real consumer spending declined slightly in 1992. The retail trade industry is a major beneficiary of consumer spending. The value of retail sales in the Province during 1992 fell by 0.8 percent or 1.4 percent in real terms. This decline follows a drop of slightly more than four percent in the real value of retail sales in 1991. The retail industry has been negatively impacted by low consumer confidence over the past few years.

TABLE 4

VALUE OF RETAIL TRADE BY TYPE OF BUSINESS (\$ millions)

Type of Business	1992	Percent Change from 1991
Supermarkets & Grocery	1,069.1	4.4
Drugs & Patent Medicines	241.3	3.0
Clothing & Shoes	157.6	-0.3
Household Furnishings & Appliances	106.8	-1.8
Motor & Recreational Vehicles	535.6	1.1
Service Stations & Automotive Related	503.1	-1.7
General Merchandise	461.8	-16.2
Other (1)	291.5	5.8
TOTAL	3,366.8	-0.8

Notes: (1) Other includes: books, florists, hardware, toys, records, jewellery, specialty foods, liquor, beer and others.

The data by type of business has been aggregated from more detailed data obtained from the source below and therefore may not appear as it does in the source.

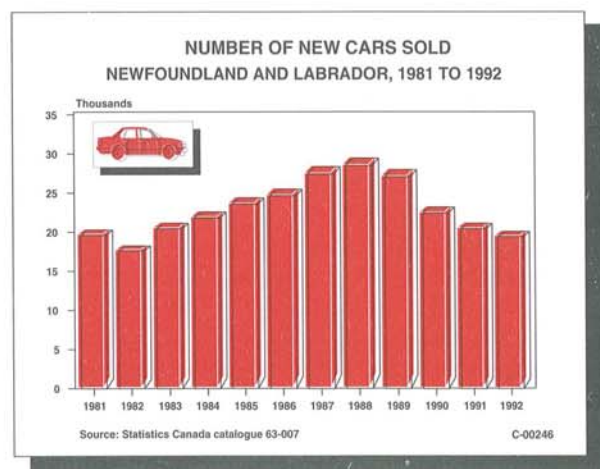
Source: CANSIM - Statistics Canada; Economic Research and Analysis Division, Cabinet Secretariat.

The value of retail sales by type of business is shown in Table 4. As indicated in the table, supermarkets and grocery sales, which account for close to one-third of total retail sales in the Province, increased by 4.4 percent for the year. This represented a real increase of about 7.7 percent when the decline in the CPI for food purchased from stores is taken into

account. The biggest decline occurred in general merchandise stores where sales dropped by 16.2 percent. This category includes department and variety stores. Motor and recreational vehicle figures include both new and used car dealers. The increase in this category stemmed from the used and recreational vehicle category as the value of new car sales was slightly lower in 1992 than in the previous year.

New motor vehicle sales account for a major portion of retail sales in the Province. Car sales are cyclical in nature and are influenced to a large extent by the level of income and consumer confidence in the economy and by interest rates. Diagram 6 provides an historical look at Provincial car sales and shows that the automobile industry was hard hit during the 1981/82 recession. Car sales bottomed out in 1982 at 17,358 and then increased steadily until they peaked in 1988, a year of strong growth in personal income and relatively low inflation. In 1989 car sales fell in this Province as well as at the national level, marking the beginning of the downturn that is currently being experienced in the automobile industry. Despite relatively low interest rates in recent years, sales have continued to decline in the Province and for the Country as a whole. The number of cars sold in the Province in 1992 declined by 4.8 percent while value fell by 0.4 percent.

Diagram 6



The Province's manufacturing industry can be divided into three major groups: fish products; pulp and paper products; and other resource and non-resource manufacturing. In 1991 this industry accounted for 27.8 percent of GDP in the goods producing sector and 8.2 percent of total GDP (see Table 2.1 in *Appendix 2*). The manufacture of both fish and pulp and paper products is linked to primary resource production in the Province, and hence these components of the Province's manufacturing base contribute to an increased amount of value being

added to primary resources. Virtually all fish products and newsprint produced in the Province are exported while other resource and non-resource manufactured products are sold in both local and export markets. Non-resource manufacturing has been the fastest growing component of the manufacturing industry over the last seven years. In real terms, this industry grew by 6.9 percent on an annual basis between 1985 and 1991, far ahead of fish products and newsprint.

The manufacturing industry was negatively affected by weakness in the Canadian and United States economies as well as by a number of other factors in 1992. Resource problems in the fishing industry reduced the manufacture of fish products. As well, the value of newsprint produced declined in 1992 even though the volume of shipments was up. In addition, it is likely that the drop in the level of real personal disposable income affected local consumption of other types of manufactured products. Overall, the value of manufacturing shipments declined by 11.8 percent in 1992.

The Newfoundland and Labrador Manufacturers Association held its "Manufactured Right Here" Exhibition in St. John's in May of last year. The event featured 70 local manufacturers exhibiting products from the technology, food and beverage, artisan and resource based industries. In addition, 30 exhibitors from national technology centres were invited to participate in order to promote technology exchange. A key purpose of the exhibition was to increase public awareness of the quality and variety of products manufactured in the Province, and to encourage consumption of locally produced manufactured goods.

Investment declined by 1.3 percent

Investment in the Province was lower in 1992 than in the previous year, according to the most recent survey by Statistics Canada. The survey estimated that approximately \$2.74 billion was spent in investment in 1992, a decline of 1.3 percent from 1991. Declines were recorded for a number of sectors, however, the largest drops occurred in manufacturing and housing investment. Growth in primary sector spending, no doubt reflecting Hibernia expenditures, and spending by institutions and government departments buoyed overall investment expenditures for the year.

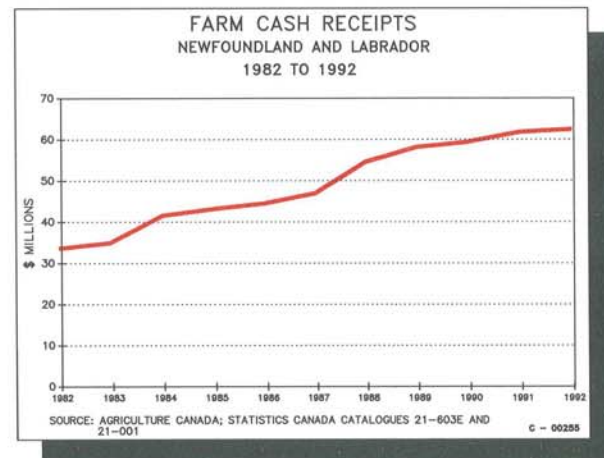
Agriculture

*Prepared by : Production and Marketing Division,
Department of Forestry and Agriculture*

The primary sector of the Province's agri-foods industry consists mainly of livestock and crop production. The livestock component is the largest of the two generating over 80 percent of total farm cash receipts. The number of farms involved in crop production, however, tends to exceed the number of livestock farms.

The Province's agriculture industry has grown rapidly over the last decade as illustrated in Diagram 7. Total farm cash receipts have almost doubled in the past ten years increasing from \$33.4 million in 1982 to approximately \$63 million in 1992.

Diagram 7



The level of vegetable acreage planted in 1992 increased by 2.6 percent over 1991. Table 5 indicates that the higher amount of planted acreage was due mainly to a 1.6 percent increase in the traditional crops grown and a 14 percent increase in less traditional, more specialized crops. The acreage of traditional cabbage and carrot crops was up by 5.6 and 2.4 percent respectively, while turnip increased by only 1.4 percent. The number of acres sown in potatoes, typically the most widely grown crop, remained constant at 1991 levels. Broccoli acreage increased by 18.4 percent while cauliflower and lettuce increased by 5.3 and 9.4 percent, respectively. The increased growing of specialty crops, which include vegetables such as broccoli, lettuce, cauliflower and brussel sprouts, has been mainly a result of changing consumer tastes and improved demand for locally produced commodities.

The increase in the amount of acreage planted last year is not believed to have translated into increased vegetable production. Poor weather and a late growing season had a negative effect on crop production. Lower crop yields are believed to have occurred on the Avalon Peninsula and in Central Newfoundland. In Western portions of the Province, however, it is believed that production was on par with, or slightly above, 1991 levels.

TABLE 5

**VEGETABLE ACREAGE PLANTED
NEWFOUNDLAND AND LABRADOR
(acres)**

Commodity	1991	1992	Percent Change
Potatoes	700	700	0.0%
Carrots	166	170	2.4
Cabbage	284	300	5.6
Turnips	488	495	1.4
Beets	79	80	1.3
Subtotal	1,717	1,745	1.6
Broccoli	38	45	18.4
Lettuce	32	35	9.4
Cauliflower	19	20	5.3
Brussel Sprouts	3	5	66.7
Subtotal	92	105	14.1
Other Vegetables	77	85	10.4
Total	1,886	1,935	2.6

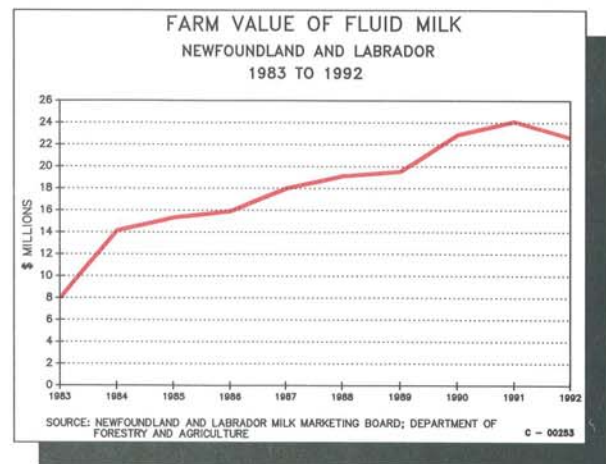
Source: Statistics Canada catalogue 22-003 and the 1992 Fruit and Vegetable Survey; Department of Forestry and Agriculture.

Weather conditions in 1992 also affected the volume and value of small fruit harvested in the Province. Approximately 849,000 pounds of blueberries were harvested in 1992, down 79.2 percent from the previous year. A 25 percent increase in harvested price was insufficient to offset the decline in the harvested volume causing total value to decline by 74 percent to approximately \$467,000. It is believed that poor weather reduced the number of blueberry plants that bloomed and hence, reduced the crop yield. Conversely, both the volume and value of partridgeberries harvested in 1992 increased by almost 157 percent. Approximately 210,000 pounds of partridgeberries were harvested with an estimated value of \$158,000. Prices averaged \$.75 per pound, unchanged from 1991. Partridgeberries bloom later in the season than blueberries, and therefore yields were not affected by the poor weather that occurred in the early part of the summer. Despite the poor weather, strawberry production last year was estimated at 500,000 quarts, unchanged from 1991. Slightly higher prices resulted in a 2.4 percent increase in harvested value to over \$1 million dollars. A further discussion of the Provincial

strawberry industry is contained in a box discussion in this section.

The volume of Tame Hay grown in the Province in 1992 is estimated at approximately 34,800 metric tonnes, up 38.2 percent over 1991. Hay is used as forage for livestock such as cattle and sheep. Higher production in 1992 was the result of a 9.8 percent increase in the number of hectares planted as well as an increase in the average yield from 5.14 to 6.47 tonnes per hectare. Increased local production lessens the dependence on imports from the rest of Canada.

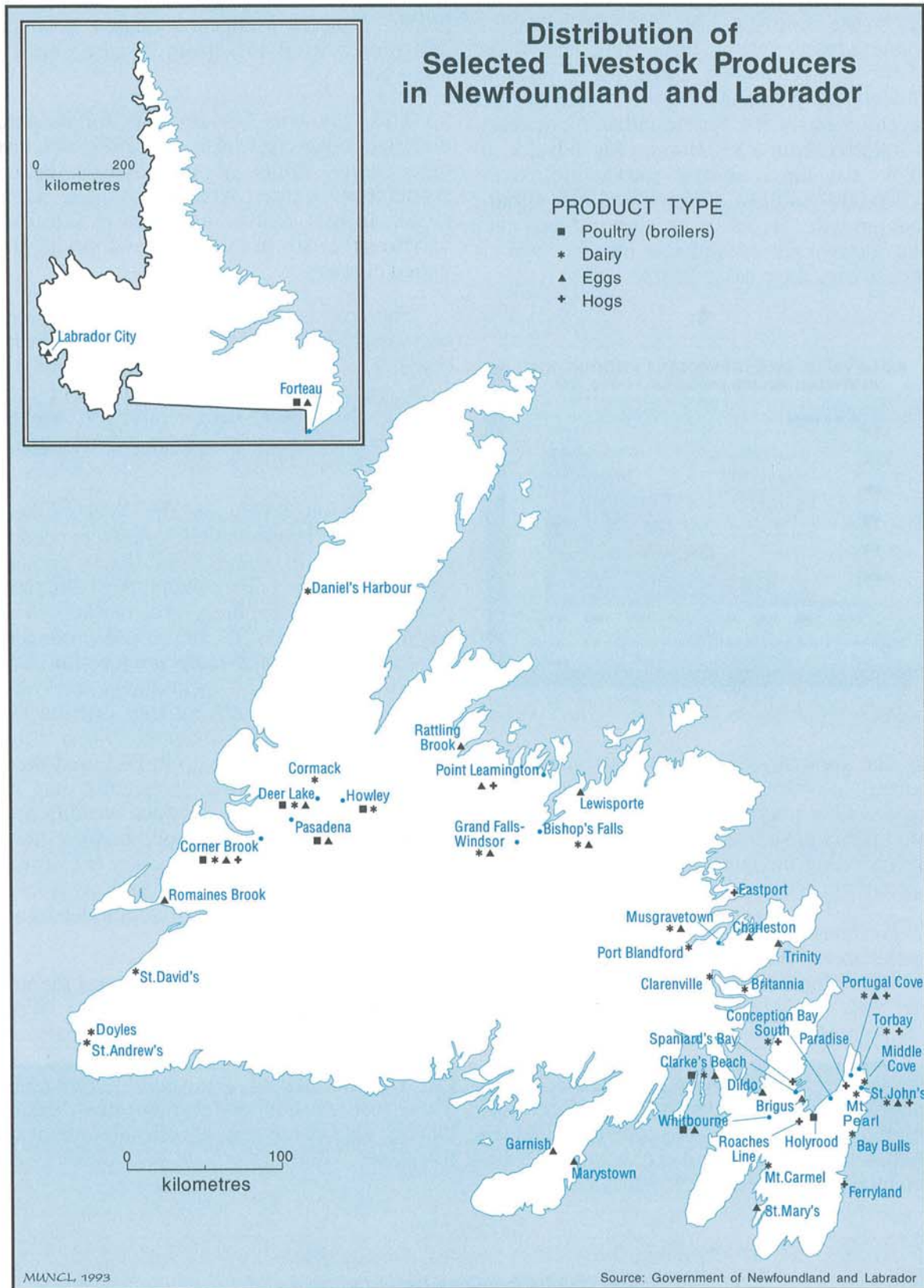
Diagram 8



The volume of milk produced during 1992 decreased by 0.9 percent to approximately 29.3 million litres while farm value declined by 6.2 percent to \$22.4 million, as indicated in Diagram 8. Production declined due to closer adherence by farmers to the quotas set by the Newfoundland and Labrador Milk Marketing Board. The value of milk declined mainly as a result of a drop in farm price from \$75.68 to \$74.32 per hectolitre. Lower milk prices were the result of a new single tier pricing system. Previously, the farm price of milk destined for chocolate milk production and the School Milk Program tended to be lower than milk destined for regular usage. The new one tier system, however, effectively removed this price differential and allowed one slightly lower price for all milk.

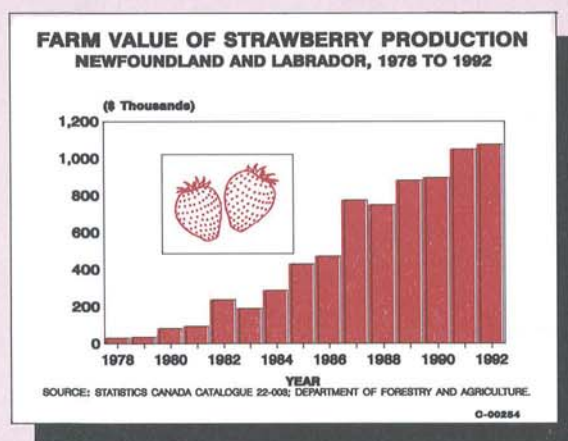
The School Milk Program was initiated in October 1991 to subsidize milk sold in Newfoundland schools. The first period of operation (October 1991 - June 1992) saw annual school sales skyrocket from 90,000 litres (September 1990 - June 1991) to over one million litres. The program is administered by the School Milk Foundation with funding coming from dairy producers, processors and the Provincial Government. Transportation assistance is also

Map 1



The Newfoundland Strawberry Industry

"Newfoundlanders grow the sweetest berries on the continent." So states the introduction to a feature article in the June 1992 issue of the highly popular magazine *Canadian Living*. This five page feature highlights the development of the Newfoundland strawberry industry from a \$30,000 a year industry in 1978 to an industry producing over \$1,000,000 worth of product by 1991, an annual growth rate of more than 30 percent. The diagram provides insight into the pace of growth over the past 15 years.



The great strides made in the strawberry industry have not been just the result of an increase in the number of producers, but more importantly have been the result of producers incorporating the latest varieties of strawberries and the latest technologies available.

Producers employ extensive cultural and management practices to enhance yields. Some producers apply *floating row covers* over their fields in the fall and remove them when plants are 10-20 percent in bloom. This practice reduces cold temperature injury, increases fruit bud initiation, and advances crop maturity. Similarly, yields are increasing through the efficient use of fertilizers and irrigation to enhance fruit size and reduce the potential negative effects of late spring frosts.

As well, pest management systems have helped growers produce a quality product, and reduce crop loss from disease, insects and weeds.

The Provincial Government, for its part, undertakes variety trials on strawberries and other small fruits at the Pynn's Brook Agricultural Center. Applied research at the center, in part, assists producers in selecting varieties that are suitable to Newfoundland's varied climate.

The crop is typically marketed in various ways including wholesale, retail at the farm, roadside stands, and U-Pick operations. U-Pick operations involve the consumer harvesting their own fruit. Improved yields, however, have required producers to expand their markets.

Production levels on the West Coast, primarily the Humber Valley, have exceeded demand and in some years have created "glut" situations. To counter this situation, producers are expanding their markets. The big market remains St. John's and producers are moving more and more product into this region as post-harvest technology improves. As well, producers are looking outside the Province to markets in Ontario. Test shipments were sent to Toronto in 1991, and there are prospects that further shipments may be undertaken subject to product availability. Central Canada and other points west have significant market potential since the strawberry growing season in these regions is long over by the time the Newfoundland harvest season commences.

To highlight the development and the importance of the industry, two major West Coast festivals are held during the harvest, the *Humber Valley Strawberry Festival* and the *Codroy Valley Strawberry Jamboree*. These festivals not only promote strawberries but are also becoming significant tourist attractions.

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provided by Canadian Air Cargo, Newfoundland Air Transport and Springdale Aviation. Products offered to students include two hundred and five hundred millilitre containers of 2% white and 2% chocolate milk. There are approximately 400 schools and 90,000 students benefiting from the program.

There were approximately 7.6 million dozen eggs produced in the Province during 1992, down 6.8 percent relative to 1991. The decline in production was a reflection of an attempt by the industry to remove excess capacity from the Provincial market. Efforts in this area have resulted in a reduction in the number of egg producers in the Province from 31 in 1991 to 25 by September 1992. Three of the six operators closed were purchased through a quota recovery program initiated by the Canadian Egg Marketing Agency while the remaining three were bought out by Provincial operators. The decline in production was therefore a result of capacity removal and a delay in the activation of the locally purchased quota. The excess capacity that existed in the Province was due mainly to the improved efficiency of laying operations, that is more eggs being produced per laying bird, and from a change in consumer tastes that has resulted in a long term trend of declining demand for eggs.

The volume of live chicken produced in 1992 was up 2.3 percent over 1991 to 9.7 million kilograms. This corresponds with a 2.4 percent increase in farm value to \$14 million. Higher production levels and values were due in part to effective production schedule changes made by producers to meet the increased consumer demand that normally occurs during the summer months.

The Newfoundland Chicken Marketing Board reports that they have been granted an additional four million kilograms of eviscerated chicken quota. This will increase total quota allocated to the Province under Canada's chicken supply management system to over eleven million kilograms. One million kilograms of the new quota will be available in 1993 and 750,000 kilograms for each of the following four years. The new quota for 1993 has been granted to existing producers. This will result in an increase in throughput for some producers from 5.5 to 7.0 flocks of chicken per year. In this Province, a flock is typically 48,000 or 60,000 birds.

The outlook for the agriculture industry in 1993 is positive. The volume of fluid milk produced is expected to be up over last year. This combined with higher volumes of chicken being produced should result in an increase in farm receipts for the livestock sector. As well, if weather conditions are favourable

in 1993, higher yields should be realized by vegetable and small fruit producers.

Fishery

The Newfoundland fishing industry experienced events in 1992 of an unprecedented nature. The northern cod moratorium was of particular significance since northern cod has traditionally formed the backbone of the Newfoundland fishery. Latest estimates of the northern cod stock place the spawning biomass at its lowest level in over fifteen years. A moratorium on offshore capelin fishing because of concern for the stocks did not encumber near shore fishing operations. The near shore season was delayed for the second consecutive year, however, and returns were diminished by the small size of the fish caught. Important developments also took place in the salmon fishery. All commercial salmon fishing was banned on the Island portion of the Province, an act intended to help bring about the future return of the Atlantic salmon to its former prominence in Newfoundland and Labrador rivers. A diminishing resource base also contributed to a slip in the financial positions of the two largest fish companies in the Atlantic Region. Last year was also marked by ongoing developments in Canadian fisheries policy, some of which were of particular significance to this Province.

Landings in 1992 were the lowest in over eighteen years. In addition to restrictions placed on offshore cod fishing in early 1992, the July implementation of the northern cod moratorium by the Federal Fisheries Minister precipitated a total shutdown of the inshore sector in NAFO divisions 2J + 3KL. As well, other areas of the Province such as the south coast and the Gulf of St. Lawrence experienced reduced landings. In total, cod landings in 1992 amounted to approximately 72,000 metric tonnes, down from about 177,000 metric tonnes landed in the previous year. Total groundfish landings were also negatively impacted by reduced catches of other species such as turbot and American plaice. Landings of American plaice, which is a type of flounder species taken primarily from a transboundary stock located in NAFO division 3LNO, have suffered in recent years due to over exploitation. Pelagic landings also declined in 1992 due mainly to the poor performance of the capelin fishery. Capelin landings amounted to only 27,642 metric tonnes, a 42 percent decline from the previous year. Shellfish landings remained stable in 1992 because of solid performances in species such as crab, shrimp, scallops and clams. Overall, total landings in 1992 amounted to 244,000 metric tonnes, representing a decline of approximately 40 percent from the previous year.

The decline in groundfish landings and the poor capelin fishery combined to severely impact both exports and employment in 1992. The capelin fishery has contributed significantly to the overall performance of the fishing industry in recent years, particularly in view of the groundfish quota reductions. Unfortunately, as was the case in 1991, the performance of this fishery was again diminished. Capelin production amounted to only 12,305 metric tonnes or about 22 percent less than the previous year representing the lowest production level recorded since 1983. This decrease, combined with the inability of other producers to supply amounts sufficient to meet market demand, caused prices to rise. Prices paid to processors averaged around CAN\$1800/tonne during 1992 compared with approximately CAN\$1430/tonne in 1991. Overall, the value of exports from Newfoundland and Labrador in the first nine months of 1992 amounted to CAN\$238.7 million, a decline of approximately 23 percent relative to the same period in 1991.

TABLE 6

**MONTHLY AVERAGE EMPLOYMENT
HARVESTING AND PROCESSING
NEWFOUNDLAND AND LABRADOR**

	Harvesting		Processing	
	1988	1992	1988	1992
QUARTER 1	9,500	9,100 (-4.2%)	10,100	8,900 (-11.9%)
QUARTER 2	12,900	10,500 (-18.6%)	16,200	7,800 (-51.9%)
QUARTER 3	14,200	10,500 (-26.1%)	18,200	8,800 (-51.6%)
QUARTER 4	9,400	9,100 (-3.2%)	12,000	5,300 (-55.8%)

Source: Statistics Canada Labour Force Survey; Economic Research and Analysis Division, Cabinet Secretariat.

The declaration of the cod moratorium, in combination with poor catch rates of other species of fish, caused employment to fall precipitously in Newfoundland and Labrador. Employment in the fishing industry has undergone significant downsizing in recent years, the result of a declining resource base. During the peak year of 1988, monthly employment in harvesting and processing averaged 11,500 and 14,100 respectively. Employment in both sectors of the fishing industry has declined dramatically since that year. Employment by quarter for 1988 and 1992 in both fish harvesting and processing is outlined in Table 6. Relative to the peak year, primary fishing employment in 1992 fell in every quarter with the

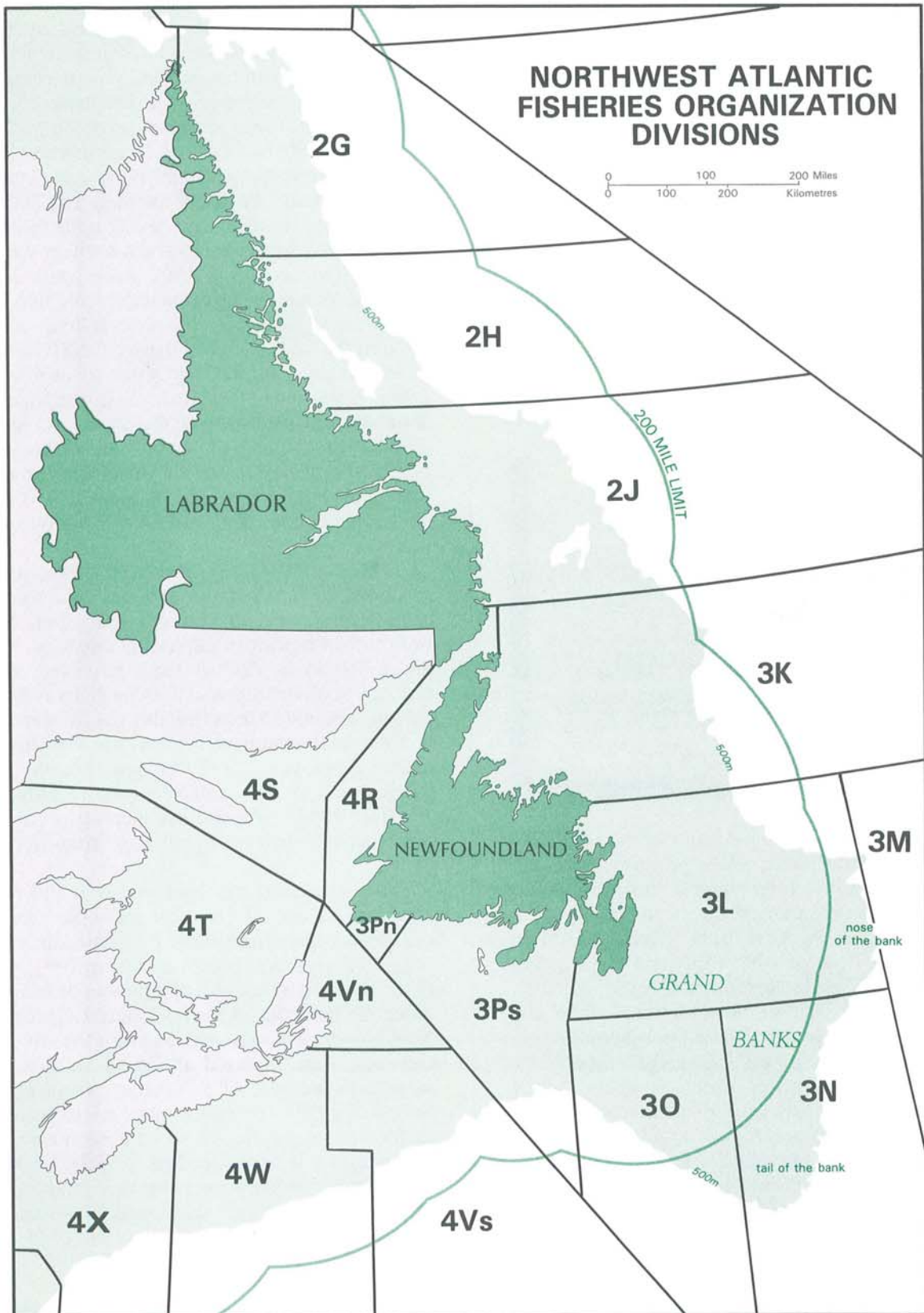
largest declines taking place during the second and third quarters. In addition to the year-over-year drop in landings, these declines reflected the restrictions placed on the offshore sector midway through the first quarter and the inactivity of the inshore sector following the declaration of the northern cod moratorium at the beginning of the third quarter. In the context of a fishery that has sustained heavy losses in each of the five previous years, total fishing employment in 1992 declined by approximately 8,100 from monthly average employment levels recorded in 1988. On a year-over-year basis primary fishing employment averaged 9,800 during 1992 while processing employment averaged 7,700 representing declines of 16.3 and 22.8 percent respectively from 1991.

The adverse impact of the northern cod moratorium on employment and fishing incomes led to the institution of an income support program, the Northern Cod Adjustment and Recovery Program (NCARP). In addition to the establishment of NCARP, other programs have been announced by both federal and provincial governments to assist Newfoundland fishery workers affected by the northern cod moratorium. For further program details, refer to the boxed discussion in this section.

Most of the Province's seafood exports enter the United States market via the New England area. Changes in this market in particular have important implications for the Province's fishing industry. Ongoing resource problems in the fishing industry have, to some degree, downplayed the focus on certain market related trends and issues. Nevertheless, price trends and consumption patterns continue to be of importance for those producers in the Province that currently supply seafood markets. Seafood markets in the United States throughout 1992 were characterized as weak, reflecting for the most part the slow economic recovery. Demand for fish products tends to be fairly responsive to changes in income, particularly since more fish is consumed away from home (at restaurants) than at home. Expenditures at full menu/upscale restaurants declined slightly during 1992 relative to the previous year. Consequently, there is strong evidence to suggest that the demand for bellwether products of the trade such as cod fillet and block have fallen, reflecting soft market conditions. Imports of groundfish into the United States during the first eleven months of 1992 declined by 14 percent from the previous year. It is expected that as the pace of growth in the U.S. economy improves in the near term, seafood markets, and hence consumption will rise as well.

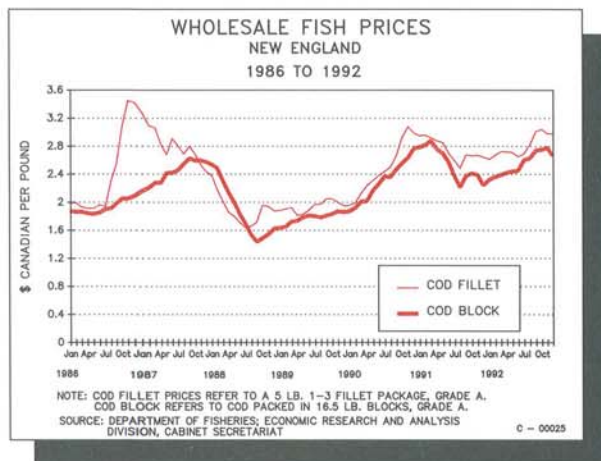
Inventories of seafood in the United States can be viewed as an indicator of the general availability of certain fish products. On average, inventories in

Map 2



1992 were substantially lower than historically high levels recorded in recent years, despite a slight upturn in some product holdings toward the end of the year. The amount of cod block held in cold storage at the end of December 1992 was 6,509 metric tonnes, representing an increase of about seven percent compared to the same period in the previous year. Cod fillet inventories were higher at the outset of 1992, however, stocks were drawn down as the year progressed. The amount of fillet held in cold storage at the end of December 1992 was 8,147 metric tonnes or 19 percent less than that held in the same period in 1991. With cod quota reductions widespread throughout the North Atlantic, it is expected that the general availability of cod in particular, and groundfish products in general, will continue to remain tight.

Diagram 9



Prices for cod fillet and block at the beginning of 1992 were in a much lower position relative to levels a year earlier, as Diagram 9 illustrates. Prices rose throughout the year, however, to the benefit of Canadian exporters. Cod fillet prices peaked at CAN\$3.09 in October 1992 while cod block prices reached CAN\$2.83 in November. Overall, cod fillet prices averaged CAN\$2.85 per pound while cod block prices averaged CAN\$2.60 per pound, representing increases of 2.2 and 0.4 percent respectively from 1991. Higher prices were the sole result of exchange rate fluctuations. A 5.5 percent increase in the exchange rate was sufficient to negate a 3.3 and 4.9 percent decline in cod fillet and block prices in U.S. markets. The decline in U.S. prices was attributable, in part, to a lacklustre seafood market and hence, weaker demand for these products. Some analysts are fearful that because of the voids created in the marketplace due to the lack of cod, there will be sustained pressure to find and substitute alternative species of fish for cod. This will likely pose challeng-

ing marketing problems in the long term when stocks recover and product availability improves.

Dramatic groundfish quota reductions in recent years combined with a slowdown in the marketplace have resulted in challenging times for the two largest east coast fish companies. The divestiture/closure of deep sea plants in the communities of Burgeo and St. John's in 1990 by National Sea Products Limited (NSP) and Trepassy, Grand Bank and Gaultois in 1991 by Fishery Products International (FPI), signalled the beginning of a process of plant rationalization reflective of the resource crisis. Plant operations in the Province during 1992 were again severely curtailed, commencing around the time that restrictions were placed on offshore fishing mid-way through the first quarter of the year. NSP has undergone a major restructuring effort to deal with the fishery crisis and in 1992 had only limited operations at two processing plants on the Island. As well, FPI mothballed a number of inshore and offshore plants. For plants that remained in operation, production schedules were interrupted on numerous occasions due to fluctuations in the availability of raw material.

Since 1988, Fishery Products International has sustained quota reductions of approximately 75 percent. In response to these drastic reductions, FPI has been forced to trim its harvesting capacity. FPI had 59 vessels in its fleet in 1988, however, this was reduced to 38 in 1992 and the Company is expected to maintain only 24 in its fleet this year. Approximately 500 trawlermen have been affected by this action to date. Employment at FPI's plants also fell. In 1988, employment at FPI (exclusive of trawlermen) was 7,800. In 1992, the workforce numbered only 3,600 representing a drop of slightly more than 50 percent.

It was against this backdrop that FPI in 1992 experienced one of its most difficult years. FPI reported an operating loss of \$2.3 million during 1992 compared with a loss of \$0.1 million in 1991. As well, FPI recorded a writedown of its assets of \$65 million reflecting the reduced future earnings capacity of its Newfoundland based assets. Sales for the same period however, were reported at \$590.4 million, representing an increase of 8.7 percent from the same period in 1991. The strong sales performance was attributable mainly to the sound performance in the Company's Clouston Division, which is a seafood trading and brokerage operation. Profit margins in the Clouston Division were dampened, however, by the lingering effects of the recession in the United States and fierce competition.

Despite troubles in the fishing industry, FPI continued with its strategy of diversification. Late in 1992 the purchase of National Sea Products' U.S. food

service business by FPI was finalized following approval by federal regulatory authorities in the United States. FPI paid US\$2.8 million upon closing the deal and expects to pay US\$1.3 million over the next three years. In addition, FPI purchased NSP's inventories and accounts receivables related to the business for US\$23 million. The acquisition of these operations by FPI enhances its position within the food service market, the largest segment of the seafood industry.

National Sea Products Ltd. has also recorded major losses both in terms of its quotas and its financial position. In the period between 1988 and 1993 NSP, experienced an approximate 70 percent loss in its quota allocations. This has translated into a reduction in the size of its trawler fleet (based in this Province) from 11 vessels to zero in 1993, affecting approximately 176 trawlermen. Furthermore, NSP's processing operations in Newfoundland were substantially reduced. In 1988 employment amounted to 1,425 persons (exclusive of trawlermen) compared to an employment level of approximately 120 in 1992 in the post-moratorium period. Activity at its Newfoundland based operations in 1993 is expected to be minimal and will be largely determined by the direction taken in the capelin fishery, the offshore clam fishery and its ability to procure raw material.

NSP reported income from continuing operations before asset write-downs and taxes of \$0.9 million for the first nine months of 1992, compared to a loss of \$1.3 million in 1991. After tax and write-downs, however, NSP recorded a loss of \$28.1 million. While this loss was not of the same magnitude as that of FPI, it was nevertheless significant and only slightly less than the loss of \$30.8 million posted in the same period of the previous year. NSP's corporate strategy involves placing greater emphasis on value added secondary processing and marketing in the U.S. retail business and the Canadian market.

Progress was made on several fisheries policy issues during 1992 which had arguably little effect on fisheries performance in the short term, however, it is expected that benefits flowing from these decisions will accrue to the industry in the longer term. The most significant development of this nature pivots on the issues of fishing jurisdiction and management. In June, the dispute over the Canada-France boundary in an area south of the Province (delineated as NAFO division 3Ps) was settled. An international court of arbitration allocated to Canada most of the 3Ps fishing zone, along with most of its groundfish stocks. This ruling gives Canada the right to set quotas and conservation measures in the areas it now controls. A separate issue, but a very pertinent one to this Province, is the over exploitation of the fishing region outside the 200-mile limit by the European Com-

munity (EC) and other countries in recent years in an area known as the nose and tail of the Grand Banks. The agreement by the European Community (EC) to abide by the NAFO moratorium on Northern Cod outside Canada's 200-mile limit is viewed as an initial step in the process to begin to more effectively manage these fish resources. The EC and Canada also intend to discuss NAFO's objection procedure with a view to establishing a dispute settling mechanism. Presently, there is no formal procedure in place to resolve disputes to Canada's satisfaction. The Province has pushed for stronger measures in this area.

In the area of domestic fishery policy developments, a decision was made to eliminate the Canadian Atlantic Fisheries Scientific Advisory Council and the Atlantic Groundfish Advisory Committee in favour of a single body called the Fisheries Resource Conservation Council. The Council will be comprised of members of the scientific community and the fishing industry. It will review data provided by the Federal Department of Fisheries and advise the Minister on scientific methodologies and research and assessment priorities. This process, unlike previous ones, will also review scientific stock advice and conservation proposals through a process of public hearings, and make formal recommendations to the Minister on total allowable catches and conservation measures.

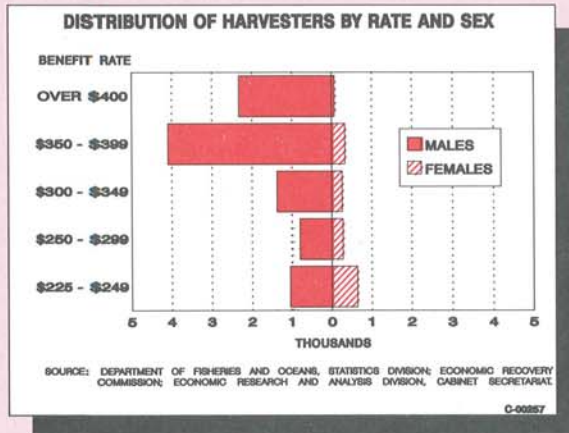
Also in the area of domestic fishery policy, but with strong international overtones, was the implementation of a five-year moratorium on commercial salmon fishing last year. Although salmon fishing was banned on the Island portion of the Province, it was permitted to continue on the Labrador Coast. The joint Federal/Provincial Atlantic Salmon Conservation Plan also contained a \$39.1 million commercial salmon licence voluntary retirement program. Virtually all commercial salmon fishermen on the Island have chosen to sell their licences back to the Crown under this plan. Following the implementation of the moratorium, a rebuilding strategy at a cost of \$21.4 million was put into place through the Canada-Newfoundland Cooperation Agreement for Salmonoid Enhancement and Conservation. These measures were part of a larger effort by countries such as Canada and Greenland to conserve the North Atlantic salmon resource. These policy developments and the successful conclusion of others currently facing the industry have important implications for the Newfoundland and Labrador fishing industry.

Changes in the performance of other major fish producing countries have an impact on the overall supply situation. Iceland, like Canada, is also experiencing resource problems and reduced landings

Northern Cod Moratorium Support Programs

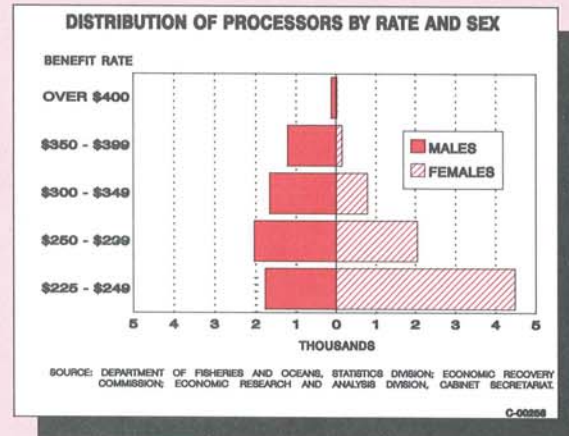
On July 2, 1992 the Federal Minister of Fisheries announced a moratorium on the northern cod fishery, initiating action unparalleled in the Province's history. The moratorium brought to an end all directed fishing activity related to the northern cod stock in NAFO divisions 2J+3KL.

Following the declaration of the moratorium the Minister instituted the *Northern Cod Adjustment and Recovery Program* (NCARP), an income support program designed to replace income lost in the fishing industry directly as a result of the ban on northern cod. The program began August 1, 1992 and is scheduled to be in place until May 1994. NCARP payments are based on weekly UI benefits received over the three years prior to the ban on fishing. Individuals already receiving UI are expected to continue doing so until their UI benefits have been exhausted and those who are eligible are expected to file for UI as in the past. In cases where the NCARP entitlement is greater than the UI entitlement, NCARP has a provision that allows it to equalize any recipient's benefit level to at least the entitlement under the compensation package.



Only those directly affected by the moratorium such as trawlermen, fishermen and plant workers can receive NCARP compensation. Benefits ranged from between \$225 to slightly more than \$400 per week in 1992, allowing fisherman and plant workers to receive, on average, an income roughly comparable to the previous year. The number of persons eligible for compensation stood at 25,570 in early December 1992, with the majority (56 percent) concentrated in the processing sector. The diagrams contained in this discussion illustrate the distribution by 1992 benefit levels of males and females in both the fish harvesting and processing sectors who were eligible for NCARP benefits. Clearly, and as one would expect, males dominate the harvesting sector while females are concentrated in the processing sector. The majority of harvesters

received an income greater than \$350 per week in 1992 while most female harvesters received less than \$300 per week. Females in the processing sector were also concentrated in the lower income categories (\$300 and less), particularly in the benefit range of \$225-\$249. Males who qualified for processors benefits in 1992, however, were not concentrated in any single category but instead were distributed across all benefit ranges.



Cod fishing has been a major source of employment in the Province, and the moratorium has caused some fishermen to turn to other activities for employment and additional income. NCARP has a provision which allows affected workers to earn additional income. In the case of fishermen who own and operate their own fishing enterprise, they can earn further income by fishing for other species. The first 25 percent of income earned is allocated towards enterprise expenses and thus is exempt from benefit reduction. Also, fishermen are able to earn up to 25 percent of their quarterly benefit level before benefits are reduced at a rate of 50 cents for every dollar earned. Fishery workers who find employment outside the fishery are also able to earn up to 25 percent of their quarterly benefit, however, benefits are thereafter reduced on a dollar for dollar basis.

Efforts are being made to help fishermen defray a portion of the costs associated with the maintenance and general upkeep of fishing vessels during the northern cod moratorium. To this end, a \$15 million *Vessel Support Program* was established by the Federal government. Recipients are eligible for two payments, the first as soon as applications are verified and the second to be made late in 1993 to individuals who intend to resume fishing northern cod once the moratorium is lifted. This program is expected to assist more than 4,000 people, and payments will range from \$1,080 to \$34,200 per boat depending on the size of the ves-

sel. Several initiatives have also been implemented by the Province to assist individuals adversely affected by the moratorium. These include forgiveness of further payments on interest free loans and waiving of marine service centre fees for haulout, storage, wharfage and launching of vessels. Also, the Fisheries Loan Board will partially or completely forgive interest charges on either direct or loan guarantee program loans for 1992 and 1993 for fishermen who qualify for assistance.

In addition to the income and vessel support and maintenance components of NCARP, the Federal government, in cooperation with the Provincial government, has developed other education-related program components designed to assist those eligible for NCARP adjust to the future challenges, both inside and outside of the fishery. Generally, three components of NCARP are open to individuals who are in receipt of NCARP benefits. There are however, some individuals who are eligible for NCARP benefits, but have been able to continue working in the fishing industry and have qualified for UI. If these individuals are unable to work enough weeks in 1993 to obtain UI, they can receive NCARP benefits and take part in one of three options open to NCARP recipients.

One option under the program is to refrain from taking part in any of the programs being offered other than the income support program. Should any person choose this option, NCARP benefits will be reduced to the minimum rate of \$225 per week for the duration of the program.

The second option enables individuals to continue to receive full NCARP benefits and remain in the future fishery. In this regard, various training and educational courses are being prepared to allow those affected by the moratorium to upgrade their skill levels. Through a professionalization program, all fishermen will eventually be certified at a specific level, based on criteria to be established. Plant workers wishing to remain in the fishery will be offered training in courses not related exclusively to fish processing. Adult Basic Education will be a crucial aspect of this initiative since most of the skill training programs require a high school diploma as a prerequisite. Individuals have until March 1, 1993 to elect to participate in courses in order to maintain benefits above \$225 for the duration of the program.

The third option involves various ways in which individuals can retire from the fishery. The first includes participating in an *early retirement program* that is cost-shared 70/30 by the Federal and Provincial governments. Under this agreement independent trawlermen, fishermen, and fish plant workers between 55 and 64 years of age can retire and receive payments based on 70 percent of their

UI benefits. Individuals who opt for early retirement must leave the fishery permanently and surrender all commercial fishing licences, vessel registration and Personal Fishing Registration (PFR). As well, recipients of early retirement benefits must forego all future NCARP income replacement benefits. Enabling some people to leave the fishing industry is part of an overall rationalization strategy aimed at matching the long term potential of the resource to the amount of effort required to efficiently harvest and process the resource.

For individuals in the fishery who are not between the ages of 55 and 64 there is another retirement choice, the *voluntary licence retirement program*. Fishermen who take part in this program will be required to surrender their groundfish licence, their PFR, other fishing licences and vessel registration. In essence, people who take part in this option are permanently dissociating themselves from the fishery. The lump sum payment for surrendering these documents will be eight times the net value of a fishermen's average groundfish landings over the best three years between 1987 and 1991. A separate aspect of voluntary licence retirement is the retirement of the groundfish licence only. Under this provision, fishermen retain their PFR and are able to keep other species licences. This aspect of the program is designed to reduce the number of people in the groundfishery. In addition to assisting those taking part in both early and voluntary licence retirements, NCARP is committed, through various training programs, to assisting people who are interested in examining opportunities in occupations outside the fishery.

In addition to the cost shared program with the Federal Government, the Province, through its Fisheries Loan Board, will be facilitating the early retirement of individuals electing to leave the fishery. Under this program, fishermen with loan obligations to the Fisheries Loan Board will be assisted by having a portion of their outstanding loan obligations forgiven. The actual assistance level, which is for vessels less than 35 feet in length, will depend on an individual's loan repayment history. Actual costs will reflect the number of individuals who decide to leave the fishery.

In summary, the negative impact of the moratorium on aggregate income in the Province is expected to be reduced considerably by NCARP and other programs. Employment in the fishery will, of course, decline and earned income of fishermen and plant workers will be replaced by transfer payments. Preliminary analysis indicates, however, that people directly employed in the northern cod fishery will, on average, have their annual incomes replaced by the compensation package.

of groundfish. As a result, dramatic conservation measures are also being implemented in this country which is also reliant on North Atlantic cod stocks. The Marine Research Institute (MRI) of Iceland recommended that cod quotas for the 1992/93 fishing season be reduced to 190,000 tonnes, representing the lowest level in 50 years. In a move designed to ward off a potentially dramatic economic slump, however, the Icelandic government decided to set quotas for cod, haddock, saithe and redfish above those recommended by MRI. Cod quotas were set at 205,000 tonnes for the 1992/93 fishing season, a reduction of 22.5 percent from the previous period.

The Newfoundland and Labrador fishing industry, which sustained such a heavy loss in landings last year, is expected to record further declines in 1993. Decreases, however, are expected to be more moderate in nature. A drop in landings in 1993 will represent the third consecutive year that landings have fallen. Landings are forecast to remain at levels reminiscent of the mid 1970s when fish landings were very low. The northern cod moratorium will be in effect for its first full year in 1993 and as a result of reductions in the Total Allowable Catch of cod in zones 3NO, 3Ps, 4RS+3Pn, 4Vn and 4VsW, cod landings are expected to fall again in 1993. There will be no quota for directed cod fisheries in 2J+3KL in 1993, but it is expected that there will be a small amount set aside as by-catch for other fisheries. Landings of species such as flounder, redfish, crab and capelin however, are expected to match last year's levels. As a result of reduced supplies, some fish processors began to import small quantities of unprocessed fish in 1992 and it is expected that this activity will gain momentum in 1993 as companies try to maintain a presence in the marketplace. Even with a stable performance from those species which comprise a mainstay of the industry, and the procurement of foreign fish, it is expected that landings and production will, nevertheless, decline.

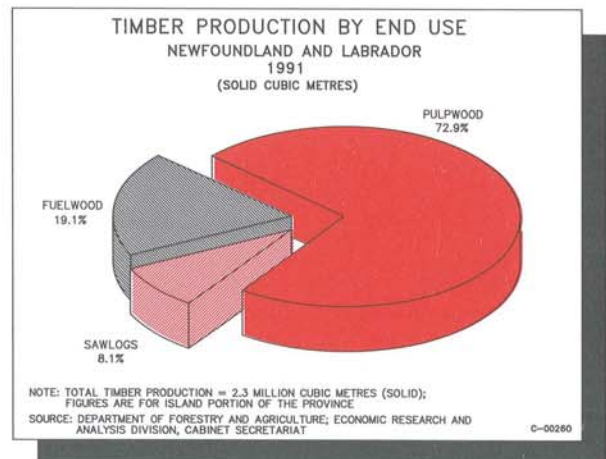
In summary, the immediate impact of the resource crisis on individual plant workers and fishermen has been alleviated by the compensatory payments flowing from the Northern Cod Adjustment and Recovery Program. Resource problems in other key groundfish stocks, however, are having a major impact on other sectors of the industry. Specific conservation measures have been initiated to address fish stock declines and it is anticipated that such measures will contribute to stock rebuilding over the medium to longer term. Such rebuilding is critical to the future performance of the industry.

Forestry

The Newfoundland and Labrador forest industry is comprised of both primary activities, including harvesting and forest management, and the secondary processing of wood into products such as newsprint and lumber. This industry accounted for over nine percent of Gross Domestic Product (GDP) in the Province's goods producing sector in 1991, 2.7 percent of total GDP and generated approximately 3,000 person years of employment.

Total timber harvested on the Island portion of the Province was approximately 2.3 million cubic metres in 1991, the latest year for which data is available. Diagram 10 shows timber production in the Province by end use. Pulpwood used in the production of newsprint accounted for the largest share of harvested timber, consuming almost 73 percent of the total. Sawlogs, used in secondary manufacturing of lumber, accounted for 8.1 percent of the timber harvest, with the remaining 19.1 percent of wood harvested used locally as fuel. Production of newsprint dominates forest product manufacturing activity and is the primary export of the industry. Newsprint is produced at three mills in the Province; Corner Brook Pulp and Paper Limited operates a mill in Corner Brook and Abitibi-Price Incorporated operates mills at Grand Falls and Stephenville.

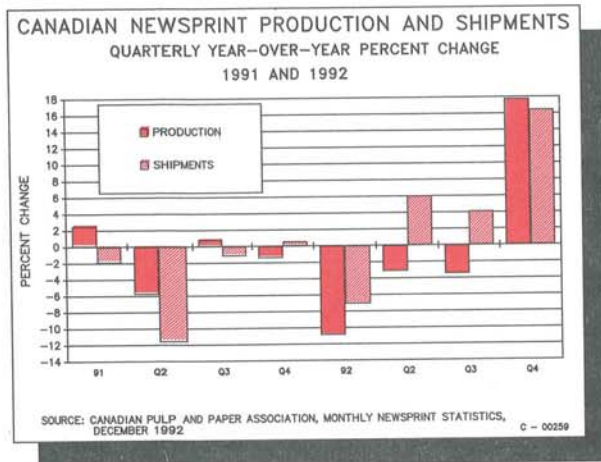
Diagram 10



Conditions in the North American newsprint market, which consumes approximately 40 percent of world newsprint production, has implications for the performance of the Provincial newsprint industry. The North American market continued to suffer over-supply problems and depressed demand in 1992, causing newsprint manufacturers to endure serious losses. Producer solidarity forced an increase in newsprint transaction prices during the year, but

prices remained below profitable levels. The losses experienced in the industry could have been more severe had it not been for cost-cutting measures employed by producers, a weakened Canadian dollar and lower interest rates. If the upward trend in newsprint prices continues, however, the industry could show improved profitability in 1993.

Diagram 11



North American newsprint markets were showing some signs of recovery at the end of 1992; Canadian production and shipments of newsprint in the fourth quarter were both up significantly over the same period in 1991. Diagram 11 indicates that while Canadian newsprint shipments were down in the first quarter, increases were recorded in each successive quarter. Shipments were up in the second quarter as customers accumulated inventories of newsprint in anticipation of a planned price increase and the strike by pulp and paper workers in British Columbia, which unfolded in late June. In the last half of the year, growth in the United States economy and the depreciation of the Canadian dollar with respect to its

Canadian newsprint shipments post gains

American counterpart contributed to a sharp increase in shipments from Canadian mills. In total, Canadian newsprint shipments increased by 4.8 percent over the previous year, as indicated in Table 7. While Canadian newsprint shipments rose last year, output from Canadian mills declined slightly by 0.5 percent, suggesting that producers satisfied the increased demand by lowering mill inventories. Production fell in the first three quarters of last year before rising by 17.8 percent in the fourth quarter. The strong increase between October and December was consistent with market improvement.

TABLE 7

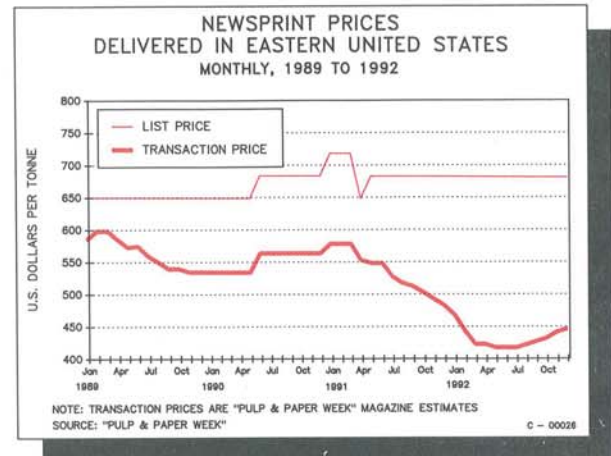
CANADIAN NEWSPRINT STATISTICS

	1991	1992	Percent Change
Operating Rate	87%	89%	
Production ('000 tonnes)	8,976	8,931	-0.5%
Shipments - Total	8,728	9,143	4.8
To United States	5,746	5,869	2.1
To Canada	1,003	1,043	4.0
To Other Markets	1,979	2,230	12.7

Source: Canadian Pulp and Paper Association, Monthly Newsprint Statistics, December 1992.

Operating rates at Canadian newsprint mills rose to 89 percent in 1992, up two percentage points from 1991. This gain was recorded despite a strike by pulp and paper workers in British Columbia, which eliminated approximately 215,000 tonnes of newsprint production between June and July, and other mill downtime and closures, which cost the industry in the neighbourhood of 1.3 million tonnes of newsprint output in 1992.

Diagram 12



Prices in the North American newsprint market, the largest consumer of newsprint in the world, lead other international newsprint prices. Average Eastern United States transaction prices dropped more than 19 percent in 1992, as newsprint producers were forced to offer discounts of between 31 and 39 percent off the list price. For Canadian producers, the decline in price last year was tempered somewhat by a depreciation in the Canadian dollar with respect to its American counterpart. In Canadian dollars newsprint prices fell by less than 15 percent. The downward trend was reversed midway through the year, however, as efforts by major producers to reduce discount

rates were somewhat successful and transaction prices began to rise in the third quarter. Average transaction prices were at a low of US\$420 per tonne in July, but by December prices had risen to US\$450 per tonne, as indicated in Diagram 12. While this improvement was encouraging, the price was still below the level recorded in the previous December.

The increase in the average Eastern U.S. transaction price in the latter half of 1992 was attributable to a successful effort by large North American newsprint manufacturers to reduce discount rates given to customers. Support for the discount reduction plan was unstable when it was announced in March, as a number of companies joined, withdrew, and then rejoined the plan in an attempt to capture market share from competitors. East coast producers began to exhibit greater solidarity over the summer, however, committing themselves to a firm position on discount reduction and resisting the efforts of newsprint buyers to lock into long term contracts at low level fixed prices. Slightly improved market conditions and a lack of surplus capacity among Eastern mills in the latter half of the year contributed to the success of the plan. Another discount reduction is planned for March 1993. The success of future efforts to increase newsprint prices will depend upon an ongoing commitment by producers to maintain prices at their new levels and the strength of the recovery in the North American economy in 1993.

Newsprint prices began to increase in August

The volume of newsprint shipped from the Province's three newsprint mills in 1992 rose by 4.8 percent to 666,587 tonnes (see Diagram 13). The growth in Provincial shipments was mainly attributable to increased demand in Central America and the Caribbean, South America, and the Far East and other markets. The value of shipments, based on the average Eastern U.S. transaction price, however, fell by about 10.9 percent due to the drop in newsprint prices.

Two of the Province's biggest markets for its newsprint, the United States and Europe, received fewer shipments from Provincial newsprint mills in 1992, as indicated in Diagram 14. Shipments to the U.S. were down almost 17 percent from levels recorded in 1991. A significant increase in the fourth quarter, resulting from the improvement in U.S. economic activity, was insufficient to offset declines suffered in the first three quarters. Shipments to Europe fell by 2.2 percent due to diminished demand

in the latter half of the year. This reduction offset gains recorded in the first half as producers scrambled to sell as much newsprint as possible in the European market before the quota on Canadian imports was reached. Once this quota was met in early June, all Canadian newsprint sold in the EC became subject to a nine percent duty. Recessionary conditions in Europe and the depreciation of the British Pound Sterling with respect to the Canadian dollar, in combination with the exhaustion of the quota, resulted in lower shipments to Europe in the latter part of 1992.

Diagram 13

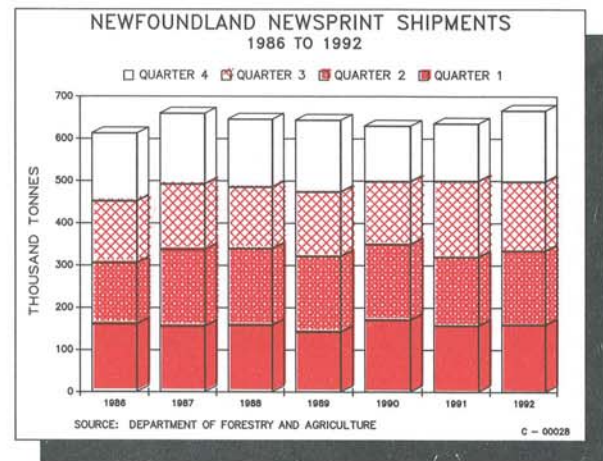
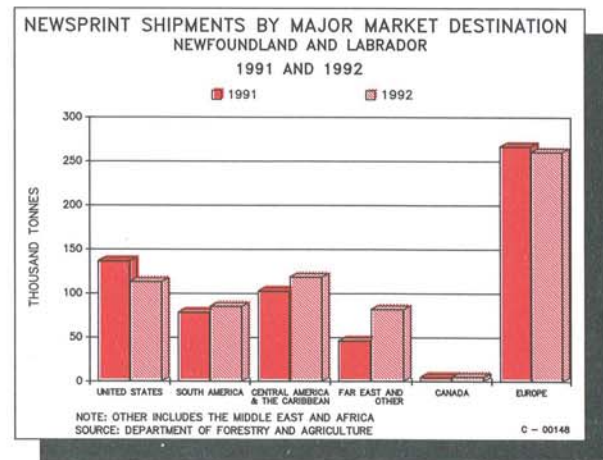


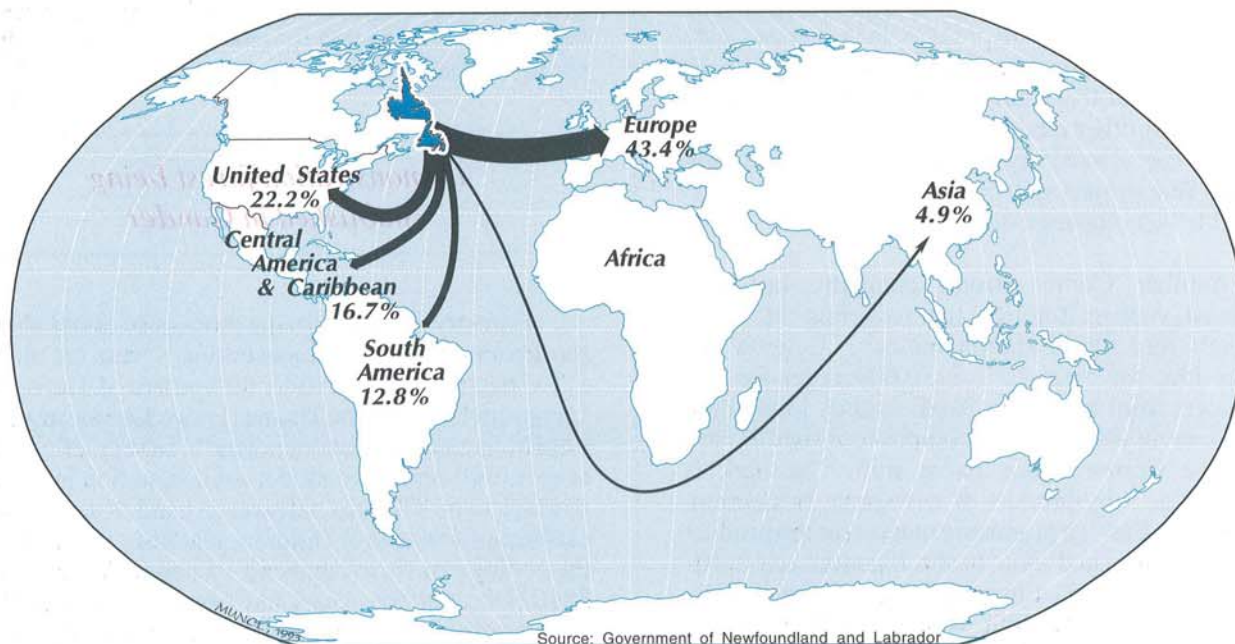
Diagram 14



The increase in total Provincial shipments last year stemmed from higher exports to markets that have consumed smaller amounts of Provincial newsprint than Europe and the United States in recent years. Shipments to the Far East and other countries rose by more than 77 percent compared with 1991, while shipments to Central America and the Caribbean and South America all recorded gains over the previous year. This shift illustrates the ability of local

Map 3

Exports of Newsprint from Newfoundland and Labrador in 1991 to Non-Canadian Markets



producers to diversify in the face of adverse economic conditions in the Province's major markets.

Provincial newsprint mills experienced some downtime in 1992. Both Abitibi-Price mills recorded two days of downtime in January 1992, and a further three week shut down at the Grand Falls mill occurred in late summer. At Corner Brook Pulp and Paper, one paper machine was shut down for five weeks during February and March, and the No. 4 machine was shut down for 10 days in October for upgrading. In total, an estimated 25,000 tonnes of newsprint production was lost during downtime in the past year. This represents approximately 3.6 percent of industry capacity for the year.

In addition to taking downtime, both Abitibi-Price and Corner Brook Pulp and Paper introduced cost cutting measures to improve efficiency. Abitibi-Price decreased its woodland operations workforce by about 70 persons over 1992 and may make further reductions in 1993. The measure was implemented to cut costs and improve product quality by hiring fewer workers for a longer season, thereby maintaining fresher inventories. Similarly, in an effort to cut operating costs, Corner Brook Pulp and Paper did not rehire 250 of its woodland operations workers for the

1992 season. As well, 18 mill jobs were cut when the Company closed its sulphite mill in favour of a less fibre-intensive technology.

Corner Brook Pulp and Paper opened a new \$6 million recycling plant in July 1992. The recycling process employed at the Corner Brook plant uses unprinted waste, rather than de-inking old newsprint. This raw material will be supplied in part by local sources, but the majority will come from the United States. Presently, the plant is producing between 50 and 60 tonnes per day and employing four people. Construction of the recycling plant is a progressive move for Corner Brook Pulp and Paper considering that the more environmentally conscious U.S. market has begun to demand recycled content in the paper that it uses. The new recycling plant will strengthen the Company's ability to compete in the U.S. market.

Recycling plant opened at Corner Brook

The establishment of recycling capabilities is part of a larger plan to improve Corner Brook Pulp and Paper's competitive position, which includes upgrading the mill's No. 4 paper machine to produce

specialty grade paper. In October, this machine underwent a \$2.2 million refit to replace the calender stack. The improvement enables the machine to produce a wider array of paper of varying thicknesses, making the Company more competitive in the European market. In total, the Company is planning to spend \$19.5 million on projects such as these, with completion scheduled for 1994. The mill is also in the process of installing a new bark burning boiler and is carrying out other environmental measures in order to meet Federal and Provincial anti-pollution requirements. This project will cost \$40 million and is expected to be completed in 1993.

Another Corner Brook company has also achieved success through the recycling of a by-product from the newsprint industry. Genesis Organics Inc. has received a \$250,000 order for soil enhancers from a buyer in Saudi Arabia. In addition to containing fish offal, the compost consists of bark from the Corner Brook paper mill. The bark is produced as a by-product of newsprint production. The Middle East is a promising market for the product since it is concerned about becoming more self-sufficient in food production after discovering its vulnerability during the Gulf War. As well, there are other large domestic and international markets for the organic alternative to fertilizer.

Sawmill industry exports lumber

Newfoundland began exporting significant quantities of high quality lumber to specialty markets in 1992 under the initiative of three separate companies. One operation commenced with the purchase of Canada Bay Lumber Company's sawmill at Roddickton by an Austrian Company, Interholz Limited. The mill was officially opened on October 9, 1992, and has already filled one order for 600,000 board feet of high quality lumber destined for Austria. When it is in full operation, the mill is expected to have the capacity to produce approximately 20 million board feet of lumber per year on a full-time basis. The mill has received assistance in the form of loans from the Fisheries Alternatives Program and Enterprise Newfoundland and Labrador. As well, Forest Products Limited of Harbour Grace made two small shipments of specialty lumber to Great Britain, and Glenwood Forest Products shipped two million board feet of lumber to markets in mainland Canada and the United States. This production signifies the first major export of lumber by Newfoundland's sawmill industry since the early 1900s. The Province's sawmilling industry has recently begun to benefit from a trend by major purchasers of high quality lumber to accept shipments

from small producers in an effort to identify potential sources of future supply. This trend is expected to continue and should provide increasing access to these lucrative markets in the years to come. The predicted upturn in the North American economy also bodes well for local producers, as United States lumber prices are expected to remain strong following a recent increase.

Demonstration forest being established in Gander

Forestry Canada is in the process of establishing the Province's first demonstration forest on about 5,200 hectares of land under the control of Transport Canada in Gander. The Thomas Howe Demonstration Forest, named for Newfoundland's first chief woods ranger, will serve as a model for instruction in forest management. The area will also be used as an outdoor classroom for school children, teaching them about the ecology of Newfoundland's forests. A budget of \$810,000 over five years has been allocated to the development of the site which will include the construction of access roads, forest research areas, interpretive hiking, walking, ski and snowmobile trails, and a lookout and interpretation site. Funding is being provided under the Canada/Newfoundland Cooperation Agreement for Forestry Development.

A proposal to establish a 700,000 hectare model forest in the Western region of the Province has been accepted by the National Advisory Committee on Model Forests. The proposal was developed through the cooperation of several interested organizations including the Department of Forestry and Agriculture and the Province's two pulp and paper companies. The proposed area covers a significant portion of land in Western Newfoundland with the city of Corner Brook at its centre and encompasses a variety of types of forests and ecosystems. The area is to be a working example of integrated resource management and sustainable development. It is one of ten such model forests being developed in the Country.

An important area of activity in primary forestry is the management of the Province's forest resources. A budget of approximately \$31 million was allocated to be spent on forest management throughout Newfoundland and Labrador during fiscal year 1992/93. Half of these expenditures were to be made under the Canada/Newfoundland Cooperation Agreement for Forestry Development in Newfoundland and Labrador, which was signed in 1991. This \$64.3 million agreement calls for expenditures on silviculture and other forest management and protection ac-

tivities to be cost-shared between the Federal and Provincial Governments on a 70/30 basis. Between April 1 and December 31, 1992, roughly \$10.7 million had been spent under this agreement. Another \$1.5 million was spent during this period under the Forestry Youth Training Agreement, an agreement between both levels of government and the Province's two newsprint companies. Programs under this agreement occur during the summer months and are designed to train young people in silvicultural activities. In addition, \$1.7 million worth of funding was spent up to the end of December under the Comprehensive Labrador Agreement. Most of this money went towards the construction of new forestry centres in North West River and Port Hope Simpson, with budgets of approximately \$1.3 million and \$130,000 respectively.

In addition to these cost-shared agreements with the Federal Government, the Government of Newfoundland and Labrador spent an estimated \$13 million from the start of fiscal year 1992/93 up to the end of December on such activities as the protection of the Province's forest resources from fire, insects and disease as well as on the enforcement of forest regulations, personnel costs and other activities. One major area of expenditure was forest protection and fire suppression, with a combined budget of over \$3 million for the fiscal year.

After a financially difficult year for the pulp and paper industry in North America, there are signs that producers may see some improvement in 1993. While economic growth is expected to remain sluggish in Western Europe and Japan in 1993, a continued revival in economic conditions is forecast for the North American market. In particular, U.S. demand for newsprint is expected to rise due to increased advertising and business activity. Industry analysts caution, however, that the economic recovery in 1993 will not resemble the recovery that followed the 1981-82 recession. The Canadian Pulp and Paper Association predicts a moderate increase in Canadian newsprint shipments of about 2.8 percent in 1993, fuelled by increased deliveries to the U.S. market. In addition, while prices may continue their upward trend, industry sources caution that the improvement will most likely occur slowly. This will have a dampening effect on industry profits. Canadian producers may benefit, however, from the low value of the Canadian dollar relative to its U.S. counterpart, but the opposite may be true for Canadian shipments to parts of Europe.

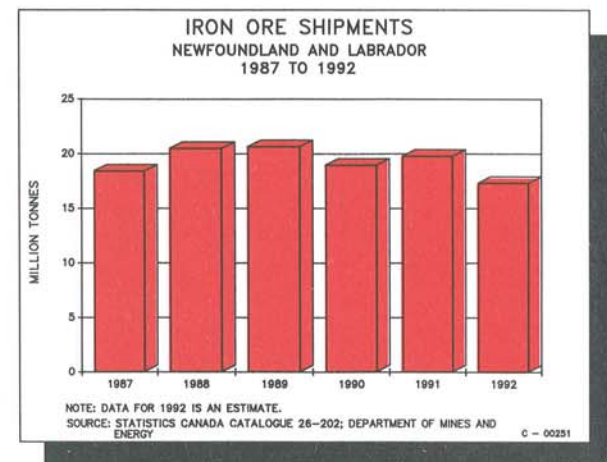
The Provincial newsprint industry should benefit from the expected improvement in North American newsprint markets. As well, with inland Canadian mills expected to concentrate more on the

recovering U.S. market, Newfoundland should be in a good position to take advantage of this year's European quota on Canadian newsprint. Thus, it is likely that Newfoundland newsprint production and shipments will increase slightly again in 1993, causing operating rates to increase and mills to experience less downtime.

Mining

The total value of mineral shipments in the Province fell by an estimated 10.2 percent during 1992. The decline was primarily due to a drop in the value of iron ore shipments. The Hope Brook Gold Mine, under the ownership of Royal Oak Mines Inc., re-opened during 1992 and recorded a slight increase in the value of gold shipments over the previous year. The increase in the value of gold, asbestos, slate and other mineral shipments, however, was not enough to offset the decline in the value of iron ore. Employment in the mining industry declined from approximately 3,400 people in 1991 to 3,000 people in 1992.

Diagram 15



The Iron Ore Company of Canada (IOCC) and Wabush Mines are the two largest producers of mineral commodities in the Province. IOCC began producing iron ore at the Carol Lake project in the early 1960s, which led to the development of Labrador City. Wabush Mines began production at Wabush in 1965. IOCC produces iron ore concentrate and pellets at its facilities in Labrador City while Wabush Mines produces concentrate which it transports to its Point Noire plant to be further processed into pellets. Shipments of iron ore by both iron ore companies totalled 17.3 million tonnes during 1992, as indicated in Diagram 15, representing a decrease of 12.4 percent from 1991. Employment at both mines was also reduced in 1992 as the iron ore

companies tried to improve their cost efficiency. The industry employed about 2,163 people during 1992 compared with 2,422 people in 1991.

Shipments from IOCC declined by 15.5 percent to 12.8 million tonnes during 1992, mainly because of a substantial decline in the third quarter. Shipments dropped by 61.4 percent during the third quarter, reflecting a five week shutdown at the mine from July 27 to September 3, 1992. During the shutdown, the Company completed major repairs and reduced production. Lower production at the mine was the result of a reduction in orders brought about by a deterioration in the international steel market. With reduced iron ore production, IOCC announced the layoff of 208 employees during 1992. The layoffs commenced with 111 employees in January, an additional 72 employees were laid off in July and another 25 employees in November. Employment at the Carol Lake project during 1992 averaged 1,745 compared with 1,950 in 1991. Production is expected to decline again in 1993 due to continued poor markets for iron ore products. Consequently, IOCC laid off another 178 employees in January 1993 and has announced an eight week shutdown at the mine scheduled for the summer.

The Iron Ore Company of Canada announced in January 1993, that it will spend \$8 million to build and test a new high gradient magnetic separator that should improve the production process and reduce costs at the project. The pilot project will receive support from the Atlantic Canada Opportunities Agency in the form of a \$4.3 million repayable contribution. The separator should reduce silica content in the products and improve quality and consistency, thus expanding the available iron markets to IOCC. The separator currently being built is only intended to process a portion of the mines output. If the project proves successful IOCC will convert the operation to the new process at an additional cost of \$45 million.

*IOCC announces pilot project aimed
at improving product quality*

Wabush Mines' production of concentrate decreased by 2.5 percent to 4.6 million tonnes during 1992 with employment at the mine dropping from 472 employees in 1991 to 418 employees in 1992. Cost cutting measures resulted in the layoff of 115 people near the end of 1991. The Company also laid off 13 employees in February 1993. Wabush Mines recently signed a significant contract to supply concentrate to a British company. As a result, production at Wabush

Mines is expected to be higher in 1993 than in the previous year.

*The Hope Brook Gold Mine producing
under new operator*

The Hope Brook Gold Mine shipped approximately 50,000 ounces of gold during 1992. The process of milling raw material at the mine began in June and the first bar of gold was poured in July. This was the first gold to be produced at the mine since May 1991 when B. P. Canada Inc., the mine's previous owner, ceased production. The mine was subsequently purchased by Royal Oak Mines Inc. following an agreement reached with B. P. Canada on April 30, 1992. With average annual production estimated at 120,000 ounces of gold, the mine is expected to have a seven year life. Construction of a permanent gravel airstrip with lights and instrumentation was completed in December 1992. The airstrip will allow employees to be transported to the site from Stephenville by air instead of the previously used water route. Employment at the site averaged 245 people during 1992.

*Baie Verte asbestos plant the first
commercial operation of its kind*

Teranov Mining Corporation operates a wet milling asbestos plant at the former asbestos mine in Baie Verte. This plant recovers asbestos fibre from tailings discarded as waste from the previous dry operation and is the first and only commercially operated wet milling asbestos plant world-wide. With a capacity to produce 30,000 tonnes of fibre per year, the mine has a projected life of 15 to 20 years. Operations at the Baie Verte Mine resumed in April 1992 following a temporary shutdown in December 1991. The plant temporarily closed during the winter because the tailings were freezing, resulting in poor fibre recovery. The Company has been working on rectifying this problem which must be overcome in order to operate during the winter months. The plant closed in December 1992, and is expected to re-open at the end of March 1993. Asbestos shipments in 1992 were 15,000 tonnes, more than triple shipments in 1991. Employment in 1992 was 80 employees, up from 69 employees in 1991.

Newfoundland Slate Inc. began quarrying one of Canada's largest known slate deposits, located at Nut Cove near Clarendville, in 1988. During 1990 and

Map 4



1991, however, limited production took place because individuals travelling to and from the mine were forced to be transported by boat which made access to the mine difficult. During the third quarter of 1991, however, access was improved through the upgrading of the road to the site. In addition, following the removal of trees and shrubs, new benches were constructed to partition the quarry into sections in an effort to improve access to the mining area. These benches will facilitate the removal of the slate and will ensure that the highest quality slate will be mined. A new processing facility was also built in Burgoyne's Cove in 1991 and equipped with state-of-the-art French technology. As a result, Newfoundland Slate Inc. is the first semi-automated slate production facility in North America and the only commercially active slate producer in Canada. The Company shipped slate valued at \$300,000 during 1992. The slate currently produced is used for roofing shingles; however, there is the possibility that flooring tiles will be produced in the future. The markets for the slate include other parts of Canada, the United States, Europe and Japan. Employment at the operation during 1992 averaged 31 people. Peak employment is expected to occur during the summer of 1993 with employment reaching 42 people.

*Canada's only active slate facility
operated by Newfoundland Slate*

Newfoundland Resources & Mining Company Limited commissioned its limestone aggregate operation, located at Lower Cove on the Port au Port Peninsula, in 1990. The facility has an annual production capacity of over four million tonnes, with concrete and paving stone being marketed primarily in the Eastern Seaboard of the United States. The quarry at the site reopened in mid-April and the plant commenced operations in early May after an annual shutdown. The Company halted production on August 1, however, due to weak markets and a build-up of inventory. Approximately 362,000 tonnes of aggregate were shipped during 1992, a decrease of approximately 12 percent from 1991. Consequently, employment in 1992 dropped from 25 to 15 people. It is anticipated that the facility will re-open during the spring of 1993. In addition to the aggregate operation, Newfoundland Resources and Mining developed its high purity limestone deposit in 1991. The Company is seeking potential markets for the high quality product which will have non-aggregate uses such as iron ore pelletization. The Company did not ship any of the product in 1992.

Domtar Incorporated commenced operation of the two gypsum quarries in Flat Bay in 1986. Markets for the crushed gypsum produced at this operation include cement manufacturers and wallboard plants in Canada and the United States. The primary market for the gypsum is the Domtar wallboard plant in New Hampshire, however, some gypsum is shipped to North Star Cement in Corner Brook. Shipments of gypsum in 1992 totalled 297,000 tonnes compared with approximately 330,000 tonnes in 1991. During 1992, 27 people were employed at the quarries.

North Star Cement quarries limestone and shale which is used in its cement manufacturing facility in Corner Brook. The Company operates for approximately seven months of the year and the cement which is produced is marketed throughout the Province. Approximately 74,000 tonnes of cement were shipped in 1992, up slightly from 1991. During 1992, 66 people were employed at the facility.

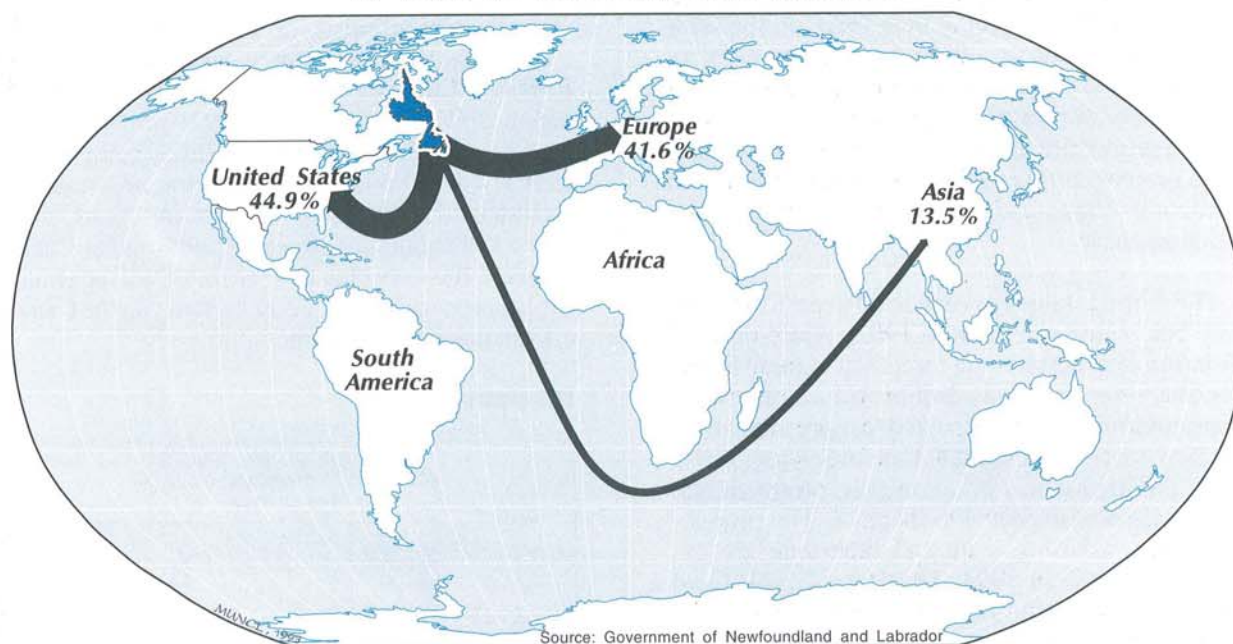
Labrador Inuit Development Corporation quarries labradorite and anorthosite at quarries in Nain. Labradorite is used in the manufacturing of jewellery in the Provincial craft industry and anorthosite is used to manufacture dimension stone. Anorthosite is marketed throughout Europe under the tradename "Reflect Blue". The facility closed in November 1992 due to machinery problems and is expected to re-open in early May 1993. The Company signed a contract with an Italian/German company during the summer of 1992 to supply blocks of anorthosite valued at US\$ 1.7 million in 1993. The Company is anticipating a 20 week operating season during 1993. Employment is expected to increase from 16 people, including both full time and part-time in 1992 to 22 people full-time in 1993.

A number of smaller seasonal operations continued production during 1992. These included the limestone quarry at Cormack and the pyrophyllite quarry at Long Pond, Manuels, in addition to peat, stone and sand and gravel operations located throughout the Province. Shipments of limestone destined for the local agriculture industry decreased by approximately five percent during 1992. Shipments of pyrophyllite during 1992 rose by 46.9 percent over 1991. Shipments of peat and stone dropped in 1992 in contrast to increased shipments of sand and gravel. Employment at all sites remained relatively unchanged from the previous year.

Trinity Brick Products Limited is presently the only brick producer in the Province. The Company quarries shale on Random Island and then transports it to the plant in Milton, Trinity Bay. The shale is then used in the manufacture of the bricks. The Company's annual manufacturing capacity is five million bricks.

Map 5

Exports of Mineral Products from Newfoundland and Labrador in 1991 to Non-Canadian Markets



The facility did not open during 1992, however, due to poor markets. The operation is expected to re-open during the spring of 1993.

The majority of mineral production in the Province is shipped to markets outside Canada. The minerals shipped in 1991, the most recent year for which export data are available, include iron ore, asbestos, slate, limestone, gypsum, shale, pyrophyllite and peat. Mineral shipments in 1991 were exported to the United States, Europe and Asia, as indicated in Map 5.

Mineral exploration activity declined during 1992. There were only 5,118 new claims staked during the year, roughly 64 percent of the number staked for 1991. Approximately 68 percent of the total claims staked in 1992 were ground staked and the remaining claims were map staked. Ground staked claims are 16 hectares in size and are staked on the Island compared with map staked claims that are 25 hectares in size and are staked in Labrador. The number of ground staked claims decreased by 35.4 percent during 1992 while the number of map staked claims in Labrador decreased by 18.6 percent. Relative to the early 1980s, ground staked claims have declined and map staked claims have increased

reflecting increased activity in Labrador. At the end of 1992, the number of claims in good standing stood at 24,002, the lowest recorded at the end of a year since 1984.

Changes to mineral exploration legislation announced

Changes to Provincial mineral exploration legislation were announced by the Provincial Minister of Mines and Energy in January 1993. The term of exploration licences was extended from 10 years to 20 years with a limit of 256 claims per licence. As well, under the old regulations, annual exploration expenditures that exceeded a minimum expenditure requirement were permitted to be carried forward for the term of the licence. Under the new regulations, annual expenditures that exceed the minimum can be carried forward for a maximum of nine years. In addition, many fees and rentals on exploration licences were eliminated or reduced. These changes in the legislation were introduced to encourage more mineral exploration activity in the Province. As well, prior notice of exploration activity that may cause

ground disturbances or seriously affect wildlife is now required.

Development of the NovaGold Resources Inc. gold mine may begin in 1993. The Company has received environmental approval for the development of the gold mining project at Pine Cove on the Baie Verte Peninsula and is currently trying to finalize financing for the project. With geological reserves of approximately two million tonnes, the mine has an estimated production life of four years. It is estimated that the project could employ 100 people during the construction phase and about 65 - 70 during the production phase.

The mining industry is expected to perform marginally better this year than in 1992. While mineral exploration expenditures are forecast to remain at low levels, increases in the production values of several mineral commodities are expected to more than offset lower iron ore production. IOCC is forecasting lower iron ore production in 1993, however, production at Wabush Mines is expected to increase. The production of gold, asbestos, slate and limestone are expected to increase in 1993. The Hope Brook Gold Mine will be operating on a full-year schedule and this will more than double gold production in 1993.

Oil and Gas

Canadian oil and gas exploration activity declined during 1992. The number of exploration and development wells drilled, as of December 28, fell by 24.6 percent to 4,005, the smallest number of wells drilled in Canada since 1972. The number of metres drilled also declined, falling by 19.7 percent. Drilling activity has declined in recent years, the result of lower revenues caused by a combination of lower oil prices and higher costs. In addition, the larger oil pools in the Western Sedimentary Basin, where most Canadian exploration has taken place, have already been discovered causing reduced exploration activity in that region. Activity in Alberta and Saskatchewan, which have typically accounted for approximately 90

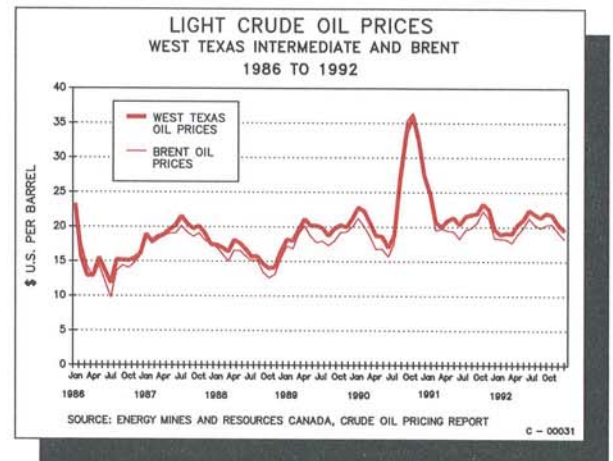
Canadian exploration in 1992 at lowest level in 20 years

percent of Canadian activity, has fallen in recent years. Exploration and development drilling in both of these provinces during 1992 was approximately 30 percent below the level of activity recorded two years ago. Factors such as the exhaustion of larger pools in

the Western Sedimentary Basin have resulted in companies looking to oil projects outside Canada in such places as the North Sea and the Commonwealth of Independent States (CIS) which offer a greater potential for return than in Canada.

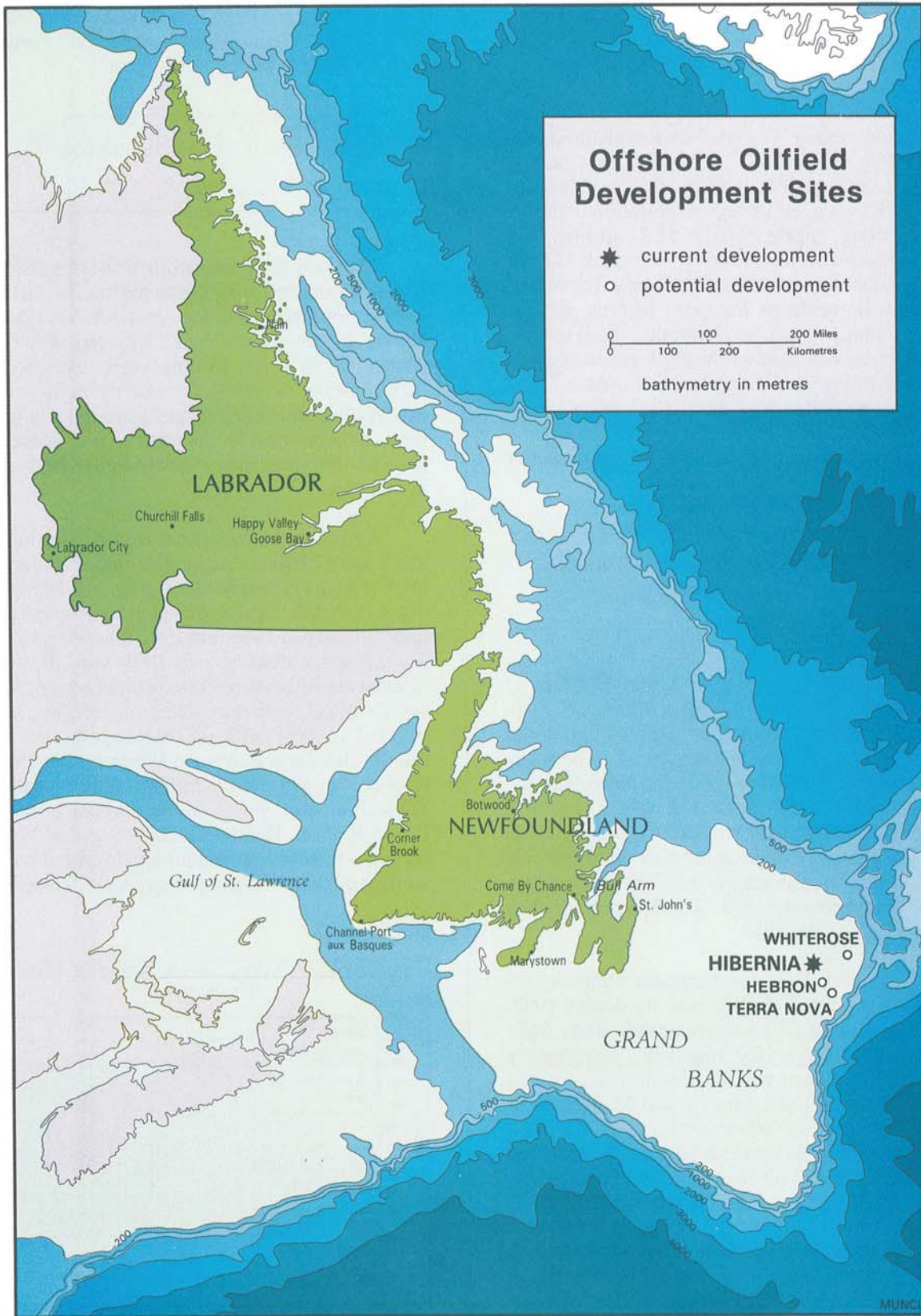
The opportunity for future investment in the Canadian oil and gas industry was enhanced when the Federal Minister of Energy, Mines and Resources announced on March 25, 1992 that some of the restrictions governing foreign investment in the industry would be lifted. This policy adjustment will facilitate investment by foreign investors and improve future sources of equity funding for Canadian projects. It is expected that the result will be enhanced exploration and development activity in the Canadian oil and gas industry in the future.

Diagram 16



West Texas Intermediate (WTI) and Brent Sullom VOE light crude oil prices are often used as reference prices for world oil markets at large and North America in particular. Oil prices for WTI, as recorded on the New York Mercantile Exchange (NYMEX), averaged US\$20.57 per barrel during 1992, a decline of 4.1 percent from 1991 levels. For comparative pricing purposes, WTI light crude oil is closely linked to Western Canadian crude oil prices, given its similar qualities and the access of Canadian crude to US markets. The price performance of WTI can therefore be used as one of many barometers for evaluating the general financial state of the Canadian oil industry. As Diagram 16 shows, oil prices rose to a high of approximately US\$36 during the latter part of 1990, reflecting speculation in crude oil markets generated by the Persian Gulf crisis. The entrance of the United Nations into the Gulf War, and the subsequent resolution of the Gulf crisis, reduced this speculation and caused prices to fall sharply in early 1991. Since February 1991, oil prices have, for the most part, remained between US\$18 and US\$22 per

Map 6



barrel. Diagram 16 also illustrates the price of Brent light crude oil. Brent is the best comparative price of the oil in the Hibernia field. As the diagram shows, movements in the price of Brent oil in recent years have mirrored movements in the WTI oil price.

Newfoundland and Labrador onshore petroleum activity continued in Western Newfoundland during 1992. A *Request for Bids* on exploration permits announced in December 1991 resulted in three successful bids with associated exploration commitments totalling approximately \$1.7 million. The commitments involve an area covering about 117,000 hectares on the Great Northern Peninsula. The expenditures will be made by Labrador Mining and Exploration Company Ltd. and Vinland Petroleum Inc. during the five year term of the exploration permits. Labrador Mining and Exploration Company Ltd. commenced a seismic program in the Parson's Pond area during November 1992. This seismic program is expected to conclude in March 1993 with cumulative expenditures in excess of \$1 million.

Onshore exploration activity commenced in the Parson's Pond area

The Provincial Minister of Mines and Energy announced a *Call for Postings* for onshore activity in August 1992. This is a formal invitation to interested parties to indicate which land they wish to be made available in the *Request for Bids* for petroleum exploration permits. The *Call for Postings* closed in November, with interest expressed in specific parcels of land. As a result, a *Request for Bids* on ten parcels of land totalling approximately 329,000 hectares was announced in February 1993. The *Request for Bids* will close on May 28, 1993.

The Newfoundland and Labrador offshore sector did not record any drilling activity during 1992. This is in contrast to 1991 when two exploratory wells were drilled offshore Newfoundland. Exploratory seismic work, however, continued in the offshore area during 1992. Hunt Oil Company and Marathon Oil Limited conducted two seismic surveys off the West Coast of the Province. These surveys were conducted to assess the prospects for discovering future oil reserves.

The Canada-Newfoundland Offshore Petroleum Board did not proceed with its *Call for Bids* in March 1992 due to limited interest in the *Call for Nominations* held during the fall of 1991. The *Call for Nominations* provides companies with the opportunity to suggest land parcels which they would like

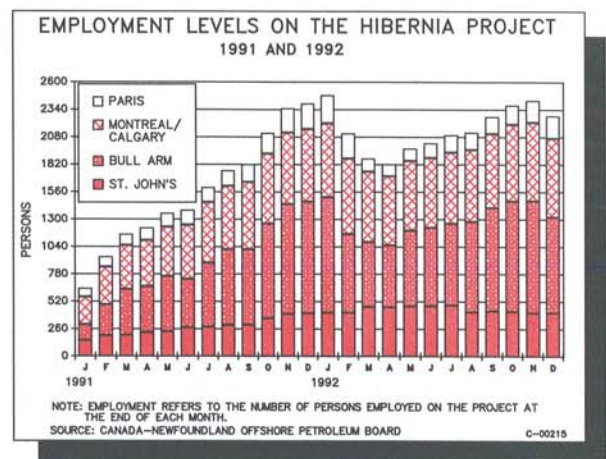
to be available for bidding. The 1992 *Call for Nominations* commenced in November 1992 and closed in January 1993. The Canada - Newfoundland Offshore Petroleum Board is expected to announce a *Call for Bids* in March of this year.

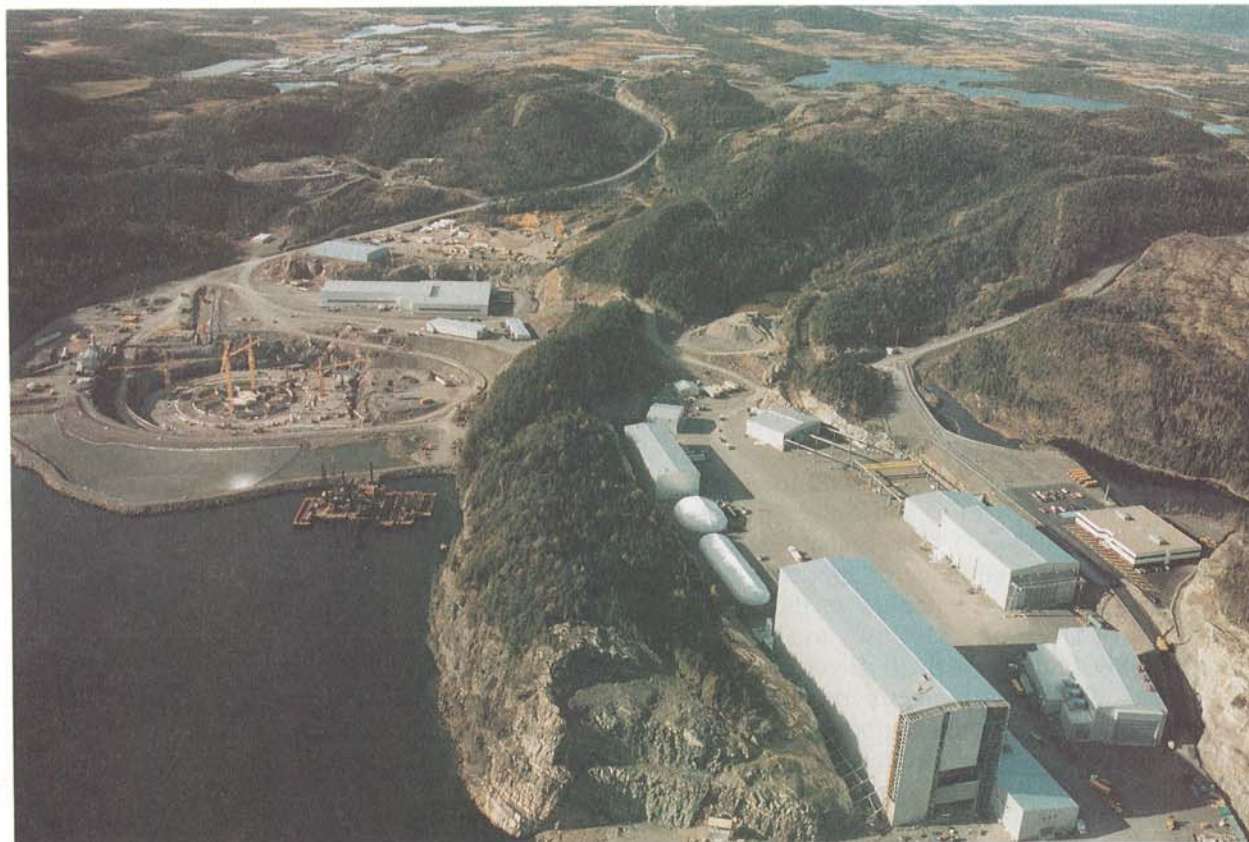
Maximum term for exploration licences extended to nine years

The Canada-Newfoundland Offshore Petroleum Board announced in 1992 that the maximum term for exploration licences in the Jeanne d'Arc Basin (also known as the Grand Banks Region) would be increased from seven to nine years. An exploration licence provides companies with the right to conduct exploration and development activity on a parcel of land. This increase in the term of the licence is expected to heighten the interest in future land offerings in this area.

A number of significant discoveries have been made since offshore exploration drilling commenced in 1966 in the Grand Banks Region off the East Coast of the Province. Exploration and development expenditures between 1966 and 1991 totalled \$4.2 billion. The Hibernia discovery in 1979 was the first significant oil find with reserves estimated at 615 million barrels of oil. Following Hibernia, Hebron was discovered in 1981 with oil resources of 195 million barrels and Terra Nova and Whiterose in 1984 with resources of 406 and 178 million barrels respectively. These four discoveries are the largest in the Grand Banks Region. Hebron, Terra Nova and Whiterose are considered to be potential development sites while work to develop Hibernia began in 1990 (see Map 6).

Diagram 17





The Bull Arm Construction Site, November 1992. The Topsides Fabrication area is located at lower right; the Gravity Base Structure Drydock area at centre left; and the Employee Accommodation camp at top left. Little Mosquito Pond is located at top right.

Source: Hibernia Management and Development Company Limited.

Development of the Hibernia offshore oil field project continued during 1992. The announcement on February 4, 1992 of Gulf Canada Resources' withdrawal of its 25 percent share from the Hibernia development resulted in a rescheduling of the project to allow time for a new partner(s) to be found. In January 1993, the remaining partners and the Government of Canada announced that an agreement had been reached that would provide a solution to Gulf's withdrawal from the project. Two of the original partners, Mobil Oil Canada and Chevron Canada Resources, agreed to strengthen their equity in the project by an additional five percent each. The Federal Government agreed to take an 8.5 percent share and a new partner, Murphy Oil Corporation agreed to join the consortium and acquire a 6.5 percent interest in March upon completion of legal agreements. Oil production from the Hibernia field is now expected to commence in 1997 instead of 1996 as a result of the rescheduling. Average daily expenditures on the project during 1992 amounted to about \$1.5 million.

Two offshore programs were conducted by the Hibernia Management and Development Company Limited (HMDC) during 1992 to gather additional information related to the development of the Hibernia oilfield. A geophysical/geological survey was conducted on the Company's behalf in May and a geotechnical survey was conducted in June.

Employment on the Hibernia project was higher, on average, during 1992 than in 1991. Diagram 17 indicates that while employment on the project was reduced following Gulf's announcement in February, the level of employment for every month except December was higher than in the same month in the previous year. Total employment on the project at the end of December was 2,284 persons with 908 at Bull Arm, 416 in St. John's, 737 in Montreal, 8 in Calgary, 214 in Paris and 1 person in Italy. Employment on the project within the Province averaged 1,289 for the year, up by 44.7 percent over 1991.

Construction work at Bull Arm, the main construction site for the Hibernia project, continued during 1992. PCL-Aker Stord-Steen-Becker

(PASSB) had substantially completed the construction of the module fabrication facilities, valued at approximately \$100 million, by December 1992. Activities relating to the construction of the wellhead module commenced in September with the cutting of steel for the support grillage. By year-end, NODECO had substantially completed the installation of the Gravity Base Structure (GBS) skirts in the drydock and were progressing with the installation of a formwork support system for the underside of the GBS base slab.

Approximately 250 contracts and purchase orders, with an individual value greater than \$100,000, were awarded in 1992 by the Hibernia Management and Development Company Limited and its major contractors, PASSB, NODECO and Newfoundland Offshore Contractors (NOC). These contracts and purchase orders had a total value of approximately \$370 million. Cumulative expenditures on the Hibernia project, as of December 31, 1992, totalled approximately \$969.4 million with 39 percent spent in Newfoundland, 40 percent in other parts of Canada and 21 percent outside Canada. By the end of 1993, cumulative expenditures on the Hibernia project are expected to approach \$2 billion.

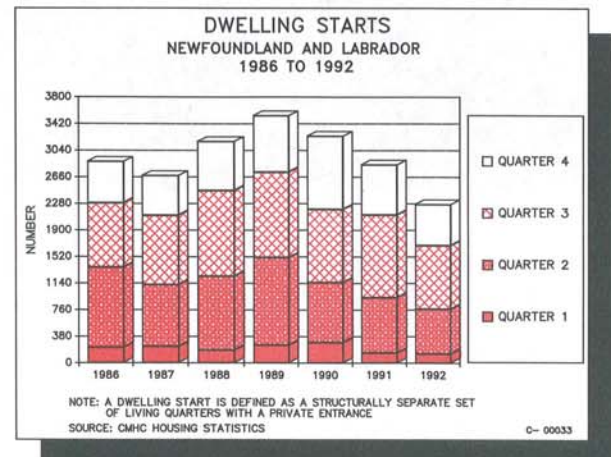
Cumulative Hibernia expenditures to approach \$2 billion in 1993

Canadian exploration and development activity is forecast to increase this year. The prices of West Texas Intermediate and Brent light crude oil are forecast to remain relatively unchanged from the 1992 level. In Newfoundland and Labrador, it is unlikely that there will be any offshore drilling activity in 1993, however, there is potential for offshore seismic activity during the year. A *Call for Nominations* for offshore activity closed in January 1993 and a *Call for Bids* is expected to be announced in March. Onshore seismic activity around the Parson's Pond area will continue during the first quarter of the year with cumulative expenditures in excess of \$1 million. In addition, a *Request for Bids* for onshore activity was announced in February 1993 and will close in May. Most importantly, the continuation of the Hibernia project will be an important factor in the performance of the Newfoundland and Labrador economy in 1993.

Construction

The construction industry is one of the largest of the Province's goods producing industries. Activity in the construction industry was lower in 1992 than in the previous year, however, performance among industry players varied considerably by type of builder. Those segments of the industry which accessed work related to the Hibernia development experienced increased activity last year, while most building construction was lower. Residential construction was particularly hard hit as housing starts fell by almost 20 percent. Employment in the construction industry amounted to 10,000 on a monthly average basis, down by about 1,000 from 1991. During the year employment ranged from 6,000 in March to 15,000 in July.

Diagram 18



The residential sector of the construction industry was affected by the decline in housing starts in 1992. The number of housing starts fell by 19.9 percent to 2,271 units, the lowest level since 1966. Housing starts in the Province fell in all four quarters of 1992 (see Diagram 18), as prevailing weakness in the economy had a dampening influence on new housing demand. Employment losses and the subsequent waning of consumer confidence more than offset the positive influence of lower mortgage interest rates and the government initiatives, announced earlier in the year, aimed at stimulating the market.

Housing starts were the lowest since 1966

Single detached homes constituted about three quarters of total Provincial housing starts in 1991,

however, this category of homes accounted for about 93 percent of the 565 unit drop in new housing starts between 1991 and 1992. Starts for this type of dwelling tumbled by 524 units, a decline of 24.5 percent. As a consequence of the decline, the share of total starts accounted for by single detached units fell from more than 75 percent of new activity in 1991 to about 71 percent last year. Multiple starts also fell in 1992, the result of a 40 percent decline in row structures. The number of semi-detached and apartment dwellings on the other hand, rose by 23.5 and 1.3 percent respectively. Just over 70 percent of the apartment starts consisted of homes with basement apartments in the St. John's area.

TABLE 8

**HOUSING STARTS
BY TYPE OF DWELLING
NEWFOUNDLAND AND LABRADOR**

Dwelling Type	1991	1992	Percent Change
Single detached	2,135	1,611	-24.5
Multiple	701	660	-5.8
Semi-detached	34	42	23.5
Row	140	84	-40.0
Apartment & Other (1)	527	534	1.3
Total	2,836	2,271	-19.9

Note: (1) Other includes duplexes, double-duplexes, triplexes, row-duplexes and dwellings over, or at the back of, a store or other non-residential structure.

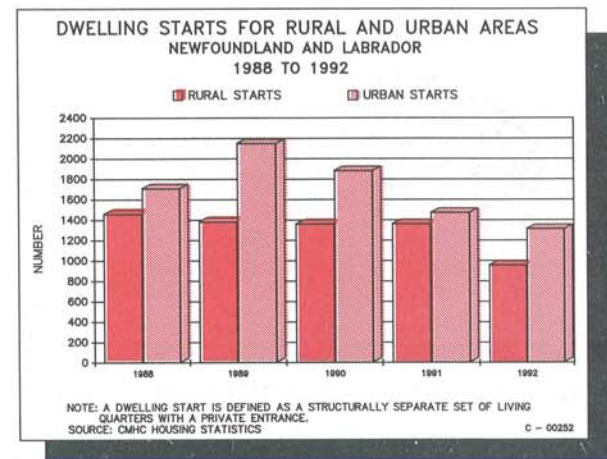
Source: Canada Mortgage and Housing Corporation; Economic Research and Analysis Division, Cabinet Secretariat.

New home construction fell in both urban (population of 10,000 or more) and rural areas (population less than 10,000) of the Province in 1992. Uncertainty concerning the fishery lowered confidence levels in rural Newfoundland and this had a negative impact on rural starts in 1992. The total number of dwellings started in rural areas during 1992 amounted to 957 units, a drop of 29.8 percent from 1991. In urban centres housing starts declined by 10.8 percent to 1,314. The decline in urban centres, while smaller than the decline in rural areas, is the greatest point of concern for the residential contracting industry since most industry built homes are constructed in urban centres. This is in contrast to rural areas where many homes are owner built. In the St. John's Metropolitan Area, which generally accounts for more than 75 percent (77.9 percent in 1992) of the urban home building activity in the Province, starts fell by 7.6 percent. The drop in activity in urban centres was related to the general recession whereas

the decline in rural areas was probably more specifically related to the troubles in the fishery.

Urban and rural home building differs considerably in both the time frame in which homes are normally completed and in the quantity of owner supplied inputs. In urban centres, where land is expensive and homes are most often financed by lending institutions which hold a mortgage against the property, it is commonly the case that a house is completed within a few months from the time that it is started; that is, starts and completions usually occur within the same year. This is often not the case in rural parts of the Province where construction of a home may take place over a longer time frame. In terms of inputs, a rural start involves only a minimal cash outlay because homes are often built on very low cost land using as many owner supplied inputs as possible (e.g., some building material, labour, etc.). This basic difference between rural and urban starts lends credence to the argument that a rural start may have less of an effect on suppliers of some building materials and on the home building industry than an urban start. The same may not be true, at least not to the same extent, in the matter of rural completions. Unlike in the case of a rural start, many of the material inputs required for a rural completion (e.g., doors, windows, lighting fixtures, floor covering, etc.) must be purchased by the home owner, although the installation labour may be supplied by the owner. Therefore, a rural completion may be more important in terms of providing cash flow throughout the economy than a rural start.

Diagram 19



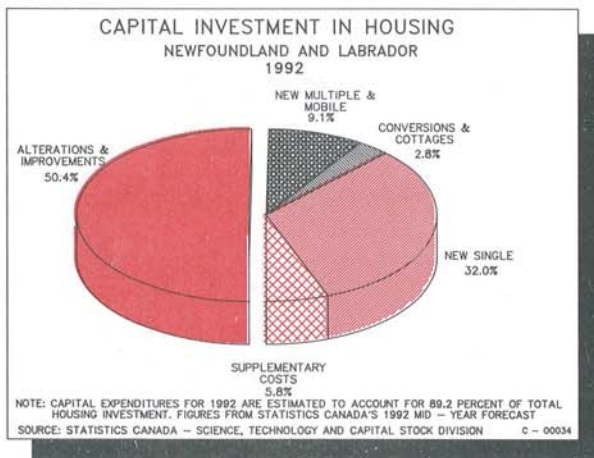
Housing starts have been falling since the beginning of the recession in 1990 as Diagram 18 shows. Rural and urban starts, however, have exhibited very different trends during this period (see Diagram 19). Urban starts clearly reflect the recession with starts falling in each of the last three years. Rural starts performed quite differently, remaining relatively

stable in 1990 and 1991 and then declining sharply in 1992. This suggests that rural activity was not severely hampered by the economic uncertainty associated with the recession until the possibility of a severe failure in the fishery arose in early 1992.

There were 2,556 new homes completed during 1992, a decrease of 20.6 percent over the previous year. Rural completions fell by only five percent in 1992, much lower than the 29.8 percent decline in rural starts. For reasons previously mentioned, the decline in rural completions may be more indicative of rural homebuilding activity than the decline in starts. Urban completions dropped by 31 percent last year. The large drop in urban housing starts over the years was mainly responsible for this decline. The stock of houses under construction in the Province at the end of 1992 fell by 14.1 percent to 2,464, the lowest level since 1969. In rural areas, the number of homes under construction fell by 13.6 percent to 1,655 and in urban areas they fell by 14.9 percent to 809.

Mortgage interest rates fluctuated but remained favourable for home buyers in 1992 (see *Real Estate Market*). At the end of December, rates for one and five year contracts stood at 7.70 and 9.5 percent respectively. The positive impact of lower rates, however, was offset by economic uncertainty and low consumer confidence.

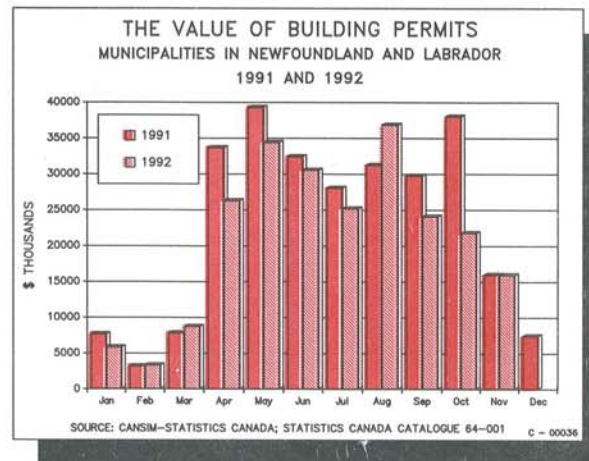
Diagram 20



Housing investment in the Province is comprised of capital and repair construction. Capital construction is the major component as it comprises 85 to 90 percent of total housing investment and includes new dwellings, and improvements and alterations to existing homes. The importance of alterations and improvements in housing investment in the Province is illustrated in Diagram 20. A sizeable portion of housing investment (50.4 percent) is spent on home altera-

tions and improvements. The construction of new single detached dwellings accounted for 32.0 percent of capital investment in housing while new multiple and mobile dwellings represented 9.1 percent.

Diagram 21



The latest figures from the Statistics Canada's *Building Permits Survey* indicate that in the first eleven months of 1992, \$233.4 million in building permits was issued by municipalities in the Province (see Diagram 21). This figure represented a decline of 12.8 percent from the same period in 1991. Both residential and non-residential permits declined in value, however, the decrease in non-residential permits was mainly responsible for the overall decline. From January to November non-residential permits declined to \$79.1 million, a drop of 29.4 percent. Residential permits over the same period declined at a slower rate, falling to \$154.3 million, a drop of one percent. There were 1,862 dwelling unit permits issued in the first eleven months of 1992, a decline of 1.2 percent from the same period in 1991.

Nearly \$74 million awarded in tenders for road and highway work

The Provincial Department of Works, Services, and Transportation administers funding for various road and highway projects. Some of these projects are funded entirely by the Province and others are part of various cost-shared agreements. The Department awarded 99 tenders during 1992 for work valued at approximately \$74 million. Expenditures on various projects, which are recorded on a fiscal year basis, amounted to \$92.5 million from April 1992 to January 1993. About 63 percent of this expenditure was related to the Newfoundland Transportation Initiative.

Most municipal water and sewer and road projects in the Province entail the participation of the Provincial Government and are maintained under the Municipal Capital Works Program. This program is administered by the Provincial Department of Municipal and Provincial Affairs. In March 1992, the Department announced that \$59.9 million had been budgeted for the 1992/93 program. During 1992 contracts valued at about \$55.4 million were issued.

*Tenders awarded for about \$55 million in
municipal capital projects*

An important contributor to the construction industry during 1992 was the work carried out in connection with the development of the Hibernia oilfield. Average employment for 1992 at Bull Arm, the major construction site for the project, was 845, more than 38 percent higher than in 1991. Activities at the site over the next couple of years will include construction of the Gravity Base Structure (GBS), assembly of the topsides, and mating and hook-up of the completed topsides to the GBS. For further details concerning activities at Bull Arm in 1992, readers should consult the *Oil and Gas* section of this publication.

Any improvement in the construction industry in 1993 is expected to be slight and the level of activity is more likely to be about the same as last year. Increased investment related to the Hibernia project and in residential housing are expected to offset lower investment in other areas of the economy. Approximately \$1 billion is slated to be spent on the Hibernia project in 1993, a significant portion of this expenditure will be spent in construction. In light of the fact that housing starts last year were the lowest since 1966, a modest recovery in housing starts is anticipated in 1993. In addition, the Federal Government announced in December 1992 that it was extending its *Home Buyers' Plan* until March 1994. The extension of this plan together with lower interest rates will help create an environment conducive to new home construction. Capital expenditures by both the Federal and Provincial governments on infrastructure such as buildings and roads will continue to be an important contributor to the industry during 1993. These projects, along with others are listed in Appendix 1 - *An Inventory of Major Projects in Newfoundland and Labrador*.

Electric Power

The electric power industry encompasses both the production of electric energy and its distribution to the end user. The dominant firms in the industry are Newfoundland and Labrador Hydro, a Provincial crown corporation, and Newfoundland Power, a private corporation. Newfoundland and Labrador Hydro generates most of the Province's electrical output and sells power to Newfoundland Power, large industrial users and also directly to some residential customers in the Province. The Company's large industrial users include mining companies, pulp and paper mills and the oil refinery at Come By Chance. Newfoundland Power supplies electricity to the majority of residential and general service customers on the Island.

The demand for electricity is closely linked to economic performance since electrical energy is consumed by all industries and households. Electricity is both an input used in the production of other goods and services as well as a product for final consumption by households. Increased commercial and industrial production generally leads to greater demand for electricity. The increased production, by generating more employment and incomes, often leads to increased electricity demand by households and the service sector. Other important demand side factors include the size of the population, the stock and size of residential and non-residential buildings, the number of major household appliances, weather conditions, the prevalence of electric heating systems, as well as the price of electricity to the user.

The amount of electricity generated for use in the Province increased by an estimated 0.7 percent in 1992 despite lower economic activity. The amount generated on the Island increased by 1.5 percent while non-exported electricity generation in Labrador was virtually unchanged.

The amount of electricity sold by Newfoundland and Labrador Hydro increased by 3.4 percent in 1992. Energy distributed by the crown corporation on the Island increased by 3.1 percent while energy distributed in Labrador increased by 6.3 percent. The increased demand on the Island stemmed from both industrial and utility consumer groups. The amount of energy sold to industrial consumers was higher due to increased demand from the pulp and paper industry which more than offset lower demand from the Hope Brook Gold Mine and the oil refinery. Deliveries to Newfoundland Power, Newfoundland and Labrador Hydro's largest utility customer, increased by 2.8 percent whereas deliveries to rural (general service

and residential) customers on the Island were down slightly. The growth in the amount of power distributed by Newfoundland and Labrador Hydro in Labrador last year was the result of an increase in demand by the Department of National Defence in Happy Valley - Goose Bay. In the year prior to 1992, this department generated a considerable amount of its own energy. Energy distributed by Newfoundland and Labrador Hydro in both Labrador East and West increased in 1992, partly due to increased heating demands resulting from colder temperatures. Newfoundland and Labrador Hydro's customers in Labrador included residential and business users, as well as the iron ore mines in Labrador West.

The volume of electricity sold by Newfoundland Power increased by 1.9 percent in 1992. This growth was due to an increase in consumption by the residential sector. Higher consumption is attributable to a continued high installation rate of electric heating systems. Residential energy sales accounted for 59.6 percent of Newfoundland Power's electricity sales in 1992, 40.3 percent was accounted for by business users, while 0.1 percent went to street lighting.

Electricity prices rose in 1992. Newfoundland Power increased the rate it charged its customers by 2.2 percent on January 1, 1992. The wholesale rate charged by Newfoundland and Labrador Hydro to Newfoundland Power did not change, however, an annual adjustment in the Rate Stabilization Plan (RSP) resulted in a further increase of 0.6 percent to Newfoundland Power customers. Newfoundland and Labrador Hydro's rate charged to industrial customers did not change in 1992.

Electricity prices in 1993 are expected to remain stable and in some cases fall. The industrial rate charged by Newfoundland and Labrador Hydro to its industrial users was decreased by six percent on January 1, 1993. The rates charged by Newfoundland Hydro to Newfoundland Power will remain unchanged as will electricity rates charged by Newfoundland Power to its customers, subject to any adjustment that could occur in the RSP.

Modest growth in electric power consumption is expected in 1993 due to an increase in demand from both industrial and residential consumer groups on the Island. Electricity demand for Labrador is not expected to change in 1993.

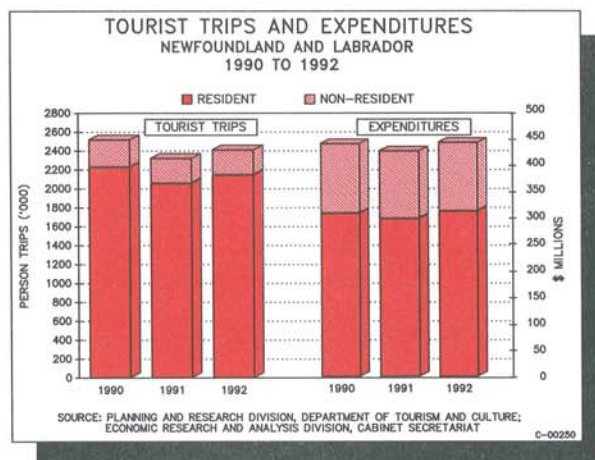
Tourism

The Newfoundland and Labrador tourist industry is an important contributor to Gross Domestic

Product in the Province. Tourist expenditures represent a considerable cash flow through many sectors of the economy and the economic benefits of these expenditures accrue to both rural and urban areas of the Province. Tourist activities create an estimated 10,000 to 12,000 person-years of employment annually, with most jobs occurring during the summer when tourism is at its seasonal peak. The industry includes both resident and non-resident travel for sightseeing/touring, outdoor sports and recreation, visits to friends and relatives, and business.

An important development for the tourism industry in 1992 was the announcement of the new Provincial Department of Tourism and Culture. The creation of this department was outlined in *Change and Challenge*, the Province's strategic economic plan. The responsibilities of the new department were previously spread throughout a number of Provincial departments. In addition, the *Cabot 500th Corporation* was created in 1992. This is a crown agency which will be responsible for the planning and delivery of a major international celebration in 1997 to coincide with the 500th anniversary of John Cabot's discovery of the Province in 1497.

Diagram 22



The Newfoundland and Labrador tourist industry performed quite well in 1992 in light of the weak Provincial, Canadian and United States economies. Total Provincial travel receipts reached an estimated \$438.9 million, up 3.8 percent over the previous year, as indicated in Diagram 22. Total tourist trips also increased by 3.8 percent, for a total of over 2.4 million trips. Estimates of tourist activity within Newfoundland and Labrador by residents of the Province indicated that both the number of tourist trips and the level of tourist expenditures increased over 1991. In addition, while the number of non-resident visitors to the Province declined marginally for the year, expenditures were higher.

The number of resident tourist trips rose to an estimated 2.1 million in 1992 and expenditures were estimated at \$310.2 million, increases of 4.3 and 4.7 percent respectively. Average expenditure per person trip was unchanged from 1991 levels at approximately \$144 per trip. Average expenditure per trip is much lower for resident tourists than for non-residents, however, resident travel activity forms the bulk of Provincial tourist activity. Resident travellers accounted for over 70 percent of total tourist expenditures and almost 90 percent of total visits in 1992.

Tourist activity increased in 1992

Visitors to the Province come for a number of reasons. Diagram 23 indicates that over the June to September peak tourist period, more than 42 percent of non-resident tourists travelled to the Province to see friends and relatives, about 31 percent came for sightseeing, about 16 percent for business, 5.6 percent for outdoor recreation and the remaining five percent for various other reasons. Non-resident visitors to the Province come from all over the world including Japan, China, Western Europe, Asia and Central and South America. The largest percentage of non-resident tourists, however, come from other parts of Canada and the United States, as Diagram 24 shows. Approximately 37 percent of all non-resident tourists arriving in the Province from June to September 1992 originated from Ontario while visitors from the three Maritime Provinces accounted for an additional 33 percent. Those originating from the United States represented another 15 percent in 1992 with the New England States accounting for almost one in four of the American visitors.

The number of non-resident tourist visits to the Province were estimated at 265,295 in 1992, down by a marginal 0.3 percent from the previous year. The average expenditure by non-resident tourists, however, rose by 1.9 percent to about \$485, pushing total expenditures for the year up by 1.7 percent to \$128.7 million.

Non-resident tourists travel to the Province by both automobile and airline. In 1992, visitors by automobile and air declined by 0.4 and 0.2 percent respectively. An estimated 110,793 people arrived in Newfoundland by automobile last year while travellers arriving by airlines were estimated at 154,502. The average expenditure per tourist trip increased for both categories of non-resident traveller: air travellers spent about \$528 and automobile travellers spent \$425, increases of 2.3 and 1.3 percent respectively. The composition of expen-

ditures differs somewhat between air and automobile travellers. Survey data indicates that air travellers spend a larger percentage of their total expenditure on accommodations and restaurant food, whereas transportation constitutes the largest component of expenditure for visitors arriving by automobile.

Diagram 23

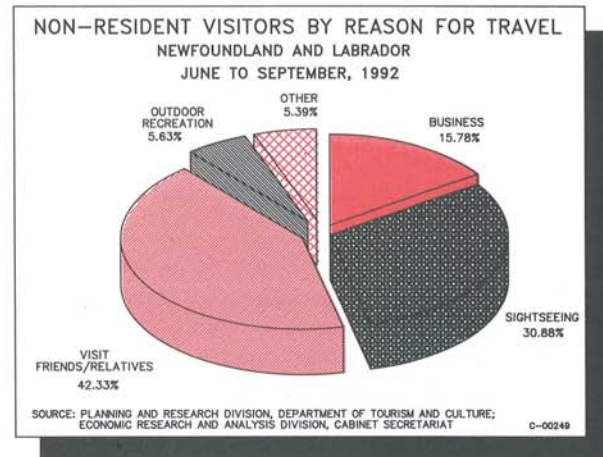
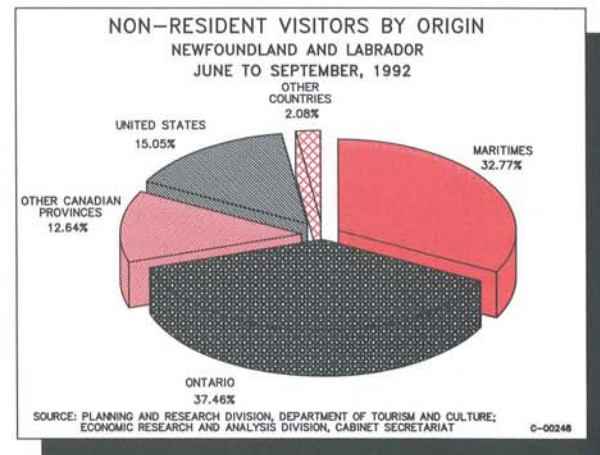


Diagram 24



The number of visits to the Province's two major ski resorts, White Hills and Marble Mountain, is one indicator of the level of winter tourist activity. The Marble Mountain ski resort, located in the Corner Brook area, reported 69,663 skier visits during its 1992 season (December 1991 to April 1992), an increase of 11.8 percent over the previous year. While many of these visitors came from the Corner Brook area, a significant number were from other parts of the Province and from outside Newfoundland. The resort enjoyed growth of 86 percent in the number of skier visits by people from within Newfoundland and Labrador but outside the resort area, and there was a 22.5 percent increase in the number of skier visits by people from outside the Province. Improvements

were made to the Marble Mountain ski facility in 1992 in order to make it more attractive to prospective resort investors. One major improvement involved the expenditure of \$3 million to move a power line which traversed the bottom of Marble Mountain and constrained development. In addition, an aggressive marketing scheme was launched in the fall of 1992, which will continue into the winter of 1993, to promote skiing at Marble Mountain within the Province, the Atlantic Provinces, and other areas.

Skiing enjoys growing popularity in the Province

The White Hills Ski Resort is located in the Clarenville area and caters mostly to skiers from Eastern Newfoundland. In 1992, 58,000 skier visits were recorded at White Hills, a 34.9 percent increase compared with the 1991 ski season. White Hills also upgraded its facilities in 1992, making the resort more attractive and convenient to use. Improvements included the addition of a new beginners ski lift, renovations to the day lodge, and upgrading of the electrical system and parking lot facilities. Partial funding for the project was provided under the Fisheries Alternatives Program (FAP).

Other indicators of tourist activity include the number of cruise ship visits to the Province and the number of visitors to tourist chalets and Provincial and National parks. These indicators showed a mixed performance in 1992. There were 10 cruise ship visits in 1992, down from 17 in 1991. Visitors to the Province's seven tourist chalets also declined in 1992, falling by 6.7 percent to 80,779. The number of nights that campers spent at Provincial parks rose to 200,333 in 1992, a 9.2 percent increase over the previous year. At Federal parks, however, the number of campers declined. Campground use at Gros Morne National park declined by 5.7 percent while at Terra Nova National Park, campground use declined by three percent. The drop at Terra Nova mainly reflected the closure of the Malady Head camping facility which did not open for the 1992 season due to a lack of human and financial resources to maintain the campground. Camping at Newman Sound, the other campsite at Terra Nova, was up by 11 percent compared with 1991, but the increase was not enough to offset the loss at Malady Head.

A new visitor information centre at Argentia opened on August 18, 1992. The centre was constructed at an estimated cost of \$600,000 and is similar to one already located at Port aux Basques. In addition to this new centre, an extension to the visitor

information centre at Deer Lake was constructed during the year. This extension will house a new display area and contribute to a government initiative to upgrade visitor information facilities as a part of its effort to promote tourism on the Northern Peninsula, the Western region of the Province and southern Labrador.

New visitor information centre opened at Argentia

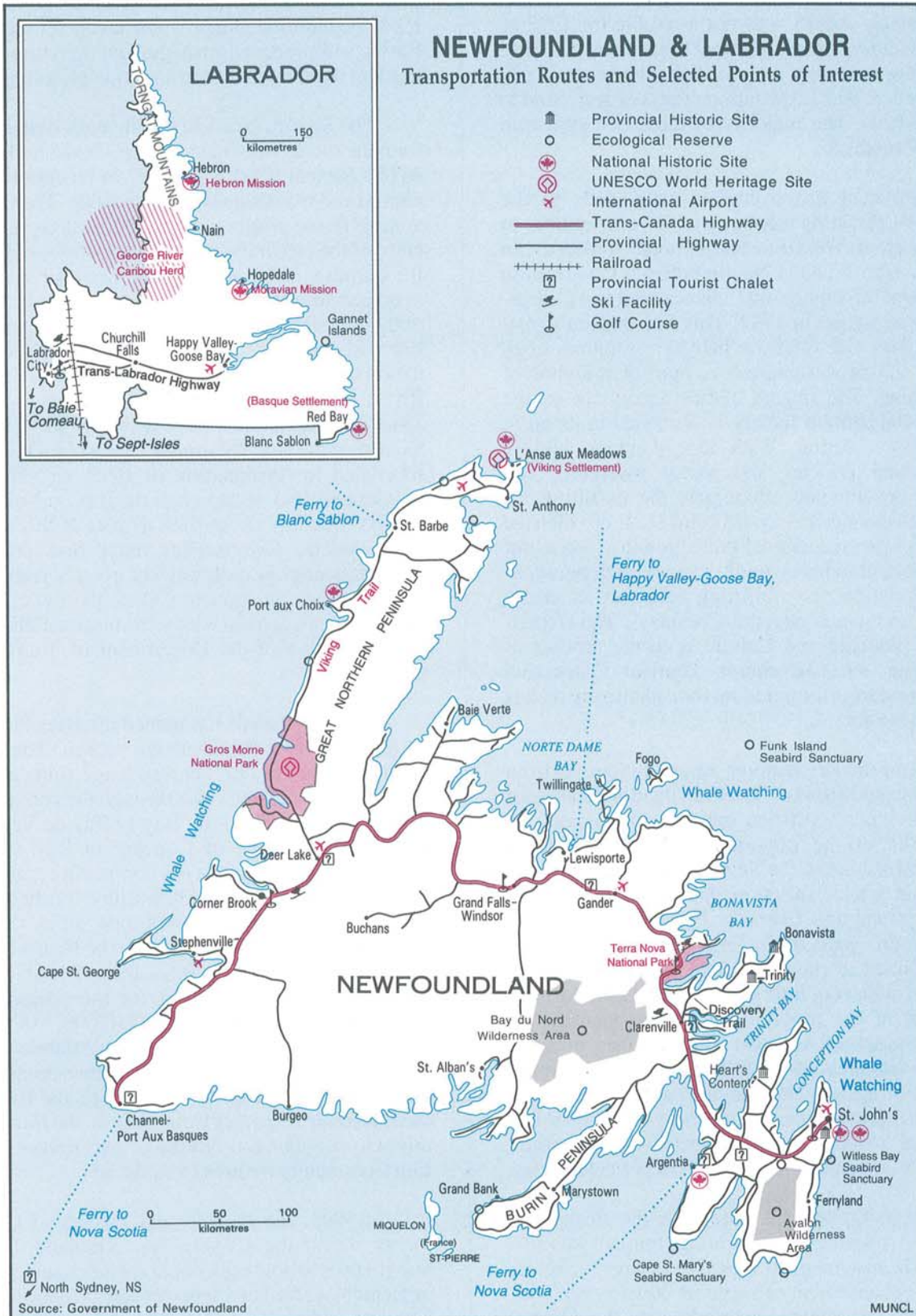
One of the oldest sectors of the tourism industry in the Province is the outfitting industry. This industry is comprised of 116 licenced hunting and fishing camp operators who run approximately 191 camps and lodges throughout the Province during the various hunting and fishing seasons. Within this number, there are 87 licenced camp operators on the Island part of the Province with 145 camps and 29 licenced outfitters in Labrador operating 46 camps. As well, 10 to 15 new camps are currently under development. On the Island, the emphasis of the industry is on hunting big game, such as moose, caribou and bear, as well as salmon and brook trout fishing. While there is some big game hunting in Labrador, the industry revolves around sportfishing, specifically salmon, trout and northern pike. In fact, Labrador is one of the few places in North America where trophy sized brook trout are still available.

The outfitting sector directly contributes some \$11 million to the Provincial economy each year and is one of the largest generators of revenue per tourist. There are also indirect benefits to hotel operators and other businesses catering to tourists. As well, the outfitting industry generates approximately \$600,000 in licence fees annually for the Provincial government and provides some 700 seasonal jobs for guides, cooks and camp helpers in rural areas of the Province.

Outfitting industry records growth

An indicator of the level of activity in the Province's outfitting industry is the number of hunting and fishing licences sold to non-residents. Strong growth was recorded in the number of big game licences sold in the Province for the second consecutive year in 1992. Non-resident big game hunting licence sales totalled 2,471 in 1992, a 30 percent increase over sales in 1991. Of these, 1,738 were moose licences, 523 were caribou licences, and 210 were licences to hunt black bear. Individuals from the

Map 7



United States accounted for 65 percent of non-resident licence holders in 1992 with another 34 percent coming from the rest of Canada. Data on non-resident sportfishing activity was not available for 1992 as non-residents were not required to purchase a licence for fishing trout last year. In 1991, however, 2,330 trout licences and 1,314 salmon licences were sold to non-residents. The majority of these licences were sold to Canadians.

Significant improvements were made to the Provincial outfitting industry in 1992 as a number of camps were upgraded to international standards. In addition, the Canada-Newfoundland Cooperation Agreement for Salmonoid Enhancement and Conservation was signed in 1992. This \$21 million agreement will provide funds for habitat restoration, stock renewal and infrastructure development in support of sportfishing. The impact of this agreement on the commercial salmon fishery is discussed in detail in the *Fishery* section. With long-standing wildlife management policies and recent marketing and product development strategies, the outfitting industry has managed to record gains at a time when the economy is in a recession. Future growth in this sector of the tourism industry might include such non-consumptive wilderness outfitting activities as nature viewing and winter adventure holidays. The Department of Tourism and Culture is in the process of completing an "Adventure Tourism Discussion Paper" to address the potential for capitalizing on this emerging sector.

One of the key features attracting tourists from around the world to visit Newfoundland and Labrador is the Province's pristine natural environment. In recognition of the importance of preserving our ecological resources, the Newfoundland Government has agreed to table an action plan for completion of a Newfoundland and Labrador Protected Areas Network by the year 2000. Presently, approximately seven percent of the island part of the Province is protected, with very little protection in Labrador. The first goal of the program will be to identify the Province's natural regions. The Province plans to establish an area of high level protection representative of each of the Province's natural regions. This plan is part of a larger agenda by the Federal and Provincial governments to protect Canada's natural heritage by expanding its networks of protected areas.

The commitment to preserve the Province's ecological resources and encourage tourism was also reflected in an agreement signed to ensure the protection and enhancement of some 61,000 acres of wetland and associated habitats in the Upper Humber-Birchy Basin area. The agreement is between the Provincial government, Ducks Unlimited,

and Corner Brook Pulp and Paper and took place under the North American Waterfowl Management Plan's Eastern Habitat Joint Venture. Work has already begun to stabilize water levels on the Birchy Basin, and proposed management activities include nutrient enrichment and installation of nesting boxes.

The Bay du Nord River in south-eastern Newfoundland was nominated to the Canadian Heritage Rivers System (CHRS) in 1992 in recognition of its natural and recreational heritage value. The CHRS is a cooperative program of the Federal Government, eight of the provinces and both territories of Canada. Its purpose is to ensure that heritage rivers are managed so as to guarantee long-term conservation of their natural, historical and recreational attributes. Currently, 15 rivers in Canada have received designation under the CHRS. Along with the Bay du Nord River, seven others have been nominated and are awaiting designation, one of which is the Main River located on the Great Northern Peninsula. This river is scheduled for designation in 1993. It will be approximately two years before the Bay du Nord River will be officially designated as part of this national river system. Government must first prepare a management plan outlining the river's recreational use and future preservation. Once the river is designated, its management will be the responsibility of the Parks Division of the Department of Tourism and Culture.

Heritage Canada has named the Baccalieu Trail as the Country's fifth heritage region. The trail is located on the Avalon Peninsula and starts at Whitbourne, following the coast through the communities on the east side of Trinity Bay to Bay de Verde and down the west side of Conception Bay to Georgetown. Heritage Canada is a non-profit organization whose objective is to identify and develop the heritage and tourism potential of various areas. Specific resources to be developed include the Hearts Content Cable Station and the Baccalieu Island Seabird Sanctuary. The total budget for the project is estimated at approximately \$380,000, of which \$281,000 is to be provided by the Atlantic Canada Opportunities Agency (ACOA). Other funding will come from Enterprise Newfoundland and Labrador, the Economic Recovery Commission, the Joint Councils of Conception Bay North and the Trinity-Conception Community Futures Committee.

In 1991, the Federal and Provincial Governments signed the Canada-Newfoundland Tourism and Historic Resources Cooperation Agreement. This agreement, valued at approximately \$20 million, has a four year life and is to focus on tourism and historic development. Funding of \$2 million under this agreement was approved to upgrade facilities at three

Provincial parks in 1992. Fitzgerald's Pond Provincial Park, located on the Argentia Access Road, received \$1.1 million; Barachois Pond Provincial Park, located off the Trans Canada Highway near Stephenville, received \$500,000; and Dildo Run Provincial Park, located in the New World Island area of Notre Dame Bay, received \$400,000. In addition, more than \$350,000 was granted to 11 community museums throughout the Province. The money will be used to upgrade existing facilities and exhibits in order to better meet the needs of the travelling public. Funds were also used to improve and develop several historic sites. For instance, the road to the Cape St. Mary's Seabird Sanctuary was upgraded in 1992 and is expected to be paved in 1993. Also, an archaeological dig was started in Ferryland to uncover artifacts stemming from an early British settlement. As well, planning began last year for a \$1.2 million historic Beothuck site at Boyd's Cove, including the construction of a Beothuck interpretation centre, improvements to the Beothuck excavation site, and continued archaeological activity in the area.

The tourism industry also benefitted from expenditures under another cost-shared agreement between the Federal and Provincial governments in 1992: the Comprehensive Labrador Cooperation Agreement. From April to December 1992, over \$670,000 had been spent under this agreement on such activities as marketing and product development. One program to receive funding was Destination Labrador, a tourism organization formed to market Labrador as an attractive location for cruise ship visits, fishing and hunting activities, and sightseeing. This organization was allocated a budget of over \$300,000 for fiscal year 1992/93 to fund such activities as advertising, participation in travel trade promotions and the publication of tourist brochures. As well, \$200,000 was provided for the ongoing restoration of the historic village at Battle Harbour, the location of one of the only remaining mercantile fishing premises left in the Province.

The Federal Government also provided support to the Province's tourism industry in 1992 through the Atlantic Canada Opportunities Agency (ACOA), which contributed over \$6.3 million to various private sector tourism projects during the year. Included among these were the construction of a new Holiday Inn in Stephenville and the upgrading of several accommodation properties on the Great Northern Peninsula and the coast of Labrador, as well as improvements to a number of outfitting camps and the Marble Mountain ski resort. In addition, public funds were used for the construction of two nine hole golf courses, at Frenchman's Cove and Deer Lake, and the expansion of the Pippy Park Golf Course in St. John's to 18 holes. Total expenditures on private sector

tourism projects, public and private funds, amounted to over \$12 million in 1992.

Several important planning activities were undertaken in 1992 including: a study on converting the former CN railbed into an adventure tourism trail; a study of the tourism potential of the Northeast corner of the Island; and a similar study of the Humber-Bay of Islands-White Bay area. As well, the Federal and Provincial Governments and the Labrador Inuit Association announced their commitment to undertake a study to determine the feasibility of establishing a national park in the Torngat Mountains in Northern Labrador. This region is home to numerous species of wildlife and is rich in archaeological and historical sites. It is reputed to have one of the most beautiful, wild coastlines in the world, with the highest mountains east of the Rockies. In addition, Gros Morne National Park commissioned a study on the creation of a \$12 million Discovery Centre which would interpret the park's natural, geological and cultural history and also completed another study on establishing an international-calibre cross-country ski trail system. Finally, a "Consumer Usage and Attitude Ski Study" conducted at Marble Mountain, White Hills and the Smokey Mountain Ski resort in Labrador was completed at the end of the year.

Tourism related advertising expenditures by the Tourism Marketing Division of the Department of Tourism and Culture in 1992 were about the same as 1991 levels. Total expenditures on magazine, newspaper and television ads targeted at non-residents accounted for about \$1.5 million. The majority of advertising was directed at United States consumers, with 63 percent of the marketing budget spent on advertising in the U.S. Another 11 percent was spent in the Maritimes, while the remaining 26 percent was spent in other parts of Canada. Marketing efforts concentrated on promoting the natural, cultural, and historical aspects of Newfoundland and Labrador.

Marketing initiatives by the Department of Tourism and Culture included various efforts to educate tour operators and the general public about Newfoundland and Labrador as a desirable tourist destination. This included participation in travel trade shows and bringing tour operators to the Province to familiarize them with the region's unique attractions. A \$250,000 advertising campaign, called *Ours to Discover*, was launched in 1992 to encourage residents of Newfoundland and Labrador to explore the Province. The Tourism Marketing Division of the Department of Tourism and Culture provided \$100,000 towards the cost of this promotion, while funding was enhanced by contributions from businesses benefiting from tourist activity. As well, New-

foundland and Labrador joined the other Atlantic Provinces and the Federal government in a major North American promotional campaign, called *A Coast of a Difference '92*, aimed at increasing the number of Canadian tourists travelling to Canada's East Coast. Funding of \$1.5 million was provided by ACOA, with additional support coming from the region's four Provincial governments, tourism industry associations, and some private tourist enterprises. In addition, the Atlantic Provinces and the Federal Government are in the process of planning another promotion, called *Sea Sell*, which will involve chartering a ship to visit sites along the Eastern Seaboard of the United States. Representatives from government and the tourism industry will travel on the ship meeting with tour operators at each port of call.

Accommodation grading system to be implemented

A pilot project to evaluate tourist accommodations in the Province and assign star grades in accordance with a specified criteria was undertaken in 1992. The purpose of the grading scheme is to provide prospective visitors with an idea of the quality of the hotel, motel or bed and breakfast before seeing the property. This new grading scheme has become the standard throughout Atlantic Canada. If implemented, participation by accommodation owners in the system will be voluntary in nature and will not involve legislation. Hospitality Newfoundland and Labrador, the tourism industry association, will have full authority over the administration of the system. It is hoped that the program will be promoted in tourist literature by 1994.

An indicator of interest in Newfoundland and Labrador as a tourist destination is the number of information inquiries received by the Department of Tourism and Culture. Persons desiring information on the Province's tourist facilities may write or telephone either the toll-free 1-800 number or the St. John's area number, or they may find out about the Province through travel shows. Prior to 1992, however, inquiries could also be made in person at the Department of Tourism and Culture or by contacting the South Eastern Advertising Agency (SEA) in New Bedford, Massachusetts. Beginning in 1992, the Province redirected its promotion effort away from SEA and walk in inquiries and towards travel shows. Through travel shows, representatives from the Province's tourism industry and the Department of Tourism and Culture promote Newfoundland and Labrador as an attractive tourist destination. During

1992 the total number of information inquiries fell by 3.5 percent. This decline reflected the transition from the SEA service to travel show promotions. In fact, if the inquiries at SEA, walk-in inquiries and the travel shows are removed from the total figure, the number of inquiries rose by 17.3 percent (see Table 9).

TABLE 9
TOURIST INFORMATION INQUIRIES
NEWFOUNDLAND AND LABRADOR
1991 AND 1992

	1991	1992	Percent Change
Written	76,125	95,537	25.5
Telephone Inquiries			
1-800 Number	58,489	62,845	7.4
729-2830	7,504	8,313	10.8
Travel Shows	0	3,647	n.a.
Walk in Inquiries	174	0	n.a.
Inquiries at SEA	34,553	286	n.a.
Subtotal (without Travel Shows, SEA or Walk in Inquiries)	142,118	166,695	17.3
Total Inquiries	176,845	170,628	-3.5

Note: SEA: South Eastern Advertising. Although the Province did not utilize this service in 1992, some inquiries were recorded.

n.a.: not applicable

Source: Planning and Research Division, Department of Tourism and Culture; Economic Research and Analysis Division, Cabinet Secretariat.

The Canadian Tourism Research Institute (CTRI) provides a performance forecast for the Province's tourism industry. According to the CTRI's 1992 fall outlook, activity in the Newfoundland and Labrador tourism industry during 1993 is forecast to be about on par with last year's levels. The lack of growth in the industry will be primarily attributable to the weak economic conditions in the North American economy. The levels of both pleasure and business travel are expected to remain unchanged from 1992. Expenditures on tourist travel are expected to rise, however, the cost of travel to the consumer is also expected to increase, leaving real expenditures about the same as last year. CTRI's forecast for the Country as a whole is not much better, with growth of between zero and one percent in the number of tourist trips and growth in real tourist expenditures of about one percent.

The forecast by CTRI for the Province may be slightly on the pessimistic side given the current positive forecasts for the United States and Canadian

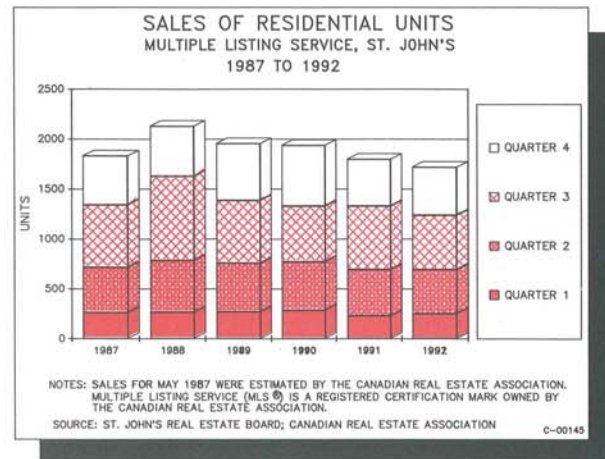
economies for 1993. While a lag can sometimes occur between an improvement in these economies and an upturn in the Provincial tourism industry, the gains expected in the U.S. and Canada should promote non-resident tourist activity in 1993. As well, the value of the Canadian dollar in terms of its American counterpart declined in the latter part of 1992, and is expected to remain relatively low throughout 1993. This will make travel to Canada by foreigners more affordable and travel outside of Canada by Canadians more expensive. In addition to these factors, the Hibernia development is expected to have a positive impact on non-resident business travel. Resident travel could record a small increase in 1993. White Hills and Marble Mountain are predicting that more skiers will visit their facilities this year. In addition, 1993 will be the first full year of the moratorium on northern cod and the subsequent income support program. This means that many individuals who would normally be active in the fishery throughout the summer will have secure income and more time than usual to travel within the Province. As a result of these factors, both resident and non-resident travel are expected to increase in the Province in 1993.

Real Estate Market

The largest real estate market in the Province is in the St. John's/Mount Pearl area. This market can account for up to 75 or 80 percent of residential real estate transactions in the Province with the majority of listings made through the St. John's Multiple Listing Service (MLS®). Sales activity continued to decline in the St. John's/Mount Pearl real estate market during 1992. The number of homes sold, as measured by the MLS®, totalled 1,720, down 4.4 percent from 1991. Similarly, the value of residential sales fell to \$158.2 million, a decline of 3.5 percent. Value declined less than volume because of a one percent increase in the average house price. The average sale price, which does not distinguish between home styles, was \$92,000 in 1992, compared with \$91,100 for 1991.

The impact of the current recession on the residential real estate market is evident from Diagram 25. The diagram indicates that real estate transactions have declined since 1990, with the largest declines occurring in 1991 and 1992. This indicates that lower mortgage interest rates and Federal Government initiatives introduced in 1992 to stimulate housing markets served primarily to lessen the decline in real estate markets last year and to help cushion the effects of low consumer confidence.

Diagram 25



There was some change in the distribution of home sales by price category in 1992. Sales of homes priced in the range which usually encompasses move-up buyers (\$150,000 and over) comprised about 5.8 percent of sales, about the same as 1991. Houses priced below \$100,000, which are typically purchased by first-time buyers, accounted for 62 percent of sales. This figure represented a decrease of 2.1 percentage points over 1991. The remaining group, homes which are sold for between \$100,000 and \$149,000, accounted for 32.2 percent of activity, a rise of 2.6 percentage points from 1991. The number of houses sold for between \$100,000 and \$149,000 rose from 1991 while the number sold above and below this price category declined.

There was a decline in the number of homes offered for sale in the St. John's/Mount Pearl market in 1992. The number of new listings with the MLS® fell by 12 percent to 4,667; declines were registered in every month of the year. These developments may be an indication that sluggish sales activity prompted potential sellers to wait until conditions improve before placing their homes on the market. Industry analysts believe that slumping sales resulted in a buyer's market throughout much of the year.

Buyer's market in the St. John's/Mount Pearl area

The level of activity in the resale housing market is an important determinant of new home construction. Many individuals building a new home, or purchasing a newly built home, are move-up buyers who sell their existing homes and use the equity to help defray the cost of their new home. When the resale market is weak, move-up buyers have difficulty sell-

TABLE 10

HOUSE PRICES

House Type	Selling Price October 1991	Selling Price October 1992	Percent Change October 1991 to October 1992	Percent Change October 1991 to January 1992	Percent Change January 1992 to April 1992	Percent Change April 1992 to July 1992	Percent Change July 1992 to October 1992
Standard Townhouse							
St. John's - East End	66,500	66,200	-0.5	-1.5	1.1	0.6	-0.6
St. John's - West End	66,500	66,000	-0.8	-0.9	0.2	0.5	-0.5
Mount Pearl	70,500	69,000	-2.1	-1.4	-0.6	0.3	-0.4
Corner Brook	50,000	50,000	0.0	0.0	0.0	0.0	0.0
Detached Bungalow							
St. John's - East End	108,000	106,000	-1.9	-1.3	0.0	-0.4	-0.2
St. John's - West End	102,900	101,000	-1.8	-0.9	0.0	-0.9	-0.1
Mount Pearl	99,100	96,500	-2.6	-0.6	-0.5	-0.4	-1.1
Corner Brook	90,000	90,000	0.0	0.0	0.0	0.0	0.0
Standard Condominium Apt.							
St. John's - East End	110,100	108,600	-1.4	0.2	-0.3	-0.4	-0.9
Standard Two-Storey							
St. John's - East End	138,000	132,700	-3.8	-1.2	-0.2	-1.0	-1.5
St. John's - West End	130,000	128,500	-1.2	-0.2	-0.5	0.2	-0.5
Mount Pearl	128,200	125,000	-2.5	-0.4	-1.3	0.1	-0.9
Corner Brook	88,000	88,000	0.0	0.0	0.0	0.0	0.0
Executive Detached Two-Storey							
St. John's - East End	161,800	155,600	-3.8	-0.4	-0.1	-1.4	-2.0
St. John's - West End	155,000	150,600	-2.8	-0.6	0.0	-0.6	-1.6
Mount Pearl	148,500	141,000	-5.1	-0.6	-1.3	-1.1	-2.2
Corner Brook	115,000	115,000	0.0	0.0	0.0	0.0	0.0
Luxury Condominium Apt.							
St. John's - East End	180,000	161,000	-10.6	-5.6	0.0	-2.9	-2.4
Senior Executive							
St. John's - East End	300,000	266,000	-11.3	-6.4	-0.1	-2.6	-2.6
St. John's - West End	285,000	250,500	-12.1	-6.4	-1.4	-2.3	-2.5
Mount Pearl	275,000	245,000	-10.9	-4.5	-2.1	-2.2	-2.5
Corner Brook	185,000	185,000	0.0	0.0	0.0	0.0	0.0

Notes: All properties have been considered as being free of debt. Percentage calculations for October to January, January to April, April to July and July to October are based upon rounded data.

Housing values in the Royal LePage Survey are Royal LePage opinions of fair market value in each location, based on local data and market knowledge provided by Royal LePage residential real estate analysts.

The *Glossary of Housing Types* contained on the next page was provided by Royal LePage Real Estate Services Limited..

Source: *Royal LePage Survey of Canadian House Prices*; Economic Research and Analysis Division, Cabinet Secretariat.

Glossary of Housing Types



Detached Bungalow

A detached, three-bedroom single storey home with 1½ bathrooms and a one-car garage. It has a full basement but no recreation room, fireplace or appliances. Using outside dimensions (excluding garage), the total area of the house is 111 sq. metres (1,200 sq. ft.) and it is situated on a full-serviced, 511 sq. metre (5,500 sq. ft.) lot. Depending on the area, the construction style may be brick, wood, siding, or stucco.



Executive Detached Two-Storey

A detached two-storey, four-bedroom home with 2½ bathrooms, a main floor family room, one fireplace, and an attached two-car garage. There is a full basement but no recreation room or appliances. Using the exterior dimensions (excluding garage), the total area of the house is 186 sq. metres (2,000 sq. ft.), and it is situated on a fully-serviced, 604 sq. metres (6,500 sq. ft.) lot. Depending on the area, the construction style may be brick, wood, aluminum siding, stucco, or a combination like brick and siding.



Standard Two-Storey

A three-bedroom, two-storey home with a detached garage. It has a full basement but no recreation room. Using outside dimensions, the total area of the house is 139 sq. metres (1,500 sq. ft.) and it is situated on a fully-serviced, city-sized lot of approximately 325 sq. metres (3,500 sq. ft.). The house may be detached or semi-detached and construction style may be brick, wood, siding, or stucco.



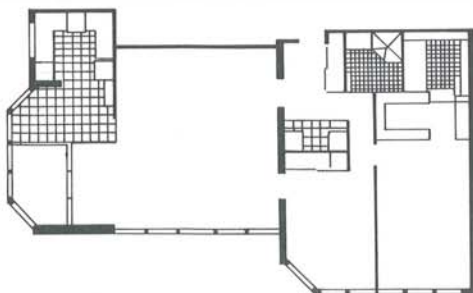
Standard Townhouse

Either condominium or freehold, the townhouse (rowhouse) has three bedrooms, a living room and dining room (possibly combined) and a kitchen. Also included are 1½ bathrooms, standard broadloom, a one-car garage, a full unfinished basement and two appliances. Total inside area is 92 sq. metres (1,000 sq. ft.). Depending on the area, the construction may be brick, wood, siding or stucco.



Senior Executive

A two-storey, four or five bedroom home with three bathrooms, main floor family room plus atrium or library. Two fireplaces, a full unfinished basement and an attached two-car garage. The house is 279+ sq. metres (3,000+ sq. ft.) and is situated on a fully serviced 627 sq. metre (6,750 sq. ft.) lot. Construction may be brick, stucco, siding, or in combination.



Standard Condominium Apartment

A two-bedroom apartment comprising a living room, a dining room (possibly combined) and a kitchen, in a high-rise building with an inside floor area of 84 sq. metres (900 sq. ft.). Amenities include standard broadloom, 1½ bathrooms, 2 appliances, a small balcony and 1 underground parking space. Common area includes a pool and some minor recreational facilities.

Luxury Condominium Apartment

A two-bedroom apartment comprising a living room, a dining room (possibly combined), and a kitchen, with a family room or den, in a high-rise building with an inside floor area of 130 sq. metres (1,400 sq. ft.). Amenities include upgraded broadloom, 2 full bathrooms, ensuite laundry and storage areas, 5 appliances, a large balcony and 1 underground parking space. Common area includes a pool, sauna and other major recreational facilities.

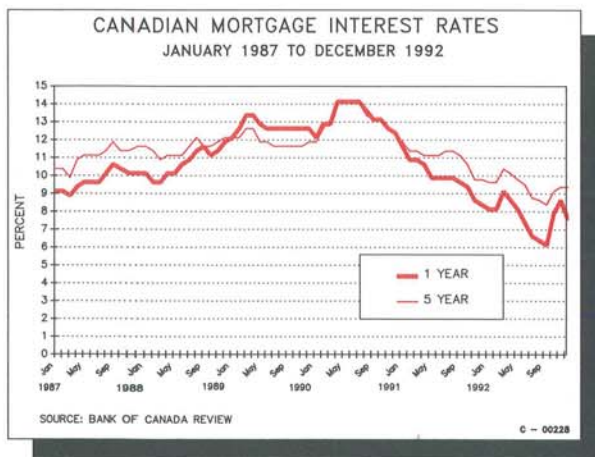
ing their existing homes and this hinders activity in the new home construction industry. Poor markets for existing houses was one of the factors behind the 18.2 percent decline in single detached housing starts in the St. John's Metropolitan Area in 1992.

Table 10 outlines the movement of prices in the St. John's/Mount Pearl and Corner Brook real estate markets over the one year period ending in October 1992. The price of all house types fell between October 1991 and October 1992 in the St. John's/Mount Pearl area, a fact that is consistent with the decline in the number of sales. The type of houses that appeared to be the hardest hit by the weak market were the higher priced executive detached two-storey, luxury condominium and senior executive. Declines for this group ranged from 2.8 percent for an executive two-storey to 12.1 percent for a senior executive, all in the West End of St. John's. According to the table, housing prices in Corner Brook did not change between October 1991 and October 1992.

*Mortgage interest rates were
the lowest in 20 years*

Mortgage interest rates fluctuated in 1992, but remained favourable to homebuyers. Interest rates for one and five year contracts at the beginning of the year stood at 8.25 and 9.75 percent respectively. Declines in the value of the Canadian dollar throughout the year caused temporary increases in rates in March and October, as indicated in Diagram 26. During the latter part of the year, however, one year rates were

Diagram 26



on a general downward trend once again, standing at 7.70 percent in December and five year rates were holding at 9.50 percent. During 1992 mortgage inter-

est rates, at times, were the lowest in at least 20 years. A more detailed discussion of interest rates is contained in *The International and Canadian Economies* section.

The performance of the St. John's residential real estate market is expected to improve somewhat in 1993. Interest rates are expected to remain favourable and this, combined with some improvement in the Provincial economy together with the successful conclusion of a new partnership arrangement for the Hibernia project announced in January, should boost consumer confidence. In addition, the Federal Government announced in December 1992 that it was extending its *Home Buyers' Plan* until March 1994. This plan allows buyers to access funds in their registered retirement saving plans (RRSPs) to finance the purchase of a home without having to pay tax on the withdrawal provided the money is repaid under certain conditions. These factors, combined with the fact that sales in 1992 were the lowest since 1989, point to a slight increase in activity in the St. John's/Mount Pearl real estate market in 1993.

Transportation

The performance of the transportation industry was mixed during 1992. Passenger traffic declined on both the Port aux Basques and Argentinia ferries as well as on the Canadian National Roadcruiser bus service. Airline activity, however, increased marginally over 1991. In freight movement, commercial vehicles and containers increased on the Port aux Basques ferry, while they declined on the Argentinia service. The amount of cargo moving through the St. John's and Corner Brook ports was lower than the previous year.

Activity on the ferry between Port aux Basques and North Sydney varied last year by type of service. Commercial vehicle and container traffic recorded some improvement while the number of passengers and passenger related vehicles declined (see Table 11). The decline in the number of passengers and passenger related vehicles using the service was linked to the decrease in the number of tourists travell-

*The number of drop trailers and containers
on the Port aux Basques service rose*

ing to and from the Province by automobile. The small increase in commercial traffic during 1992 was due entirely to the strong growth in drop trailers which offset the smaller number of tractor trailers, straight

trucks and other commercial vehicles. Container traffic also rose during 1992, increasing by three percent over 1991.

The growth in the number of containers and drop trailers on the Marine Atlantic ferry last year represents the continuation of a trend that began in early 1991. One reason for the increased use of containers and drop trailers is the efficient manner in which they transport freight. Containers and drop trailers are loaded onto and removed from the ferry by Marine Atlantic. Consequently, a driver has only to deliver the container or drop trailer to the ferry in North Sydney and then arrange to have another driver retrieve it at the terminal in Port aux Basques. In contrast, straight trucks and tractor trailers are motorized vehicles that are driven onto the ferry in North Sydney and driven off in Port aux Basques, thus requiring a driver for the entire trip. The appearance of more containers and drop trailers on the ferry may reflect an attempt by transport companies to reduce shipping costs by eliminating the need to have a driver and truck accompany a trailer for the entire trip.

TABLE 11

**FERRY ACTIVITY BETWEEN
PORT AUX BASQUES AND NORTH SYDNEY**

	1991	1992	Percent Change
Passengers	363,672	361,528	-0.6
Passenger Related Vehicles	113,756	111,286	-2.2
Commercial Vehicles	58,315	58,403	0.2
Straight Trucks	3,713	3,519	-5.2
Tractor Trailers	33,208	32,113	-3.3
Drop Trailers	21,241	22,693	6.8
Other (1)	153	78	-49.0
Containers	7,161	7,376	3.0

Note: (1) Other includes any commercial vehicle that does not meet the specific criteria for straight trucks, tractor trailers and drop trailers.

Source: Marine Atlantic; Economic Research and Analysis Division, Cabinet Secretariat.

The Argentia ferry service provides the second major ferry link between the Island and Nova Scotia. This service operates on a seasonal schedule running from early June until around the end of October. In recent years, considerable effort has been made to improve this service. A decision was made in 1990 to extend the ferry service for nine weeks; prior to this announcement the ferry ran from mid-June to mid-September. In addition, the new larger and faster vessel, the MV *Joseph and Clara Smallwood*, began

operating on the Argentia run in the summer of 1990, reducing the crossing time from 19 to 14 hours.

Activity on the Argentia service from June to October 1992 was down over the same period in 1991, as indicated in Table 12. One major factor in the decline was that the Argentia service commenced at a later date than usual during 1992. Crossings that were originally scheduled to start on June 2 did not begin until June 19, a two and a half week delay. The reason for this late start originated with the Port aux Basques service. The MV *Caribou*, which operates on the Port aux Basques run, went into dry dock in May for propeller maintenance and a refit. During this period, the *Smallwood* was utilized exclusively on the Port aux Basques crossing. The repairs to the *Caribou*, which were contracted to be completed by the end of May, were not concluded on schedule and the *Smallwood* could not begin the Argentia service as planned. As a result, some of the traffic that would normally have travelled the Argentia service was diverted to Port aux Basques causing the considerable drop in activity for Argentia.

TABLE 12

**FERRY ACTIVITY BETWEEN
ARGENTIA AND NORTH SYDNEY**

	June to October		Percent Change
	1991	1992	
Passengers	41,365	38,894	-6.0
Passenger Related Vehicles	14,322	13,483	-5.9
Commercial Vehicles	772	439	-43.1
Straight Trucks	163	133	-18.4
Tractor Trailers	160	115	-28.1
Drop Trailers	427	185	-56.7
Other (1)	22	6	-72.7
Containers	583	408	-30.0

Notes: Reader's should note that a major factor in the decline in year-over-year activity was a two and a half week delay in the starting of the ferry service.

(1) Other includes any commercial vehicle that does not meet the specific criteria for straight trucks, tractor trailers and drop trailers.

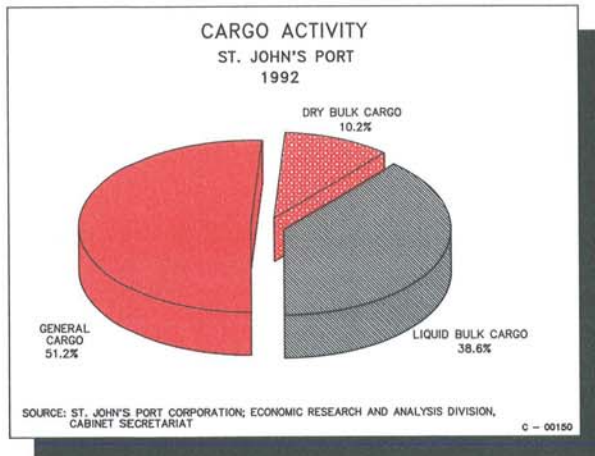
Source: Marine Atlantic; Economic Research and Analysis Division, Cabinet Secretariat.

Approximately 112,000 passengers utilized the Canadian National Roadcruiser bus service in the Province during 1992, a decline of 11.1 percent from 1991. This is the continuation of a downward trend in bus passenger traffic which began in 1984. This downward trend may reflect the fact that improved retail services in less populated areas of the Province

have diminished the need for local residents to travel to larger centres. The decline in passenger traffic has not been restricted simply to this Province. Bus passenger traffic has been declining across Canada since 1981. One of the factors contributing to a National decline is the increased use of private automobiles as a mode of transportation.

Transport Canada operates eight major airports in the Province which are located in St. John's, Gander, Deer Lake, Stephenville, St. Anthony, Wabush, Churchill Falls and Happy Valley-Goose Bay. While data was not available for the St. Anthony airport last year, the number of passengers moving through the seven remaining airports increased by a marginal 0.2 percent during the first eleven months of the year. Changes in the level of activity for most of the airports were moderate, with the exception of Wabush. A 21 percent drop in passenger traffic at this airport can be linked to the shutdown at the Iron Ore Company of Canada during the summer. During the closure of the mine, most employees took their annual vacation. The fewer number of air travellers at Wabush indicated that due to the timing of the vacations, some individuals may have chosen to travel by automobile or stay home, instead of travelling to southern destinations, like Florida, as they would normally do during spring or fall vacations. While it is too soon to speculate on whether the slight increase in passenger traffic represents a possible trend for the near future, the increase brought to an end a three year decline in air passenger traffic.

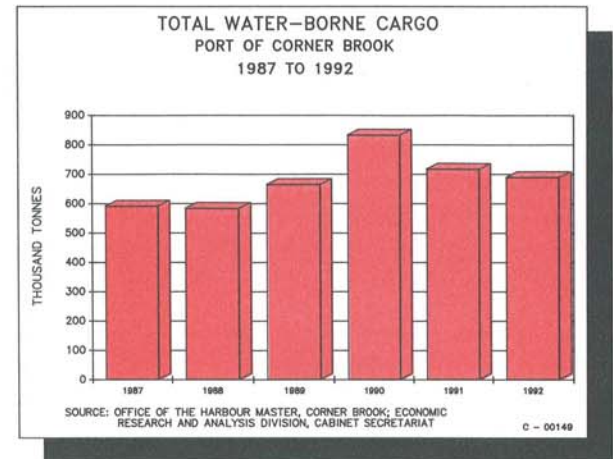
Diagram 27



The amount of water-borne cargo transported through the St. John's port declined by 4.2 percent to 907,000 metric tonnes during 1992. Cargo shipments for the year included dry bulk, liquid bulk and general cargo. Decreases in liquid and general cargo moving through the port more than offset strong growth in dry bulk last year. Dry bulk rose by 33.4 percent in 1992,

reflecting an increase of about 60 percent in salt shipments. This increase more than compensated for a decrease in fish and grain cargo. Liquid bulk, however, declined by 8.7 percent as a decrease in fuel oil more than offset an increase in gas shipments. General cargo, which encompasses more than 50 percent of the water-borne cargo at the Port, as indicated in Diagram 27, declined by six percent. General cargo usually consists of commodities destined for the retail industry. The drop in general cargo is a reflection of the decline in retail sales in the Province.

Diagram 28



Water-borne cargo transported through the Port of Corner Brook totalled 689,000 metric tonnes in 1992, down 3.9 percent compared with 1991. Cargo moving through the port included such commodities as: fuels and gasoline, fish, newsprint and containers. The volume of water-borne cargo fluctuated during the period 1987 to 1992, as indicated in Diagram 28, with the largest amount of cargo recorded in 1990. This peak was due to an increase in incoming container freight and fuels and gasoline. While cargo at Corner Brook has declined since 1990, it has remained above levels recorded in the late 1980s.

The performance of the transportation industry is expected to be mixed in 1993. The cod moratorium will result in less activity in the fishing industry and consequently, a reduction in the demand for some transportation services related to fishing (e.g., trucking of fish products, etc.). Trucking firms which now transport goods into the Province also carry fish products to markets outside the Province. A reduction in the amount of fish leaving the Province can be expected to have a negative impact on round-trip revenues received by some carriers. Consequently, the decline in the amount of freight leaving the Province could put upward pressure on freight rates. Retail sales, however, are expected to increase somewhat and this may impact positively on general cargo

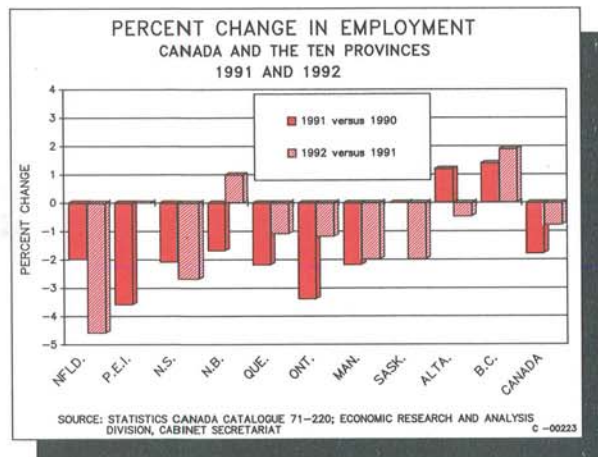
transported through the ports and on freight movement on the ferries. In addition, any improvement in non-resident tourist activity would produce an increase in some areas of passenger traffic. As well, increased activity on the Hibernia project is expected to result in a higher demand for some transportation services in the Province.

Labour Markets

Last year proved to be a difficult one for workers in Newfoundland and Canadian labour markets as the effects of the recession, which began in 1990, lingered. Employment levels continued to fall, labour force growth was weak (negative in the case of Newfoundland) and the ranks of the unemployed continued to grow. Unemployment rates rose in every province throughout the Country, and employment/population ratios and participation rates fell in all provinces except Prince Edward Island and New Brunswick.

Employment in Newfoundland was harder hit by the lingering effects of the recession last year than any other Canadian province, as Diagram 29 shows. Employment in the Province fell by 9,000, or 4.6 percent, compared with a decline of 0.8 percent at the national level. In addition to Newfoundland, six other provinces recorded employment losses in 1992, ranging from 0.5 percent in Alberta to 2.7 percent in Nova Scotia. Employment rose last year in both New Brunswick and British Columbia, two provinces which appear to have been fairly well insulated from the persistent labour market impacts of the recession at the national level. The level of employment was unchanged in Prince Edward Island last year.

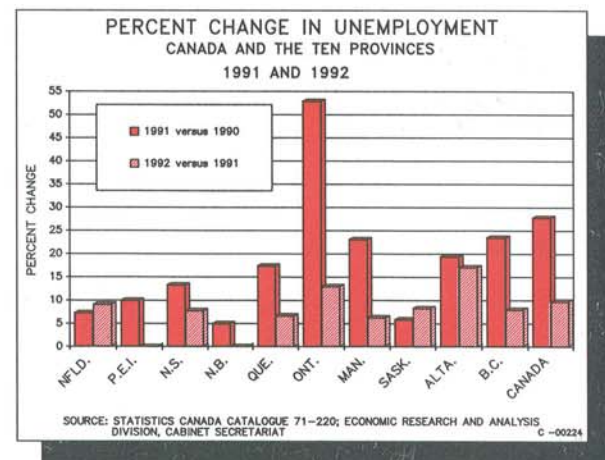
Diagram 29



Newfoundland's relative performance in 1992 was in striking contrast to its performance in 1991. In that year, employment in Newfoundland declined at roughly the same rate as national employment, and less than the relatively large employment decline of 3.4 percent recorded in Ontario. The deterioration in Newfoundland's relative performance last year was largely due to the crisis in the fishery and the consequent moratorium on northern cod that was implemented in July.

The moratorium affected a large number of workers in the Province, both fishermen and fish plant workers, particularly in the last half of the year. In fact, if the 1992 change in employment is calculated by excluding employment in the fishing industry, the overall decrease in employment last year amounts to about 4,000, or 2.5 percent, compared to 9,000, or 4.6 percent, when fishing industry employment is included. The losses of direct income associated with the moratorium are being mitigated by the federally funded compensation package (see *Fishery* section) with more than 25,000 workers eligible to receive benefits. The employment effects of the moratorium, however, will continue to influence measured labour market performance, especially throughout 1993.

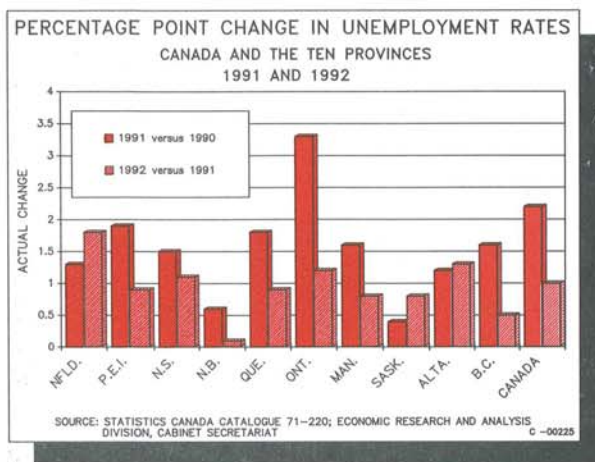
Diagram 30



The number of unemployed workers throughout the Country continued to rise in 1992, though at considerably slower rates, for the most part, than the previous year. The only exception to this trend were Newfoundland and Saskatchewan where unemployment rose at a faster rate than in 1991. The number of workers unemployed in the Province rose by 9.1 percent last year, slightly below the 9.8 percent rise recorded at the national level and well below the 13.0 percent increase recorded in Ontario and the 17.1 percent rise recorded in Alberta (see Diagram 30). In Newfoundland, unlike at the national level and the provinces of Ontario and Alberta, a decline in the size

of the labour force relieved some of the upward pressure on the numbers unemployed. Overall, however, Newfoundland's relative labour market performance deteriorated in 1992 as declines in the labour force and employment outpaced declines recorded in other provinces and the unemployment rate rose by 1.8 percentage points, the largest increase in the Country (see Diagram 31). In the previous year, the numbers unemployed in Newfoundland rose by only 7.3 percent compared with an increase of 27.8 percent at the national level and a tremendous increase of 52.9 percent in Ontario. Furthermore, the 1991 increase in Newfoundland's unemployment rate, at 1.3 percentage points, was well below the national increase of 2.2 percentage points and substantially below the 3.3 percentage point increase recorded in Ontario (see Diagram 31). The about-face in relative labour market performance has largely been the result of difficulties in the Province's fishing industry.

Diagram 31

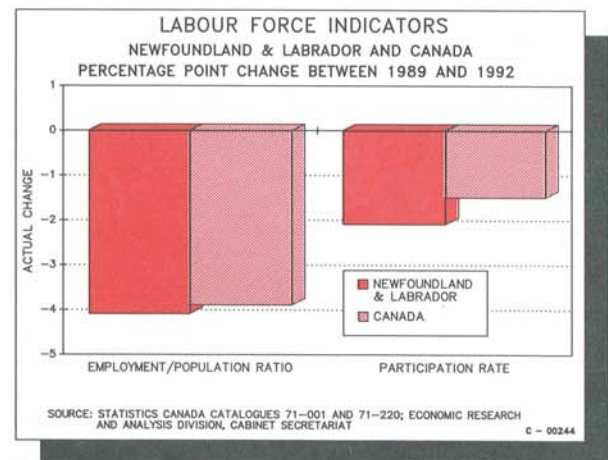


The *participation rate* measures the percentage of the population that is of labour force age (15 years and over) which, in any given month or year, actively participated in the labour force (i.e., was either employed, unemployed or both). The *employment/population ratio*, on the other hand, refers to the percentage of the population of labour force age which was employed in any given month or year. Participation rates and employment/population ratios have generally been declining throughout most of the Country since the recession began. At the national level, the annual average participation rate peaked at 67.0 percent in 1989, was unchanged in 1990, but by 1992 had declined by 1.5 percentage points to 65.5 percent, its lowest level since 1985. In Newfoundland, the annual average participation rate peaked at 56.0 percent in 1990, well below the national rate, and by 1992 had declined by 2.4 percentage points to average only 53.6 percent. The national employment/population ratio peaked at an annual

average of 62.0 percent in 1989 but has since declined by 3.9 percentage points to average 58.1 percent in 1992. The annual average employment/population ratio is much lower in Newfoundland than at the national level. The decline in Newfoundland's annual average employment/population ratio, was slightly larger at 4.1 percentage points, dropping from 46.9 percent in 1989 to only 42.8 percent in 1992, some 15.3 percentage points below the national figure.

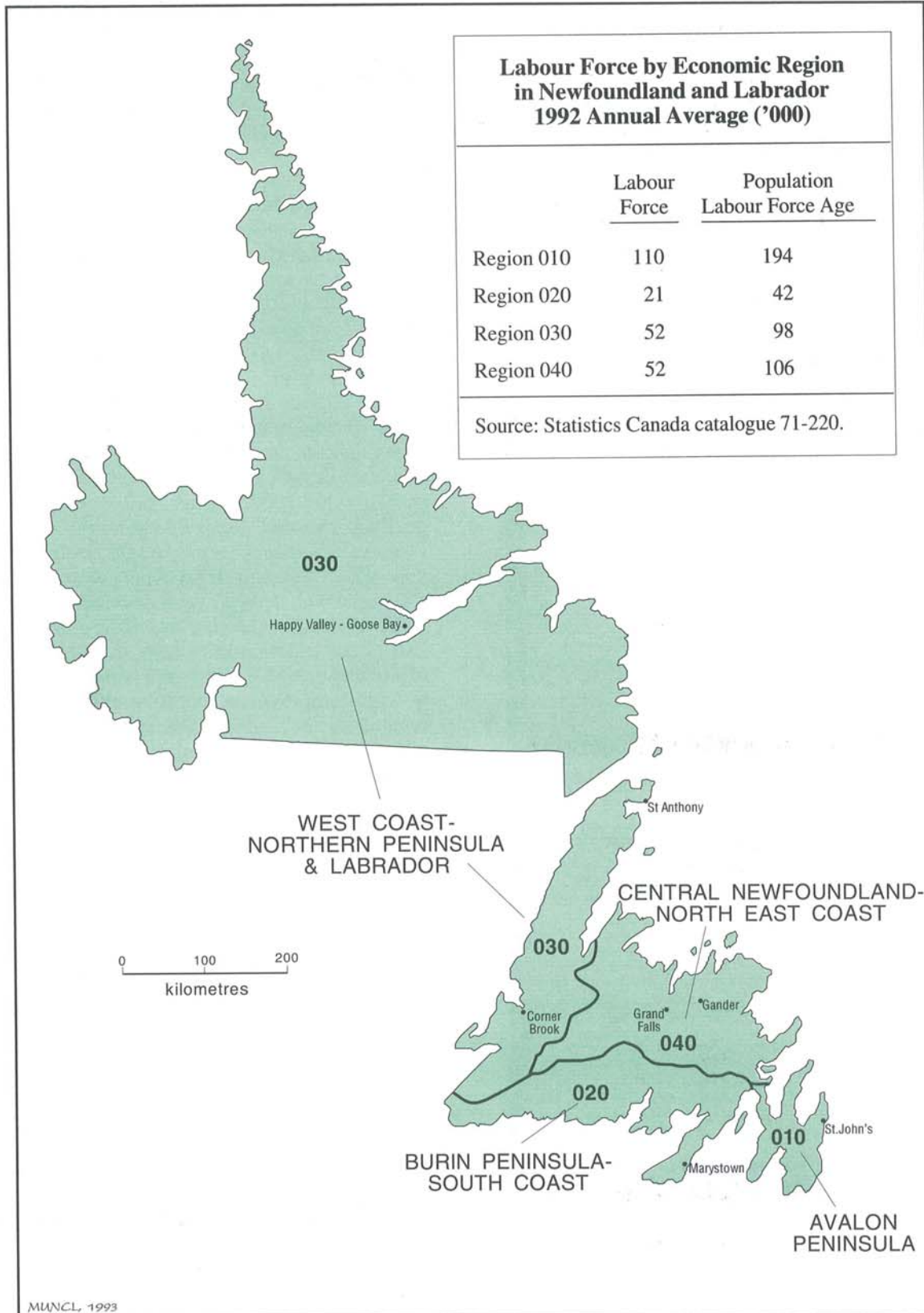
The relatively low participation rate and employment/population ratio in Newfoundland is partly a reflection of the seasonal nature of much of the economic activity in the Province, particularly in some segments of the goods producing sector such as the fishing and construction industries. The impact that difficulties experienced in the fishing industry over the last few years have had on Newfoundland's *employment/population ratio* and *participation rate* becomes evident when monthly, rather than annual, data are examined. At the national level, year-over-year monthly changes in these two indicators between 1989 and 1992 correspond fairly closely to annual average changes reflecting the relatively less important role of part-year, seasonal employment. In Newfoundland, on the other hand, year-over-year monthly changes have been largest during the summer months when the fishery would normally be in full swing, pushing both the participation rate and the employment/population ratio higher than the annual average rates.

Diagram 32



Changes in both the participation rate and the employment/population ratio for Newfoundland and Canada between 1989 and 1992 are displayed in Diagram 32. This diagram shows that while the decline in these indicators during the recession was somewhat larger in Newfoundland than in Canada, the differences were not overly large on an annual average basis. In the case of the employment/popula-

Map 8



tion ratio, the difference between annual average declines in Canada and Newfoundland was only 0.2 points. Monthly data reveals, however, that during the summer months when employment levels are at their highest, the employment/population ratio in Newfoundland declined by as much as 6.8 percentage points (in the month of May), with the average decline between May and August running at about 6.3 percentage points, well above the annual average decline of 4.1 percentage points. These large declines in the Province's employment/population ratio during the summer months, which are displayed in Diagram 33, primarily reflect the loss of seasonal, part-year employment in the Province; much of this loss has been associated with the fishery. At the national level,

Diagram 33

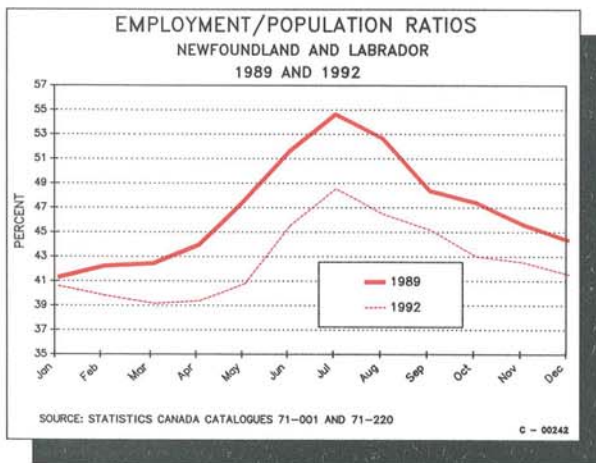
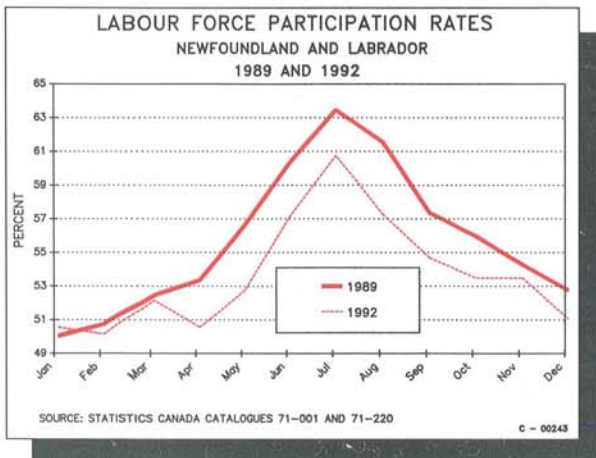


Diagram 34

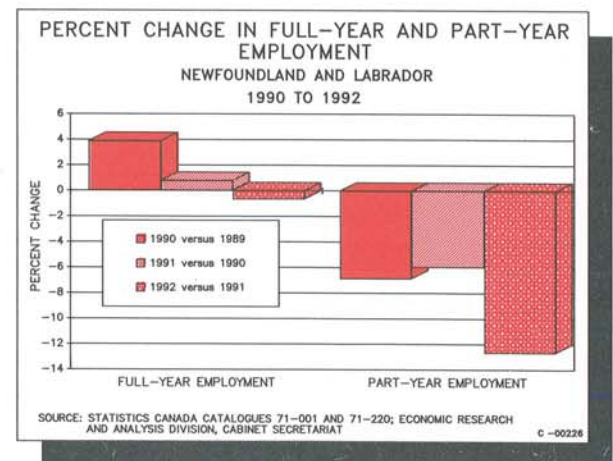


the average decline over the months from May to August was about 4.1 points, only slightly above the annual average decline of 3.9 percentage points. In the case of the participation rate, the average decline over the May to August period in Newfoundland was about 3.5 percentage points compared with an annual

average decline of 2.1 percentage points (see Diagram 34). At the national level, the decline in the participation rate over the summer months was at about the same rate as the annual average decline of 1.5 percentage points. The seasonal patterns in both the level of, and changes in, these indicators for Newfoundland reflect the much greater historical dependence on seasonal employment, especially in the troubled fishing industry.

The distinction between *full-year* and *part-year* employment rests on the length of time a person has been continuously employed. In other words, full-year employment refers to employment which lasted for at least the 12 full months of any given year. Many of the Province's fisheries workers, especially those attached to the seasonal inshore fishery, work for only part of the year. The impact that the crisis in the fishery had on the Province's employment last year was also evident in the labour market statistics which record employment by job tenure. Part-year employment declined by a monthly average of 8,000, or 12.7 percent, in 1992, while full-year employment declined by only 1,000 or about 0.7 percent (see Diagram 35). Last year marked the third consecutive year of declines in the level of part-year employment, changes which in the last couple of years are believed to be primarily related to the difficulties which the fishery has experienced. Unlike during the recession of the early 1980s, which saw substantial losses of full-year employment that took almost a decade to regain, the level of full-year employment has been relatively unaffected by either the 1990s recession or the fisheries crisis.

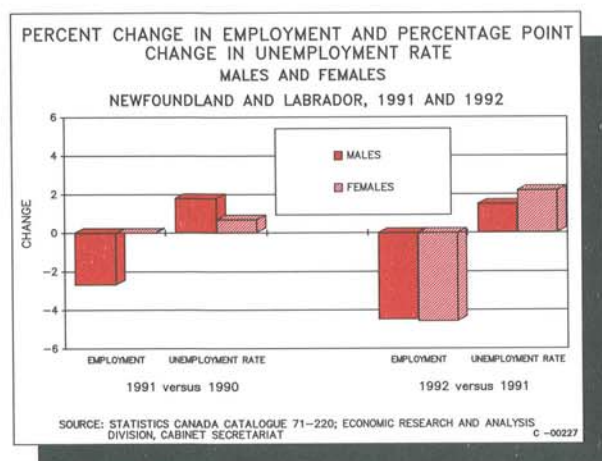
Diagram 35



The continued deterioration in Newfoundland labour markets affected employment and unemployment rates for male and female workers about equally in 1992, unlike in 1991 when males bore the brunt of worsening labour market conditions (see Diagram

36). Employment for male workers declined by about 5,000 or 4.5 percent last year while the male unemployment rate rose by 1.5 percentage points to average 20.4 percent. In the case of female workers, employment declined by about 4,000 or 4.6 percent and the unemployment rate rose by 2.2 percentage points to average 19.9 percent. Generally, however, females have fared better than males throughout the course of the 1990s recession. Last year, for example, marked the third consecutive year of declining employment for males but the first year since 1983 of employment declines for females. As well, the unemployment rate for females continues to be lower than the unemployment rate for males as it has been for three consecutive years. In addition, last year marked the first year since at least 1975 that the size of the female labour force declined, whereas for males it marked the fifth year since 1982 that the size of the labour force has declined. Following two consecutive years of declines, the male labour force in 1992 stood at about the same level recorded in 1980.

Diagram 36



The goods producing sector accounted for two-thirds, or 6,000 person years, of the total decline in employment last year while the remaining 3,000 decline was accounted for by the service sector. Within the goods producing sector, the problems in the fishery were evident from the declines of 2,000 in *Primary* employment and 3,000 in *Manufacturing* employment; employment in both the *Primary* and *Manufacturing* industries is dominated by fisheries related employment. The other 1,000 decline in the goods producing sector occurred in the *Construction* industry, a fact which is consistent with the decline in housing starts. Within the service sector, a decline of 2,000 occurred in *Public Administration* employment, consistent with public sector restraint; and a decline of 1,000 occurred in the *Trade* industry which was consistent with a decline in the real value of retail sales.

All regions of the Province were affected by the recession in 1992 and by the crisis in the fisheries. The Burin Peninsula and South Coast region (see Map 8) recorded the highest unemployment rate in the Province at 27.4 percent, while the Avalon Peninsula recorded the lowest rate at 17.3 percent (15.4 percent within the St. John's Metropolitan area). All regions of the Province experienced higher unemployment rates last year compared with those recorded in 1991. The largest unemployment rate increase, of 2.5 percentage points each, was in the Burin Peninsula and South Coast region and in the West Coast-Northern Peninsula and Labrador region.

The economic growth which is forecast for 1993 is not expected to translate into an improvement in measured labour market performance. This is primarily because the effects of the northern cod moratorium on employment levels in the Province will continue to be felt during 1993. Employment gains elsewhere in the economy are not expected to be sufficient to offset losses in fishing industry employment so that the level of employment is expected to decline by about 4,000 or 1.9 percent. While the 4,000 expected decline in employment will be offset by a 4,000 decline in the size of the labour force, the unemployment rate is still forecast to rise by 0.2 percentage points to average 20.4 percent.

Summary Review and Outlook

The past year proved to be a difficult one for the Provincial economy. The recession which began in 1990 lingered, and 1992 marked the third consecutive year of recession in the Province. The pressure of resource problems in the fishery continued to mount, culminating in the July implementation of a total ban on the northern cod fishery, a ban which threw thousands of fishermen and fish plant workers out of work. The mining and forest industries continued to wrestle with stiff competition in international export markets, and continued to feel the affects of weak economic growth in Canada and the United States. Performance in the construction industry was hampered by a lower than anticipated level of investment in the Hibernia development, and by a decline in housing starts that brought the number of starts to their lowest level in more than 25 years. Performance in the service sector was affected by Government restraint and low consumer confidence. Relatively low interest and inflation rates were not sufficient to induce increased consumer spending. Consumer spending remained weak throughout the year as evidenced by declines in both new car sales and retail sales in general. Labour markets in the Province were particularly hard hit by the cod moratorium. Overall,

total employment fell by 9,000, primarily because of declines in the goods producing sector, and the unemployment rate rose by 1.8 percentage points to average 20.2 percent for the year.

On the positive side, the income compensation package for fisheries workers kept incomes in the Province from falling sharply in the face of the decline in employment. While total personal income declined by 0.8 percent in real terms last year, the decline was quite modest when compared to the drop of 3.2 percent in GDP. Also, the forest industry showed some improvement in the latter part of the year despite competitive market pressures. The amount of newsprint shipped rose sharply in the fourth quarter, pushing shipments for the year above the level recorded in 1991. As well, work on the Hibernia project continued throughout the year and, even though the announcement by Gulf Canada early in the year of its intention to withdraw from the project caused some concern, both the level of investment spending and employment on the Hibernia project exceeded levels recorded in the previous year. Furthermore, while employment in the service sector declined by a monthly average of 3,000 last year, employment in the dominant *Community, Business and Personal Services* industry began increasing again in June following more than a year of declining employment; the growth trend continued into early 1993. Lower interest rates during the year were also good news for borrowers and the depreciation of the Canadian dollar was particularly good news for exporters as it helped offset price decreases for goods whose prices are denominated in US dollars.

The outlook for the Province calls for a return to economic growth in 1993. Real GDP is expected to grow by 1.2 percent, however, real personal income is expected to decline by 1.7 percent as income in the Province fails to keep pace with inflation. Inflation is expected to be modest, an increase of 2.2 percent for the year and interest rates are expected to remain at relatively low levels. Despite lower real incomes, there may be some improvement in the retail trade industry, partly in response to pent-up demand following two years of real declines. Overall, no improvement in labour market activity is anticipated. In fact, employment is expected to decline again this year primarily because of the downturn in the fishery. While the 4,000 expected decline in employment will be offset by a 4,000 decline in the size of the labour force, the unemployment rate is still forecast to rise by 0.2 percentage points to average 20.4 percent.

Performance among the various Provincial industries is expected to be mixed in 1993. Growth in the service sector as a whole will continue to be constrained by deficit problems at all levels of

government, however, an improvement in *Tourism* is anticipated and there may be some room for improvement in the *Trade* industry. The *Transportation, Communication and Other Utilities* industry should get a boost from the Hibernia project as well as from any improvement in the value of retail sales, however, trucking services which rely on the cod fishery will continue to be affected by the moratorium. The trend towards employment growth in the *Community, Business and Personal Services* industry established in the last seven or eight months is expected to continue in 1993, largely on the strength of growth in the private sector component of the industry. Within the goods producing sector, the mining industry is expected to register a slight increase in the value of mineral shipments as lower iron ore shipments are more than offset by higher shipments of other mineral commodities. As well, improvements in newsprint markets are expected to have a positive impact on the forest industry. The fishing industry, on the other hand, will continue to be negatively affected by problems with the northern cod stock and by inherent weaknesses in other key stocks. Investment activity is forecast to be strong in 1993, primarily on the strength of spending associated with Hibernia. Hibernia related expenditures will be the major factor in the construction industry this year although an anticipated increase in the number of housing starts will also help offset declines in construction spending in other areas of the economy. Overall, GDP growth is expected to resume in 1993 following three consecutive years of recession.

Appendix 1

AN INVENTORY OF MAJOR PROJECTS

NEWFOUNDLAND and LABRADOR

Appendix 1

AN INVENTORY OF MAJOR PROJECTS IN NEWFOUNDLAND AND LABRADOR

Project	Location	Estimated Capital Cost (\$ Millions)	Start/End Date	Comments
Apartment Buildings	Various Locations	6.0	1993	Various apartment structures will be constructed under the Private Non-Profit Housing Program of the Newfoundland and Labrador Housing Corporation.
Aquatic Facility	Grand Falls - Windsor	2.5	1993/1994	The facility will be attached to the Joe Burns Arena and will consist of a 25 metre pool featuring four lanes to facilitate local and regional swimming needs. Also, it will include a multipurpose space containing change rooms and washrooms. 50% Provincial, 50% Municipal funds.
Aquatic Facility	Stephenville	3.5	1993/1994	The facility will consist of a 25 metre pool featuring six lanes to facilitate local and regional swimming needs. As well, the facility will contain a tiny-tot pool, play areas, change rooms and a small lobby area. Construction is to begin in the spring of 1993. 55% Provincial, 45% Municipal funds.
Arena Complex	Mount Pearl	5.0	1991/1993	A 50,000 square foot arena complex, with the total capacity to hold close to 2,200 people, is being constructed. The three-level complex will consist of ice surface and complementary accessories, canteens, offices, lounge, cafeteria and lobby. Municipal funds.
Arena Complex	Port aux Choix	1.8	1992/1993	The facility will be used for hockey, figure skating, broomball and curling in the winter months and other sporting events, concerts and festivals during the summer months. Also, it will include a daycare centre, canteen, offices, boardroom and a fitness/weight room. 80% Provincial, 20% Municipal funds.
Arena Complex	Wesleyville	1.9	1992/1993	Various uses of the facility will include hockey, figure skating, recreational skating, broomball and spectator ice events. In the summertime, the facility will be used for large community and regional events, other sporting events, concerts and other recreational uses. 80% Provincial, 20% Municipal funds.
Bridges and Causeways	Various Locations	1.0	1993/1994	Various projects. Provincial funds.
Canadian Centre for Marine Communications	St. John's	10.1	1989/1995	The Canadian Centre for Marine Communications (CCMC) is located at the Newfoundland and Labrador Institute of Fisheries and Marine Technology, and supports industry with the development of commercial applications of marine technology. The centre has recently negotiated a five year agreement with the Canadian Workplace Automation Research Centre (CWARC) for \$1.0 million to fund industry projects under CCMC's Smartship Program. A significant portion of these funds will go to Newfoundland firms. The centre is being funded by the Atlantic Canada Opportunities Agency (ACOA) (\$7.5 million), the Federal Department of Communications (\$1.5 million) and the Marine Institute (\$1.1 million).

Appendix 1 (cont'd.)

AN INVENTORY OF MAJOR PROJECTS IN NEWFOUNDLAND AND LABRADOR

Project	Location	Estimated Capital Cost (\$ Millions)	Start/End Date	Comments
Canada/Newfoundland Cooperation Agreement on Tourism and Historic Resources	Various Locations	20.0	1991/1995	Under the agreement, historic sites in Trinity, Bonavista, St. John's and Grand Bank will undergo improvements. New sites will also be developed including a Beothuck interpretation centre in Notre Dame Bay and an early European settlement interpretation centre in Ferryland. As well, the Agreement provides for the development of an interpretation centre at the Seabird Sanctuary in Cape St. Mary's and for improvements to the museum and lighthouse in L'Anse Amour, Labrador. Also, it will allow for major improvements to the Barachois Pond and Fitzgerald's Pond Provincial Parks. Community museums will also benefit from a \$700,000 program under the Agreement. 70% Federal, 30% Provincial funds.
Cancer Care and Treatment Centre	St. John's	13.3	1992/1994	The two-level extension will consist of approximately 51,250 square feet adjoining the existing Health Science Centre. Level one will be a subgrade connection to the existing radiation treatment areas of the hospital and will contain two new clinic treatment pods, chemotherapy and day care bed and recliner areas, physicians offices and examination areas. As well new radiation treatment facilities will include a major concrete bunker for a new High Energy Clinac machine. Level two will be the main entrance area to the facility and will contain the cancer registries and reception areas, community outreach services, social work services and nursing co-ordinator program offices, as well as, general office areas for the Newfoundland Cancer Treatment Foundation. There will also be a penthouse level that will contain some staff facilities, as well as, the major mechanical and electrical rooms. Provincial, Hospital, Foundation and donated funds.
Centre for Cold Ocean Resources Engineering (C-CORE) - Centrifuge Facility	St. John's	6.2	1992/1993	A 20,000 square foot centrifuge facility is being constructed on Memorial University Campus. Centrifuge modelling is a cost - effective and accurate method of testing large scale gravity-dependent phenomena in a laboratory setting, and as such has many offshore oil related applications. The Canada/Newfoundland Offshore Development Fund will contribute \$3.5 million for the construction of the Modelling Centrifuge facility. The Federal Department of Industry, Science and Technology will be contributing \$2.7 million for the actual centrifuge equipment.
Chancellor Park Seniors' Complex	St. John's	5.3	1992/1993	The 50,000 square foot seniors' complex is being constructed by Progress Homes Incorporated to house 70 people. The complex will offer living quarters, recreational facilities, a doctor's office, pharmacy, beauty salon and small convenience store. Project is 75% completed. Private funds.
Church/School Complex	Grand Falls - Windsor	3.0	1993/1994	The Windsor Pentecostal Assembly will construct a 41,000 square foot facility which will include a church sanctuary and elementary school. In addition, the proposed building will house church and school administrative offices.

Appendix 1 (cont'd.)

AN INVENTORY OF MAJOR PROJECTS IN NEWFOUNDLAND AND LABRADOR

Project	Location	Estimated Capital Cost (\$ Millions)	Start/End Date	Comments
Cold Storage Facility	Harbour Grace	4.2	1992/1993	This 24,000 square foot facility is being constructed by the Harbour Grace Fishing Company and will be capable of holding 2000 metric tonnes of shrimp. It will provide testing, palletizing, grading and product preparation. Project is 75% completed. The project will receive a \$1.8 million contribution from the ACOA.
Confederation Building-East Block Renovations	St. John's	34.0	1986/1994	Figures include renovations to existing offices and a new House of Assembly. The House of Assembly has been completed. As of February 1993, approximately 90% of the funds had been spent. Provincial funds.
Corner Brook East Urban Renewal	Corner Brook	6.2	1991/1995	The project will involve street access and re-construction, including the provision of curbs, gutters and storm water control measures aimed at a general rehabilitation of Corner Brook East. Funding for this project will be provided under the Canada/Newfoundland Cooperation Agreement on Environmental Improvement and will be cost shared between the Federal, Provincial and Municipal levels of government.
Courthouse	Gander	3.4	1990/1993	A 20,000 square foot courthouse is being built in Gander. The facility should be completed by the spring of 1993. Provincial funds.
Dr. Charles A. Janeway Child Health Centre - Renovations	St. John's	3.5	1990/1993	Renovations by the Dr. Charles A. Janeway Child Health Centre are underway to redesign the layout of six patient care units. The objective of the renovations is to provide more isolation facilities, more space for day care programs and more space for family involvement. Hospital funds.
Engineering Technology Centre - Cabot College	St. John's	10.0	1991/1994	A 6,500 square metre building is being constructed adjacent and adjoining the Marine Institute to support offshore related engineering, project management and computer technology programs. Funding for the project is provided under the Canada/Newfoundland Offshore Development Fund. 75% Federal, 25% Provincial funds.
Enhancement of Offshore Fabrication Capabilities at Marystown Shipyard Limited	Marystown - Cow Head	40.0	1990/1993	A sum of \$40.0 million has been approved under the Canada/Newfoundland Offshore Development Fund for an offshore fabrication enhancement program at Marystown Shipyard Limited's Oil Rig Repair Facility at Cow Head, Mortier Bay. Specifically, the program is comprised of the engineering, design and construction of new facilities. 75% Federal, 25% Provincial funds.
Ferry Terminal	Port aux Basques	2.4	1992/1993	The project involves the construction of two new buildings at the Marine Atlantic ferry terminal. The first building will be 26,000 square feet and will contain all maintenance and storage facilities. The second building, consisting of 4,000 square feet, will be used as a coastal freight shed. Project will be completed in late spring 1993. Federal funds.

Appendix 1 (cont'd.)

AN INVENTORY OF MAJOR PROJECTS IN NEWFOUNDLAND AND LABRADOR

Project	Location	Estimated Capital Cost (\$ Millions)	Start/End Date	Comments
Fish Processing Plant	Valleyfield	5.2	1989/1994	Beothic Fish Processors Limited will make structural changes to the plant and purchase \$2.4 million of machinery and equipment to modernize the facility. Approximately 50% of the work has been completed. The project will receive a \$2.6 million contribution from ACOA.
Glynmill Inn - Modernization	Corner Brook	1.5	1993	The modernization will include the installation of an air conditioning system in each of the 60 rooms, the modernization of an additional 14 rooms, the complete renovation of the main lobby and entrance, the construction of a new meeting room and the paving of a rear parking lot. The project will receive assistance from ACOA with a repayable contribution of \$375,000.
Golf Course	Deer Lake	1.2	1991/1994	A nine hole golf course is presently under construction. Private funds.
Golf Course	Grand Meadows, Frenchman's Cove	1.4	1991/1994	A nine hole golf course is presently under construction. Private funds.
Golf Course	St. John's	2.3	1991/1993	A new 18 hole golf course is presently under construction. ACOA will contribute 50% of the funding.
Government of Canada Building	Corner Brook	6.5	1993/1994	A 4,580 square metre building is being constructed to house federal department offices. Federal funds.
Grace General Hospital - Renovations and Expansion	St. John's	3.8	1992/1994	This project involves the renovations of obstetrics and gynecology wards and the expansion of operating and recovery rooms. Provincial funds.
Health Care Centre - Extension	Forteau, Labrador	1.2	1992/1993	This project involves a 4,790 square foot extension to the existing centre. \$700,000 was spent in 1991/1992 and \$500,000 in 1992/1993. The project is to be completed by the end of March 1993. Provincial funds.
Health Care Facilities	Various Locations	25.0	1993/1996	Funding has been provided to undertake renovations and extensions to various health care facilities throughout the Province. Provincial funds.
Health Sciences Centre - Extension	St. John's	1.2	1992/1993	The extension will consist of approximately 3,000 square feet located on the main floor of the Health Science Centre to accommodate the Magnetic Resonance Imager (MRI) suite and the Angiography suite. The project is to be completed in the spring of 1993. Hospital, Foundation and donated funds.
Hibernia Offshore Oil Field Development	Various Locations	8,500.0	1990/2014	Expenditures listed for this development include the construction and installation of production and storage facilities, subsea equipment, shuttle tankers and development drilling. The capital cost breakdown is as follows: pre-production \$5.2 billion (extending from 1990/1997); post production phase \$3.3 billion (extending from 1997/2014). The principal construction site in the Province is Great Mosquito Cove in Bull Arm, Trinity Bay. Major activities which will be carried out there will include graving dock construction, Gravity Base Structure (GBS) construction, module assembly

Appendix 1 (cont'd.)

AN INVENTORY OF MAJOR PROJECTS IN NEWFOUNDLAND AND LABRADOR

Project	Location	Estimated Capital Cost (\$ Millions)	Start/End Date	Comments
Hibernia Offshore Oil Field Development (cont'd.)	Various Locations	8,500.0	1990/2014	and hook-up and other fabrication and construction activities. The Government of Canada will contribute 25 percent of the pre-production capital costs to a maximum of \$1.04 billion and guarantee loans for 40 percent of the consortium's costs to a maximum of \$1.66 billion. The Government of Newfoundland and Labrador will provide a sales tax exemption on project capital expenditures and will reduce retail sales tax to four percent on the project's operating costs. As well, the effective rate of Provincial corporate tax payable on taxable income earned in respect of operations in the offshore area will be reduced to a rate equal to the national average of all Provincial corporate income tax rates.
Highway Improvements and Construction	Various Locations	17.9	1993/1994	A variety of projects undertaken by the Province. Provincial funds.
Hotel	Stephenville	3.4	1991/1993	A 42,000 square foot hotel will be constructed by Toulon Development Corporation. The hotel will contain 48 rooms, recreation facilities and a convention centre. The project will receive assistance of \$1.1 million from ACOA; a repayable contribution of \$500,000 and an interest buydown valued at \$590,112.
Marine Offshore Simulator Training Centre-Fisheries and Marine Institute of Memorial University of Newfoundland	St. John's	12.0	1987/1993	The centre will include a full - mission ship's bridge simulator, as well as, a ballast control simulator. Funding for the project is provided under the Canada/Newfoundland Offshore Development Fund. 75% Federal, 25% Provincial funds.
Mill Improvement Projects	Stephenville	8.2	1990/1993	Abitibi - Price, Stephenville will make capital expenditures at the Mill that will render environmental improvements and increase mill efficiency. The following projects have been completed: (1) installation of a new underdrive, \$1.1 million; (2) effluent treatment, \$1.1 million; (3) miscellaneous small projects, \$2.4 million. For 1992, the Company spent \$1.5 million for cost control measures and miscellaneous small projects. For 1993, proposed budget expenditure includes \$2.1 million for miscellaneous small projects.
Motel - Expansion and Upgrading	Hawke's Bay	1.2	1992/1993	A 10,000 square foot expansion and upgrading to the existing Maynard's Motel. The project will receive a \$198,300 contribution from ACOA.
Motel - Expansion and Upgrading	Plum Point	1.0	1992/1993	A 4,800 square foot expansion and upgrading of existing facility. The project will receive a \$441,220 contribution from ACOA.
Municipal Capital Works Program	Various Locations	50.4	1993/1994	This program primarily consists of water, sewer and road projects throughout various municipalities in the Province. Provincial and Municipal funding.

Appendix 1 (cont'd.)

AN INVENTORY OF MAJOR PROJECTS IN NEWFOUNDLAND AND LABRADOR

Project	Location	Estimated Capital Cost (\$ Millions)	Start/End Date	Comments
Newfoundland and Labrador Housing Corporation - Housing and Development	Various Locations	26.1	1993/1994	These expenditures relate to the Corporation's capital expenditure activities of which many programs are cost shared on a 75/25 Federal/Provincial basis with NLHC's Federal counterpart Canada Mortgage and Housing Corporation (CMHC). The budget includes spending for the Rural and Native Housing Program, the Non-profit Housing Program, the Residential Rehabilitation Assistance Program (RRAP), Residential Land Assemblies, Industrial Land Development, modernization of the Corporation's rental portfolio, and construction of housing for clients with special needs.
Newfoundland and Labrador Hydro - Capital Expenditures	Various Locations	35.9	1993	Includes transmission and system expenditures.
Newfoundland Power - Capital Expenditures	Various Locations	36.5	1993	Includes upgrading of transmission and distribution systems and improvements to computer systems. These capital projects help ensure that customers will have a reliable supply of electricity in the future.
Newfoundland Telephone - Capital Expenditure program	Various Locations	90.0	1993	Expenditures are slated for a number of exchange and radio locations, providing the telephone sets, outside plant cable, exchange and circuit equipment for local and long distance calling throughout the Province. Expenditures will also provide for the modernization of the telephone network and the introduction of new business and residence services. Approximately 80% will be spent on machinery, equipment and supplier engineering and installation. The remaining 20% will be spent on engineering and installation provided by Newfoundland Telephone.
Newfoundland Transportation Initiative	Various Locations	648.1	1988/2003	The Newfoundland Transportation Initiative was developed in response to the closure of the Newfoundland Railway. Expenditures designed to upgrade and improve the Province's transportation infrastructure include the following: (1) \$405 million to be spent between 1988 and 2003 on a major upgrading of the Trans Canada Highway; (2) \$235 million for regional trunk roads over the period 1991 - 2003; and (3) \$8.1 million for port improvements to St. John's and Argentea. The port improvements have been completed. Projected expenditure for 1993/1994 is \$55.0 million. Federal funds.
Northwest Atlantic Fisheries Centre - Extension	St. John's	3.0	1992/1993	The extension to the Department of Fisheries and Oceans building will consist of approximately 1,400 square metres. The first floor will contain offices and the second floor will be a cafeteria. Federal funds.
Nursing Home/Clinic	St. Lawrence	8.0	1991/1993	Provincial funds.

Appendix 1 (cont'd.)

AN INVENTORY OF MAJOR PROJECTS IN NEWFOUNDLAND AND LABRADOR

Project	Location	Estimated Capital Cost (\$ Millions)	Start/End Date	Comments
Offshore Survival Centre - Fisheries and Marine Institute of Memorial University of Newfoundland	Little Soldiers Pond, Foxtrap	6.3	1987/1993	This project includes the development of a fire ground and complex, with firefighting and offshore training facilities. Funding for the project is provided under the Canada/Newfoundland Offshore Development fund. 75% Federal, 25% Provincial funds.
Paper Mill - Upgrading Facilities for Pollution Control	Corner Brook	40.0	1989/1993	The Corner Brook Pulp and Paper Mill will install a new bark burning boiler at a cost of \$10.3 million and carry out certain other environmental measures in order to meet Federal and Provincial anti-pollution requirements. Approximately 75% of the estimated capital cost will be spent on machinery and equipment. Private funds.
Pulp and Paper Mill - Paper Machine Conversion	Corner Brook	19.5	1990/1994	Corner Brook Pulp and Paper Limited will convert the No. 4 paper machine to produce specialty grade papers, including light weights and telephone directory paper. An integral part of this is the installation of a recycling facility in order to satisfy the needs of the customers in the marketplace. The addition of recycling facilities will stabilize the employment levels of the mill by helping to maintain a viable operation. To the end of 1992 \$6.4 million has been spent on the recycle system and the steam box on No. 4 paper machine. For 1993, expenditures are estimated at \$6 million followed by a further \$7.1 million in 1994. The company will invest a total of \$19.5 million and ACOA will provide assistance by way of interest buy-downs, to a maximum of \$4.5 million.
Quidi Vidi/Rennies River Development	St. John's	7.0	1985/1995	The implementation of the Quidi Vidi/Rennies River Development Foundation's ten year Development Plan continues on schedule. Construction of the Newfoundland Freshwater Resource Centre was completed in 1990. Linear Park development, including wildlife habitat enhancement along Rennies River is 90% complete and around Quidi Vidi Lake is 35% complete. When funding permits, plans also include a well - defined training program that includes construction and horticultural skills. Future work includes the completion of the trail, including lighting around Quidi Vidi Lake and installation of a sign system, as well as, historical site restoration at Quidi Vidi pass Battery. At the Newfoundland Freshwater Resource Centre, future work will include the installation of a coffee shop and gift shop to enhance visitor services, as well as, meeting facilities. On the second level of the centre, further exhibits will be installed. Federal, Provincial and Municipal funds, as well as, corporated and private fundraising.
Road and Bridge Rehabilitation	Various Locations	6.6	1993/1994	Various projects. Provincial funds.

Appendix 1 (cont'd.)

AN INVENTORY OF MAJOR PROJECTS IN NEWFOUNDLAND AND LABRADOR

Project	Location	Estimated Capital Cost (\$ Millions)	Start/End Date	Comments
Royal Canadian Mounted Police-Capital Construction Program	Various Locations	12.6	1993	These expenditures pertain to the RCMP construction program in the Province for this fiscal year. A large proportion of these expenditures will be spent on the construction of a "B" Division headquarters building. Construction will continue on the detachment and married quarters at Happy Valley - Goose Bay. The remaining expenditures will be spent on various detachments throughout the province.
Royal Canadian Mount Police-New Headquarters Building	St. John's	27.0	1990/1994	The building will contain approximately 14,000 square metres of space. Federal funds.
School Construction	Various Locations	12.0	1993/1994	Provincial funds.
Shopping Centre	Mount Pearl	8.0	1993	Toulon Development Corporation is constructing the first phase of the Pearlgate Shopping Centre, providing 101,000 square feet of rental space. The facility will include a supermarket, a drug store and various other smaller stores. Private funds.
Skills Training Projects	Various Locations	2.7	1987/1994	Funding has been provided under the Canada/Newfoundland Offshore Development Fund to make capital improvements at existing community colleges and institutes for the delivery of offshore - related training programs. 75% Federal, 25% Provincial funds.
Supermarket - Extension and Renovations	St. John's	1.4	1993	The present facility is owned by The General Incorporated and is leased by Amalco Foods. An extension of 12,000 square feet will be undertaken by the General Incorporated and will cost approximately \$1.0 million. Once the extension is completed, Amalco Foods will undergo interior renovations that will cost approximately \$400,000. Private funds.
Water and Sewer Disposal Infrastructure	Coastal Labrador	12.8	1992/1993	Expenditures for this project are provided under the Comprehensive Labrador Development Agreement. A total of \$12.8 million is allocated to water and sewer projects on the south coast of Labrador for 1992/1993. Estimated budget of \$2.5 million remaining for 1993. 70% Federal, 30% Provincial funds.
Water Treatment Plant	Central Newfoundland	8.0	1992/1994	A water treatment facility will be constructed to serve the towns of Grand Falls - Windsor and Bishop's Falls. Funding for the project is provided under the Canada/Newfoundland Cooperation Agreement on Environment Improvement with the total project cost - divided evenly amongst the Provincial, Federal and Municipal Governments.

Appendix 2

**STATISTICAL INDICATORS
OF
NEWFOUNDLAND and LABRADOR**

TABLE 2.1

**GROSS DOMESTIC PRODUCT BY INDUSTRY
NEWFOUNDLAND AND LABRADOR**

	1991		1984
	\$Millions	Percent of Total	Percent of Total
Primary	518.0	6.5	7.5
Agriculture	28.0	0.3	0.4
Forestry	70.0	0.9	1.2
Mining, Quarries & Oil Wells	250.0	3.1	4.4
Fishing and Trapping	170.0	2.1	1.5
Manufacturing	660.0	8.2	8.6
Fish Products	230.0	2.9	3.8
Pulp and Paper Products	150.0	1.9	1.8
Other Manufactured Products	280.0	3.5	3.0
Construction	760.0	9.5	9.6
Electric Power & Water Utilities	439.0	5.5	5.9
Subtotal: Goods Producing	2,377.0	29.6	31.5
Transportation, Communications & Other Utilities	656.0	8.2	8.6
Trade	825.0	10.3	10.0
Finance, Insurance & Real Estate	1,165.0	14.5	14.5
Community, Business & Personal Services	2,055.0	25.6	24.1
Public Administration	950.0	11.8	11.3
Subtotal: Service Producing	5,651.0	70.4	68.5
TOTAL: ALL INDUSTRIES	8,028.0	100.0	100.0
Residual Error of Estimate*	(68.0)		
TOTAL GDP AT FACTOR COST	8,096.0		

Notes: * When GDP is calculated on an industry basis, the total for all industries does not equal total GDP. The difference is known as a residual error of estimate.

A factor cost measure of GDP is used.

Parentheses refer to a negative value.

Source: Statistics Canada; Newfoundland Statistics Agency and Economic Research and Analysis Division, Cabinet Secretariat.

TABLE 2.2

**EMPLOYMENT BY INDUSTRY
NEWFOUNDLAND AND LABRADOR**

	1992		1984
	Thousands	Percent of Total	Percent of Total
Primary	16.0	8.5	9.8
Agriculture	1.1	0.6	0.6
Forestry	1.2	0.6	1.0
Mining, Quarries & Oil Wells	2.4	1.3	2.1
Fishing & Trapping	10.0	5.3	5.7
Manufacturing	16.0	8.5	10.9
Fish Products	5.1	2.7	4.5
Pulp & Paper Products	1.7	0.9	1.2
Other Manufactured Products	6.3	3.4	2.8
Construction	10.0	5.3	6.3
Subtotal: Goods Producing	46.0	24.5	28.7
Transportation, Communications & Other Utilities	17.0	9.0	10.3
Trade	36.0	19.1	17.2
Finance, Insurance & Real Estate	7.0	3.7	3.4
Community, Business & Personal Services	69.0	36.7	31.6
Public Administration	17.0	9.0	10.3
Subtotal: Service Producing	142.0	75.5	71.3
TOTAL: ALL INDUSTRIES	188.0	100.0	100.0

Notes: Subtotals in the goods and service producing industries will differ from the sum of the industries which are found in each category. This stems partly from the fact that the Other Utilities component of Transportation, Communications & Other Utilities is included under the goods producing sector. In addition, some components of the goods producing industries (i.e., primary and manufacturing) do not add to the subtotal due to different data sources.

Percentages may not add to 100 due to independent rounding.

Source: Statistics Canada; Newfoundland Statistics Agency and Economic Research and Analysis Division, Cabinet Secretariat.

TABLE 2.3

**SELECTED ECONOMIC INDICATORS
NEWFOUNDLAND AND LABRADOR: 1989 - 1993**

	1989	1990	1991	1992	1993f
Gross Domestic Product at factor cost (\$ millions)	7,639	7,951	8,096	7,902	8,186
% change	4.9	4.1	1.8	-2.4	3.6
Gross Domestic Product at factor cost (1986\$ millions)	6,649	6,653	6,518	6,309	6,385
% change	0.5	0.1	-2.0	-3.2	1.2
Personal Income (\$ millions)	8,703	9,413	9,813	9,842	9,882
% change	8.1	8.2	4.2	0.3	0.4
% change - 1986\$	4.2	3.7	-1.8	-0.8	-1.7
Retail Trade* (\$ millions)	3,222	3,386	3,394	3,367	3,478
% change	5.9	5.1	0.2	-0.8	3.3
% change - 1986\$	2.2	0.8	-4.1	-1.4	0.2
Investment, Capital & Repair (\$ millions)	2,786	2,723	2,778	2,743	3,330
% change	7.8	-2.3	2.0	-1.3	21.4
% change - 1986\$	4.0	-3.2	4.9	-1.3	18.1
Labour Force (000's) Annual Average	238	242	241	236	232
% change	3.0	1.7	-0.4	-2.1	-1.8
Employment (000's) Annual Average	201	201	197	188	184
% change	4.1	0.0	-2.0	-4.6	-1.9
Unemployment Rate (%) Annual Average	15.8	17.1	18.4	20.2	20.4
Consumer Price Index (1986 = 100) Annual Average	109.2	113.9	120.9	122.2	124.8
% change	3.7	4.3	6.1	1.1	2.2
Housing Starts Annual Average	3,536	3,245	2,836	2,271	2,390
% change	11.6	-8.2	-12.6	-19.9	5.2

Notes: In some cases, the percentage change may be calculated using unrounded numbers. Some data is preliminary.

1986\$: Denotes a series expressed in real terms using 1986 prices.

f: forecast, Economic Research and Analysis Division

* Retail trade data, prior to 1991, has been adjusted to approximate the removal of the estimated Federal Sales Tax. This was done to make the data more comparable with 1991.

Source: Statistics Canada; Canada Mortgage and Housing Corporation; Newfoundland Statistics Agency and Economic Research and Analysis Division, Cabinet Secretariat.

