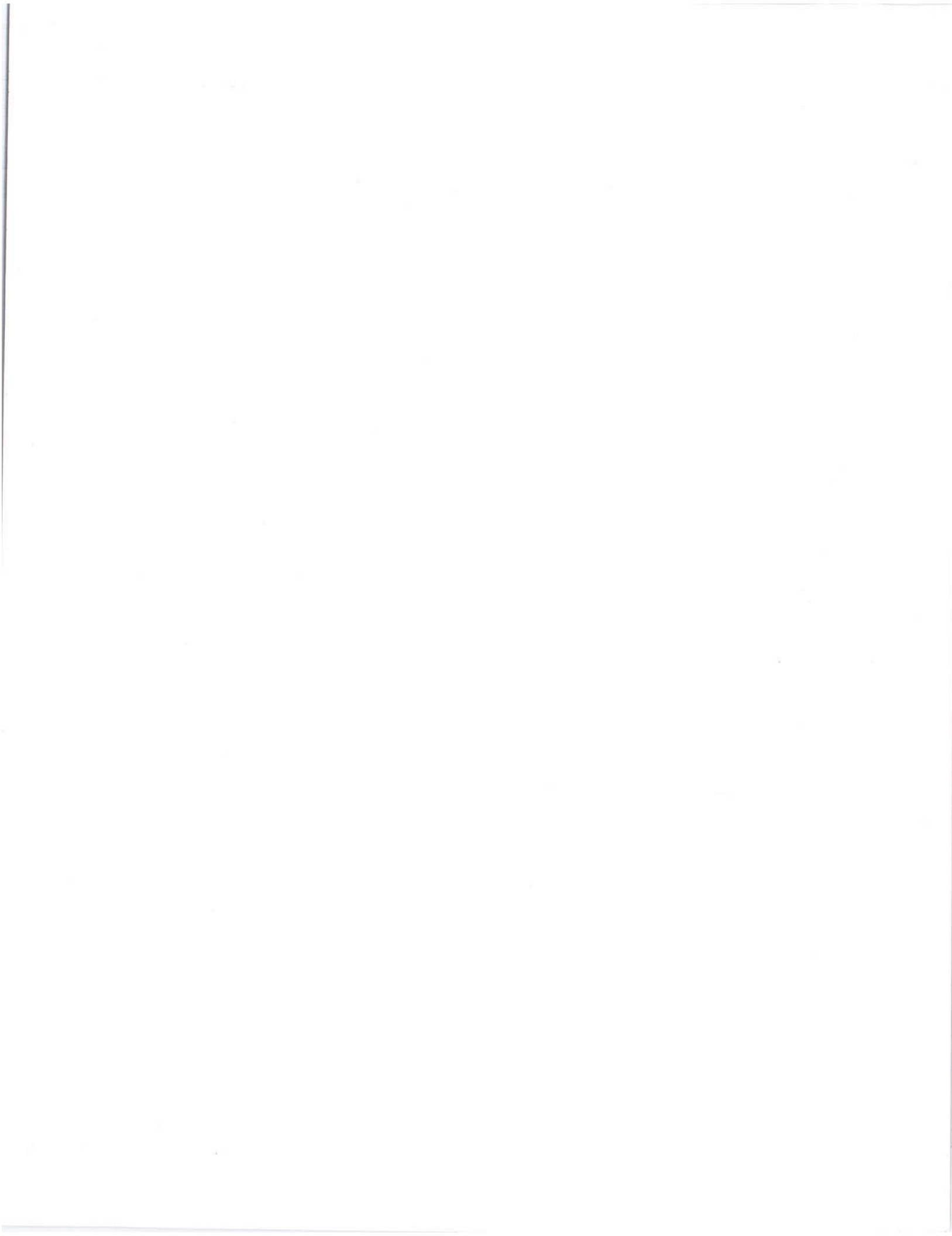




Newfoundland and Labrador

The Economy 1994



THE ECONOMY 1994



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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, Department of Forestry and Agriculture; Bonnie L. Simmons, P.J. Gardiner Institute for Small Business Studies; and the Economic Recovery Commission. We are also grateful to the Hibernia Management and Development Company Limited (HMDC) for providing us with the illustration of the Hibernia Production Platform. *The Economy 1994*, 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

1984 - 1993

NEWFOUNDLAND AND LABRADOR

Diagram 1

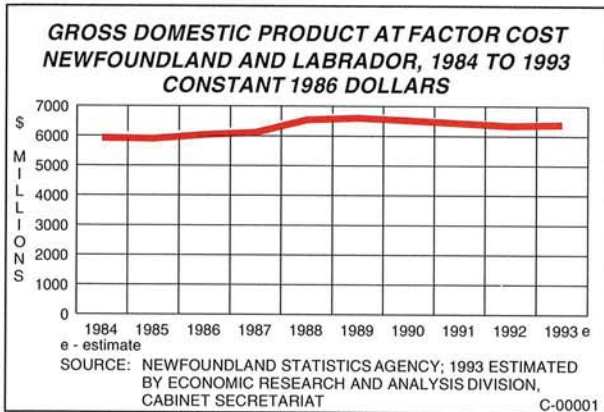


Diagram 4

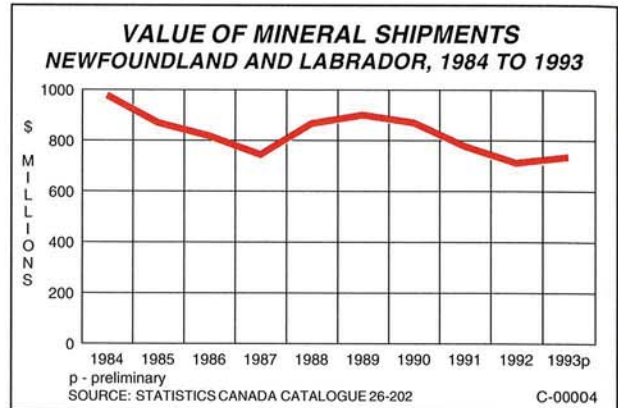


Diagram 2

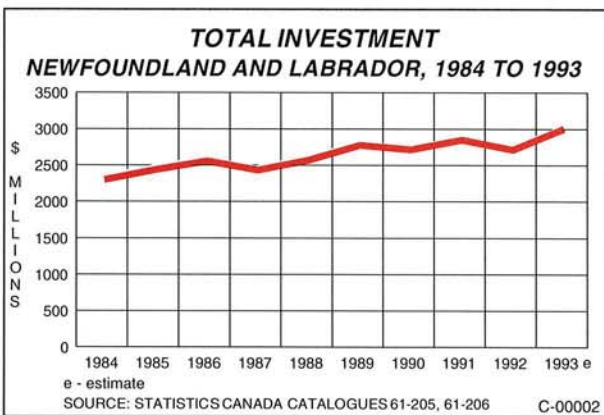


Diagram 5

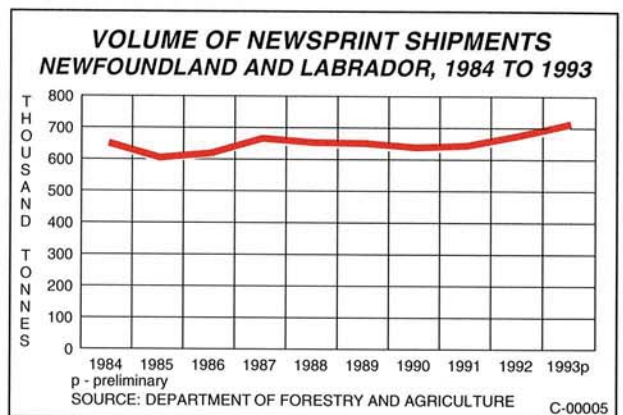


Diagram 3

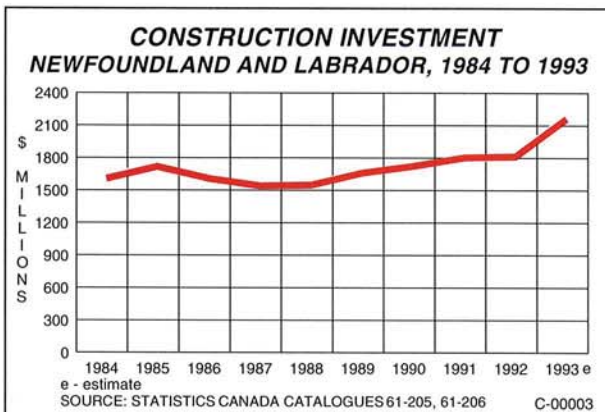


Diagram 6

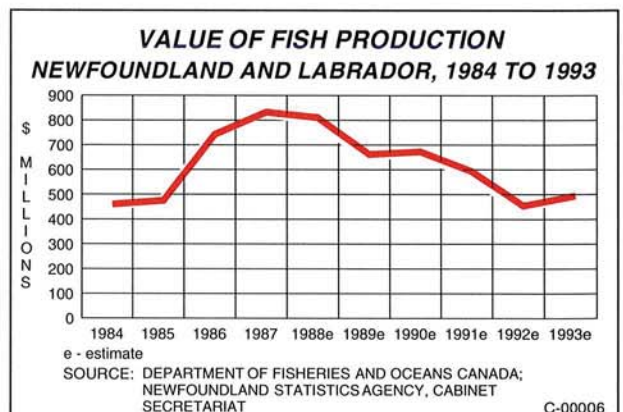


Diagram 7

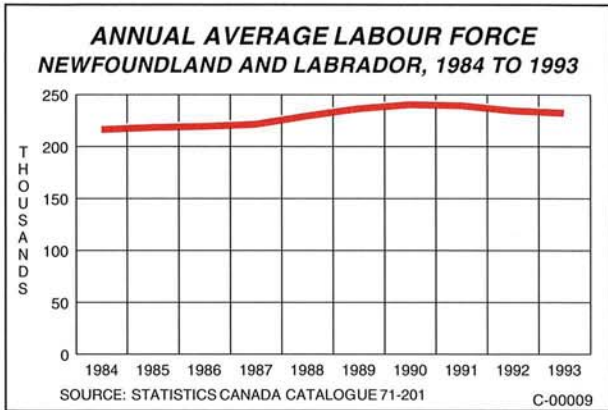


Diagram 10

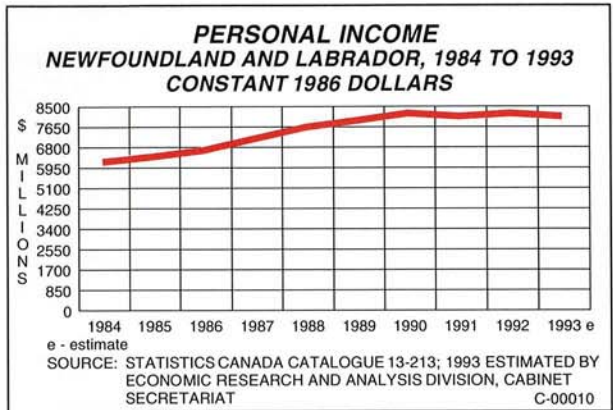


Diagram 8

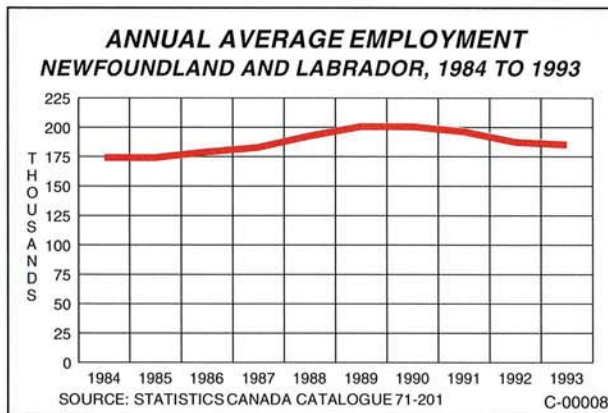


Diagram 11



Diagram 9

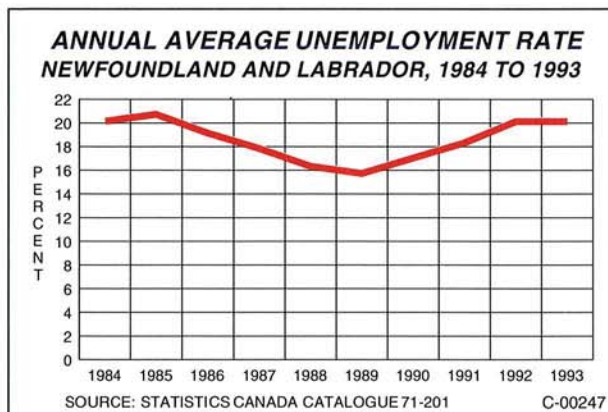


Diagram 12



SUMMARY OF PERFORMANCE IN 1993

International and Canadian:

- World output was boosted by recovery in North America and strong growth in Southeast Asia and China; recessions in Japan and continental Europe, however, kept growth below potential.
- The Canadian economy began to catch up to its U.S. counterpart with employment up by 1.2 percent and real GDP up by 2.4 percent.

Newfoundland and Labrador:

- Real GDP grew by an estimated 0.4 percent as increased Hibernia investment and improvements in some resource based industries offset losses elsewhere.
- The inflation rate remained relatively low at 1.7 percent.
- Personal income grew by an estimated 0.1 percent, however, it declined by 1.6 percent in real terms.
- Retail sales fell by 0.8 percent or 2.4 percent in real terms.
- Fish landings fell by 17.6 percent, representing the third consecutive year in which landings have fallen.
- The volume of newsprint shipments increased by 5.6 percent while the value rose by an estimated 20 percent.
- The value of mineral shipments rose by 3.9 percent due mainly to higher gold shipments.
- Hibernia development expenditures and employment were higher than in 1992.
- Activity in some segments of the construction industry was boosted by expenditures from the Hibernia project.
- Housing starts grew by 5.9 percent following three consecutive years of declines.
- Tourist activity rose considerably as resident and non-resident travel both recorded strong growth.
- The level of employment fell by about 2,000 or 1.1 percent, marking the third consecutive year of declining employment.
- A decline in the Province's labour force offset employment losses, thus leaving the unemployment rate unchanged at 20.2 percent.

SUMMARY OF OUTLOOK FOR 1994

International and Canadian:

- A continuation of last year's trends in North America, China and Southeast Asia together with a modest recovery in continental Europe will improve world output growth.
- Canadian GDP growth is expected to improve again, but an expanding labour force will continue to keep the unemployment rate high.

Newfoundland and Labrador:

- Further improvement is expected in the economy in 1994. Real GDP is expected to rise by 0.6 percent.
- The rate of inflation is forecast to be 1.7 percent.
- Personal income is expected to increase by 0.7 percent. After inflation, however, real personal income will decline by one percent.
- Retail sales are expected to increase by 0.8 percent. The real value of sales, however, will be lower than in 1993.
- Fish landings are expected to be lower again in 1994, however, the pelagic and shellfish fisheries are expected to post solid performances.
- Newsprint production and shipments are predicted to be on par with 1993.
- The value of mineral shipments is forecast to increase due mainly to higher iron ore and gold shipments.
- Work may begin on a new gold mine at Pine Cove, near Baie Verte, this year.
- The Hibernia project will continue to be a major contributor to the economy: project investment will be higher in 1994.
- Construction investment is expected to increase this year.
- Residential construction is forecast to be weak; any improvement in housing starts is expected to be modest.
- Tourist activity is expected to increase; gains are anticipated in both resident and non-resident travel.
- Closures in the fishery will continue to affect Provincial labour market activity. Both employment and the unemployment rate are expected to be essentially unchanged from 1993 levels.

The International and Canadian Economies

Gains in global economic activity in 1993 were supported by exceptional advances in the Chinese economy, a solid recovery in North America and strong growth in several Southeast Asian countries. Moderate recoveries were also underway in the United Kingdom, Australia and New Zealand. Japan and continental Europe, however, experienced recessions last year and ongoing reforms in the former Eastern Block States continued to curtail economic activity in those countries, albeit not to the same degree as it did in 1992.

TABLE 1

REAL ECONOMIC GROWTH RATES

	1991 Share in Total G-7	1992	1993e	1994f
United States	44.5	2.6	3.0	3.2
Japan	18.3	1.3	-0.5	0.5
Germany	10.4	1.2	-1.9	0.5
France	8.1	1.4	-0.9	0.9
Italy	7.6	0.9	-0.1	1.1
United Kingdom	7.0	-0.6	2.0	2.6
Canada	4.1	0.7	2.4	3.3
G-7	100.0	1.7	1.2	2.0
China	n.a.	13.0	13.0	10.0
Korea	n.a.	4.7	4.3	5.5
Taiwan	n.a.	6.0	6.0	6.0
Hong Kong	n.a.	5.3	5.5	5.0
Singapore	n.a.	5.8	7.5	7.0
Thailand	n.a.	7.4	7.5	8.0
Malaysia	n.a.	8.0	8.5	8.0

e: estimate; f: forecast; n.a.: non-applicable

Source: Various, available upon request.

Recent economic reforms and an influx of foreign capital has generated unprecedented growth in several of China's southern provinces during the past two years. This growth has opened up new markets for exports from the Dynamic Asian Economies (DAEs) of Korea, Taiwan, Hong Kong, Singapore, Thailand and Malaysia. The recent recessions in the major industrialized countries weakened the demand for the DAEs' exports, but growth in China helped offset this cyclical downturn. In addition, severe labour shortages in the DAEs has fuelled sharp rises in real wages in recent years and this has led to strong growth in domestic demand. These two factors have allowed the DAEs to continue to experience robust output gains over the past several years (see Table 1), in spite of the economic problems being experienced by G-7 countries.

Significant declines in interest rates and substantial economic restructuring over the past two years finally produced solid output growth in both North America and the United Kingdom last year (see Table 1). Growth was supported by impressive gains in the interest sensitive areas of durable good purchasing, residential construction and machinery and equipment investment. Also, currency depreciations in Canada and the United Kingdom led to notable growth in exports in both countries.

Japan also recorded significant interest rate declines over the past two years, however, the declines failed to prevent a recession in that country last year. Severe asset deflation and an appreciation of the yen seriously eroded corporate profitability and consumer and business confidence. Several government aid packages designed to prop up the sagging stock market and increase infrastructure spending were slow in getting started and thus, could not prevent Japan's first yearly decline in output since 1974. German Gross Domestic Product (GDP) also declined last year as tight monetary policy, rising labour costs and weak export markets generated havoc in the economy. Unemployment continued to rise as declining confidence, high short-term interest rates (designed to control inflation) and reductions in government spending restricted economic activity.

New GATT agreement signed

On December 15th of last year, 116 countries concluded the Uruguay round of the General Agreement on Tariffs and Trade (GATT) which reformed and enlarged the previous GATT agreements. The new reforms will not only encourage growth in world trade, but will also help diffuse possible explosive trade disputes in the future which could easily erupt into damaging trade wars. Estimates by the World Bank and the OECD indicate that by the turn of the century these new reforms to GATT could add an additional US\$200 to US\$300 billion per year to the world economy.

G-7 growth expected to improve in 1994

The modest recoveries currently underway in English speaking countries are expected to strengthen in 1994 with Canada and the U.S. leading the G-7 in economic growth, followed closely by the United Kingdom. Lower interest rates should exert increas-

ingly positive influences on the economies of continental Europe allowing modest recoveries to begin in most of these countries. Unemployment will remain high, however, as structural adjustments are carried out in many European economies. Higher unemployment and lower wage settlements should allow inflation to recede slowly. Japan, on the other hand, continues to suffer from declining property values and a high yen which will keep output growth to a minimum this year. Many of Japan's large corporations still need to cut their work forces in order to improve profitability and this will probably increase the unemployment rate. The good news is that inflation and interest rates will remain low in Japan this year.

In spite of a recent program designed to slow its overheated economy, China is still expected to display strong growth in 1994 as economic liberalization and high levels of foreign investment continues. Economic activity in the DAEs is also expected to be strong as continued growth in China and the recovery in the OECD area boosts demand for exports. High inflation rates in China and Hong Kong are somewhat of a concern, but rates are not expected to increase any further in 1994.

TABLE 2

UNITED STATES ECONOMIC INDICATORS

	Growth Rates (%)			
	1991	1992	1993	1994f
GDP (1987\$)*	-0.7	2.6	3.0	3.2
Employment	-0.9	0.6	1.5	2.0
CPI	4.2	3.0	3.0	2.9
CPI, excluding food & energy	4.9	3.7	3.3	2.8

	Average Levels			
	1991	1992	1993	1994f
Unemployment Rate (%)	6.7	7.4	6.8	6.4
Federal Funds Rate (%)	5.66	3.49	3.01	3.40
Prime Rate (%)	8.38	6.25	6.00	6.00

* GDP is measured at market prices; f: forecast

Source: Various, available upon request.

The U.S. economy recorded the strongest growth among the G-7 countries in 1993. Real GDP increased by three percent as consumer spending on durable goods together with feverish spending by businesses on machinery and equipment strengthened the recovery. Continuing growth in the residential sector also helped economic activity. Following growth of 18.3 percent in 1992, housing starts were up by another 7.1 percent last year, largely due to very low mortgage rates. Impediments to output growth included deep cuts in defence spending, major flood-

ing in the Mid-West, and weak export markets in Europe and Japan.

A modest increase in employment together with very slow labour force growth allowed the U.S. unemployment rate to fall in 1993 (see Table 2). Since the current economic recovery began, increases in employment have been relatively slow compared with past recoveries. Restructuring by large U.S. corporations, major cuts in defence spending, uncertainty about rising taxes and a choppy recovery have made businesses cautious about hiring additional employees. Instead, employers appeared to rely on part-time work and increased overtime by existing employees to satisfy much of their extra labour requirements. At the end of 1993, average weekly hours and weekly overtime hours of manufacturing workers were at all-time highs.

Erratic GDP growth and a high unemployment rate kept the U.S. inflation rate steady last year. The core inflation rate, which excludes the more volatile food and energy price changes, was in fact lower than it was in 1992 (see Table 2). This inflation rate is often considered to be a better indicator of underlying inflationary trends in the economy.

The Federal Reserve (the U.S. Central Bank) followed an expansionary monetary policy in 1993 as real short-term interest rates (nominal rates minus inflation rate) were kept near zero percent. Both the Federal funds rate and the prime rate remained constant throughout the year. Economic forecasters are predicting that as the pace of economic activity continues to strengthen in 1994, the Federal Reserve will gradually move towards a more restrictive monetary policy. As the economy surges ahead interest rates will be raised slowly in an effort to head off inflationary pressures which are expected to emerge in 1995 as the Country's economic output approaches full capacity.

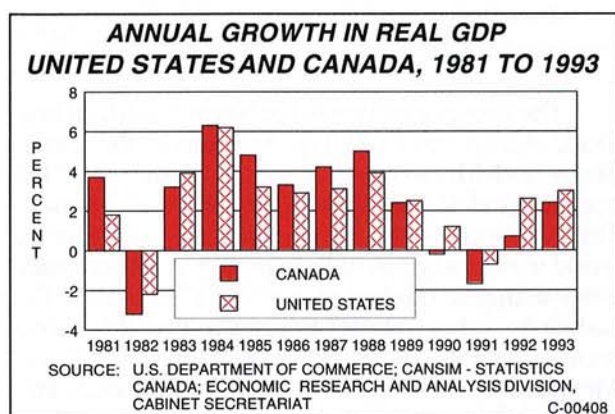
U.S. economy expected to show further improvement in 1994

Real GDP growth in the U.S. is expected to become even stronger in 1994. Continued investment in machinery and equipment and strong growth in consumer expenditures should boost economic activity. Also, the residential sector will continue to exhibit strength as low interest rates and growing consumer confidence allow pent-up demand left over from the recession to be released. Increased consumer expenditures, however, will produce significant growth in

imports and this combined with weak export markets in Europe and Japan is expected to widen the trade deficit.

Employment growth of approximately two percent is forecast for the U.S. in 1994 and a further decline in the unemployment rate is expected. With the economy operating below capacity and world commodity markets remaining weak, the inflation rate is expected to stay near three percent. It is anticipated that a gradual tightening of monetary policy by the Federal Reserve will result in a moderate increase in the Federal funds rate, but the prime rate is not expected to change much from its current level.

Diagram 1



The pace of Canada's economic recovery began to catch up with that of its U.S. counterpart in 1993 (see Diagram 1). Real GDP increased by an estimated 2.4 percent spurred on by a boom in Canada's export industries and strong machinery and equipment investment. Recent declines in interest rates have significantly lowered investment costs while restructuring and a lower dollar has dramatically improved the competitiveness of Canadian exporters. Weakness in residential and non-residential construction and cuts in government spending, however, were major barriers to economic growth. Non-residential construction continued to be negatively affected by excess commercial space accumulated during the 1980s; residential construction was set back by uncertainty over Canada's high unemployment rate; and government spending was negatively influenced by deficit reduction measures. Spending restraint in the public sector was offset by a much stronger private sector as strong output gains in several good producing industries, such as forestry, mining and automobile manufacturing, gave the economy a much needed boost.

Canada's competitive position improved dramatically during the recent economic recovery. Profit margins have been enhanced by productivity growth, low wage settlements and a declining dollar. Many businesses were forced to undertake painful cost-cutting measures during the recession and now these changes are paying dividends, especially for Canadian exporters. Since bottoming out in the first quarter of 1991, real exports and pre-tax corporate profits have increased by 29.3 and 39.1 percent respectively. At the same time, however, slow employment growth and low wage settlements, which are by-products of restructuring and productivity gains, have restricted household income growth and consequently consumer confidence continues to remain low. Consumer spending, with the exception of purchases of durable goods, continues to be weak and is a hinderance to the recovery.

TABLE 3

CANADIAN ECONOMIC INDICATORS

	Growth Rates (%)			
	1991	1992	1993	1994f
GDP (1986\$)*	-1.7	0.7	2.4	3.3
Employment	-1.8	-0.8	1.2	1.5
CPI	5.6	1.5	1.8	1.5
CPI, excluding food & energy	5.9	2.0	2.0	1.6

	Average Levels			
	1991	1992	1993	1994f
Unemployment Rate (%)	10.3	11.3	11.2	10.9
Bank of Canada Rate (%)	9.03	6.78	5.09	4.25
Prime Rate (%)	9.94	7.48	5.94	5.50
Exchange Rates (Cents U.S./\$Can.)	87.28	82.76	77.50	75.10

* GDP is measured at market prices; f: forecast

Source: Various, available upon request.

Canada's unemployment rate remained virtually unchanged in 1993 as modest employment gains were offset by growth in the labour force (see Table 3). Ongoing economic restructuring, as evidenced by heavy investment in machinery and equipment, kept employment growth below levels necessary to produce a noticeable reduction in the unemployment rate. Large corporations continued to shed employees and employment remained below its pre-recession peak.

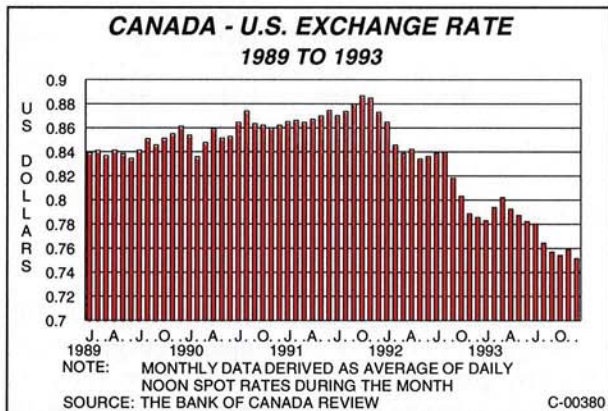
In the past, economic recoveries have been driven by quick rebounds in both consumer and government spending without any major restructuring occurring in the economy. This usually allowed the economy to quickly regain lost employment and production. Over the past two years the economic recovery in Canada has been driven by machinery and

equipment investment and export growth. Simultaneously, government deficit cutting measures together with intense structural adjustments in the economy prevented the usual rebound in employment and consumer spending. The net result was a long, drawn out recovery with a stubbornly high unemployment rate.

A modest increase in the inflation rate last year (see Table 3) was linked to stronger GDP growth and a lower dollar. Large output gaps in production and labour markets, a slow rebound in world commodity prices and small wage settlements are being cited as major reasons for Canada's good inflation performance. These factors are expected to constrain CPI inflation again in 1994.

The value of the Canadian dollar was relatively stable throughout the first half of 1993, remaining in the 78 to 80 cent range (see Diagram 2), and interest rates declined. Over the summer, however, uncertainty surrounding the Federal election and an elimination of the gap between Canadian and U.S. prime interest rates (see Diagram 3) resulted in downward pressure on the dollar. The central bank reacted to this pressure by raising the bank rate temporarily. At the end of the summer the dollar stabilized near the 75 cent level and the bank rate began to decline again.

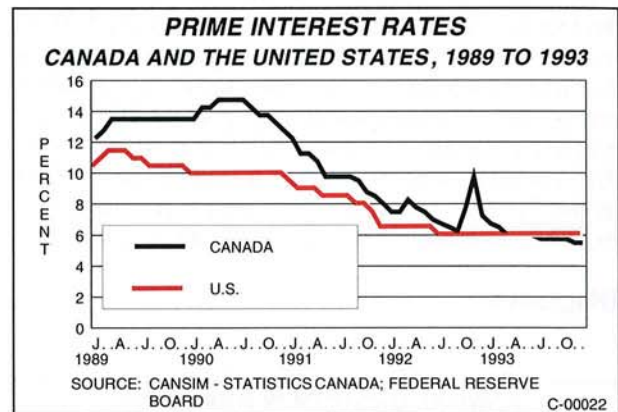
Diagram 2



Last year's decline in interest rates reflected the fact that several fundamental factors required for long-term low interest rates have now been established in the Canadian economy. Inflation is under control, productivity is increasing, and a sustainable economic recovery/expansion based on exports and business investment is in place. The fact that Canada is becoming regarded as a relatively high growth and low inflation economy should help the dollar in 1994. The road to a stronger currency will not be smooth, however, as uncertainty about government finances and the Quebec election expected in the fall could

generate substantial volatility in international currency markets.

Diagram 3



The implementation of the North American Free Trade Agreement (NAFTA) by Canada, the United States and Mexico on January 1 of this year has opened up additional markets for Canadian exporters. The agreement forms the largest trading block in the world with nearly 380 million people and a combined gross domestic product of over US\$7.0 trillion. Canadian businesses are set to benefit from this agreement as tariffs on Canadian exports to the U.S. and Mexico are further reduced and/or eliminated. This will contribute further to the already positive outlook for Canada's export industries in 1994.

It is anticipated that the pace of Canada's economic recovery/expansion will improve again this year. Real GDP is forecast to grow by just over three percent, propelled by renewed investment in the residential sector and by continued strong growth in exports and machinery and equipment investment. With mortgage rates near 30 year lows, housing affordability has improved dramatically and this should produce modest growth in residential investment. The low dollar and strong growth in the U.S. economy will boost exports and ongoing restructuring will ensure continued investment in machinery and equipment. As governments wrestle with their deficit problems, however, spending cuts and tax increases seem inevitable. Tax increases along with slow employment gains and virtually non-existent pay raises in many sectors of the economy will severely restrict income growth. As a result, the consumer sector will continue to lag behind the rest of the economy in 1994.

Government sector spending cuts, weak consumption growth and continuing restructuring will restrain employment growth to 1.5 percent this year. This combined with strong labour force growth will

keep the unemployment rate near eleven percent. Very low wage increases, cuts in tobacco taxes and excess capacity in production and labour markets will restrain growth in the CPI to 1.5 percent.

Overview of the Provincial Economic Environment

The Provincial economy continued to struggle with the downturn in the groundfishery and ongoing fiscal restraint in 1993. During the year, news of declining groundfish stocks continued, prompting further quota reductions and closures. As a result, landings declined for the third consecutive year and this negatively impacted the manufacturing industry. Some of the losses sustained in fishery output were offset by improvements in other resource based industries. The performances of the mining and forest industries were better in 1993 than in the previous year, although newsprint prices remained low. The stronger showing in these industries was prompted by expansions in both the Canadian and U.S. economies. Growth in investment was mainly due to ongoing Hibernia expenditures. Hibernia investment, together with growth in certain resource industries produced a modest increase of 0.4 percent in real Provincial Gross Domestic Product (GDP).

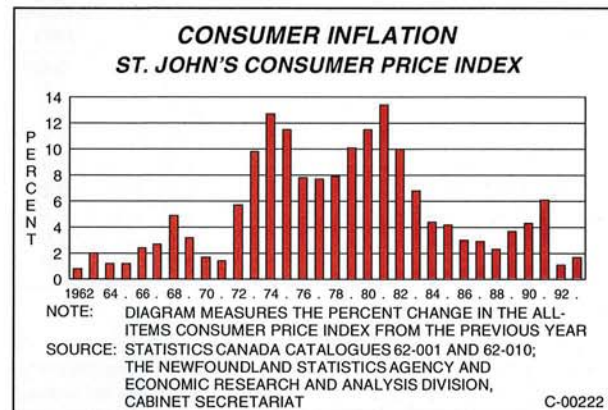
Labour markets in the Province continued to sustain employment losses in 1993. Employment fell by about 2,000 or 1.1 percent on a monthly average basis. The decline in employment came in through the service sector while goods sector employment remained unchanged. The drop in employment was virtually offset by a decline in the size of the Provincial labour force so that the unemployment rate, at 20.2 percent, remained unchanged from the previous year.

Personal income levels recorded only a marginal increase of 0.1 percent in 1993. Once inflation is taken into account, however, real income fell by an estimated 1.6 percent. Real personal disposable income also fell in 1993 and this combined with cautious consumer behaviour produced further declines in retail sales. Nevertheless, pent-up demand and falling interest rates sparked some slight increases in new car sales and housing starts. In addition to the stimulative effects of falling interest rates, inflation remained moderate and many exporters benefitted from the depreciation of the Canadian dollar relative to its U.S. counterpart.

Consumer inflation in 1993 was slightly higher than in the previous year as Diagram 4 shows. The inflation rate, as measured by the St. John's Con-

sumer Price Index (CPI), was 1.7 percent compared with 1.1 percent in 1992. Nevertheless, price increases were low last year by historical standards, the result of a slow economic recovery and weak consumer spending. The Province's inflation performance in 1993 was similar to the Country's: the Canadian inflation rate last year was 1.8 percent.

Diagram 4



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 4. The weight attached to any particular item in the CPI is determined by that item's importance in overall consumer spending. The weights assigned to the major categories of the CPI, together with each category's inflation rate, are included in the table.

The lowest inflation rate amongst the major commodity groups in 1993 was recorded by housing, the single most important item in consumer expenditures, and consequently in the CPI. The low rate of inflation in housing was due in part to improvements in financing costs from lower mortgage rates and downward pressure on rental charges because of high vacancy rates. Most commodity groups recorded relatively low inflation rates in 1993 with the exception of the index for tobacco and alcoholic products which rose by 5.4 percent. Higher prices for these commodities may reflect tax increases for tobacco in the latter part of 1992 together with other general price increases over the year. The energy index actually declined in 1993, falling by 1.9 percent from 1992. Energy prices fell on a year-over-year basis throughout virtually all of 1993 with the largest decrease occurring in the fourth quarter when world oil prices fell substantially. Energy and food are considered to be two of the more volatile commodities that influence consumer inflation. A rate of inflation excluding

the food and energy components, the *core* inflation rate, is considered to more clearly reflect underlying inflationary trends. Core inflation during 1993 was 2.2 percent, the same as in the previous year.

TABLE 4

**INFLATION
ST. JOHN'S CONSUMER PRICE INDEX**

Category	Weight in CPI	Inflation 1993
Housing	35.28	0.4%
Food	19.03	1.8
Transportation	15.27	2.4
Clothing	9.33	1.8
Tobacco & Alcohol	8.49	5.4
Reading & Recreation	8.08	2.2
Health & Personal Care	4.52	1.3
Energy	n.a.	-1.9
ALL ITEMS	100.00	1.7

n.a.: not applicable

Notes: 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.

The weights above are based on 1986 expenditure patterns and December 1988 prices.

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

Personal income, which measures the total income accruing to all individuals residing in the Province, was estimated at \$10,019 million in 1993, up 0.1 percent from a year earlier. Although inflation was only moderate, the lack of income growth caused a decline in real personal income of 1.6 percent. After allowing for direct taxes such as income tax, Unemployment Insurance (UI) premiums and contributions to the Canada Pension Plan (CPP), personal disposable income was actually lower in 1993 than in the previous year. Disposable income is a better measure of the amount of money actually available to individuals in the economy for spending and saving. Disposable income fell by an estimated 0.6 percent in 1993 or by 2.3 percent in real terms.

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 is illustrated in Diagram 5 for 1992.

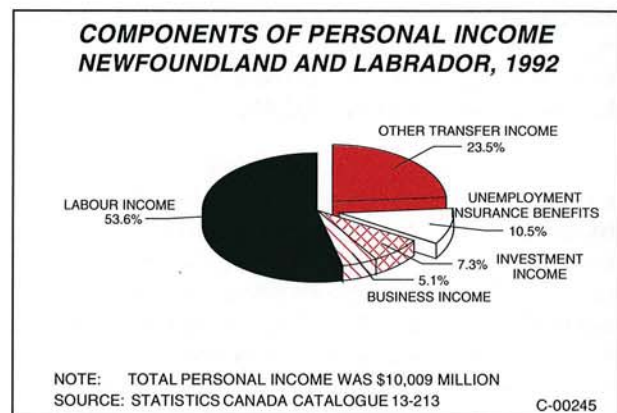
Labour income consists of total wages and salaries plus supplementary income such as UI and CPP premiums paid by employers. The level of wages and salaries in the Province is primarily determined by the number and types of jobs, the duration of these jobs

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 old age security payments, are primarily related to demographic and social factors, while others, such as UI benefits, are often mainly a reflection of the nature and level of employment and economic activity.

Many residents of the Province derive 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.

As Diagram 5 illustrates, labour income and UI benefits account for about two-thirds of personal income in the Province. Some slight advances were recorded in labour income last year, although growth remained weak. During the first eleven months of the year income grew by 1.3 percent as both wages and salaries and supplementary labour income were higher than in the previous year. After taking inflation into account, however, the real value of labour income in the first eleven months was 0.5 percent below the same period in 1992.

Wages and salaries were up by 1.1 percent in the first eleven months as higher average weekly earnings more than compensated for lower employment. Average weekly earnings amounted to \$526 in the first eleven months, up 3.2 percent from the same period in the previous year. Labour income in the goods sector increased by one percent (down by 0.8 percent in real terms). Earnings in the service sector rose by 1.2 percent (down by 0.6 percent in real terms).

Quota reductions and fishery closures have had a significant impact on earned income in both the fish harvesting and processing industries in recent years. Between 1989 and 1992 wages and salaries in the manufacturing (includes all manufacturing) and fish harvesting industries have fallen by 14.5 and 47.9 percent respectively. Furthermore, the net income of fishing operations (i.e., self-employed fishermen), which comprises the largest portion of earned income for fish harvesters, dropped by 34.1 percent. The problems in the fishery continued to impact wages and salaries figures last year. During the first eleven months of 1993 wages and salaries in the manufacturing industry fell by another 5.3 percent while in fish harvesting they declined by about one percent from the previous year. The earnings of self-employed fishermen, unfortunately, were not available at the time of writing.

Support programs helped stabilize incomes of fishery workers

Over the last couple of years several fishery response programs have been announced, all of which contain some form of income support mechanism. The largest program is the Northern Cod Adjustment and Recovery Program (NCARP) which was announced by the Federal Minister of Fisheries in July 1992. This program is designed to replace the direct income loss of fishermen and plant workers due to the moratorium on northern cod. In addition to NCARP, another program was announced in April 1993 in response to reduced quotas and catches of other groundfish species. This program was expanded in August because of further fishery closures and entitled the Atlantic Groundfish Adjustment Program (AGAP). AGAP contains provisions which offer job development opportunities, training and general income support to qualifying fishermen and plant workers. Most of the income received by individuals under NCARP and AGAP is transfer income and, as such, does not appear in earned income figures.

Unemployment Insurance benefits paid to individuals in the Province totalled \$864.6 million in the first eleven months of last year, a decline of 14.0 percent (15.5 percent in real terms) from the same period in 1992. The drop in total benefits reflected a reduction in the number of UI weeks paid and in the average number of beneficiaries as indicated in Table 5. Lower payments were recorded for *Regular*, *Fishing* and *Training* claims. The average weekly UI benefit payment was slightly higher than in 1992, a reflection in part of higher weekly earnings over the past year. The growth in the average weekly benefit was, however, moderated by amendments to the Unemployment Insurance Act that became effective in April 1993. One of the changes to the Act lowered the benefit rate for new claimants from 60 to 57 percent of insurable earnings. This change effectively meant that the maximum weekly benefit of \$447 which was set in January 1993 became \$425 as of April 4.

Unemployment Insurance benefit payments declined

The drop in the level of UI benefits paid last year clearly reflected the impact of fisheries income support programs. Benefit payments to individuals with *Fishing* claims fell by close to \$40 million or 45.3 percent in the first eleven months. Most fishermen in the Province typically collect UI from November until the middle of May each year. During the January to May period in 1993 the number of Fishing beneficiaries averaged about 5,500 a month, compared with 11,200 for the same period in 1992. The dramatic drop in these figures is not surprising considering that many fishermen who would normally have collected UI benefits during this period were instead receiving income support from NCARP. The drop in Regular benefits is also believed to be due to the fisheries crisis. Most fish plant workers, and some fishermen, collect UI benefits through Regular claims. Like those that normally have fishing claims, many of these individuals would also have been receiving NCARP benefits.

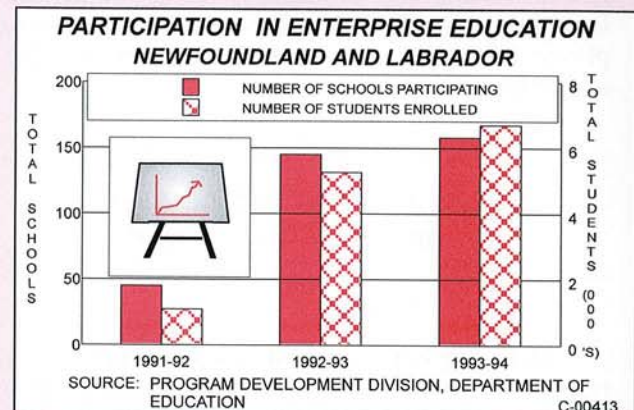
The final major contributor to the decline in benefits was the 3.2 percent drop in *Training* benefits. Up until recently, the *Training* component of the program had exhibited growth, reflecting the increased focus of the UI program on strengthening the labour market adjustment potential of unemployed workers. *Training* payments typically include income benefits, supplementary allowances, such as travel expenses, and course costs such as tuition fees. Most of the decline in training benefits in the first eleven

The Importance of Entrepreneurship in Newfoundland and Labrador

Newfoundland and Labrador's beginnings as a fishing base did not initially encourage diversity in entrepreneurial activities. Without financial support agencies, and with little education and low incomes (sometimes no cash income), the fishermen and other traditionally skilled labourers were often stifled in any attempts at expanding on new ideas or diversifying their income base. In fact, community merchants were virtually the only group of individuals in the past that had the means to fully develop their entrepreneurial skills and potential. From these early beginnings, the Newfoundland and Labrador economy evolved into one based on natural resources - mining, logging and fishing. These industries were strong employment generators for a number of years and, together with a growing service sector, employment levels in the Province expanded. In recent years however, resource problems in the fishery and productivity gains in the mining and forest industries have made it abundantly clear that these resource industries will not generate employment growth in the future as they have done in the past. This has led to the realization of the need for encouragement and support of entrepreneurship in the Province.

Throughout Canada the economy has been shifting from the resource-based industries to technology-based and service-oriented industries. It has become recognized that this shift is not a reversible process and these new industries will become the creators of wealth and employment opportunities. Newfoundland has also accepted this reality and begun to create new initiatives to generate economic activity. Major policy documents published during 1992 at both the Provincial and Federal Government levels reflect this shift. In June 1992, the Province issued its Strategic Economic Plan entitled *Change & Challenge*. This plan clearly recognized that changes were necessary if the Province was to overcome its economic disparity in comparison with the remainder of Canada. The areas which were identified included a necessary shift in governmental programs to a longer-term focus, a re forging of relationships between government, business, and labour, and a movement toward greater self-reliance and initiative in our people. Shortly after the release of that document, in October 1992, the Federal Government released an action plan prepared by the Steering Group on Prosperity. Entitled *Inventing our Future*, this plan also identified the need for departures from our traditional economic relationships and activities toward building a more innovative society and encouraging a commitment to life-long learning.

Both of these plans for change indicate the need to create a strong foundation. The concept of building on a strong foundation dates all the way back to biblical days and is just as applicable today in almost any situation. From building a house, to building an economy - they will always be more secure and ready to adapt to change with a strong and quality base. The foundation of the Province is its people and although it may seem a huge task to start rebuilding from the beginning at this point, a strong foundation is needed if Newfoundland is to successfully weather the storms. The rebuilding begins with training through the formal education system which will eventually overflow into the community and throughout the Province. To be successful in this regard, the education system must not only teach the fundamental functional areas but must also teach skills such as communication, independent thought, positive attitudes, responsibility, creative thought, problem solving, decision making and adaptation to change.



Enterprise Education is an approach to education which responds to the challenge of providing students with the opportunity to obtain the necessary entrepreneurial and enterprising skills for the 1990s and beyond. Enterprise Education was taught in the provincial high school system as a pilot project during the 1991/92 school year. In January 1992, the Department of Education released a document entitled *Report of the Graduation Requirements Committee for Senior High School* which established Economic Education as part of the *core* subject requirement for students in order to graduate from the Newfoundland and Labrador school system. This move has made Newfoundland the **only** Province in Canada where Enterprise Education is a requirement for graduation and has made it a pacesetter from the perspective of availability of courses and innovative and creative teaching methods. In addition, plans are underway to

extend the concept into the primary, elementary, and intermediate school levels. The diagram above indicates the dramatic increase in both the schools participating and the students enrolled in Enterprise Education courses over the past three school years.

Expansion of this magnitude has not taken place without straining the education system's ability to deliver this program, particularly in view of the distinct skills and knowledge required by the teachers who have the responsibility for instructing these newly developed courses.

The P. J. Gardiner Institute for Small Business Studies at Memorial University of Newfoundland, in partnership with the Program Development Division of the Department of Education, are working together, with funding provided by the Canada/Newfoundland Cooperation Agreement on Human Resource Development, to provide an organized and consistent approach to the provision of training for all current and potential Enterprise Education teachers. In addition to this teacher training, the P. J. Gardiner Institute has been funded by the same cooperation agreement to develop resource materials, particularly local case studies, to be used in Enterprise Education courses.

Another initiative undertaken by the P. J. Gardiner Institute is the New Enterprise Store. This is an actual training facility where aspiring entrepreneurs have the chance to turn their vision into reality. The New Enterprise Store acts as the participant's place of business, where he or she brings the business plan to life. Full-time teaching staff and advisors with entrepreneurial backgrounds coach them through their plans, emphasizing self-development, creativity and motivation.

By introducing the concept of entrepreneurship at earlier stages in the education system and providing opportunities to adults with superior entrepreneurial potential, the foundation of the Province, its people, will become stronger and better equipped to effect economic change.

The P. J. Gardiner Institute is only one of many players in the area of entrepreneurship advancement. The Faculty of Business at Memorial University of Newfoundland has had changes in its curriculum by

the introduction of four new courses in January 1994. These include:

- New Venture Creation;
- Managing Growth in a Small Firm;
- Entrepreneurship and Regional Development; and
- Current Topics in Entrepreneurship.

Also, the Atlantic Canada Opportunities Agency (ACOA) is involved with several programs which encourage young entrepreneurs. These include:

- Y Enterprise Centre;
- Women's Enterprise Bureau;
- Leading Edge (a TV series which profiles rural entrepreneurs in Atlantic Canada);
- Owning My Own Business (a TV series and instructional program);
- New Shoes (in conjunction with the Economic Recovery Commission and the manufacturing industry);
- Speaking Tour for Youth (in conjunction with the St. John's Board of Trade);
- Youth Venture Program (assisting students in starting their own business during the summer and is in conjunction with the Department of Education);
- I Want to be a Millionaire Program (in conjunction with the Cabot Institute); and
- Atlantic Canada Exchange (exchange program for 10 groups of 10 students to various Provinces).

These many and varied programs will expose students to entrepreneurial opportunities and enable them to acquire enterprising skills at a very early age. Hopefully the result will be that entrepreneurs will realize their dreams, future entrepreneurs will have role models to encourage them, creative and innovative businesses will prosper, especially in rural areas, and the provincial economy will be stimulated through the advancement of entrepreneurship. The ball has started to roll - **let's keep it going!**

Contributed by:

Bonnie L. Simmons

P. J. Gardiner Institute for Small Business Studies, Memorial University of Newfoundland

months of last year stemmed from lower course cost payments.

TABLE 5

**UNEMPLOYMENT INSURANCE STATISTICS
NEWFOUNDLAND AND LABRADOR**

	January to November		Percent Change
	1992	1993	
Total Benefits Paid (\$ 000)	1,004,983	864,570	-14.0
Regular	811,205	711,600	-12.3
Fishing	87,109	47,611	-45.3
Training	74,062	71,705	-3.2
Other(1)	32,607	33,654	3.2
Average Beneficiaries	81,609	70,676	-13.4
Weeks Paid (000's)	4,013	3,437	-14.3
Average Weekly Benefit(2)	\$242.88	\$243.65	0.3

Notes: (1) Other includes: sickness, maternity, work sharing, job creation, adoption, parental and self-employment assistance. Percent changes are based on unrounded data in many cases.

(2) The rate displayed here is an average of the rate published for each month.

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

Changes to Unemployment Insurance regulations were announced by the Federal government in its February 1994 budget. These changes will lower the amount of UI paid out to each province and pave the way for a rollback in the UI premium rate in 1995. Key changes included a reduction in the maximum duration of the benefit period, an increase in the minimum entrance requirement from 10 to 12 weeks, and the reintroduction of a two-level benefit rate system which will take into account income and dependants. Some of these changes will be felt as early as April of this year, however, the full impact may not be felt until 1995.

Consumer spending on goods and services amounted to \$7.1 billion in 1992, the latest year for available data. The purchasing of goods and services by consumers in the Province generates income and employment for local producers, distributors and merchants. The final contribution of expenditures to the domestic economy varies with the degree to which the items purchased are produced locally.

The value of retail sales declined in 1993

The retail trade industry is a major beneficiary of consumer spending. This industry has been hit hard over the last three years by low consumer confidence and weak, and at times negative, growth in real per-

sonal disposable income. Retail sales in the Province totalled \$3,330.8 million last year, down 0.8 percent over 1992 or by an estimated 2.4 percent in real terms. Sales performance varied between different types of vendors last year as indicated in Table 6. Supermarkets, gas stations, general merchandise stores and other smaller businesses all recorded losses which offset gains in other areas. The growth in the value of sales by motor and recreational vehicle dealers stemmed from new car sales rather than used car sales.

TABLE 6

**RETAIL SALES BY TYPE OF BUSINESS
NEWFOUNDLAND AND LABRADOR
(\$ millions)**

Type of Business	1993	Percent Change from 1992
Supermarkets & Grocery	1,053.5	-1.6
Drugs & Patent Medicines	256.7	7.0
Clothing & Shoes	173.7	9.9
Household Furnishings & Appliances	109.2	2.3
Motor & Recreational Vehicles	540.9	0.7
Service Stations & Automotive Related	479.5	-4.0
General Merchandise	436.7	-4.2
Other (1)	280.6	-3.7
TOTAL	3,330.8	-0.8

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

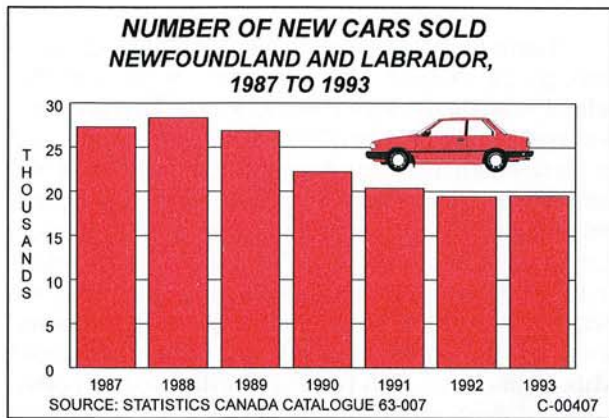
The data by type of business has been aggregated from more detailed data obtained from the source below and therefore may not appear as it does in the source.

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

Car sales are cyclical in nature and are influenced to a large extent by the level of disposable income and consumer confidence in the economy, and by interest rates. The new car market recorded an improvement in 1993. The number of new cars sold in the Province rose by 0.7 percent to 19,544 while value grew by 5.1 percent to \$339.3 million. Higher value reflected both the increase in the number of cars sold as well as an increase of four percent in new car prices. Although the increase in the number of cars sold was only slight, it did stymie a four year slump in sales as indicated in Diagram 6. The Provincial new car market, like the national market, experienced its last peak sales year in 1988, before the recent recession. In that year the number of new cars sold in the Province rose to over 28,300, the highest number ever

recorded. After 1988, sales gradually declined, until the slight increase last year.

Diagram 6



Investment in the Province grew by an estimated 10.7 percent in 1993 to reach \$3,002.6 million. According to the most recent survey by Statistics Canada, capital investment, which accounts for 75 to 80 percent of total investment, grew by 14 percent. Strong gains in construction spending, spurred on by Hibernia investment expenditures, more than offset lower investment in machinery and equipment. Although Statistics Canada figures for repair investment were not available, it is estimated that repair spending remained unchanged from 1992 levels.

The outlook for 1994 is for continued, though modest, recovery. Further expansion is expected in both the Canadian and United States economies which should benefit this Province as well. The value of mineral shipments is forecast to rise during the year due largely to expected increases in production and shipments of iron ore and gold. Newsprint production and shipments are expected to be on par with 1993, however, the problems of low prices and overcapacity which have been plaguing the Canadian industry are expected to continue to challenge local producers.

Closures and quota cuts in the fishery will reduce fish landings for the fourth consecutive year in 1994. The Federal government announced in its February 1994 budget that \$1.7 billion had been allocated for a five year program to address the issue of long-term adjustment for those directly affected by the crisis in the Atlantic groundfishery. Some consumers are expected to exercise considerable caution until the details of this program are announced later this spring.

Personal income is expected to advance by 0.7 percent in 1994. While inflation should only be moderate, real personal income is expected to be lower

than in the previous year. Ongoing restraint in the public sector and discussions concerning reform of social programs will limit growth in the consumption sector this year. Retail sales, one component of consumption, is forecast to rise by 0.8 percent (down by one percent in real terms).

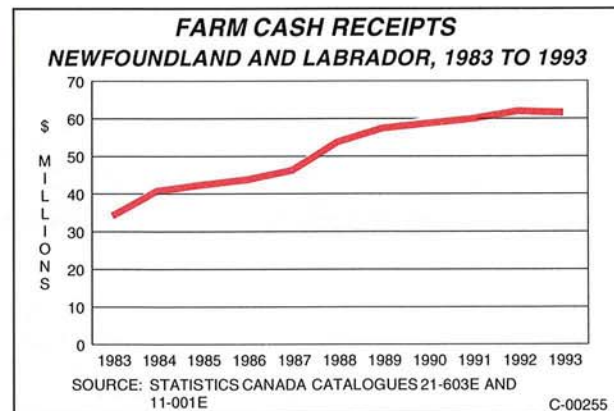
The inflation rate is expected to be 1.7 percent this year, the same as in 1993. Interest rates are expected to remain relatively low and the Canadian dollar will average around US\$0.75 for the year. Investment spending is expected to grow again in 1994, largely on the strength of spending related to the Hibernia development. Overall, real GDP is expected to grow by 0.6 percent for 1994 while employment is expected to remain unchanged. Since there is little change forecast for the labour force this year, the unemployment rate should remain about the same.

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 larger of the two generating over 80 percent of total farm cash receipts. The majority of livestock producers are located close to the Province's larger urban centres. The number of farms involved in crop production tends to exceed the number of livestock farms and are geographically more dispersed.

Diagram 7

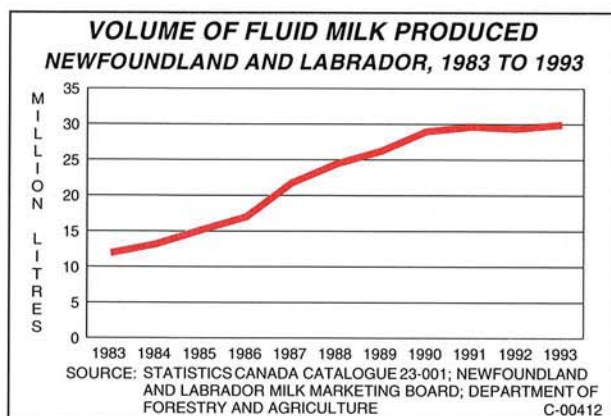


Total farm cash receipts for 1993 were \$62.4 million, down slightly from 1992 levels. Declines in crop production and program payments offset higher livestock receipts. Crop receipts fell by 8.2 percent

from 1992 levels to approximately \$9 million. A late spring slowed crop maturation throughout the Province. While good growing conditions in late summer and autumn partially offset the spring delay, most harvests were below 1992 levels. Growing conditions were better for green leaf crops such as forage, however, this year's late cabbage crop was deemed a failure in most regions of the Province.

There were 314,000 pounds of blueberries harvested this year, down 63 percent from 1992. Depressed prices, combined with a low harvest, resulted in a 76.5 percent decline in harvested value to about \$110,000. Thin snow cover during the winter, poor pollination and a late growing season, are believed to have reduced the number of fruit producing blueberry plants. As well, bumper crops in other blueberry producing regions exerted downward pressure on prices and resulted in a price drop from 55 cents per pound in 1992 to about 35 cents per pound last year. Strawberry production declined by 10.6 percent to approximately 450,000 quarts last year. Lower harvest levels and poor markets resulted in a 29 percent drop in value to \$760,000. Partridgeberry harvests reached record levels last year. Volume increased by 58.6 percent to approximately 333,000 pounds while a 24 percent increase in price pushed total receipts up 96.6 percent to approximately \$310,000. A crop failure in Scandinavian countries increased demand for local product and resulted in higher prices.

Diagram 8



There were 60 farms producing milk in the Province last year, with 32 located in eastern Newfoundland, eight in the central region and 20 in the western portion of the Province. Map 1 indicates the location of selected livestock producers in the Province. The volume and value of milk produced both increased by 1.9 percent to 29.8 million litres and \$22.2 million, respectively last year. Adherence by producers to quotas set by the Newfoundland Milk Marketing

Board kept production close to 1992 levels (see Diagram 8). Production of fluid milk by local producers represents about 95 percent of Provincial consumption. Most of the fluid milk that is imported tends to arrive in bulk form and generally is further processed and packaged in this Province.

There were over one million litres of milk sold through the School Milk Program in the 1992/93 school year, on par with 1991/92 levels. This program was initiated in October 1991 to subsidize milk sold in Newfoundland schools and thereby increase the nutritional intake of students. Prior to the program, only about 90,000 litres of milk were sold in schools during the school year. Currently 404 schools, representing 88 percent of all students in the Province, are benefiting from the program. The project is administered by the Newfoundland and Labrador School Milk Foundation with funding for the program coming from dairy producers, processors and the Provincial government. Transportation assistance is also provided by several private companies.

School milk program a continued success

There were approximately 7.6 million dozen eggs produced in the Province during 1993, unchanged from 1992. Although production levels were comparable to 1992 levels, the industry remained in a period of structural adjustment. Approximately 20,000 laying birds were taken out of production in 1993 under the Canadian Egg Marketing Agency's Quota Retirement Program (QRP). The purpose of the QRP is to remove birds permanently from production by buying quota from farmers. Quota retirements and farm buyouts have resulted in the number of farms declining from 31 in 1991 to 24 by December 1993. The excess productive capacity that exists both nationally and provincially is due mainly to the improved efficiency of laying operations and a change in consumer tastes that has resulted in a long-term trend of declining demand for eggs.

Value of chicken produced increased by 17 percent

There were 20 producers raising broiler chickens in the Province last year, with 10 producers located on the east coast and 10 located on the west coast of the Island. Map 1 shows the location of these farms. Producers sell their product to the Newfoundland

Map 1



Farm Products Corporation which operates two processing plants, one in St. John's and the other in Corner Brook. The volume of chicken processed during 1993 increased 15.8 percent to 11.5 million kilograms live weight while farm value was up 17 percent to about \$16.6 million. Higher production was in response to an additional 1.4 million kilograms of chicken quota granted to the Newfoundland Chicken Marketing Board for 1993. In response to this increased production, Newfoundland Farm Products Corporation increased capacity at its St. John's plant from 11,700 birds per day at the beginning of 1993 to approximately 20,000 birds per day in July. Growth in the value of chicken produced exceeded growth in the volume because of higher prices. Higher prices in Newfoundland were due in part to higher prices set by chicken marketing boards in other provinces and increases in some of the input costs involved in raising chicken. The price paid to Newfoundland producers is based on a formula involving prices paid elsewhere in Canada and the farmer's cost of producing chicken during each 42 day growing cycle.

Since 1992, the Newfoundland Chicken Marketing Board has been granted an additional 5.4 million kilograms of chicken quota. This increases the total quota allocated to the Province under Canada's chicken supply management system to over 15 million kilograms. Approximately 1.4 million kilograms of the new quota was made available in 1993 and about one million kilograms will be made available for each year from 1994 to 1997.

On December 15, 1993 the Uruguay round of the General Agreement on Trade and Tariffs (GATT) concluded with over 100 countries reaching an agreement in principle. For local producers of supply managed commodities, the most significant changes occurring in this round of discussions are an increase in the minimum market access levels and the replacement of import quotas with a system of tariffs. The minimum market access level refers to the percentage of Canadian consumption that total imports can represent before full tariffs or other trade restrictions are imposed. Under the new GATT, the minimum access levels will rise from three to five percent of total domestic consumption and will be phased in over a six year period. Tariffs will be used to control the volume of imports over the minimum access levels and will allow Canada's supply management network to remain intact. The new agreement will impose tariffs on most milk products, turkey, chicken, eggs, chicks and hatching eggs. When the tariffs come into effect in July 1995 they will range from 351 percent on butter to 182 percent on turkey. The tariffs will decline over six years such that by 2001 they will have dropped by 15 percentage points. There is a concern, however, that there could be a challenge from the

United States to the high tariff levels under the North American Free Trade Agreement (NAFTA). There are currently bilateral discussions between Canada and the U.S. to resolve this and other trade issues.

The enhancement of the Provincial agriculture industry continued during 1993 through Federal/Provincial cost-shared agreements. The Canada/Newfoundland Farm Business Management Agreement was signed on March 31, 1993 and is retroactive to July 1992. This three year agreement has a total commitment of \$1.08 million and is designed to improve the business management capabilities of farmers. As well, a \$2.86 million extension to the Canada/Newfoundland Agri-food Development Subsidiary Agreement was signed in October 1993. This one year agreement is cost-shared 70 percent Federal and 30 percent Provincial. It is designed to provide assistance to the agri-food industry in the areas of market development, human resource development, on-farm development and assistance in research and technology. The Canada/Newfoundland Agreement on Green Plan was also signed in October 1993 and is a five year \$2.0 million agreement cost-shared equally between the Federal and Provincial governments. This program is designed to encourage environmentally sustainable activities in the agri-food industry.

The outlook for the agriculture industry remains favourable for 1994. The volume of milk produced is expected to be on par with 1993 levels while broiler chicken production is expected to increase by over one million kilograms as additional quota comes on stream. The volume of eggs produced in 1994, however, is expected to decline slightly as the full effect of 1993 quota retirements are realized. If weather conditions are favourable this year, then higher yields should result for vegetable and small fruit producers.

Fishery

The Newfoundland and Labrador fishing industry experienced another tumultuous year in 1993. The northern cod moratorium which was implemented in 1992 remained in place throughout 1993. As well, moratoria were imposed on other key groundfish stocks around the Province. Motivated by cautious and forward looking conservation measures, quota reductions on cod fishing in the Gulf of St. Lawrence and closures on the South Coast of the Island were implemented to allow young fish time to mature and hopefully contribute to a more successful future fishery. Other fisheries performed reasonably well in contrast to the performance witnessed in the groundfish segment of the industry. Pelagic and shellfish

landings were higher in 1993, and strong market conditions for these species, accompanied by higher prices, provided an additional boost. Overall, however, with groundfish stocks at historically low levels and most directed cod fisheries closed, 1993 was not a good year for the fishery. Many fisheries workers were forced to fall back on income support and other programs as a result of the ongoing crisis. Financial results for major fish processors in the Province varied by company.

Fish landings fell considerably for the third consecutive year due to the drop in cod which is the most important species to the industry. Cod landings declined by more than 50 percent last year, the result of a combination of several factors including: the first full year of the moratorium on northern cod; additional fish closures around the Province; and delays in the Gulf fishery.

Several factors contributed to 1993 decline in cod landings

As a result of a full year moratorium on northern cod in NAFO divisions 2J+3KL (see Map 2), the offshore was not able to participate in the directed fishery for this stock. When the moratorium was put into force mid-way through 1992 the offshore had already taken about 18,000 tonnes of cod. In 1993, offshore cod landings from this area were comprised only of by-catch which, for conservation reasons, was kept to a minimum. This was one major factor contributing to the overall decline in cod landings last year.

Cod landings were also reduced by the Minister of Fisheries action in August 1993 to reduce or close certain fisheries. All directed cod fishing on the South Coast of the Island was suspended last August in an effort to preserve remaining fish stocks. Cod landings were reduced by 7,500 tonnes in 1993 as a consequence of this action.

Lower landings in some areas were linked to conservation-related delays in fishing activity as well as quota reductions. Along the Southwest Coast (Gulf Region) of the Island, cod landings were down 9,000 tonnes from the previous year. While quota reductions explain part of the decline, another reason relates to delays over the implementation of certain new conservation measures designed to protect juvenile fish.

Cod accounted for much of the decrease in landings in absolute terms, however, landings of other species also fell in 1993. Most notable were declines in redfish, flounder, scallops and herring. Decreases in these species combined with the drop in cod landings more than offset increases in other major species such as capelin, crab and, of increasing importance, clams. Overall, total landings in 1993 are estimated at 229,000 tonnes, down by 17.6 percent from 1992.

Foreign procurement increasingly important to processing sector

In response to the decline in domestic fish landings, some fish processors sought alternative sources to keep production lines operating. Fish from the Barents Sea has been of particular importance. Approximately 11,000 tonnes of fish have been procured from the Russian fleet fishing in this area. Fish procured from foreign sources partially offset the impact of reduced landings on the processing sector. As a result, employment losses in the processing sector were lessened and the value of exports did not decline in proportion to the decrease in landings. Furthermore, a higher level of employment in the harvesting sector, believed to reflect among other things the strong performance of certain fisheries such as crab and capelin, resulted in a modest improvement in total fishing industry employment. Total fishing industry employment was up by about 1,000 or 5.5 percent compared with severely depressed 1992 levels (see discussions in *Labour Markets* section of this report).

TABLE 7

**DISTRIBUTION OF RECIPIENTS
BY NCARP OPTION, JANUARY 1994
NEWFOUNDLAND AND LABRADOR**

Options	Fishermen	Plant Workers	Trawler-men	Total
Training inside the fishery	6,032	7,737	413	14,182
Training outside the fishery	689	2,262	115	3,066
Work/UI	207	2,490	40	2,737
Early retirement	755	798	56	1,609
\$225 per week	291	1,170	7	1,468
Sub-total	7,974	14,457	631	23,062
Outstanding	1,720	1,302	390	3,412
TOTAL	9,694	15,759	1,021	26,474

Source: Department of Fisheries and Oceans

The adverse impact of the northern cod moratorium on employment and incomes led to the implementation of the Northern Cod Adjustment and Recovery Program (NCARP) in 1992. The income support component of this program is the largest of two such programs designed to help workers affected by the fisheries crisis. Other components of NCARP are designed to assist affected workers in the areas of retraining, early retirement, and vessel maintenance. Options such as early retirement and training outside the fishery are designed to relieve some of the pressure on the industry. As of January 1994, more than 23,000 persons had made their selection from amongst the available options. Table 7 shows that 14,182 persons, or about 54 percent, have opted to take part in training inside the fishery while 3,066 persons, or 11.6 percent have opted for training outside the fishery. At the time of writing, approximately \$421 million had been spent in direct fisheries compensation under NCARP while another \$10 million had been spent on licence retirement. A further \$118 million is expected to be spent by March 1994 on training and related allowances. For further details on other aspects of this program, readers are referred to the boxed discussion in *The Economy 1993*.

Federal government allocates \$1.7 billion for long-term fisheries adjustment

In addition to the continuation of NCARP, other income support programs were required in 1993 to offset further reductions, restrictions and closures which occurred in various Provincial fisheries throughout the year. A \$191 million program was announced in April 1993 to help affected industry workers deal with quota reductions. The major components of this program included training programs and allowances, job development projects, vessel support programs and options for early retirement. With the announcement of major fishery closures in August, however, this program came under one umbrella effort known as the Atlantic Groundfish Adjustment Program (AGAP). By year end, the Federal Minister of Fisheries softened AGAP eligibility criteria to make entry into the program easier and more reflective of the crisis at large. Approximately 2,900 people in Atlantic Canada were covered under AGAP at the end of 1993, however, because of ongoing problems in the industry, up to 5,000 additional individuals may become eligible. Both NCARP and AGAP were slated to expire in May 1994, however, in the February budget, the Federal government set aside \$1.7 billion to be allocated over five years for

long-term adjustment. The details of the program are expected to be made known in the coming months.

Seafood markets generally improved in 1993 although some weakness was noted in particular segments. Improvements in key markets provided the main impetus for the increase in the value of seafood exports. The value of seafood exported to non-Canadian markets rose considerably last year despite the overall contraction in the quantity of fish landings. Seafood exports in 1993 were valued at \$356.6 million representing an increase of approximately nine percent over the previous year. The rise in exports is attributed to increased exports of secondary products and increased production of, and higher prices for, capelin and crab products.

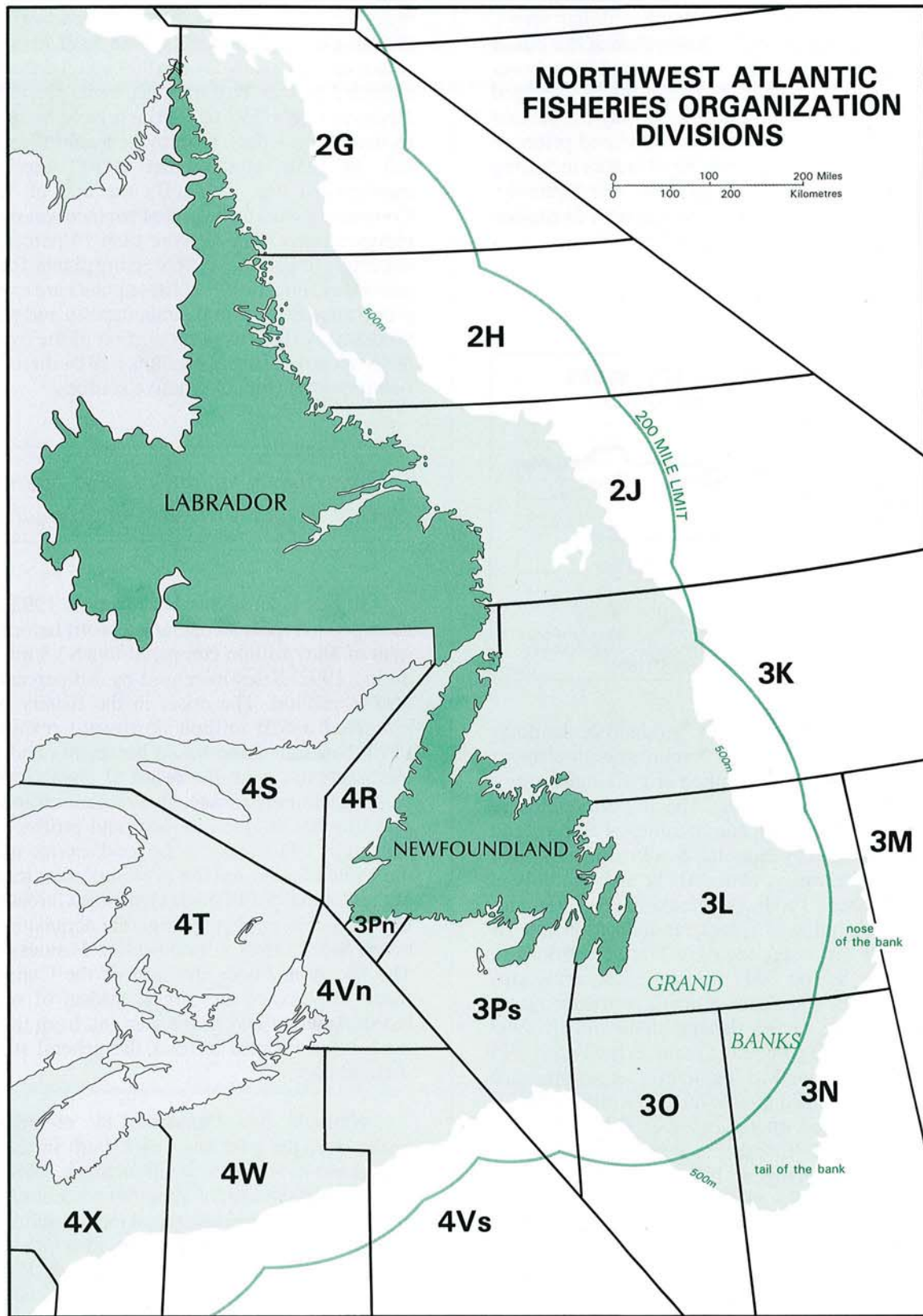
Almost all capelin products produced in the Province are intended for the Japanese market. The production of female, roe-bearing capelin rose significantly last year to 17,400 tonnes compared to 12,300 tonnes in 1992. Capelin prices also rose substantially last year and were subject to much wider fluctuations than in previous years. Prices averaged about \$2,900 per tonne during the year, up by about 60 percent from average prices in 1992. As well, some producers obtained prices for their capelin that were significantly higher than the average 1993 price.

Crab landings in 1993 highest level ever recorded

Crab landings rose to approximately 22,000 tonnes in 1993, the highest level of landings ever recorded. Exports of crab were also higher last year, a reflection of improved landings. Markets were more diversified as well, giving processors more choices and flexibility over production. In particular, more crab was directed to the Japanese market as lower landings elsewhere, notably in Alaska, created additional opportunities for local producers. Overall, the value of crab products exported rose by about 62 percent in 1993.

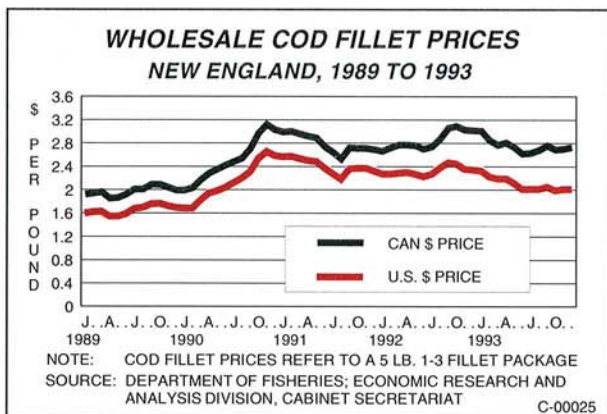
Although cod landings fell dramatically in 1993 this species of fish still comprised the single largest component of groundfish. Markets for cod in the United States, traditionally the Province's most important outlet for its production, were relatively weak in 1993. Diagram 9 illustrates cod fillet price trends in both U.S. and Canadian dollars. Variations in the differential between the U.S. price and the Canadian price reflects changes in the exchange rate. In U.S. dollar terms, cod fillet prices edged downward

Map 2



throughout most of the year and averaged US\$2.13 per pound, representing a decline of about 10 percent from the previous year. In Canadian dollar terms, prices at year end were also lower than at the outset of 1993, but the decline was moderated by a lower Canadian dollar. Overall, cod fillet prices averaged CAN\$2.75 representing a decline of only 3.5 percent from the previous year. The decline in cod prices in the U.S. market reflects a number of factors including resistance to high prices, uncertainty over continuity of supply and, consequently, increasing substitution of cod with alternative species of fish.

Diagram 9



Dramatic reductions in groundfish landings throughout Atlantic Canada combined with changes in the marketplace have resulted in challenging times for 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 Trepassay, Grand Bank and Gaultois in 1991 by Fishery Products International (FPI), signalled the beginning of a plant rationalization process reflective of the resource crisis. Plant operations in the Province during 1993 were again severely curtailed. NSP has undergone a major restructuring effort in response to the fishery crisis and in 1993 operated only one processing plant on the Island. FPI was better positioned to maintain a larger presence because of continued quotas of cod in other areas as well as significant quotas of other fish (American plaice, yellowtail flounder and witch flounder) in 3LNO. This will change in 1994, however, as fishing is banned on virtually all cod stocks in Atlantic Canada as well as those species of groundfish mentioned previously in the 3LNO area. FPI's groundfish harvest will be largely concentrated on the remaining groundfish species - redfish. It should be noted, however, that the Company also has a significant shellfish quota.

FPI has sustained groundfish quota reductions of approximately 90 percent since 1988. In response to these drastic reductions, FPI has been forced to trim its harvesting capacity. Its 1988 fleet of 59 vessels was reduced to only 24 in 1993 and the Company is expected to maintain only six in its fleet this year. Approximately 750 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. By the end of 1993, the Company's workforce in the Province was only 2,000 representing a drop of more than 74 percent. FPI is expecting to operate six processing plants, for varying periods of time, in 1994. These plants are expected to process redfish, shrimp, crab, capelin and secondary products. A significant proportion of the overall output from processing operations will be directly tied to fish imported from alternative sources.

Some fish companies report operating profit despite problems in groundfishery

It was against this backdrop in 1993 that FPI managed to report an operating profit before unusual item of \$4.6 million compared to a \$2.3 million loss during 1992. Sales increased by 1.8 percent to total \$600.8 million. The crisis in the fishery however, prompted a \$20 million downward revaluation of FPI's Newfoundland based harvesting and processing assets last year, the result of plant closures and vessel decommissioning. Diversification and forward planning has resulted in sales and profits being enhanced by FPI's stake in the food service markets of the United States and the ever important trading arm of the Company. FPI made significant inroads into the United States market through the acquisition of National Sea Product's food service business in 1992. The Clouston Foods division of the Company has made FPI one of the largest traders of seafood in North America and profit margins from this side of the business appear to track the general state of the seafood trade.

National Sea Products Ltd. recorded major losses over the past few years, both in terms of its quotas and its financial position. Since 1988, NSP has experienced the loss of about 90 percent of its quota allocations. This has translated into the elimination of its trawler fleet (based in this Province) from 11 vessels in 1988, affecting approximately 176 trawlermen. NSP's processing operations in Newfoundland have also been substantially reduced. In 1988 employment in NSP plants amounted to 1,425 persons compared to an employment level of approximately

TABLE 8

**STATUS OF MAJOR GROUND FISH QUOTAS
1993 AND 1994**

STOCK	1993 (TONNES)	1994 (TONNES)	COMMENTS
Cod 2J+3KL	Moratorium	Extended indefinitely	Moratorium was previously set to end May 1994. Action consistent with FRCC recommendation.
Cod 3Ps	20,000	Moratorium	Measures stronger than FRCC recommendation.
Cod 3NO	10,200	Moratorium	Measures consistent with FRCC and NAFO.
Cod 4RS,3Pn	31,000	Moratorium	Measures consistent with FRCC recommendation.
Cod 4VsW	11,000	Moratorium	Measures consistent with FRCC recommendation.
American plaice 3LNO	10,500	Moratorium	Announced by NAFO on September 10, 1993.
Yellowtail flounder 3LNO	7,000	Moratorium	Announced by NAFO on September 10, 1993.
Witch flounder 3NO	5,000	Moratorium	Announced by NAFO on September 10, 1993.
Turbot O+I	12,500	12,500	Unchanged.
Turbot 2+3KLMN	50,000	25,000	Measures consistent with FRCC recommendations. Provincial turbot landings are expected to remain essentially unchanged.
Redfish 4RST+3PN	60,000	30,000	Measures consistent with FRCC recommendation. Provincial redfish landings are expected to be lower by about 9,000 tonnes.
Redfish 3P+4V	28,000	25,000	Measures consistent with FRCC recommendation.

Note: Closures, reductions, and quotas outlined are groundfish stocks of prime consideration to the Province.

TAC: Total Allowable Catch

DFO: Department of Fisheries & Oceans

NAFO: Northwest Atlantic Fisheries Organization

FRCC: Fisheries Resource Conservation Council

Source: Department of Fisheries and Oceans; Economic Research and Analysis Division, Cabinet Secretariat.

120 in 1993. Activity at the Company's Newfoundland based operations in 1994 is expected to be minimal and will be largely determined by the direction taken in the capelin fishery, the offshore clam fishery and the procurement of raw material from foreign sources.

Quota cuts were reflected in NSP's 1993 financial performance. The Company reported a \$0.8 million net loss in the first nine months of 1993 as sales declined by nearly 24 percent to total \$210.9 million. The reduction in sales was largely attributable to a decline in trading and co-packing sales in the Company's United States operations because of quota reductions throughout the Atlantic fishery. Employment was maintained at a reduced level at the Arnold's Cove plant last year primarily through the procurement of raw material from world markets.

ConPak Seafoods Inc. (CSI) has emerged from the rapid pace of change in the east coast fishing industry as one of the key players. CSI is a Newfoundland based purchaser, processor and limited marketer of seafood products. The Company pursued a strategy of acquiring plants and establishing buying stations in key areas of the Province to enable it to obtain fish on practically a year-round basis. In addition to groundfish, CSI also processes shrimp, lumproe and capelin. Despite reductions in groundfish quotas, the Company recorded a profitable year due partly to a good capelin fishery. Sales for CSI's year ending September 1993 amounted to \$23.7 million, down from \$25.3 million in the same period in 1992. Net income for the year was \$0.595 million, compared with a net loss of \$1.2 million for the previous operating year. CSI expects to operate three or four processing facilities on a seasonal basis in 1994. The actual number of plants and their operating period will be contingent on the performance of remaining fisheries.

The past two years have witnessed the acknowledgment of a severe resource crisis that has resulted in a moratorium on cod fishing around the Province and the closure of the most important stocks of flatfish. The immediate and direct effects of the resource crisis have been alleviated, to some extent, by the stabilizing nature of income replacement programs that are currently in place, and those that are expected to come on stream in 1994 to replace existing programs. Nevertheless, there are challenging times ahead as the industry undergoes necessary restructuring and downsizing. The direction taken with respect to major fisheries policy issues today will have important implications for the structure and performance of the Provincial fishing industry in the future.

Demand conditions in the United States seafood market, the Province's largest customer for fish prod-

ucts, are expected to improve in 1994. Economic recovery in the U.S. is firmly established and the pace of economic growth, and hence growth in personal incomes, is expected to increase this year. This is good news for seafood markets which are linked to the performance of the economy at large. Most seafood is consumed at restaurants rather than at home, and thus the demand for restaurant meals generally varies directly with economic performance. In particular, some improvement is expected in U.S. cod markets this year. As well, markets for capelin and crab are expected to remain firm in 1994. The major constraint to the performance of the Provincial fishery during 1994 is on the supply, rather than the demand, side of markets.

No improvement is anticipated in the performance of the Province's fishing industry during 1994 in spite of the advances expected on the demand side of seafood markets. The Federal Minister of Fisheries confirmed in the *1994 Groundfish Management Plan* that the northern cod fishery will not reopen this spring. Moratoria will also be in place throughout 1994 for other cod stocks around the Province as well as for other groundfish stocks including 3LNO American plaice and yellowtail flounder, and 3NO witch flounder. Turbot and redfish quotas have also been reduced from 1993 levels. The decline in landings expected to result from these reduced quotas, however, will not be in proportion to the decrease in quotas. This is because the total allowable catch for redfish is not assigned exclusively to the Province and hence the reductions will be shared with the other participants; and because quotas for turbot were not fully utilized in previous years so that declines in landings of turbot are likely to be less than would be implied by turbot quota reductions. The status of certain key groundfish stocks that are of particular importance to fishing interests in Newfoundland and Labrador are summarized in Table 8. Overall, domestic landings are expected to decline for the fourth consecutive year, the result of groundfish moratoriums and quota reductions. On a positive note, however, procurement of fish from foreign sources is expected to continue in 1994 at the same level as last year or higher. Moreover, a strong performance is expected this year for other species such as capelin, crab and clams that performed well in 1993.

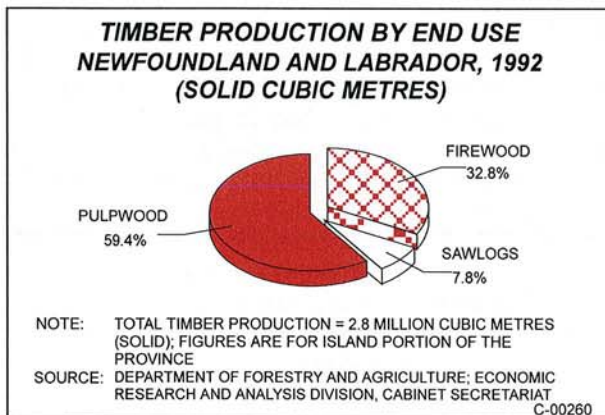
Forestry

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 approxi-

mately seven percent of Gross Domestic Product (GDP) in the Province's goods producing sector in 1992 and two percent of total GDP. The industry generated approximately 4,400 person years of employment last year. The Provincial newsprint industry performed reasonably well in 1993, as both the volume and value of newsprint shipments increased. Newsprint prices, based on U.S. transaction prices, however, remained below profitable levels as average transaction prices were over 30 percent lower than list prices. Provincial mills continued to enhance their recycling capability in an attempt to maintain a competitive position in their markets. Sawmilling activity continued to be a growing component of the Provincial forest industry in 1993 as locally produced lumber made further advancements in export markets.

Approximately 2.8 million cubic metres of timber was harvested on the Island portion of the Province in 1992, the latest year for which data is available. Diagram 10 shows the distribution of 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 60 percent of the total. The remainder of the timber was comprised of either sawlogs, used in secondary manufacturing of lumber, or firewood. The largest component of firewood is used for domestic home heating with a lesser but significant component used for electricity generation and institutional heating. Newsprint production dominates forest product manufacturing and is the primary export of the industry. Newsprint is produced at three mills in the Province: the Corner Brook Pulp and Paper Limited mill in Corner Brook and two Abitibi-Price Incorporated mills located at Grand Falls and Stephenville.

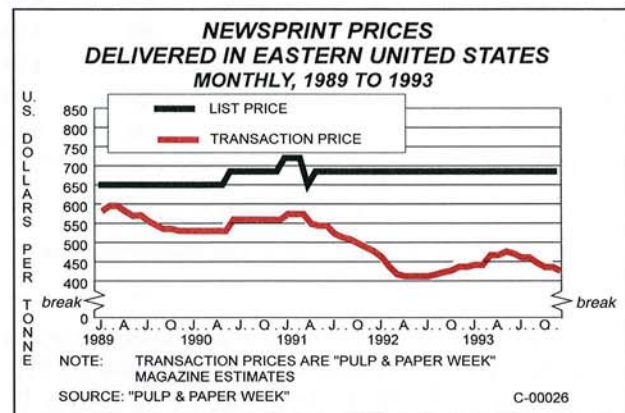
Diagram 10



Conditions in the North American newsprint market, which consumes approximately 40 percent of world newsprint production, have important implica-

tions for the performance of the Provincial newsprint industry. North American demand for newsprint improved slightly in 1993 as both the United States and Canadian economies expanded. Excess production capacity in the world industry, however, kept prices low which meant that newsprint manufacturers continued to endure serious financial losses. During the recent recession, newsprint prices were driven below profitable levels because of oversupply problems and depressed demand. Some old capacity was removed from Canadian mills in 1992 but not enough to provide a substantial boost to prices. The losses experienced in the industry last year were mitigated to some extent by cost-cutting measures employed by producers, a weaker Canadian dollar and lower interest rates.

Diagram 11



Newsprint demand and prices both experienced a short-term surge early in 1993 caused by the threat of strikes at Eastern and Central Canadian mills. The possibility of strikes compelled paper buyers in Eastern North America to build up inventories in case of supply problems in the newsprint market. This temporary increase in demand enabled producers to cut discounts in March allowing transaction prices to rise as indicated in Diagram 11. Prices peaked at US\$485 per tonne in May, but transaction prices began to fall again once a five year agreement between Abitibi-Price Inc. and the union representing mill workers was ratified in June. This agreement set the standard for the renewal of other mill contracts and alleviated the strike threat. By December, transaction prices had fallen to US\$435 per tonne. For the year as a whole, newsprint transaction prices averaged US\$461 per tonne, an increase of 6.4 percent compared with 1992. Although prices for last year were higher than in the previous year, the industry considered them to be below profitable levels. Average transaction prices last year were over 30 percent lower than list prices.

Canadian newsprint production and shipments both increased during 1993 as indicated in Table 9. Canadian newsprint shipments increased by 2.2 percent and production levels rose by 5.5 percent. The Canadian industry operated at 96 percent of rated capacity in 1993, up seven percentage points from 1992. The removal of old production capacity in 1992 together with the increase in newsprint demand allowed operating rates to rise.

TABLE 9

CANADIAN NEWSPRINT STATISTICS

	1992	1993	Change
Operating Rate	89%	96%	7.0 pts.
Production ('000 tonnes)	8,931	9,424	5.5%
Shipments - Total ('000 tonnes)	9,143	9,341	2.2%
To United States	5,865	5,974	1.9%
To Canada	1,043	1,125	7.9%
To Other Markets	2,234	2,242	0.4%

pts: percentage point change

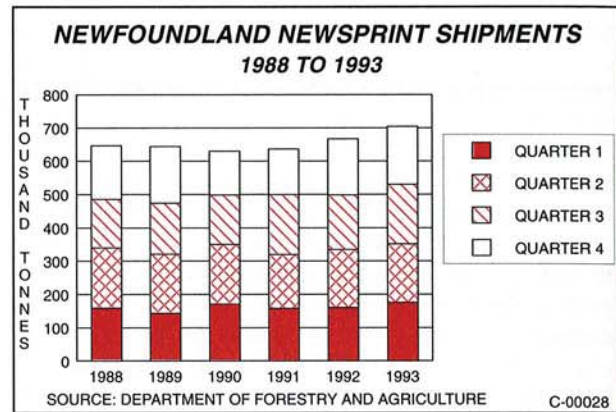
Note: Figures may not add to the total because of rounding.

Source: Canadian Pulp and Paper Association, Monthly Newsprint Statistics, December 1993.

The United States' market accounted for about 64 percent of Canadian newsprint shipments in 1993. An increase in U.S. demand was driven mainly by inventory accumulation as consumption rose by less than one percent over the previous year. The amount of newsprint held in inventory grew earlier in the year in anticipation of supply disruptions at Canadian mills that might result from any breakdown in union/management contract negotiations. After the threat of labour problems dissipated later in the year, inventories slowly declined.

A Presidential Order issued in October 1993 instructed all U.S. Federal agencies to ensure that the printing and writing paper which they buy contains at least 20 percent recycled content by the end of this year, and 30 percent by 1998. Even though the U.S. Federal government accounts for only two percent of all U.S. consumption, the government hopes that the private sector and other government agencies will follow its lead. Many states already have laws requiring that newspaper consumed in the state include a certain amount of recycled content. These legal requirements have prompted mills, including those in the Province, to undertake activities which will improve recycling capabilities.

Diagram 12



Performance in the Provincial newsprint industry was consistent with national trends last year. The volume of newsprint shipped from the Province's mills rose by 5.6 percent to 703,881 tonnes as illustrated in Diagram 12. The value of shipments, based on the average Eastern U.S. transaction price, also rose, growing by about 20 percent due to the increase in shipments, newsprint prices and the lower Canadian dollar.

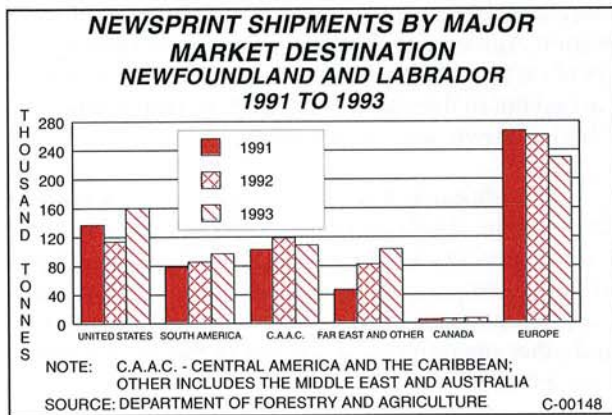
Provincial shipments of newsprint increased in 1993

Newsprint shipments to the United States, South America, Far East and the rest of Canada all increased in 1993. The strongest growth occurred in shipments to the United States which grew by 41 percent. In addition to shipping more product to the U.S., Provincial producers increased shipments to several smaller markets last year. Shipments to the Far East and other countries rose by more than 25 percent while shipments to South America recorded a 12.7 percent gain over the previous year. The only market destinations to record declines last year were Europe and Central America/Caribbean as indicated in Diagram 13. The drop in exports to Europe was not surprising considering that shipments to Europe in both 1991 and 1992 were especially high and as such are probably not a good basis for comparison.

Only one of the Provincial newsprint mills experienced downtime in 1993. Corner Brook Pulp and Paper closed for one week in July. Kruger Inc., the parent company of Corner Brook Pulp and Paper, announced earlier in 1993 that two weeks of downtime would be necessary at the mill in order to bring

production in line with orders. Kruger later decided that the second week of downtime would not be necessary. Early this year Kruger asked its mill workers to accept a ten percent wage cut in exchange for a profit sharing plan. The Company cited a heavy debt load as the reason behind the request. The mill workers voted against the request, claiming that more information was needed concerning the financial condition of the Company. At the time of writing, the Company had agreed to allow the union access to the required information.

Diagram 13



Both Abitibi-Price and Corner Brook Pulp and Paper continue to make investments in order to enhance their recycling capabilities. The Abitibi-Price mill in Stephenville will be installing a de-inking plant during this year at a cost of \$12.3 million. As part of the pre-production process for recycled newsprint, wastepaper such as old newspapers and magazines will be first taken to the mill where the ink will be removed. The pulp from the de-inking plant will then be combined with pulp derived from pulp logs to produce newsprint with recycled content. Most of the wastepaper used by the mill will come from the United States as the Province, like the rest of Canada, is an importer of wastepaper from the American market. Stephenville will be the first mill in the Province to have de-inking capability.

Investment will result in enhanced recycling capability at Provincial mills

Corner Brook Pulp and Paper opened a \$6 million recycling plant in July 1992. The recycling process employed at the Corner Brook plant uses various types of waster paper without de-inking. Presently,

the plant employs four people and is producing between 50 and 60 tonnes per day of newsprint containing the recycled material.

The establishment of recycling capabilities is part of a larger plan to improve Corner Brook Pulp and Paper's competitive position. 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 1995. Planned upgrading of the Mill's No.4 paper machine to produce speciality grade paper, however, has been postponed until the Company considers it more financially feasible.

A Corner Brook company has achieved success through the use of a by-product from the newsprint industry. Genesis Organics Inc. is a manufacturer of organic soil enhancers. One of the ingredients in the compost which the Company produces is bark which is produced as a by-product of newsprint production at the Corner Brook paper mill. The Company has distributorships based in Corner Brook, St. John's and Halifax and has a manufacturing representative in Boston. The Company began developing markets for its product in the New England States during 1993, filling various small orders. Genesis Organics Inc. will continue to expand its market this year by taking part in prominent trade shows in Boston. The product is ideally suited for dry arid climates such as the Mediterranean, and the Company is looking to move into other national and international markets for organic soil enhancers.

Provincial sawmilling companies continued to export lumber

The Province's sawmilling industry has benefited from a recent willingness by major purchasers of high quality lumber products to accept shipments from small producers who can meet niche market specifications. Newfoundland began exporting significant quantities of high quality lumber to specialty markets in 1992 under the initiative of three separate companies: Canada Bay - Interholz Ltd. out of Roddickton, P. Garland Forest Products Limited of Harbour Grace, and A.L. Stuckless and Sons of Glenwood. During 1993, the companies exported 6.25 million board feet of lumber to international markets. The continuing growth in the North American economy holds promise for local producers, and some industry analysts forecast that U.S. lumber prices will reach record high levels this year due to a

revival in the U.S. housing market and tight domestic lumber supplies.

*Forest resource education
initiatives continued in 1993*

Natural Resources Canada established the Province's first demonstration forest in Gander in 1993. The Thomas Howe Demonstration Forest, named for Newfoundland's first chief woods ranger, is located on about 5,400 hectares of land owned by Transport Canada and will serve as a model for instruction in forest management. Approximately 2,900 hectares of the demonstration forest is productive forest land on which various harvesting systems and silviculture practices will be exhibited. The area will also be used as an outdoor classroom for school children, teaching them about the ecology of the Province's forests. A budget of \$810,000 over five years has been allocated for 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 700,000 hectare model forest was established in 1992 in the Western region of the Province by the National Advisory Committee on Model Forests. This five year, \$4.8 million forest plan 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 area covers a significant portion of land in Western Newfoundland with the City of Corner Brook at its centre and encompasses a variety of forest types and ecosystems. The area is to be a working example of integrated resource management and sustainable development. Approximately two-thirds of the funding is aimed at developing a common planning structure for forestry and wildlife, in particular preservation of the pine marten habitat. The Western Newfoundland Model Forest is one of ten such model forests being developed in the Country.

Management of the Province's forest resources is an important area of activity in primary forestry. Preliminary estimates indicate that approximately \$30 million was spent on forest management activities throughout Newfoundland and Labrador during the 1993/94 fiscal year. Approximately 40 percent of these expenditures were spent under the Canada/Newfoundland Cooperation Agreement for Forestry Development in Newfoundland and Labrador

(CAFD), which was signed in 1991. This \$64.3 million agreement calls for expenditures on silviculture and other forest management and protection activities to be cost-shared between the Federal and Provincial governments on a 70/30 basis. Between April 1 and December 31, 1993, roughly \$12.1 million had been spent under this agreement. Another \$1.2 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 are carried out during the summer months and are designed to train young people in silvicultural activities. In addition, \$0.82 million was spent up to the end of December under the Comprehensive Labrador Cooperation Agreement. The majority of this money was spent on the continuation of a forest inventory being carried out in the Sandwich Bay-Port Hope Simpson-Charlottetown area of Labrador.

In addition to three cost-shared agreements outlined above, the Government of Newfoundland and Labrador spent an estimated \$15.9 million in the April to December period on such activities as forest access road maintenance and construction, fire suppression, and other operations carried out in the area of forest management.

The Federal government announced in its April 1993 budget that it will not be renewing the present Federal/Provincial agreements on economic and regional development (ERDA) in forestry and minerals. The Federal government has stated that these are areas which fall within provincial jurisdiction and ones in which provincial government and private sector activities have matured to the point that more limited Federal government involvement is warranted. The Comprehensive Labrador Cooperation Agreement is also an ERDA agreement and while it is not one of the agreements specifically targeted for non-renewal, the Federal government has also stated that forestry and mineral activities under other agreements will not be covered in the future. The Province continues to lobby the Federal government to reconsider its decision to discontinue these agreements when they expire.

After a financially difficult year for the North American pulp and paper industry there are signs that producers may see some improvement this year. While economic growth is expected to remain sluggish in continental Europe and Japan, a continued recovery in economic conditions is forecast for the North American market. The Canadian Pulp and Paper Association predicts a moderate increase in Canadian newsprint shipments of about 2.6 percent in 1994, fuelled by increased deliveries to the U.S. market. In addition, most newsprint producers are plan-

ning a seven percent discount reduction in March. If successful, this would produce a badly needed increase in prices. Improved mill efficiency and cost-cutting measures together with a slight increase in newsprint prices are expected to lower financial losses in the industry this year. Also, Canadian producers will benefit from both the low value of the Canadian dollar relative to its U.S. counterpart and favourable interest rates.

The Provincial newsprint industry is expected to produce and ship about the same amount of newsprint this year as in 1993. Currently, mills are operating at about full capacity and this is expected to continue during the year. Improvements to recycling capabilities will proceed, allowing further market flexibility for Provincial mills in the future.

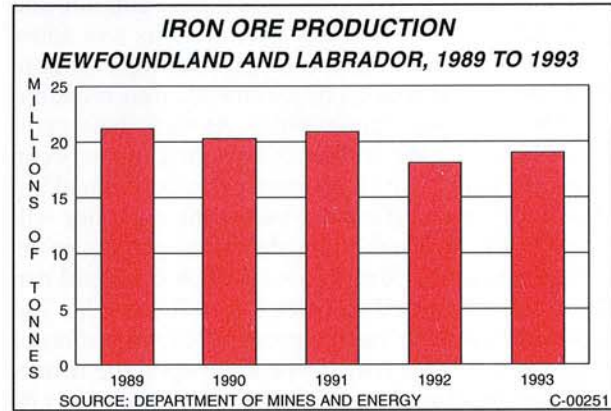
Mining

Mining has been one of the Province's key export industries for many years and is dominated by exports of iron ore from Western Labrador. Two companies, the Iron Ore Company of Canada (IOCC) and Wabush Mines extract, process, and export iron ore products from Labrador (see Map 3). Both companies benefitted from a strengthening of iron ore markets last year which was brought about by improvements in the North American economy. Although the volume of iron ore production increased by 4.9 percent last year (see Diagram 14), the value of iron ore shipments declined slightly in the face of lower prices and additions to producers' inventory. Nevertheless, the total value of mineral shipments rose by 3.9 percent in 1993, primarily due to the increased volume and value of gold production and shipments. Other positive factors for the mining industry last year included initiatives announced by the Provincial government designed to encourage exploration activity and improve the tax climate.

IOCC produces iron ore concentrate and pellets at its facilities in Labrador City. The Company had anticipated that an eight week shutdown would be necessary to reduce production last year. Improvements in iron ore markets, however, meant that the Company was able to limit the shutdown to only five weeks, from June 28 to August 2, and minimize layoffs and income losses as most employees took their annual vacation during this period. IOCC's output of iron ore pellets and concentrates rose to 14.4 million tonnes, an increase of nearly seven percent from the 13.5 million tonnes produced in 1992. Production gains last year followed significant declines in 1992, and thus marked somewhat of a turnaround for the Company. Despite the increase in production,

IOCC's average employment declined by about 11.1 percent as the Company continued to rationalize its operations and seek productivity gains in the face of increasingly competitive international iron ore markets.

Diagram 14



Developments in the iron and steel industry, particularly in North America, are important to the Provincial iron ore industry. Indeed, much of IOCC's increased production last year can be attributed to the restructuring and recovery of the North American steel industry. In addition to being hard hit by the recent recession, this industry had also been struggling with high costs, underutilized capacity and increased competition from producers in Europe and Asia for a number of years. The increased demand for North American steel products last year was the first significant gain since 1989. Higher levels of automobile production as well as increased production of machinery and equipment provided much of the stimulus to increased demand for steel. A strike at a major U.S. iron ore producer which lasted for approximately three months also contributed to IOCC's improved position in the marketplace. While improved markets for steel translated into higher demand for iron ore products, no improvement was recorded in the price of iron ore products. In fact, there have been many downward pressures on price in the marketplace since 1989. Depending on the type of product (sinter, concentrate, pellet, etc.) prices have fallen considerably. Since iron ore is priced internationally in U.S. dollars, the effect of soft prices may have been offset somewhat for Canadian producers by the ongoing depreciation of the Canadian dollar.

IOCC continues to be a world leader in research and development pertaining to iron ore mining. The Company announced early last year that it would be building and testing a high gradient magnetic separator to process and improve the quality of pellet and

concentrate output. The cost of the project was \$8 million, of which \$4.3 million came from the Atlantic Canada Opportunities Agency (ACOA) in the form of a repayable contribution. This is the first time such a large magnetic separator has been used in iron ore processing. Depending on the test results, the separator could bring about a major change in the way iron ore products are produced in Labrador City. It will greatly lower the silica content in the concentrate and improve its quality and consistency. This will allow IOCC to produce a grade of product that is more suited to current market requirements, thus broadening IOCC's export opportunities. As well, the separator will increase the amount of iron the Company can extract from its ore by one or two percent, thus making production more efficient. Finally, the separator will allow IOCC to finely tune the silica content in its production so that shipments for each steel mill can be custom produced to meet the mill's needs. The separator has been used to process only a portion of output at Labrador City. Depending upon the results from the ongoing pilot project IOCC may convert its full output to the new process which would require further investment of \$45 million. Preliminary trials using the separator began early last year and initial production satisfied the low silica criteria. In fact, the Company hopes to fill an order for low silica pellets in March of this year.

Wabush Mines extracts iron ore at its facility in Western Labrador. The ore extracted is then shipped to the Company's processing facility in Point Noire, Quebec where it is made into iron ore pellets. The Company produced 4.6 million tonnes of iron ore concentrate during 1993, up slightly from 1992. Despite the slight increase in production, employment at Wabush declined by 6.1 percent last year. Negotiations between labour and management for a new collective agreement were ongoing throughout the year, however, at the end of December no agreement has been reached. Issues at the centre of negotiations include wage reduction concessions which the Company is seeking from its workers.

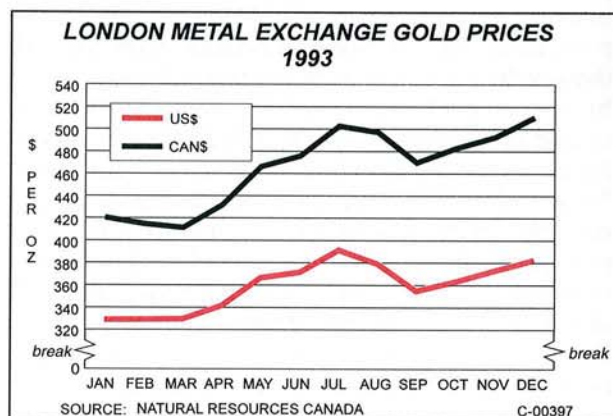
The Hope Brook Gold Mine, which is owned and operated by Royal Oak Mines Inc., marked its first full year of uninterrupted production in 1993. The mine produced approximately 97,000 ounces of gold and employed an average of 267 people. The volume of gold production more than doubled and average employment at the mine increased by 13.6 percent. The ore being mined at the Hope Brook facility contains significant amounts of copper in addition to gold. The owners of the mine commissioned a plant in April of last year to permit the recovery of the copper. The new facility not only permits the extraction of copper concentrate from the ore but has also allowed gold yields to be raised at the same time.

Some 299 tonnes of copper, with an estimated value of \$740,000, was produced at the mine during 1993. The copper concentrate reclaimed at the mine is being shipped to Quebec for smelting.

Copper produced at Hope Brook Gold Mine

Gold prices generally moved upward during 1993 as Diagram 15 shows. Increases in the demand for gold by jewellery makers and industrial users were important factors behind the upward movement. Speculators also played a major role in the market. Gold has traditionally been used as a hedge against inflation, and an expected rise in commodity prices in line with output growth in the U.S. and Canada also sparked interest in gold last year. The strengthening of the gold market comes on the heels of an extended poor performance by gold on metal exchanges around the world. Price increases and a lower Canadian dollar improved the profitability of the Hope Brook Mine in 1993.

Diagram 15



Teranov Mining Corporation operates a wet milling asbestos facility at the former Baie Verte mine. The Company processes the tailings from the old dry milling operation which ceased production in February 1991. The facility generally closes during the winter because cold weather causes processing problems. Thus, recall of employees for last year did not begin until March 1, 1993 and production did not resume until March 29. During the year shipments totalled 11,471 tonnes, down 20.7 percent from 1992. Employment averaged 52 people during 1993, down 3.7 percent from 1992.

Map 3



The majority of output from Teranov's operation is marketed throughout Asia, South America, and the Middle East where it is used in the production of asbestos piping and sheeting. Asbestos provides developing countries with a relatively low priced material that can be used in infrastructure development. The world market for asbestos has been adversely affected in recent years by international regulatory issues surrounding its use. A U.S. Court of Appeal ruling in 1991 which overturned the 1989 asbestos ban imposed by the U.S. Environmental Protection Agency has, however, had a positive effect on the industry. This judgement moderated the downward trend in exports to the U.S. and has lowered the perception that all asbestos products are a health hazard. Even though there has been a modest rebound in asbestos markets since 1991, Teranov's production declined in 1993. Part of the problem at Teranov is technical in that a major portion of fibre recovered from the tailings is of a lower grade and markets are weak for these products. Management at the mine believes that the quality of the fibre recovered at the site can be improved with further investment and technical improvements.

Newfoundland Slate Inc. operates a slate quarry at Nut Cove, Trinity Bay, near Clarenville. In 1993, 2,090 metric tonnes of finished slate products were produced and an average of 40 people were employed. The Company initially received marketing and technical assistance from a French slate producer Ardoisiere d'Angers (ADA), but last year's recession in continental Europe negatively impacted demand for slate. New interests in the U.K. have helped offset some of the impact that the economic downturn is having on sales of slate products.

Gypsum was first mined at Flat Bay in 1952 by Atlantic Gypsum. Domtar Inc. presently owns the Flat Bay facility and produces gypsum for its Newington plant in the United States and for other cement and wallboard markets. The operation usually shuts down for about five months during the winter when maintenance is carried out. In March 1993, Domtar reopened for another season and shipped about 350 thousand tonnes of crushed gypsum up to the end of the year, 18.0 percent higher than shipments in 1992. Employment averaged 25 people, 7.4 percent lower than average employment during 1992.

North Star Cement began manufacturing cement at its Corner Brook facility in 1952. The Company also operates limestone and shale quarries near the plant which, along with gypsum from Domtar, provide the main raw ingredients for the manufacture of cement. Production typically lasts for about six months of each year. After the winter shutdown, the shale and limestone quarries reopened in April and

May, respectively; cement production, however, did not resume until the second week in June. North Star shipped 64,034 tonnes of cement in 1993 compared with 74,355 tonnes during the same period in 1992. Almost all of the cement produced by the Company is marketed in Newfoundland and Labrador. Employment during 1993 averaged 68 people, three percent higher than last year.

Newfoundland Resources and Mining Company Limited owns the limestone aggregate quarry and processing facility located at Lower Cove. Concrete and paving stone are the main end uses of the products which are marketed primarily on the eastern seaboard of the United States. During 1993, Newfoundland Resources shipped approximately 385,570 tonnes of aggregate compared with shipments of 362,104 tonnes for 1992.

A number of smaller seasonal mining operations were in production during 1993. These included the agricultural limestone quarry at Cormack and the pyrophyllite quarry at Long Pond. Shipments in 1993 from each of these operations increased over levels displayed in 1992.

There are currently 10 peat producing operations throughout the Province. The largest peat producer in the Province, Hi-Point Industries (1991) Ltd., is located in the Bishop's Falls area. It produces *Oclan-Sorb*TM, an oil absorbent product, as well as, horticultural peat. Oil absorbents are used to soak up hydrocarbon spills quickly and efficiently. Hi-Point shipped peat valued at over \$1 million in 1993 and employed an average of eight people.

Currently, anorthosite is being quarried at Ten Mile Bay, Labrador. Anorthosite is a dark intrusive dimension stone containing Labradorite crystals. Labradorite is a semi-precious gemstone which was first discovered on the Northern Coast of Labrador in the 1700s and was proclaimed the mineral emblem of the Province in 1975. During the summer and fall of 1991 work at the Ten Mile Bay deposit was carried out by Torngait Ujaganniavingit Corporation (TUC) under the direction of the Labrador Inuit Development Corporation (LIDC). Production for 1993 began at the site in early May. Over the year 177 cubic meters of rough anorthosite was shipped to Europe. Since May of last year, 18 people have been employed full-time at the quarry site.

A new dimension stone producer commenced production in the Province during 1993. Classic Stone Inc. opened a commercial granite quarry in the Top-sails area of central Newfoundland in July 1993. Approximately 225 cubic metres of green and yellow-

green granite was produced at the site last year with average employment of 11.

Changes to the mining tax regime in the Province were announced in the Provincial Budget on March 18, 1993. These changes were introduced to encourage exploration and mining activity. Under the new regime, Provincial corporate income tax paid to the Province from mining operations can be credited against mining taxes payable for the first 10 years a new mine is in operation in the Province. Furthermore, the depreciation schedule which had previously permitted mining assets to be written off over 10 years will become more favourable, allowing an accelerated write down of assets. The final change to the mining tax legislation involves the processing allowance. The processing allowance is deducted from gross revenue and serves to lower a mine's taxable income. It was designed to be an incentive for mining companies to process mining output within the Province. Under the old mining tax regime the processing allowance was calculated as eight percent of processing assets up to a maximum of 65 percent of net income. Under the new regime the processing allowance can be either eight percent of processing assets or 15 percent of taxable income, whichever is greater, up to a maximum of 65 percent of net income. The above changes are positive steps towards encouraging new investment in mining and exploration in the Province. In fact, in a recent edition of *The Canadian Mining and Metallurgical Bulletin*, a senior partner of Price Waterhouse stated that "these changes will make Newfoundland's tax regime one of the most competitive in the country."

Favourable mining tax changes 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 while a limit of 256 was placed on the number of claims per licence. The extension of exploratory licences from 10 to 20 years originated from a need to give mining companies in the Province an enlarged window in which to reach a decision on the viability of mining a claim or claims. The extension of the term of a licence caused the limit of 256 claims to be placed on the size of a licence. Since an exploration licence can now be held for up to 20 years it was felt that the number of claims per licence should be restricted. Carry-over provisions related to expenditure requirements were also changed in the new legislation. Under the old regulations, annual exploration expenditures that exceeded a minimum expen-

diture requirement were permitted to be carried forward for the term of the licence. Under the new regulations, annual expenditures that exceed the minimum can only be carried forward for a maximum of nine years. Further regulation changes involved streamlining and reducing fees and rentals pertaining to exploration activity. These changes in 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 will be required under the new regulations.

The number of mining claims staked increased in 1993

Activity increased in the exploration sector of the mining industry in 1993. There were 6,955 claims staked in the Province, 35.9 percent higher than the number of claims staked in 1992. Approximately one quarter of staking activity focused on Labrador. The activity in Labrador was concentrated on diamond prospects in the Makkovik/Saglek Bay area and on precious metal exploration in Labrador West. On the island portion of the Province claims were staked on the Baie Verte Peninsula for gold, in the Buchan's area for base metals, and in the Great Burnt Lake area for base metals. Increased exploration activity may foreshadow future growth in the Province's mining industry. At the end of December 1993 the number of claims in good standing stood at 22,910.

The Minister of Mines and Energy announced on June 17 of last year that \$500,000 had been allocated for the new Mineral Exploration Assistance Program in 1993/94. This initiative, first announced in the Province's Strategic Economic Plan, has committed government to assist local companies in the funding of drilling and other exploration enterprises. The program will provide financial assistance to Newfoundland companies of up to 50 percent of eligible pre-production costs. It will provide up to \$80,000 per project and allow companies to receive funding on more than one project up to a maximum per company of \$160,000. The program's goal is to encourage more local involvement in mineral exploration and to carry development of mineral prospects to the stage whereby alliances with larger firms can be fostered. It is hoped that the end result will be more local control of the Province's resources.

Development of the NovaGold Resources Inc. gold mine may begin in 1994. The Company has received environmental approval for the development

of the mine at Pine Cove on the Baie Verte Peninsula and is currently trying to finalize financing for the project. The mine has an estimated production life of five years and a construction period of one year. It is estimated that the project will generate employment for 100 people during the construction phase and for 65 to 70 people during the production phase. The Baie Verte Peninsula area contains a number of small gold deposits which could utilize the facilities put in place at Pine Cove. If developed, these deposits could substantially increase the life of the NovaGold project.

Construction of Pine Cove Gold Mine may begin in 1994

Continued growth is expected in the value of mining industry output this year despite the lacklustre economic outlook for continental Europe and Japan. Further increases in the pace of economic growth in Canada and the United States are expected to result in higher levels of iron ore exports from Western Labrador. Prices of iron ore products are expected to remain stable this year, although there may be some downward pressure on pellet prices. Increases in demand for iron ore should allow both IOCC and Wabush to operate without downtime this year. The value of gold production is expected to increase due to higher levels of output and stable prices. Another encouraging development in the gold sector of the industry is the possible construction of the Pine Cove Gold Mine later this year. Activity in the mining industry this year is also expected to be enhanced by the contribution of the many smaller seasonal operations ongoing in the Province. In addition, continued depreciation of the Canadian currency should impact positively on the Provincial mining industry. Furthermore, the streamlining of legislation regarding exploration and taxation in the Province should serve to foster an environment which promotes mineral exploration and development.

Oil and Gas

Canadian oil and gas exploration activity increased during 1993. The number of wells and metres drilled rose substantially as indicated in Table 10. About 78 percent of the wells drilled in Canada during 1993 yielded either oil or gas while the remaining 22 percent were dry. Drilling activity has increased in each of the last five quarters following six consecutive quarters of decline (see Diagram 16).

TABLE 10

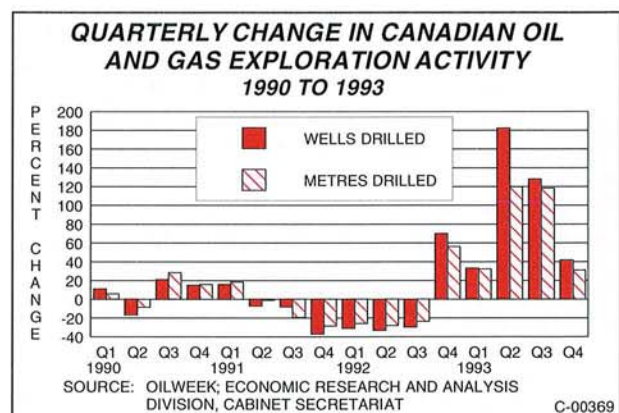
CANADIAN EXPLORATION AND DEVELOPMENT ACTIVITY

	1992	1993	Percent Change
Exploration and Development			
Wells Drilled	4,706	8,364	77.7
Oil	2,273	3,711	63.3
Gas	1,061	2,827	166.4
Dry	1,372	1,826	33.1
Metres Drilled (000's)	5,830	9,479	62.6

Source: *Oilweek* ; Economic Research and Analysis Division, Cabinet Secretariat.

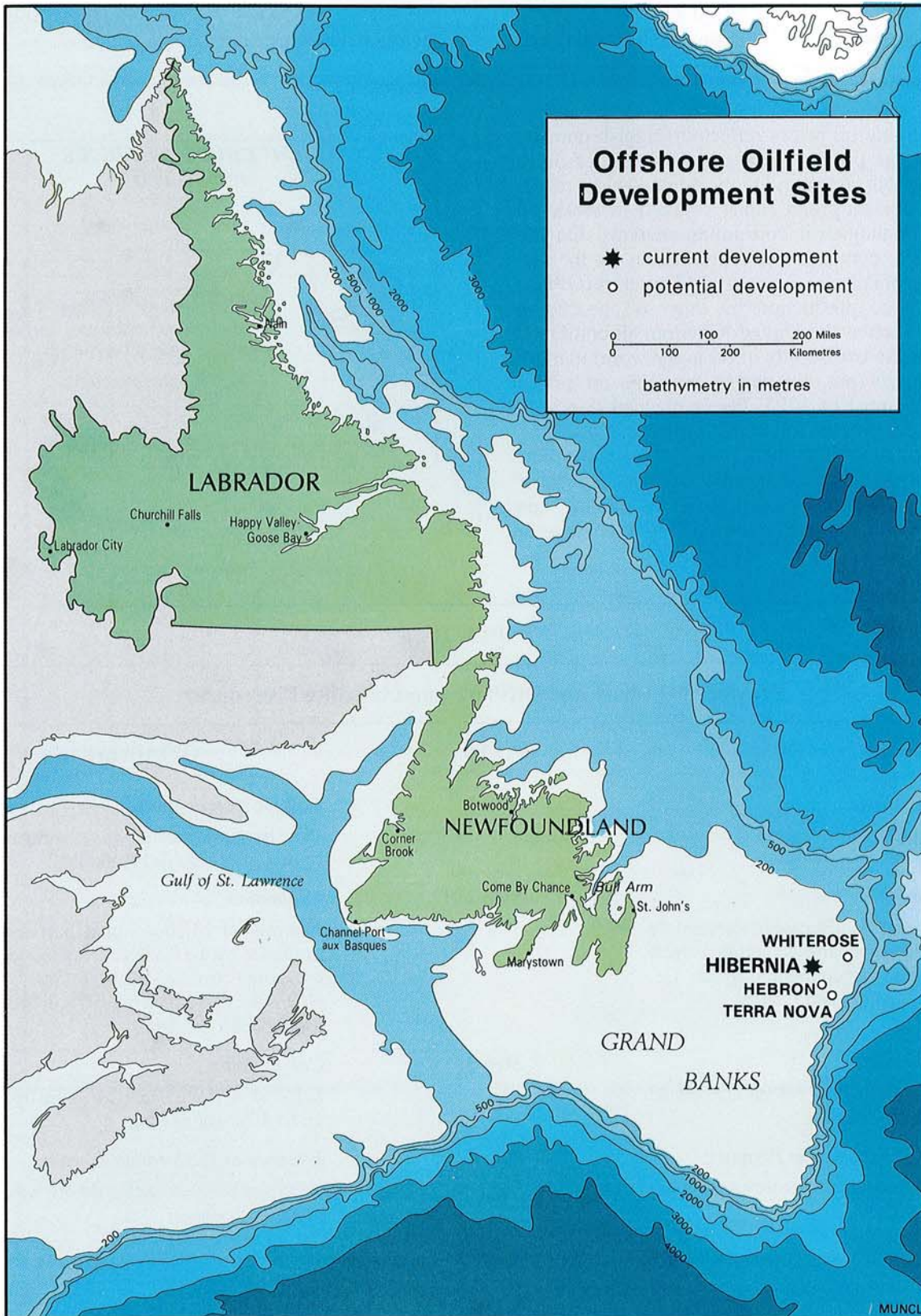
The upswing in Canadian exploration activity over the past year may be attributed to the following developments: increasing natural gas prices; growth in the level of activity conducted by small companies; and the extension of the Development Oil Royalty Holiday Program implemented by the Alberta government. Growth in activity by small companies reflects the fact that many of the licences held by larger firms are being purchased by smaller companies with relatively lower overhead costs. Lower overhead makes exploration by these firms more feasible. The Development Oil Royalty Holiday Program was introduced by the Alberta government in November 1991 to encourage additional production of crude oil from existing pools. The Alberta government announced that the program would be extended to 31 July 1993 and 31 August 1993 for certain qualifying wells.

Diagram 16



Oil prices for West Texas Intermediate (WTI) and Brent Sullom Voe light crude oil generally declined during 1993. Oil prices for WTI, as recorded on the New York Mercantile Exchange, averaged

Map 4



US\$14.53 per barrel during the month of December, down 25 percent from December 1992. The performance of Brent Sullom Voe oil prices parallels prices for WTI as indicated in Diagram 17. Brent oil prices averaged US\$13.66 per barrel in December, also 25 percent below December 1992.

Declining oil prices reflected sluggish demand for petroleum products and an oversupply of oil in world markets last year. On the demand side, recessions in Germany and Japan resulted in weak oil demand in major oil consuming markets. On the supply side, continuing overproduction by the Organization of Petroleum Exporting Countries (OPEC) and increased production by other oil producing countries such as the United Kingdom all combined to generate an oversupply of oil in the world market. These factors put downward pressure on prices throughout most of 1993. Prices reached five year lows in the weeks following OPEC's November meeting at which members opted to maintain their current production levels despite continued reports of a substantial surplus of crude oil. In making this decision, OPEC appears to be sending a message to

other producers that they are no longer prepared to restrict output to support prices and are looking to non-OPEC producers to share the responsibility for supply management.

Diagram 17

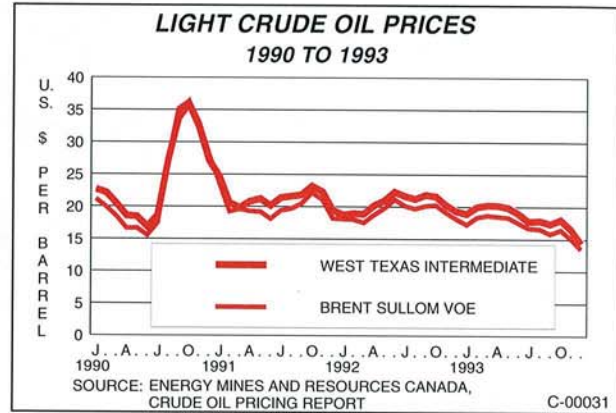


TABLE 11

Provincial Onshore and Offshore Land Issuance Procedure*

ONSHORE	STEPS	OFFSHORE
Call for Postings Industry posts onshore land areas to become available for bidding.	Step 1	Call for Nominations Industry nominates offshore land parcels to become available for bidding.
Evaluation Posted onshore land areas are screened for potential land use conflicts and the parcels to be offered are configured by the Department of Mines and Energy.	Step 2	Evaluation Nominated offshore land parcels are evaluated by the Canada - Newfoundland Offshore Petroleum Board (C-NOPB). C-NOPB decides which parcels will become available for bidding.
Request for Bids Selected onshore land parcels are opened up for industry bidding.	Step 3	Call for Bids Selected offshore land parcels are opened up for industry bidding.
Issuance of Exploration Permits Successful bidders are issued onshore exploration permits.	Step 4	Issuance of Exploration Licences Successful bidders are issued offshore exploration licences.

* Exploratory seismic activity is normally conducted following Step 4. Drilling may be conducted following exploratory seismic activity.

Source: Canada-Newfoundland Offshore Petroleum Board; Department of Mines and Energy; Economic Research and Analysis Division, Cabinet Secretariat.

The Department of Mines and Energy is responsible for the issuing of onshore exploration permits in the Province. The Department announced in July 1993 that it had issued exploration permits, valued at \$5.73 million, for six onshore parcels of land on the West Coast of the Island covering approximately 191,000 hectares. Hunt Oil Company was awarded a permit with a work commitment bid in excess of \$5.1 million, while the remaining permits were awarded to Labrador Mining and Exploration Company Limited, Vinland Petroleum Incorporated and Canadian Roxana Resources Limited. The issuing of the exploration permits represented the fourth step in the Land Issuance Procedure which is outlined in Table 11.

Onshore permits awarded

Onshore exploration activity was conducted in Western Newfoundland during last year. Labrador Mining and Exploration Company Limited spent in excess of \$1 million during the first quarter acquiring 93 kilometres of onshore exploratory seismic data in the Parson's Pond area. This activity, which concluded in April, resulted from the 1992 Issuance of Exploration Permits. Furthermore, Hunt Oil Company also initiated an 87 kilometre seismic program on the Port au Port Peninsula in September 1993 which is expected to be completed in 1994. This activity arose out of permits awarded in July 1993.

The Canada-Newfoundland Offshore Petroleum Board (C-NOPB) is responsible for the issuing of offshore exploration licences in the Province. C-NOPB announced in September 1993 that it had issued an exploration licence to Amoco Canada Resources Limited. The licence, which has a term of nine years, was related to a work expenditure bid of \$2.85 million for approximately 77,000 hectares of land in the Jeanne d'Arc Basin on the Grand Banks. The issuing of the exploration licence represented the fourth step in the Land Issuance Procedure (see Table 11). The 1994 Call for Nominations to determine future interest in offshore activity closed in December 1993.

The Newfoundland and Labrador offshore sector did not record any drilling activity during last year, however, geophysical work was carried out during the year. Hunt Oil Company conducted an offshore aeromagnetic survey during the first quarter of 1993 in the Port au Port and Bay St. George areas valued at approximately \$75,000. Marathon Petroleum Canada Ltd. has submitted a preliminary proposal to commence an onshore-to-offshore exploration well in the spring of 1994 in the Port au Port area. This activity

by Marathon originates from an offshore licence issued prior to 1993.

Exploratory drilling for hydrocarbons beneath the continental shelf off the East Coast of Newfoundland and Labrador began in 1966. Since that time, total exploration and development expenditures have amounted to \$4.76 billion which has resulted in 140 wells spudded and 20 significant discoveries of hydrocarbons. 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 estimated at 195 million barrels and Terra Nova and Whiterose in 1984 with estimated 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 4).

TABLE 12

ESTIMATED HIBERNIA COSTS OVER THE NINETEEN YEAR PROJECT LIFE (Billions of as - spent Canadian Dollars)*

	1990	1993	Percent Change
Total Capital Costs	8.62	7.33	-15.0
Facilities	5.21	4.65	-10.7
Tankers	0.57	0.59	3.5
Development Wells	2.84	2.09	-26.4
Operating Costs	10.53	7.76	-26.3
Total Project Costs	19.15	15.10	-21.1

Note: *As - spent refers to amounts spent over a period of time including an allowance for inflation.

Figures may not sum to the total because of rounding.

Source: *The Hibernia Project: A Background Paper*; Economic Research and Analysis Division, Cabinet Secretariat.

The Hibernia project was the focal point of the Provincial oil and gas industry during last year. The Hibernia Consortium announced in April 1993 that the estimated costs of the project over its nineteen year life had declined from \$19.15 billion to \$15.1 billion, a 21 percent reduction in total costs (see Table 12). The original development plan called for 48 wells to be drilled from the platform together with 35 subsea wells. Since this time, however, the planned location of the production platform has been changed and this change will potentially allow all 83 wells to be drilled from the platform. The elimination of the 35 subsea wells together with improvements in technology and changes in design have led to the 21 percent reduction in costs.

TABLE 13

MAJOR HIBERNIA CONTRACTS AS OF DECEMBER 1993

CONTRACT	AWARD DATE	VALUE (\$Millions)	COMPANY	LOCATION OF WORK
TOPSIDES MOUNTED STRUCTURES (TMS)				
M71 East Drilling Module	Oct. 1993	← 43.0	Vinland Industries	Newfoundland
M72 West Drilling Module	Oct. 1993		Vinland Industries	Newfoundland
M73 Pipe Rack	Oct. 1993		Vinland Industries	Newfoundland
M81 Main Lifeboat Station	Oct. 1991	← 340.0	PASSB	Newfoundland
M82 Auxiliary Lifeboat Station	Oct. 1991		PASSB	Newfoundland
M83 Flare Boom	Oct. 1991		PASSB	Newfoundland
M84 Helideck	Oct. 1991		PASSB	Newfoundland
SUPER MODULES				
M10 Process Module	Jan. 1993	76.2	Hyundai Heavy Industries	South Korea
M20 Wellhead Module	Oct. 1991	← 91.4	PASSB	Newfoundland
M30 Mud Module	Feb. 1993		Belleli	Italy
M40 Utility Module	Feb. 1993	63.4	Belleli	Italy
M50 Living Quarters and Services Module	Jan. 1993	71.3	Hyundai Heavy Industries	South Korea
OTHER MAJOR CONTRACTS				
Engineering/Construction GBS	Sept. 1990	1,300.0	NODECO	Newfoundland/France
Topsides Engineering Procurement & Project Services	Sept. 1990	360.0	Newfoundland Offshore Contractors	Newfoundland/Quebec
Topsides Site Development	Oct. 1991	← 120.0	PASSB	Newfoundland
Utility Shaft Fabrication	Jul. 1993		MIL Offshore Inc.	Quebec/N.S./NFLD.

Note: PASSB has been awarded the M20, M81, M82, M83, M84 and Topsides Site Development contracts valued at approximately \$340 million.

Vinland Industries Limited has been awarded the M71, M72 and M73 contracts valued at approximately \$43 million.

N.S.: Nova Scotia

NFLD.: Newfoundland

PASSB: PCL-Aker Stord-Steen-Becker

NODECO: Newfoundland Offshore Development Constructors

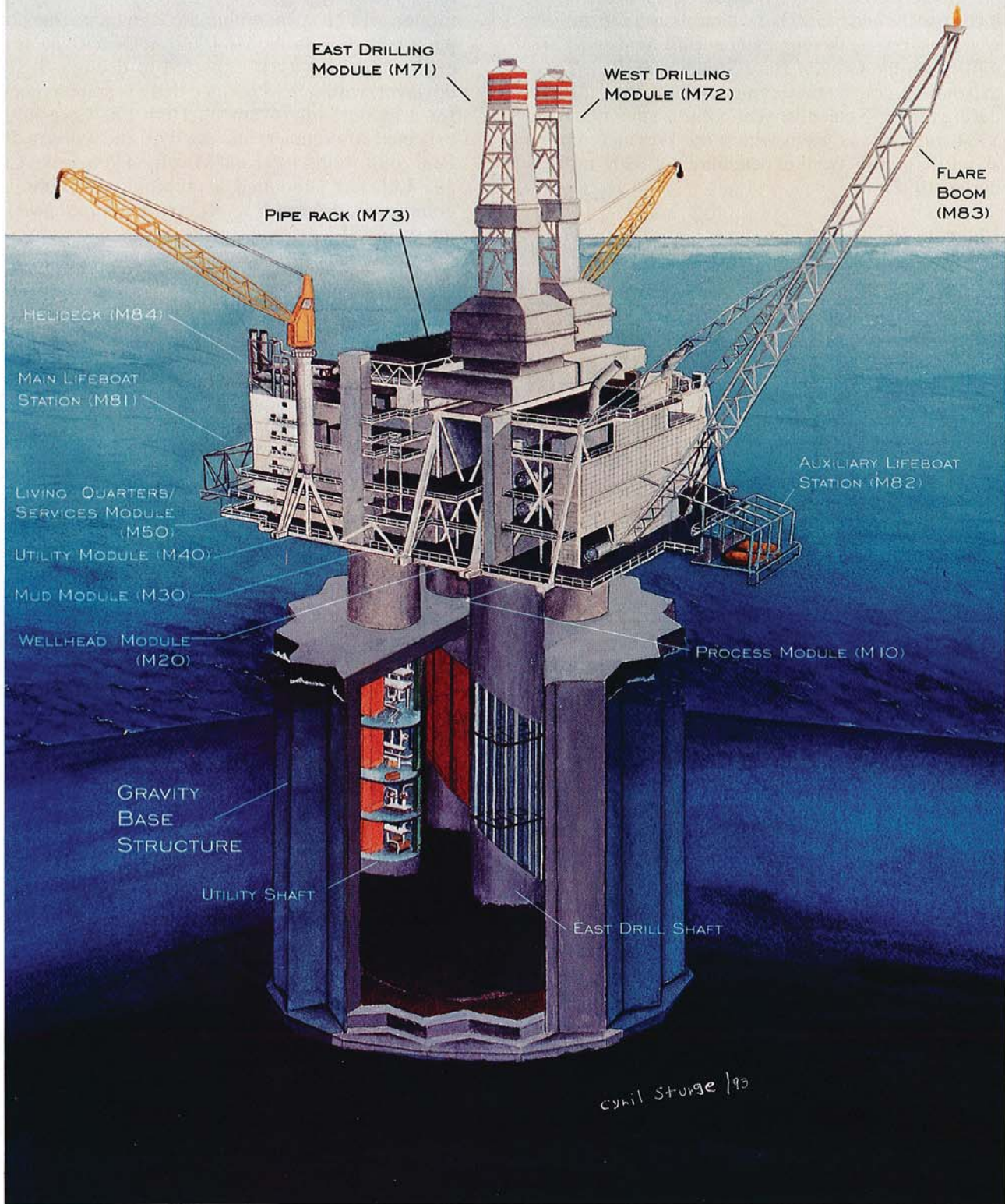
Source: Canada - Newfoundland Offshore Petroleum Board; Economic Research and Analysis Division, Cabinet Secretariat.

Hibernia-related contracts valued at approximately \$2.85 billion have been awarded since the agreement to develop the Hibernia offshore oilfield was signed on 14 September 1990. Table 13 outlines major Hibernia contracts that have been awarded since that time. NODECO was awarded the largest contract valued at \$1.3 billion for work including the development of the Bull Arm site and construction and installation of the Gravity Base Structure (GBS). Work has been ongoing since late 1990 on site development and GBS construction at Bull Arm, the main construction site for the Hibernia project. In addition to the NODECO activity, PASSB and MIL Offshore

Inc. have also been carrying out work at the site related to contracts which they were awarded. Provincial construction of production platform components, outlined in Table 13 and provided in the illustration, are being constructed at Bull Arm with the exception of the fabrication of the Drilling Modules M71/M72/M73. These Drilling Modules are being constructed in Marystown under the direction of Vinland Industries.

Cumulative expenditures on the Hibernia project at the end of 1993 totalled approximately \$1.85 billion. Expenditures within the Province accounted for

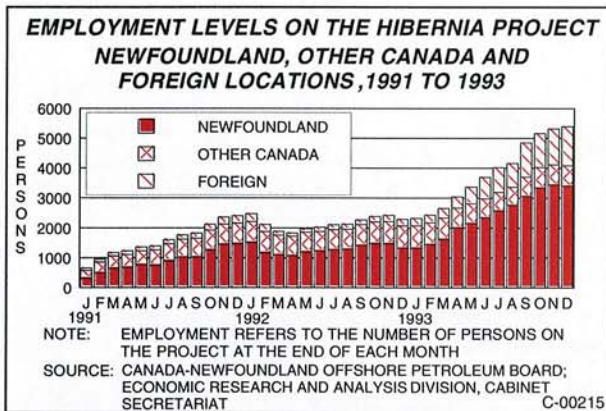
HIBERNIA PRODUCTION PLATFORM



Source: Hibernia Management and Development Company Limited; Economic Research and Analysis Division, Cabinet Secretariat.

38 percent of the total, with 34 percent spent in other parts of Canada and 28 percent outside Canada. Approximately \$699 million had been spent in the Province up to the end of 1993 of which about \$236 million was spent on site development at Bull Arm and \$278 million on the Gravity Base Structure (GBS). Total expenditures on the project amounted to \$880 million during the 1993 calendar year. Of this amount, about \$334 million was spent within the Province, up by about two-thirds from expenditures of \$203 million during 1992.

Diagram 18



Total employment on the Hibernia project rose steadily from 2,284 in December 1992 to 5,393 in December 1993, as indicated in Diagram 18. Hibernia-related employment outside Canada increased from 215 at the end of 1992 to 1,316 at the end of 1993. Most of the foreign activity occurred in Italy and South Korea, a result of work being conducted on the super modules, with the remaining employment in Paris and the United Kingdom. Canadian employment outside Newfoundland at the end of last year declined by 9.4 percent to 676 compared to the same time period in 1992. Activity occurred in Montreal, Dartmouth, Lauzon and Calgary. Employment in Montreal dropped as detailed engineering activity neared completion and people moved to other work sites. Employment in Nova Scotia commenced in August 1993 as a result of the Utility Shaft Fabrication contract awarded the previous month. Employment within Newfoundland on the Hibernia project at the end of 1993 was 3,401 with 2,927 at Bull Arm and the remainder in St. John's and Marystown. Employment in December 1993 was more than double employment in December 1992, as indicated in Diagram 18.

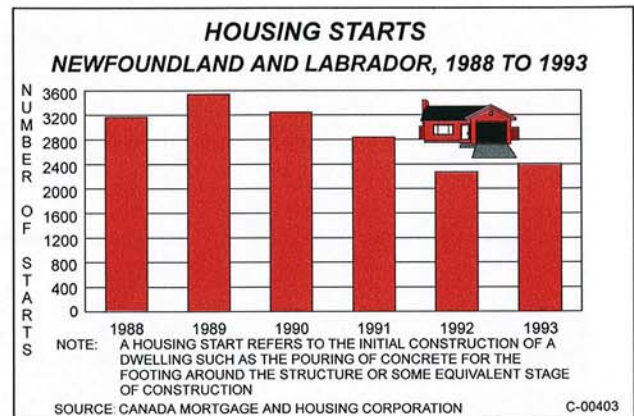
The overall level of activity in the Province's oil and gas industry is expected to increase this year. The Hibernia project will continue to be an important

factor in the performance of the Provincial economy in 1994. Expenditures on the project should amount to \$1.3 billion this year of which approximately \$460 million will be spent within the Province. This compares with \$334 million in 1993. At the national level, exploration activity is expected to decline slightly, however, within the Province there is some potential for a modest improvement. Hunt Oil Company is expected to complete its work on the Port au Port Peninsula during 1994 and Marathon Petroleum Canada Ltd. has submitted a preliminary proposal to commence an onshore-to-offshore exploration well in the spring of 1994 in the same area.

Construction

The construction industry is one of the largest goods producing industries in the Province and accounted for 10.6 percent of total GDP in 1992. The level of construction spending increased in 1993 even though the level of employment was somewhat lower than in 1992. Residential construction activity benefited from growth in housing starts and a rise in the value of building permits. Increased work on the Hibernia project led to an improved performance in the non-residential sector. Employment in the industry averaged about 9,000 during the year, down by an estimated 1,000 from 1992, according to the Statistics Canada *Labour Force Survey*. Monthly employment ranged between 6,000 and 13,000 during the year reflecting the seasonal nature of some activity in the industry.

Diagram 19



The residential sector of the construction industry was positively impacted by a 5.9 percent increase in housing starts during 1993. Construction began on 2,405 housing units, up from the 1992 level of 2,271 which was the lowest since 1966. The growth in 1993

reversed a three year decline that began in 1990, as indicated in Diagram 19. The continuation of various government initiatives in combination with record low mortgage interest rates contributed to the rise in housing starts.

TABLE 14

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

Dwelling Type	1992	1993	Percent Change
Singles	1,832	1,850	1.0
Detached	1,611	1,559	-3.2
With Basement Apartment (1)	221	291	31.7
Multiples	439	555	26.4
Semi-detached	42	62	47.6
Row	84	95	13.1
Apartment and other (except basement)	92	107	16.3
Basement Apartments	221	291	31.7
Total	2,271	2,405	5.9

Note: (1) For the purpose of this discussion, houses with basement apartments, which are counted as two apartment (multiple) starts by CMHC, will be counted as one single (single) start and one apartment (multiple) start. This will alter the distribution of singles and multiples from other published sources.

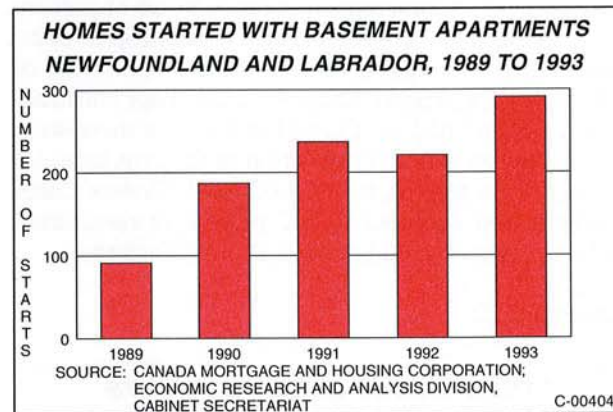
Source: Canada Mortgage and Housing Corporation; Economic Research and Analysis Division, Cabinet Secretariat.

The composition of housing starts for the past two years is set out in Table 14 which shows that construction starts on single dwelling units rose marginally last year. The table also reveals, however, that there was a decline in the number of single *detached* units (i.e., those with no basement apartments) while the number of singles with basement apartments rose. Overall, the number of single starts rose by a modest one percent during last year. Multiple dwelling starts grew by 26.4 percent to 555 during 1993. Basement apartments were the single largest contributor to the increase in multiple starts last year. The change in the composition of housing starts last year represented a continuation of a trend which began several years ago. The result of this trend has been a decline in the relative importance of single detached dwelling units, which have traditionally accounted for the majority of homebuilding activity, and an increase in the relative importance of houses with basement apartments and multiple units. Starts of single detached dwellings comprised 83 percent of the total in 1989 whereas by 1993 they had declined to only 65 percent of the total. The composition of housing starts by type of dwelling is influenced by the performance of the economy. The economic uncertainty of the past few years has con-

tributed to the reduced number of single detached homes that have been built as homebuilders have opted to construct homes with basement apartments.

Apartments in the basement of single family dwellings accounted for 73.1 percent of the total number of apartment units started during 1993. The growth in the number of homes started with basement apartments since 1989 is illustrated in Diagram 20. This increase during a recessionary period is not surprising since the rental income obtained makes an important contribution towards the homeowner's mortgage payment, particularly in urban areas. Thus, basement apartments allow many buyers, especially first time buyers, to build equity in a home at a time when their income might otherwise not permit them to become homeowners. In rural areas of the Province, however, the practice of reducing the effective mortgage payment through rental income is less popular due to smaller rental markets and a lower incidence of mortgage financing.

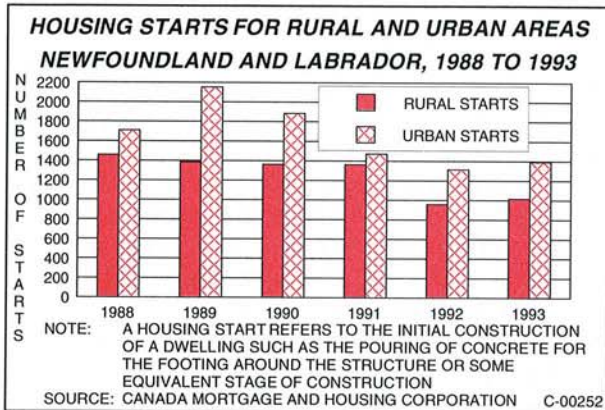
Diagram 20



New housing unit construction increased in both urban centres (population of 10,000 or more) and in rural areas (population less than 10,000) of the Province during 1993 (see Diagram 21). The total number of dwellings started in rural areas reached 1,014, a rise of six percent over 1992. It is believed that the growth in rural starts was mainly related to Federal/Provincial government assisted housing projects. In urban centres, housing starts increased from 1,314 in 1992 to 1,391 in 1993, a rise of 5.9 percent. Much of the growth in urban starts resulted from the increased number of basement apartments. The increase in starts in urban areas nevertheless offers a degree of optimism for the residential construction industry since most industry built homes are in urban centres. In the St. John's CMA, which generally accounts for more than 75 percent of urban homebuilding activity

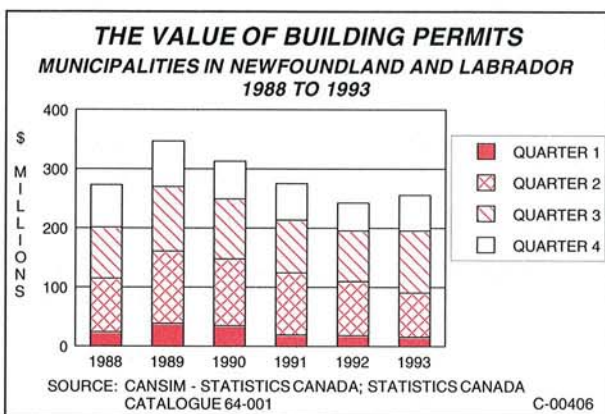
in the Province, starts rose by 11 percent to 1,137 units. About one-half of the increase was attributable to basement apartments which CMHC counts as additional housing starts.

Diagram 21



New dwelling units completed in the Province fell 3.9 percent to 2,457 during 1993 as a 2.7 percent rise in urban completions was offset by an 11 percent drop in rural completions. The overall drop in completions was a lagged effect of the low number of starts in 1992. The number of homes under construction also declined. At the end of last year there were 2,378 homes under construction in the Province, 3.5 percent less than at the end of 1992. Homes under construction declined by 5.2 percent in rural areas while they remained unchanged in urban areas.

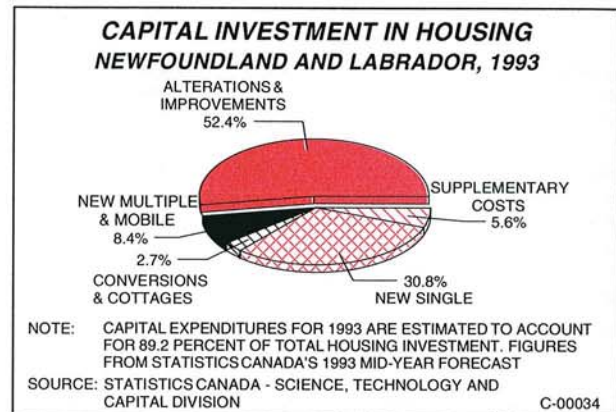
Diagram 22



The value of building permits issued by municipalities in this Province is one indicator of future activity in the construction industry. Permits issued in 1993 were valued at \$255.4 million, an increase of 5.3 percent when compared to 1992 (see Diagram 22). A

rise in the value during the third and fourth quarters follows 14 consecutive quarters of decline. The value of residential permits reached \$166.9 million in 1993, a rise of 3.9 percent. Permits for non-residential building rose by 8.1 percent to \$88.5 million. The growth in the value of residential building permits reflected the increased number of housing starts last year. An increase in the value of commercial permits more than offset large declines in the value of industrial and institutional and government permits, and led to the rise in non-residential building permits.

Diagram 23



Residential 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 residential investment and includes new dwellings, and improvements and alterations to existing homes. The importance of alterations and improvements to residential investment in the Province is illustrated in Diagram 23. The construction of new single dwellings also forms a significant proportion (30.8 percent in 1993) of capital investment in housing.

Mortgage interest rates dropped last year

Mortgage interest rates have declined considerably since late 1992. One year rates fell from an average of 8.75 in November 1992 to 6.25 at the end of 1993 while five year rates fell from 9.50 percent to 7.75 over the same period. One year mortgage rates over the past year or two were at the lowest level recorded since 1980 when they were first introduced while five year rates were at 1966 levels. Lower rates have a significant effect on the housing market especially in urban areas where many homes are mortgage financed (see *Real Estate Market*).

The development of the Hibernia project has spurred investment in the non-residential sector of the construction industry. Total expenditures on the project amounted to \$880 million during 1993. Of this amount, about \$334 million was spent within the Province, up by about two-thirds from expenditures of \$203 million during 1992. The increased expenditures were reflected in Hibernia-related employment in the Province which more than doubled during 1993, providing a significant contribution to the construction industry in the Province.

Bull Arm is the main construction site for the Hibernia project. The location is composed of three work areas; the dry dock area, the deep water site, and the topsides site. (Readers less familiar with the Hibernia project are referred to the *Oil and Gas* section.) Preparation of the dry dock area was completed at the end of April 1993 and will accommodate work on the Gravity Base Structure (GBS) until it is transported to the deep water site around August 1994. The preparation of the deep water site commenced in early 1993 and will be ongoing during 1994. Final work on the GBS will take place at the deep water site along with the joining of the topside modules to the GBS. The remaining work area, the topsides site, is nearing completion. The M20 wellhead module is currently being fabricated and assembled at this site and will be completed by early 1995. In addition, construction of four of the seven topside mounted structures will be conducted at the topsides site. The four structures to be built by PCL-Aker Stord-Steen-Becker (PASSB) include the helideck, the main lifeboat station, the auxiliary lifeboat station, and the flare boom. Contracts for the construction of the three remaining topside mounted structures, the east drilling module, the west drilling module and the pipe rack, were awarded to Vinland Industries Limited in October last year. As a result, these three structures will be built at Vinland's Cow Head facility in Marystown. Other modules which are being constructed outside the Province will receive final assembly at this location before they are transported to the deep water site for mating with the GBS. Activity at the end of 1993 focused around work on the GBS and included the placing of rebar and the pouring of concrete for the GBS base slab as well as the preparation for the construction of the GBS ice wall. This activity will continue during 1994. Further discussions of contracts awarded and employment levels for the Hibernia project are contained in the *Oil and Gas* section.

A significant portion of engineering construction in the Province is related to government funded development of infrastructure such as highways, roads, bridges, and water and sewer. The Provincial Department of Works, Services and Transportation

administers funding for transportation infrastructure. Some of these projects are funded entirely by the Provincial or Federal governments while others are part of cost-shared agreements. The Department awarded 123 tenders last year for work valued at \$66.7 million. Expenditures on various projects, which are recorded on a fiscal year basis, amounted to approximately \$80 million from April to December 1993. The majority of the \$80 million was related to projects tendered in 1993, while the remainder consisted of carryover work from previous years. A significant proportion of spending, 43 percent, was related to the Newfoundland Transportation Initiative. This Federally funded agreement was designed to improve alternative forms of transportation following the closure of the Newfoundland Railway.

Most municipal projects in the Province are funded under the Municipal Capital Works Program, which is administered by the Department of Municipal and Provincial Affairs. In March 1993, the Department announced that \$50.3 million had been budgeted for the 1993/94 program of which \$46.3 million was for water and sewer and road projects. During 1993, 230 contracts valued at \$41.1 million were issued concerning water and sewer and road projects.

The Canada/Newfoundland Infrastructure Support Program was signed in February of this year. This agreement is part of a national initiative to accelerate economic recovery across the Country by creating short and long-term employment through investment in local communities while at the same time renewing and enhancing infrastructure in the communities. The agreement is expected to run for two years and generate expenditures in the Province of up to \$150.0 million. Under the agreement, the Federal government will contribute one-third of this amount and the remaining two-thirds will come from a combination of Provincial, Municipal, and private/other sources. The support program is based on all governments using new, accelerated or redirected funds to support infrastructure projects. In Newfoundland and Labrador, this will include funding under the Newfoundland Municipal Finance Corporation. The signing of this agreement has enhanced the 1994 outlook for both the engineering and non-residential building segments of the construction industry.

Overall performance in the construction industry is expected to improve again this year as an increased level of activity in the non-residential sector more than makes up for any weakness that may arise in the residential sector. The Hibernia project will continue to be an important contributor to non-residential construction spending. Hibernia related expenditures in the Province are expected to total about \$460 million,

up by more than one-third from last year. Capital expenditures by both the Federal and Provincial governments on building and road infrastructure will also make an important contribution to the non-residential sector of the industry in 1994. Stimulus will be provided by work scheduled to commence on the \$68.2 million Outer Ring Road project in the spring and by the announcement of the Infrastructure Support Program. Many of the projects that are expected to be underway in the Province this year are outlined in Appendix 2, *An Inventory of Selected Major Projects in Newfoundland and Labrador*. Residential construction activity is expected to be weak this year as improvements in urban areas are expected to be offset

Hibernia expenditures in the Province expected to be higher this year

by a lacklustre performance in rural areas. Starts in rural areas will be negatively affected by the crisis in the fishery and the expected reduction in the number of Federal/Provincial government assisted housing projects. Consequently, any improvement in housing starts this year is expected to be modest. Increased non-residential construction activity is, however, expected to be more than sufficient to offset any reduction in the level of residential activity. Total investment in the Province is expected to increase by 6.3 percent in 1994 and this should contribute to an improved performance in the construction industry.

Manufacturing

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 1992 this industry accounted for 23.9 percent of GDP in the goods producing sector and 6.5 percent of total GDP (see Table 3.1 in Appendix 3). Manufacturing of both fish and pulp and paper products is linked to primary resource production, and hence these components of the manufacturing base contribute to an increased amount of value being added to the Province's 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 one of the fastest growing industries in the Province over the past eight years. In real terms, this segment of the industry grew

by 5.1 percent on an annual basis between 1985 and 1992.

Manufacturing shipments affected by fisheries crisis in 1993

Performance in the manufacturing industry was mixed in 1993. The total value of shipments declined due to resource problems in the fishery, however, other components of the industry posted strong gains. Manufacturing shipments in 1993 are estimated at \$1,315 million representing a decline of 3.7 percent from the previous year. The decline in the value of manufactured fish products accounted for most of the decline in overall shipments. Gains in newsprint and lumber production were not sufficient to offset declines in fish production (see *Forestry* section of this report).

Food Manufacturing

Food processing is one of the principal components of the manufacturing industry in Newfoundland and Labrador, accounting for around 45-50 percent of the total value of manufacturing shipments. Fish products account for about three-quarters of food production, and a variety of *other* products including baked goods, meat and poultry, dairy products, beverages, etc. account for the remainder. *Other* food products are of particular interest because they include food produced for speciality markets which are attracting considerable interest from local producers. Other food production has risen in recent years and has become more significant in light of the decline in fish production.

As of January 1994, research by the Economic Recovery Commission (ERC) had identified over 90 secondary food processors (not including bakeries/delis) in the Province. Over half of these businesses have started in the last few years and exhibit good growth potential. Less than half, however, are exporting abroad where it seems the greatest growth potential exists.

Speciality foods are defined by the Canadian Association of Speciality Foods as "premium quality foods of some uniqueness with good presentation and select distribution." In Newfoundland and Labrador, the list of speciality products produced include, but is not limited to, jams, chocolates, moose pies, caribou sausages, pickles, homemade butter, homemade bread and butter pickles, pasta and seaweed dulce.

Many of the products now produced fall within the speciality food sector.

Both export and domestic markets offer considerable room for local producers to expand. Speciality food currently accounts for about 10 percent of total food sales in North America and is projected to increase by 10 percent per year in the near term. Because of proximity and well established trade links, the Province is favourably positioned to take advantage of markets for speciality food items in the United States and the United Kingdom. Like our link with the U.S., Newfoundland also has several direct air links with the United Kingdom. Both of these countries have large populations with a growing market for speciality foods.

Producers also have opportunities to expand domestic sales. Approximately \$869 million was spent on food in Newfoundland and Labrador in 1993. Only a small portion of this market, however, is being supplied by Provincial secondary food processors. There are a broad range of opportunities in this area including the production of goods which could be substituted for items that are currently imported. Examples of past experiences in this area include a local juice producer who is presently importing juice concentrates and producing bottled juice, and another who is producing fresh mushrooms for the St. John's market.

Given the proliferation of health-conscious consumers and the growing demand for speciality foods everywhere, there are numerous business development opportunities for Newfoundland. It may be difficult for Newfoundland and Labrador to compete on generic food products, however, speciality foods usually command a price premium in the marketplace because of their uniqueness, limited distribution, and so on. Newfoundland has considerable natural resources, including animals, exotic plants and underutilized fish species, which can be appealing in a value-added or secondary processed form to consumers in many countries if marketed appropriately.

In consultation with representatives of government and private industry, the Economic Recovery Commission (ERC) has developed a strategy for development of the secondary processing industry, with an emphasis on issues surrounding the speciality food sector. The goal is to create an environment conducive to the development of successful food businesses and products in Newfoundland and Labrador, primarily speciality foods, based on both import substitution and exports. Major objectives of the strategy include boosting producer sales within the Provincial market by 50 percent and sales in export markets by 100 percent within five years.

The primary reason the secondary food processing industry is underdeveloped stems from the lack of emphasis on this sector. Also, government involvement, through regulations and the regulatory process, is a deterrent to growth in export markets. Federal laws, in particular those governing the food processing sector, were designed for large operations and can be quite intimidating for developing industries. In an effort to reduce the regulatory burden on business and create a more positive business environment, the Provincial government will review all its regulations, checking for currency, duplication and competitive impact on business. Regulations deemed unnecessary, redundant or outdated will be eliminated by March 1995.

As well, there are several Provincial and Federal support and training agencies which assist local entrepreneurs and food processors in the development and/or expansion of food processing ideas. The Marine Institute of Memorial University of Newfoundland has a processing plant available to the public for performing such activities as trial runs, product development and technical assistance. Eastern College in Carbonear has a registered plant and offers a secondary food production course focusing on product development while Memorial University offers courses and services in food science. In addition, there are a variety of Federal and Provincial programs and services available to food processors for product and market development.

It is hoped that through these efforts, combined with the natural resources offered locally and the increased focus on improving entrepreneurial skills, expansion of the speciality food sector in this Province will increase in the near term. Any increase in local production and/or exports will serve to mitigate the effects of declines in other areas and offer alternative business and employment opportunities.

*Contributed by:
Economic Recovery Commission*

The outlook for the manufacturing industry is tied to the outlook for newsprint and fish products and, in the case of manufactured goods which are sold primarily in local markets, to general economic performance in the Province. The manufacture and shipment of newsprint in 1994 is expected to be about on par with last year's level. The manufacture of fish products, on the other hand, is expected to decline again this year as fish landings are expected to fall for the fourth consecutive year. Any improvement in the value of other manufactured goods that may result

from anticipated real economic growth this year will not be sufficient to offset the decline in fish products. Hence, the overall value of manufacturing shipments is expected to decline again this year.

Tourism

The tourism industry is an important contributor to Gross Domestic Product in Newfoundland and Labrador. 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. The industry includes both resident and non-resident travel for sightseeing/touring, outdoor sports and recreation, visits to friends and relatives, and business. Non-resident travel within the Province comprises the export component of the tourism industry.

TABLE 15

**TOURIST TRIPS AND EXPENDITURES
NEWFOUNDLAND AND LABRADOR**

	1992	1993	Percent Change
Resident			
Trips (000's)	2,146.4	2,274.0	5.9
Expenditures (\$millions)	310.2	328.5	5.9
Non-Resident			
Trips (000's)	268.7	290.5	8.1
Expenditures (\$millions)	128.9	139.9	8.5
Total			
Trips (000's)	2,415.1	2,564.5	6.2
Expenditures (\$millions)	439.1	468.4	6.7

Note: Data is preliminary and subject to revision.

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

The performance of the tourism industry was strong in 1993 as tourist trips and expenditures rose above previous year levels (see Table 15). Travel by both resident and non-resident tourists contributed to the increase. Resident travellers accounted for the vast majority of tourist trips and expenditures in the Province. Resident travel includes activities such as camping, fishing, visiting friends and relatives in other communities and visiting tourism attractions throughout the Province. Expenditures per trip for resident travellers tends to be lower than for non-residents. Last year resident expenditures per visit were about \$144 compared with \$482 per trip for non-residents.

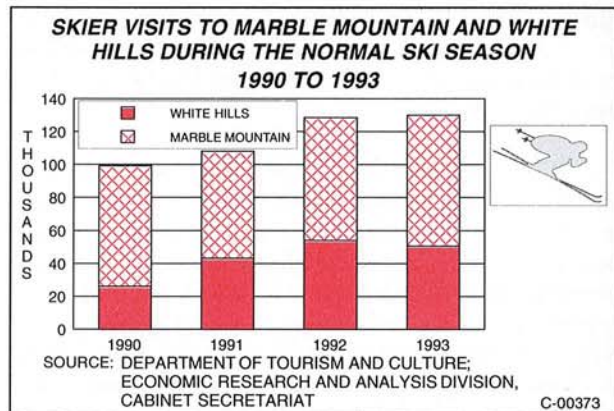
Non-resident tourists travel to the Province by both automobile and airline. The number of visitors

arriving by each of these modes of travel increased in 1993. Auto visitors increased by 3.5 percent to 114,700 while air travellers rose by a strong 11.3 percent to 175,800. Similar growth rates were also recorded for expenditures. The growth in air travellers stemmed from an increase in the number of tourists on chartered flights which more than offset lower traffic on regularly scheduled flights.

Strong growth in tourist activity in 1993

Non-resident travellers visit the Province to see friends and relatives, for sightseeing, for business, for outdoor recreation and for various other reasons. Visitors to the Province come from all over the world, however, the largest percentage come from other parts of Canada, primarily Ontario and the Maritime Provinces, and the United States.

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 about 79,500 skier visits during its 1993 season (December 1992 to April 1993), an increase of 6.6 percent over the previous year (see Diagram 24). 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. Improvements, at a cost of \$582,000, were made to the Marble Mountain ski facility in 1993. These expenditures were directed towards the upgrading of a double chair lift, purchasing a third grooming machine, and improvements to trails and the interior of the ski lodge. Furthermore, the construction of a new base lodge plus site preparation and servicing will take place over the next few years. This

work will cost over \$9 million and will receive a combined contribution of \$3.5 million from the Provincial and Federal governments.

The White Hills Ski Resort is located in the Clarenville area and caters mostly to skiers from Eastern Newfoundland. In 1993, 50,500 skier visits were recorded at White Hills, down 6.5 percent compared with the 1992 ski season. As Diagram 24 shows, White Hills has experienced considerable growth in the number of visitors in recent years. While the number of visitors fell in last year's ski season, it was still considerably higher than in 1990 and 1991. White Hills also made improvements to its facilities in 1993 by upgrading the access road, snowmaking system, rental shop and equipment, and by installing a new sewage treatment system. Construction will continue during 1994 to improve the skiing slopes and surrounding infrastructure. The total cost of these improvements will be \$2.9 million, cost-shared between the Provincial and Federal governments.

Cruise ship visits increased

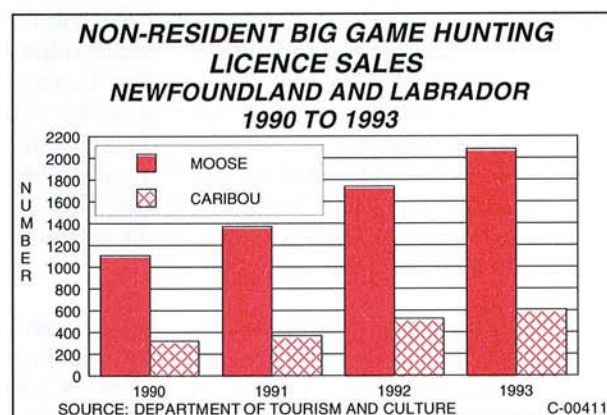
Cruise ships visited 13 ports throughout the Province in 1993, up from nine in the previous year. In an attempt to increase the Province's exposure to cruise ship activity, the Government of Newfoundland and Labrador, in cooperation with the Government of Canada and the governments of the Maritime Provinces and Quebec, participated in a trade show in Miami, Florida in March 1993.

Motorcoach tours of the Province continue to enjoy increasing levels of popularity with non-resident visitors. It is estimated that 166 motorcoaches visited the Province last year, generating expenditures of approximately \$3.3 million. This compares with 150 motorcoaches generating expenditures of \$3 million in 1992. In addition to bus tours, 61 conventions were planned for St. John's during 1993 generating expenditures of about \$7.44 million and drawing approximately 12,490 people to the region.

The number of nights that campers spent at Provincial parks rose to 213,249 in 1993, a 6.5 percent increase over the previous year while at Federal parks, the number of campers was relatively unchanged at 30,667. Campground use at Gros Morne National Park rose while at Terra Nova National Park, it declined. The drop at Terra Nova mainly reflected a reduction in the number of campgrounds from 387 in 1992 to 363 in 1993.

One of the oldest components of the tourism industry is the outfitting sector. There are 124 licensed hunting and fishing camp operators who operate about 208 camps and lodges throughout the Province during the various hunting and fishing seasons. 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 mainly 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. Outfitting generates an estimated \$12 million in revenue for operators each year and provides about 700 seasonal jobs.

Diagram 25



An indicator of the level of activity in the Province's outfitting sector is the number of hunting and fishing licences sold to non-residents. Good growth of big game populations has permitted an increase in the number of moose and caribou licences sold in recent years, as indicated in Diagram 25. Between 1990 and 1993 non-resident big game licences expanded by 88.6 percent. Last year, 2,687 licences were issued in the Province. Of these, more than three quarters were moose while the remainder were caribou. Individuals from the United States accounted for 67 percent of non-resident licence holders with the other 33 percent coming from the rest of Canada. Data on non-resident sportfishing for last year were not available at the time of writing, however, 2,500 trout licences and 2,000 salmon licences are sold annually to non-residents. The majority of these licences are sold to Canadians.

The future of the Province's recreational fishery rests largely on responsible conservation and harvesting practices. Several closures in the commercial fishery have taken place in recent years which are intended to raise the number of salmon returning to

spawn in Provincial rivers and streams. In an effort to reach a suitable balance between conservation principles while at the same time permitting a recreational fishery, a Federal/Provincial Working Group was established to address quota management. Furthermore, the Department of Fisheries and Oceans (DFO) announced in February 1994 the elimination of area quotas and the reduction of bag limits in an effort to conserve salmon stocks. In addition to the salmon fishery, DFO announced for the first time a recreational Trout Management Plan designed to conserve declining trout populations. Conservation measures will include fishing restrictions and closures, including bans in selected areas, shorter seasons and reduced bag limits.

Expenditures under the Canada/Newfoundland Cooperation Agreement for Salmonoid Enhancement/Conservation (CASEC) continued last year. This agreement allocates \$21.4 million for habitat restoration, stock renewal and infrastructure development in support of the recreational salmon fishery. One of the projects to receive funding under the agreement last year was the new salmon licencing program to be administered by the Department of Tourism and Culture. This program will centralize all data related to licence sales, allowing the Department to better manage the recreational fishery.

The process of producing management plans and regulations for two of the Province's outstanding seabird ecological reserves continued in 1993. Cape St. Mary's and Witless Bay have been officially designated as sanctuaries since 1983 and have become key tourist attractions in recent years. It is hoped that these activities will result in the implementation of a management regime that balances the protection of the birds with controlled public access.

Expenditures continued under the Tourism and Historic Resources Cooperation Agreement last year. This agreement extends until March 1995 and is designed to develop Newfoundland and Labrador's tourism potential. The total value of the agreement is currently placed at \$17.4 million which is cost-shared 70/30 between the Federal and Provincial governments. Projects last year included improvements to the Cape St. Mary's Seabird Reserve and Dildo Run Provincial Park, and the preparation of a master plan for Fitzgerald's Pond Provincial Park.

The feasibility process associated with establishing a national park in the Torngat Mountains of Labrador began in 1993. The Federal and Provincial governments, together with the Labrador Inuit Association, are co-operating in the feasibility assessment process.

There was an estimated \$14.4 million allocated for privately owned tourism projects in 1993 of which approximately \$8.9 million was contributed by the Atlantic Canada Opportunities Agency (ACOA). ACOA funds assisted in the expansion and upgrading of several accommodation properties, as well as improvements to a number of outfitting camps. In addition, private funds were used in the construction of three nine-hole golf courses.

*Adventure tourism discussion
paper released in July*

Adventure tourism represents a significant opportunity for the Province's tourism industry. The Department of Tourism and Culture released a discussion paper in July 1993 which recommends measures that should be taken in order to increase the Province's share of this growing market. The objective of the paper is to lay the groundwork for formulating a five-year strategy for the emerging adventure tourism industry. The paper has been distributed to interested groups for analysis and it is hoped that it will lead to more and better strategies on marketing, product development, environmental protection and training.

Westviking College, Corner Brook Campus, offered a one-year pilot program called Adventure Tourism-Operator in 1993. This program, sponsored by Community Futures and the Canada Employment and Immigration Commission, was developed to train potential adventure tourism operators. This course will be expanded into a two-year program commencing in September 1994. For individuals hoping to enter the industry, this program will provide outdoor leadership training and knowledge of the adventure tourism industry and Provincial natural history.

Both levels of government, in cooperation with Hospitality Newfoundland and Labrador and the Newfoundland Federation of Labour, are proceeding with the development of a human resource plan for the industry. In February 1994 a report was completed which detailed the size, composition, and requirements of the tourism workforce. This report provides recommendations to develop human resources in the Province. This initiative is only the second of its kind in Canada.

Marine Atlantic introduced a new cruise service in 1993. This initiative, called "Cruising Labrador", uses a working coastal vessel (MV *Northern Ranger*) to offer ecological/adventure tours. Packages are available for five, eight and 15 day trips cruising the

Labrador Coast. Last year's service ran from July to October with 142 packages being sold. Due to the success of the tours, the service will be offered again this year. During the winter the Company will be carrying out an in-depth survey among passengers who sailed during the first season, and the information gathered in the survey will be used in an effort to enhance the service this year. In addition, the *MV Tavernor* will also offer services cruising the Labrador coast during the 1994 season.

A number of tourism planning activities were conducted during 1993. A regional tourism plan for the Bay of Islands to White Bay region was completed in January 1993, as was the report *Newfoundland T'Railway*, which proposes the creation of a linear park on the abandoned CN railbed. A tourism development study was initiated in the Gros Morne region, with the major objective of identifying commercial opportunities in the area, and a feasibility study on an interpretation centre to commemorate Dr. Wilfred Grenfell was prepared for the Town of St. Anthony. Furthermore, two planning processes are underway for *The Avalon Regional Tourism Strategic Plan* and *The Provincial Theme Touring Routes and Regions Master Plan*. Public meetings will be ongoing during this year and final reports are expected during the fall.

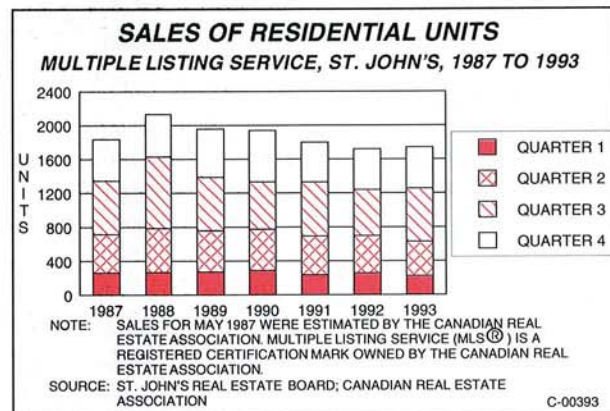
The *Cabot 500th Corporation* held consultations across the Province late in 1993 to receive input into the development of a master plan for a major international celebration in 1997. This celebration will coincide with the 500th anniversary of John Cabot's discovery of the Province in 1497. This year the Corporation will be making presentations to the Federal and Provincial governments concerning the master plan, with a view to finalizing plans for the 1997 celebrations.

The Newfoundland and Labrador tourism industry is expected to record another year of positive growth in both tourist trips and expenditures in 1994. Higher levels of both resident and non-resident travel should contribute to the increase. Residents of the Province are expected to remain cautious in their spending decisions this year, prompting more vacations within the Province. Continued expansion in the Canadian and U.S. economies are expected to be important factors in non-resident travel growth this year. In addition, the business travel related to the Hibernia project will play an important role in resident and non-resident travel in 1994.

Real Estate Market

The largest real estate market in the Province is in the St. John's/Mount Pearl area. This market accounts for up to 75 to 80 percent of the residential real estate transactions in the Province with the majority of sales made through the St. John's Multiple Listing Service (MLS®). Sales activity improved slightly in the St. John's/Mount Pearl real estate market during 1993. The number of homes sold through the MLS® grew by 1.2 percent to 1,741 last year and the value of residential sales rose to \$160.7 million, an increase of 1.6 percent. The average sale price, which does not distinguish between home types, was \$92,300, up marginally over last year. This increase may have reflected a slight change in the distribution of home sales as prices for all house types, except townhouses, actually declined last year (see Table 16).

Diagram 26



The St. John's/Mount Pearl residential real estate market has been hit hard over the past three years by weakness in the economy. Employment losses and consumer uncertainty have dampened the effects of positive factors such as low interest rates and programs designed to stimulate the market, thus preventing any significant increase in sales as indicated in Diagram 26.

The distribution of home sales by house price is illustrated in Diagram 27. Sales of homes priced below \$100,000, which are typically purchased by first-time buyers, accounted for approximately 60 percent of sales last year. Houses priced between \$100,000 and \$149,999 accounted for 33 percent of activity, while the remaining group, homes priced in the range which usually encompasses move-up buyers (\$150,000 and over), comprised about 6.6 percent of sales. The single most popular price group was

Table 16

HOUSE PRICES

House Type	Selling Price October 1992	Selling Price October 1993	Percent Change October 1992 to October 1993	Percent Change October 1992 to January 1993	Percent Change January 1993 to April 1993	Percent Change April 1993 to July 1993	Percent Change July 1993 to October 1993
Standard Townhouse							
St. John's - East End	66,200	66,600	0.6	0.5	0.0	2.0	-1.8
St. John's - West End	66,000	68,100	3.2	0.6	0.0	4.8	-2.2
Mount Pearl	69,000	69,700	1.0	0.6	0.1	1.2	-0.9
Corner Brook	50,000	51,500	3.0	0.0	3.0	0.0	0.0
Detached Bungalow							
St. John's - East End	106,000	102,300	-3.5	-0.1	-1.1	-0.7	-1.6
St. John's - West End	101,000	97,000	-4.0	-1.1	-1.1	-1.8	0.0
Mount Pearl	96,500	91,800	-4.9	-1.3	-0.5	-1.0	-2.1
Corner Brook	90,000	93,500	3.9	3.9	0.0	0.0	0.0
Standard Condominium Apt.							
St. John's - East End	108,600	103,000	-5.2	-1.3	-0.5	-1.6	-1.9
Standard Two-Storey							
St. John's - East End	132,700	129,100	-2.7	-1.3	0.0	-0.3	-1.1
St. John's - West End	128,500	124,000	-3.5	-1.6	-0.5	-0.9	-0.6
Mount Pearl	125,000	118,600	-5.1	-1.0	-0.9	-1.4	-2.0
Corner Brook	88,000	89,000	1.1	1.1	0.0	0.0	0.0
Executive Detached Two-Storey							
St. John's - East End	155,600	145,900	-6.2	-1.6	-1.0	-1.4	-2.4
St. John's - West End	150,600	143,100	-5.0	-1.9	-1.2	-0.8	-1.3
Mount Pearl	141,000	134,600	-4.5	-1.1	-0.5	-1.0	-2.0
Corner Brook	115,000	115,000	0.0	0.0	0.0	0.0	0.0
Luxury Condominium Apt.							
St. John's - East End	161,000	149,600	-7.1	-1.4	-2.1	-2.6	-1.3
Senior Executive							
St. John's - East End	266,000	233,600	-12.2	-2.4	-1.3	-4.4	-4.7
St. John's - West End	250,500	222,100	-11.3	-2.2	-0.7	-3.4	-5.5
Mount Pearl	245,000	218,000	-11.0	-2.0	-1.1	-4.7	-3.7
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 Ltd.

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.



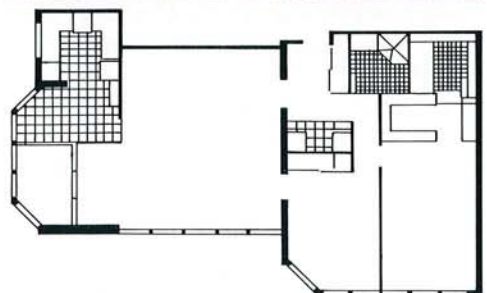
Standard Townhouse

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

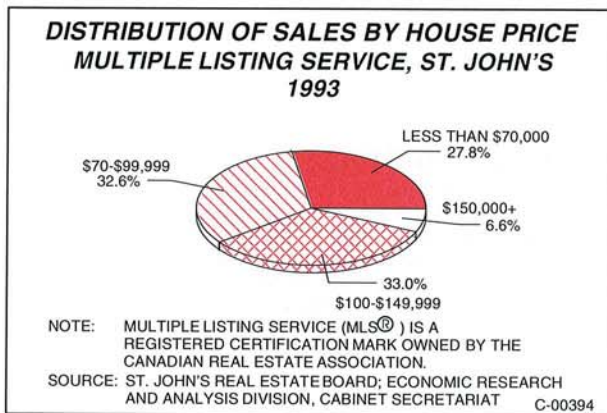
A two-bedroom apartment comprising a living room, a dining room (possibly combined) and a kitchen, in a high-rise building with an inside floor area of 84 sq. metres (900 sq. ft.). Amenities include standard broadloom, 1½ bathrooms, 2 appliances, a small balcony and 1 underground parking space. Common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

homes that sold for between \$100,000 and \$119,999; nearly 19 percent of all sales were in this price range.

Diagram 27



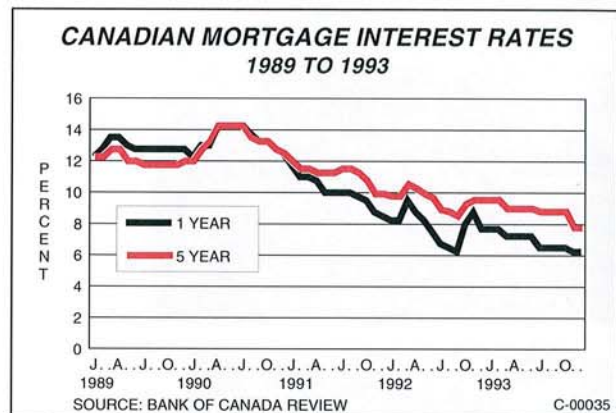
There was an increase in the average number of homes for sale in the St. John's/Mount Pearl market in 1993. The monthly average number of active listings on the MLS® was 1,010, up by 3.2 percent from the previous year. Although the real estate market has shifted away from the oversupply situation observed in 1990 and 1991, the weakness in sales for most of the year continued to place the buyer in a position of strength in the market. The *sales-to-active listings* ratio for the year fluctuated between about six and 21 percent, lower than what is considered reflective of a balanced market that does not favour either buyers or sellers. Furthermore, the average time that a home took to sell in 1993 was approximately 46 days, slightly longer than the usual 30 to 45 days that it takes in a balanced market.

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 buyers who sell their existing homes and apply the equity towards the cost of a new home. When resale markets improve, buyers have greater success selling their existing homes and this facilitates activity in the new home construction industry. The slight improvement in the resale market in 1993 may have been a contributing factor to the 11 percent increase in the construction of new homes in the St. John's Metropolitan Area in 1993.

Price movements in the St. John's/Mount Pearl and Corner Brook real estate markets over the one year period ending in October 1993 are outlined in Table 16. All house types in the St. John's/Mount Pearl market registered a decline in price over this period with the exception of townhouses. While decreases fluctuated around the three to five percent

range for homes typically priced between \$90,000 and \$130,000, the drop in prices was stronger for the more expensive homes. The hardest hit was the senior executive home where, depending on location, prices dropped between 11.0 and 12.2 percent. The only type of home to experience any price strengthening over the period was the standard townhouse and most of this increase occurred over the April to July 1993 period. The general downward movement in prices between October 1992 and October 1993 is further evidence of buyer strength brought on by slow sales and solid supply. In Corner Brook, houses typically priced under \$100,000 experienced some price increases in the one year period, while the prices of homes over \$100,000 remained unchanged.

Diagram 28



Mortgage interest rates continued on a pathway favourable to homebuyers in 1993. Interest rates for one and five year terms at the beginning of last year stood at 7.7 and 9.5 percent respectively, as indicated in Diagram 28. Factors such as a relatively stable dollar, low inflation and sluggish employment growth prompted the Bank of Canada to lower interest rates in an attempt to create a favourable environment for investment. Rates continued on a downward trend for much of the year with one year rates standing at 6.25 percent in December, on par with levels recorded in the fall of 1992. Five year rates at the end of the year were holding at 7.75 percent, the lowest in nearly 30 years.

The two Federal government programs designed to stimulate housing markets across the Country continued last year. Canada Mortgage and Housing Corporation's (CMHC) *First Home Loan Insurance Program* (FHLI), announced in February 1992, allows first-time buyers to purchase a house with only a five percent downpayment, a reduction from the previous 10 percent requirement. In 1993 a total 1,292 first-time mortgages in the Province were insured

under the program. The majority of the homes insured were existing houses. CMHC estimates that just over 20 percent of new and resale housing transactions in the Province in 1992 were financed using the FHLI program. Furthermore, in a recent survey by CMHC it was learned that, for the Country as a whole, 69 percent of those that had participated in the FHLI program between May and December of 1992 indicated that they would not have been able to purchase their home when they did without the FHLI program. The FHLI program was extended in August 1993 for a further five years due to a favourable response.

The second program ongoing last year was Revenue Canada's *Home Buyers' Plan* (HB). This program, first announced in February 1992, allows buyers to withdraw up to \$20,000 from their Registered Retirement Savings Plan (RRSP) to purchase a house without having to pay tax on the withdrawn savings. About 1,990 persons in the Province had participated in the program as of January 21, 1994, withdrawing \$6,702 on average from their RRSPs. By comparison, the total number of participants in Canada for the same period was around 222,800, with the average amount withdrawn valued at \$7,221. In the February 1994 Federal budget it was announced that this plan will be replaced with another program that will allow only first-time buyers to use RRSP funds to purchase a home.

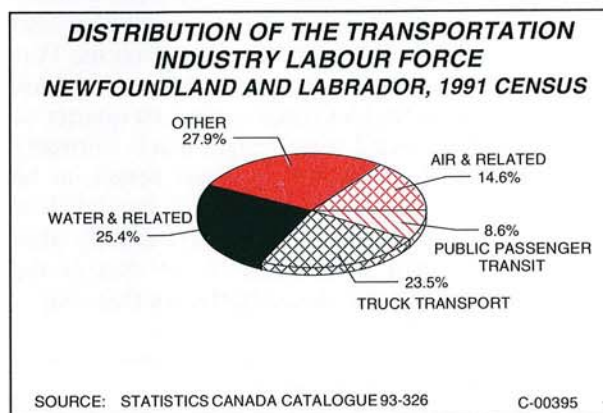
The St. John's residential real estate market is expected to record another slight improvement in sales in 1994. Interest rates are forecast to remain at, or near, present low levels which should promote home buying. In addition, the announcement by CMHC in August that it was extending the FHLI program and the extension of the HB plan will continue to make access to homeownership easier for first-time buyers. While sales are expected to increase this year, growth will be curtailed by government spending restraint and uncertainty over the details of the post-May income support for fisheries workers. As well, prices are expected to approximate last year's levels due in part to a good supply of homes and moderate demand. Nevertheless, with some of the best buying conditions in over two decades, real estate sales should be slightly higher this year.

Transportation

The transportation industry facilitates the movement of individuals and freight within as well as to and from the Province through the provision of water, road and air transportation services. Performance varied among the different transportation modes in 1993. Passenger traffic on the Marine Atlantic ferries be-

tween the Province and Nova Scotia increased while both bus and airline travel declined. The amount of cargo shipped through the St. John's and Corner Brook ports was lower last year, however, the number of commercial vehicles carrying freight on Marine Atlantic's ferry services between North Sydney and the Island increased.

Diagram 29



The transportation industry provided employment for about 10,600 different people in the Province during the 18 months prior to the taking of the 1991 Census. The distribution of the industry's workforce, according to the 1991 Census estimates, is depicted in Diagram 29. About one-quarter of the workforce is employed by the trucking industry which is comprised of carriers that move freight within as well as to and from the Province. A majority of the freight entering and leaving the Province, however, is transported by water. This method of transportation provides for the movement of passengers as well as freight and also accounts for about one-quarter of the transportation industry workforce. The remaining components of the industry's workforce are primarily engaged in the transport of passengers. Public transit includes urban and rural bus services while the other component includes taxicab services and activities related to the maintenance of the Province's streets and highways.

Activity increased on the Port aux Basques ferry service

The use of some elements of the transportation industry, such as ferry travel, is subject to a high degree of seasonality. Tourism makes up a sizeable portion of the market for Marine Atlantic's ferry

services, thus it is not surprising that 70 percent of its ferry passengers travel during the period from June to September. Two ferry services operate between the Province and North Sydney; the Argentia ferry runs on a seasonal schedule from June to October while the Port aux Basques service operates throughout the year. Activity on the two crossings increased during 1993 as indicated in Table 17. The number of passengers and passenger related vehicles on both services rose, reflecting a greater number of tourists travelling to the Province by automobile last year. The number of commercial vehicles using the ferry services also increased in 1993. Commercial vehicles on the Port aux Basques crossing grew primarily because of thick ice in the Gulf of St. Lawrence in the first quarter of last year which caused some freight that is normally shipped from Montreal via container vessel, to be diverted to this ferry service. The higher level of activity on the Argentia service resulted mainly from a two and one-half week delay in the start of the service in 1992 which reduced traffic for that year.

TABLE 17

**MARINE ATLANTIC ACTIVITY
PORT AUX BASQUES AND ARGENTIA
1992 AND 1993**

	1992	1993	Percent Change
Port aux Basques - North Sydney			
Passengers	361,528	376,366	4.1
Passenger Related Vehicles	111,286	117,176	5.3
Commercial Vehicles	58,403	59,740	2.3
Argentia - North Sydney			
Passengers	38,894	43,084	10.8
Passenger Related Vehicles	13,483	14,912	10.6
Commercial Vehicles	439	650	48.1
Total			
Passengers	400,422	419,450	4.8
Passenger Related Vehicles	124,769	132,088	5.9
Commercial Vehicles	58,842	60,390	2.6

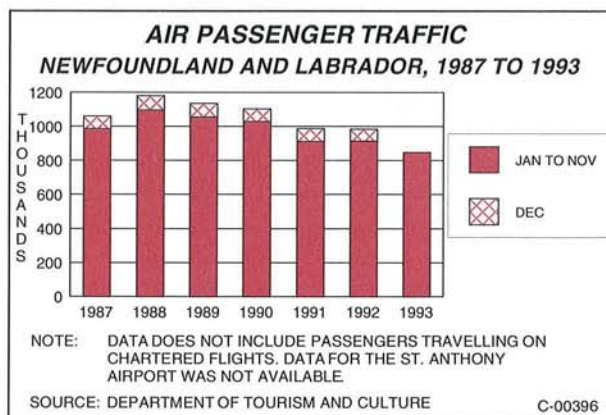
Source: Marine Atlantic; Economic Research and Analysis Division, Cabinet Secretariat.

Marine Atlantic announced in December 1993 several measures for the coming year aimed at reducing costs and increasing revenues. Ferry rates for the various services throughout Atlantic Canada will increase except on routes where price sensitivity is a critical factor. The Port aux Basques ferry service rates for adult passengers, automobiles and tractor-trailers will each post increases in the three percent range. The adult passenger fare on the Argentia ferry service will rise by 1.6 percent while rates for passenger and commercial vehicles will remain unchanged. The Argentia ferry service will also experience a six week reduction in its operating period during 1994.

Approximately 91,000 passengers utilized the Canadian National (CN) Roadcruiser bus service in 1993, a decline of 18.8 percent from 1992. This decline represents the continuation of a trend which began in 1984 and is not unique to Newfoundland. Bus passenger traffic across Canada has been on the decline since 1981 because of such factors as the increased use of automobiles as a mode of transportation. In response to the decrease in traffic, CN Roadcruiser scaled down its service from St. John's to Grand Falls-Windsor in April 1993. The service was reduced to three trips per week outbound from St. John's instead of the previous daily service.

In August it was announced that work will commence on the Outer Ring Road in the spring of 1994. The road will cost \$68.2 million to construct and will be covered under the Trans Canada Highway (TCH) component of the Federally funded Newfoundland Transportation Initiative. This project will involve the cooperation of both the Federal and Provincial governments. Construction of the road is expected to take place over a six to eight year period. The goal of the project is to improve the transportation infrastructure linking St. John's and surrounding communities to the TCH while facilitating the future economic development of this area. It will consist of a 14.7 kilometre, four-lane divided highway connecting the TCH in the western outskirts of St. John's with the eastern portion of the City, as well as two additional collector roads at either end of the new highway.

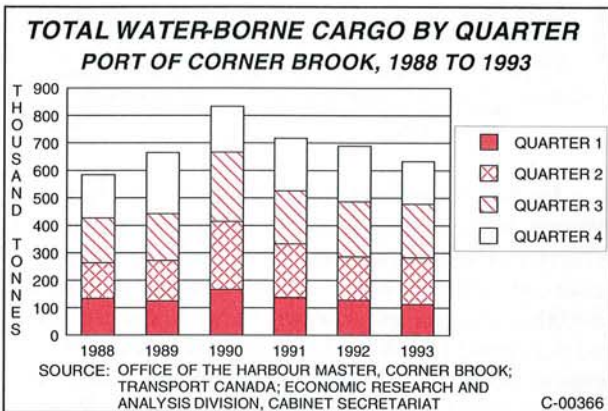
Diagram 30



Airports in the Province that are owned and maintained by Transport Canada include: St. John's, Gander, Deer Lake, Stephenville, Wabush, Churchill Falls, Happy Valley/Goose Bay and St. Anthony. Passengers travelling by airline (excluding charter services) in the Province during the first eleven months of 1993 decreased by 7.3 percent from 1992 levels as indicated in Diagram 30. All of the reporting

airports experienced declines in passenger traffic. In response to lower passenger traffic, Canadian Airlines International announced in May 1993 that it will cease its daily jet service from St. John's to Deer Lake, Goose Bay and Wabush by October 1994. A smaller plane flown by Air Atlantic will take over the service as a result of a commercial agreement between the two companies.

Diagram 31



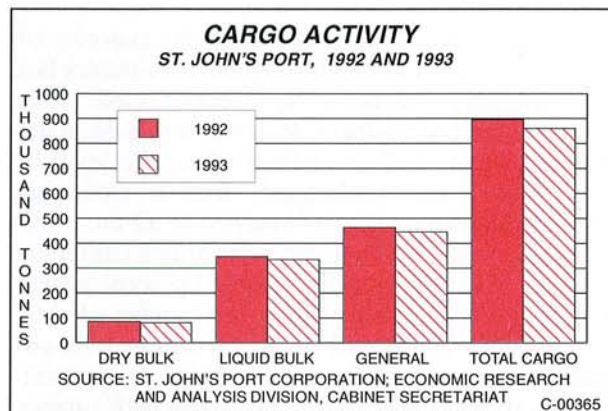
Water-borne cargo moving through the Port of Corner Brook totalled 632,863 metric tonnes during 1993, a decrease of 8.2 percent from 1992. Cargo moving through this port includes such commodities as: fish, petroleum, paper, cement and break bulk (i.e., different types of cargo transported together). Reductions in total water-borne cargo in the first, third and fourth quarters, offset the gain recorded in the second quarter (see Diagram 31). Severe ice and weather conditions during the first three months of 1993 resulted in declines for that period.

The amount of water-borne cargo transported through the St. John's Port declined by four percent to 860,242 metric tonnes in 1993, as illustrated in Diagram 32. Cargo moving through the port is typically classified as dry, liquid or general cargo. Dry bulk shipments fell by six percent as higher shipments of grain were unable to offset declines originating from salt and fish. Salt shipments were down 4.6 percent last year compared with the same period a year earlier. As well, there were no shipments of fish in 1993 as a result of the northern cod moratorium. Liquid bulk cargo, which consists of gas and fuel oil, fell by 3.3 percent last year. Gas and fuel oil shipments were down by 6.7 and 1.2 percent respectively.

General cargo shipments at St. John's Port consist of containers, trailers, automobiles and break bulk. General cargo fell by four percent in 1993, primarily the result of decreases in trailers and con-

tainers. This decline reflects the downward trend noted throughout much of the wholesale and retail trade industries in the St. John's area over this period. One component of the retail industry that has shown marginal improvement in 1993 is new car sales. Similarly, new automobile imports through St. John's Port also rose last year, a further indication of an improvement in new car demand.

Diagram 32



The performance of the transportation industry is expected to be mixed in 1994. The continuation of the cod moratorium along with other fishery closures throughout the Province will result in a reduction in demand for some transportation services related to the fishery (e.g., trucking of fish products, etc.). Solid performances in both mineral and newsprint shipments, however, combined with continued activity related to the Hibernia project may impact positively on general cargo transported through the ports and on freight movement on the ferries. In addition, promotional campaigns aimed at increasing non-resident tourist activity will positively impact some areas of passenger traffic.

Labour Markets

Conditions in national labour markets improved somewhat in 1993. The level of employment increased for the first time since 1990, but employment growth of 1.2 percent was virtually offset by labour force growth of 1.1 percent. The net result was a slight improvement in the national unemployment rate which fell by 0.1 percentage point. Even with these welcomed improvements, national labour markets still have some distance to go before the losses posted during the recession are recovered. The level of employment last year remained some 1.5 percent lower than its pre-recession peak while the average number

of workers unemployed was about 53 percent higher than in 1989. Thus the unemployment rate remained stubbornly high, averaging 11.2 percent last year, well above the pre-recession low of 7.5 percent recorded in 1989.

Canadian unemployment rate remained high in 1993

Improvements were noted in the majority of provincial labour markets throughout the Country last year, the exceptions being Newfoundland and Nova Scotia where employment declined, and Saskatchewan and Prince Edward Island where the level of employment was unchanged. British Columbia turned in the strongest performance of all the provinces. The level of employment in British Columbia rose by 2.9 percent, well above the 2.1 percent growth in the size of the labour force. The number of B.C. workers unemployed fell by 5.1 percent and the unemployment rate was down by 0.7 percentage point. Ontario also turned in a relatively strong performance as employment growth of 1.7 percent exceeded labour force growth causing a modest improvement (0.2 percentage point) in the unemployment rate. Nevertheless, Ontario was the only province west of Quebec with a double-digit unemployment rate, and the number of unemployed workers in Ontario last year was more than double the number unemployed in 1989. Furthermore, employment in Ontario's manufacturing sector continued to fall despite growth in manufacturing exports, with 1993 marking the fourth consecutive year of declines. The situation in Ontario labour markets is discussed in more detail in the box contained in this section. The changes in the level of employment and unemployment for the ten provinces over the past three years are summarized in Diagrams 33 and 34.

Diagram 33

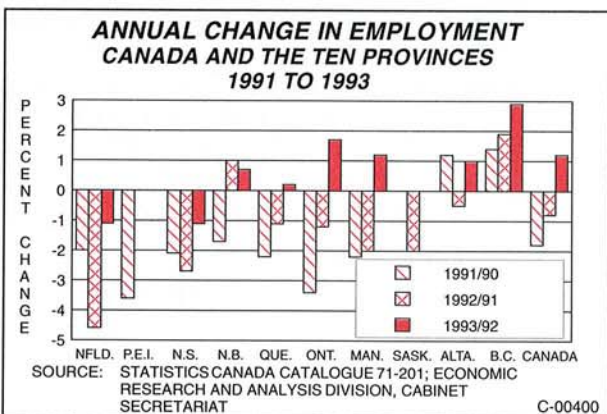
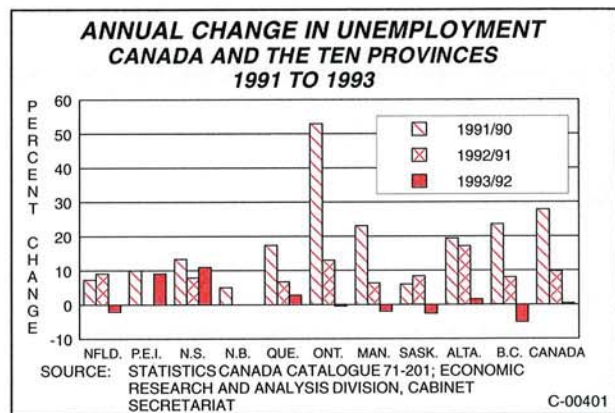


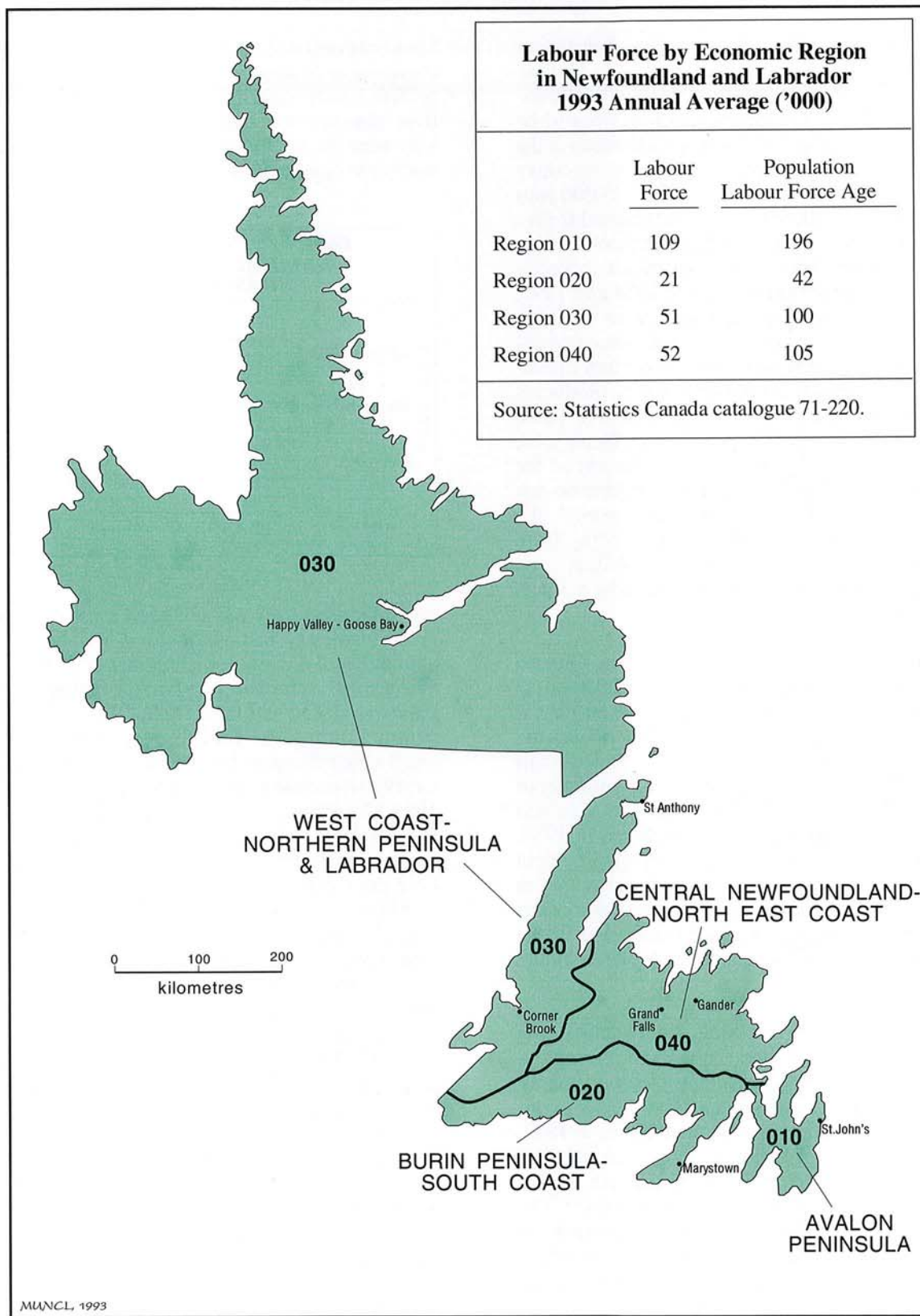
Diagram 34



In Newfoundland and Labrador, the monthly average level of employment fell by 2,000 or 1.1 percent in 1993 marking the third consecutive year of declining employment. Average employment of 186,000 recorded last year was the lowest since 1987, and was some 15,000 or 7.5 percent below the pre-recession peak of 201,000. Employment losses were virtually offset by a decline in the size of the Provincial labour force. Thus the numbers unemployed declined by about 2.1 percent and the unemployment rate was unchanged at 20.2 percent last year.

There were areas of both strength and weakness among the various Provincial industries last year. Oddly enough, some of the strength which could be found in Provincial labour market statistics during the year emanated from the *Fishing* industry. Total employment in that industry increased by about 1,000 or 5.5 percent, according to the Statistics Canada *Labour Force Survey* results, as gains in fish harvesting employment were more than sufficient to offset losses in the processing sector. The fishing industry results are consistent with the performance of certain Provincial fisheries such as crab, capelin and clams. The rise in the fish harvesting numbers may be further explained by the possibility that fishermen affected by fishery closures may be prosecuting other species for which they have licences, thus maintaining their employment presence in the industry, and they may be expending more effort to harvest less fish. The fish harvesting sector is dominated by *self-employed*, in-shore fishermen whereas plant workers are generally salaried employees. Factors such as these may be keeping the *Labour Force Survey* employment estimates for fish harvesting from falling in proportion to the drop in landings. Furthermore, it must be remembered that in spite of growth in total fishing industry employment, employment in the fishery remained well below levels recorded in the pre-crisis fishery. In the processing sector, for example, monthly average

Map 5



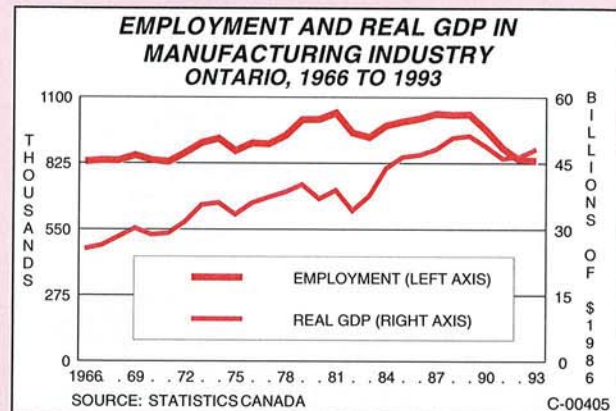
Ontario Labour Markets in the Early 1990s

Much of the damage done to Canadian labour markets by the 1990s recession occurred in Ontario which accounts for more than 38 percent of the national labour force. The deterioration in Ontario labour markets began in 1990, a year earlier than at the national level, and continued for three consecutive years. Over the 1990-92 period, some 235,000 jobs disappeared. The bulk of this net loss resulted from a considerable shakeout in the Ontario manufacturing industry. This industry was hard hit by the appreciation of the Canadian dollar between 1989 and 1992; by cross-border shopping in response to the high value of the dollar in combination with more favourable U.S. consumption and excise taxes and the favourable cost-competitive position of U.S. producers and distributors; and by the Canada-U.S. Free Trade Agreement. In all, some 189,000 manufacturing jobs, accounting for slightly more than 80 percent of the total net employment loss, vanished in Ontario between 1989 and 1992. Over that same period, the unemployment rate more than doubled, rising from 5.1 percent in 1989 to 10.8 percent in 1992; and the employment/population ratio plummeted by 6.3 percentage points.

Last year marked a turning point in Ontario labour markets as employment grew by 79,000 or 1.7 percent and the unemployment rate declined for the first time in five years. Nevertheless, Ontario was the only province west of Quebec with a double-digit unemployment rate (10.6 percent), and the number of unemployed workers in Ontario last year was still more than double the number unemployed in 1989. Furthermore, while most of the net employment losses over the past few years were concentrated in the manufacturing industry, gains last year were confined to the service sector and concentrated in the *Community, Business and Personal Services* industry.

Prior to the 1990s recession, the manufacturing industry accounted for about 70 percent of employment in Ontario's goods producing sector and about one-quarter of total employment. The industry continued to sustain modest employment losses in 1993, and employment of 837,000 in manufacturing last year was at levels reminiscent of the late 1960s, representing a 25-year low (see diagram below). The overall importance of manufacturing employment declined to about one-sixth of total employment in Ontario, and about two-thirds of employment in the goods producing sector. It may well be that a large part of the double-digit unemployment problem in Ontario is structural in nature since skills required/acquired in manufacturing where the bulk of job losses

have occurred in the past few years may not be readily transferable to service industries where employment growth is occurring. To the extent that this is the case, then adjustment in Ontario labour markets could be long-term in nature and require aggressive labour market policy intervention.



Manufacturing has not been a net employment growth industry in Ontario for a number of years although real output (i.e., GDP) has shown considerable growth as the diagram shows. Employment in the industry peaked at 1,036,000 in 1981 and the losses incurred during the 1981/82 recession, which were small when compared to the losses sustained during the 1990s recession, were never fully regained. A post 1981/82 recession employment peak of 1,033,000 was reached in 1987, and since that time the employment trend in Ontario manufacturing has generally been downward, culminating in the 25-year employment low which was recorded last year. Real output in the industry was also affected by the 1990s recession, however, the effects of the recession on real output were both shorter lived and smaller than they were on employment. Recovery of real output began in 1992 and last year real output stood at 94.1 percent of the 1989 peak level and rising; this compares with employment at only 81.3 percent of its 1989 level, and still declining. While manufacturing employment in Ontario last year was at levels similar to the late 1960s, real output was nearly double levels recorded during the late 1960s suggesting tremendous gains in labour productivity. The improvements in labour productivity have probably come about as a result of increased capitalization of the industry in response to changing capital/labour costs which have favoured capital inputs over labour inputs.

employment last year was only about one-half of its 1988 level.

Service sector accounted for the decline in Provincial employment

Within the goods producing sector of the Provincial economy, gains in the fishing industry and other manufacturing industries were offset by losses in the *Construction* industry and in other non-fishing *Primary* industries. Overall, the level of employment in the goods producing sector was unchanged so that the service sector accounted for the decline in total employment last year. Within the service sector, losses of 1,000 were recorded for *Transportation, Communication and Other Utilities, Community, Business and Personal Services* and *Finance, Insurance and Real Estate*. These losses were only partially offset by modest gains in other service industries, and thus total employment in the service sector fell.

Females continued to fare somewhat better than males last year as they have done, with relatively few exceptions, for the past decade or more. All of the net employment losses last year were incurred by males, causing the male unemployment rate to rise by 0.3 percentage point to average 20.7 percent. In the case of females, the level of employment was unchanged last year and the unemployment rate declined by 0.3 percentage point to average 19.6 percent. Last year marked the fourth consecutive year that the female unemployment rate has been lower than the male unemployment rate.

Labour market performance varied across different regions of the Province during 1993. The region which takes in the West Coast-Northern Peninsula and Labrador area was hard hit, with employment losses averaging 2,000 or 4.9 percent. The unemployment rate for that region increased by 1.4 percentage points to average 23.7 percent. The region which takes in the Burin Peninsula and South Coast was also hard hit as employment fell by 1,000 or 6.3 percent and the unemployment rate rose by 0.8 percentage point to average 28.2 percent. Within the Avalon Peninsula region of the Province, the level of employment was unchanged as a 2,000 gain in the St. John's Census Metropolitan Area (CMA) was just sufficient to offset losses elsewhere in the region. The unemployment rate in the CMA fell by 1.5 percentage points leaving the Avalon Peninsula unemployment rate down by 0.1 percentage point. Labour market performance for selected regions of the Province is summarized in Appendix 1 of this report.

Labour market conditions in the Province are not expected to improve during 1994. The level of employment is expected to remain unchanged as the effects of additional fisheries closures, and associated processing plant closures, announced in 1993 continue to impact the economy. Furthermore, any deterioration in the performance of the capelin, crab and other fisheries that performed strongly in 1993 could put downward pressure on the level of employment. The size of the Provincial labour force is also expected to remain close to 1993 levels this year. Thus, with no changes expected in either the level of employment or the size of the labour force, the unemployment rate is expected to be essentially unchanged from 1993 at 20.1 percent.

Summary Review and Outlook

The Provincial economy continued to struggle with the downturn in the groundfishery and ongoing fiscal restraint in 1993. During the year, news of declining groundfish stocks continued, prompting further quota reductions and closures. As a result, landings declined for the third consecutive year and this negatively impacted the manufacturing industry. Some of the losses sustained in fishery output were offset by improvements in other resource based industries. The performances of the mining and forest industries were better in 1993 than in the previous year, although newsprint prices remained low. The stronger showing in these industries was prompted by expansions in both the Canadian and U.S. economies. Growth in investment was mainly due to ongoing Hibernia expenditures. Hibernia investment, together with growth in certain resource industries produced a modest increase of 0.4 percent in real Provincial Gross Domestic Product (GDP).

Labour markets in the Province continued to sustain employment losses in 1993. Employment fell by about 2,000 or 1.1 percent on a monthly average basis. The decline in employment came in through the service sector while goods sector employment remained unchanged. The drop in employment was virtually offset by a decline in the size of the Provincial labour force so that the unemployment rate, at 20.2 percent, remained unchanged from the previous year.

Personal income levels recorded only a marginal increase of 0.1 percent in 1993. Once inflation is taken into account, however, real income fell by an estimated 1.6 percent. Real personal disposable income also fell in 1993 and this combined with cautious consumer behaviour produced further declines in retail sales. Nevertheless, pent-up demand and falling

interest rates sparked some slight increases in new car sales and housing starts. In addition to the stimulative effects of falling interest rates, inflation remained moderate and many exporters benefitted from the depreciation of the Canadian dollar relative to its U.S. counterpart.

The outlook for 1994 is for continued, though modest, recovery. Further expansion is expected in both the Canadian and United States economies which should benefit this Province as well. The value of mineral shipments is forecast to rise during the year due largely to expected increases in production and shipments of iron ore and gold. Newsprint production and shipments are expected to be on par with 1993, however, the problems of low prices and overcapacity which have been plaguing the Canadian industry are expected to continue to challenge local producers.

Closures and quota cuts in the fishery will reduce fish landings for the fourth consecutive year in 1994. The Federal government announced in its February 1994 budget that \$1.7 billion had been allocated for a five year program to address the issue of long-term adjustment for those directly affected by the crisis in the Atlantic groundfishery. Some consumers are expected to exercise considerable caution until the details of this program are announced later this spring.

Personal income is expected to advance by 0.7 percent in 1994. While inflation should only be moderate, real personal income is expected to be lower than in the previous year. Ongoing restraint in the public sector and discussions concerning reform of social programs will limit growth in the consumption sector this year. Retail sales, one component of consumption, is forecast to rise by 0.8 percent (down by one percent in real terms).

The inflation rate is expected to be 1.7 percent this year, the same as in 1993. Interest rates are expected to remain relatively low and the Canadian dollar will average around US\$0.75 for the year. Investment spending is expected to grow again in 1994, largely on the strength of spending related to the Hibernia development. Overall, real GDP is expected to grow by 0.6 percent for 1994 while employment is expected to remain unchanged. Since there is little change forecast for the labour force this year, the unemployment rate should remain about the same.

Appendix 1

**LABOUR MARKET INDICATORS - ANNUAL AVERAGES
REGIONS OF NEWFOUNDLAND AND LABRADOR
1992 AND 1993**

TABLE 1.1

**LABOUR MARKET INDICATORS - ANNUAL AVERAGES
REGIONS OF NEWFOUNDLAND AND LABRADOR
1992 AND 1993**

Region 010 Avalon Peninsula	Labour Force		%	Employed		%	Unemployed		%	Unemployment Rate		Act. Chg.
	1992	1993	Chg.	1992	1993	Chg.	1992	1993	Chg.	1992	1993	
	Thousands									Percent		
	110	109	-0.9	91	91	0.0	19	19	0.0	17.3	17.2	-0.1
Region 020 Burin Peninsula South Coast	Labour Force		%	Employed		%	Unemployed		%	Unemployment Rate		Act. Chg.
	1992	1993	Chg.	1992	1993	Chg.	1992	1993	Chg.	1992	1993	
	Thousands									Percent		
	21	21	0.0	16	15	-6.3	6	6	0.0	27.4	28.2	0.8
Region 030 West Coast - Northern Peninsula & Labrador	Labour Force		%	Employed		%	Unemployed		%	Unemployment Rate		Act. Chg.
	1992	1993	Chg.	1992	1993	Chg.	1992	1993	Chg.	1992	1993	
	Thousands									Percent		
	52	51	-1.9	41	39	-4.9	12	12	0.0	22.3	23.7	1.4
Region 040 Central and Northeast Coast	Labour Force		%	Employed		%	Unemployed		%	Unemployment Rate		Act. Chg.
	1992	1993	Chg.	1992	1993	Chg.	1992	1993	Chg.	1992	1993	
	Thousands									Percent		
	52	52	0.0	41	42	2.4	11	11	0.0	21.1	20.1	-1.0
St. John's Metro Area	Labour Force		%	Employed		%	Unemployed		%	Unemployment Rate		Act. Chg.
	1992	1993	Chg.	1992	1993	Chg.	1992	1993	Chg.	1992	1993	
	Thousands									Percent		
	82	83	1.2	69	71	2.9	13	12	-7.7	15.4	13.9	-1.5

Source: Statistics Canada catalogue 71-220; Economic Research and Analysis, Cabinet Secretariat.

Appendix 2

**AN INVENTORY OF SELECTED MAJOR PROJECTS
IN NEWFOUNDLAND AND LABRADOR**

Appendix 2

AN INVENTORY OF SELECTED MAJOR PROJECTS IN NEWFOUNDLAND AND LABRADOR*

Project	Location	Estimated Capital Cost (\$ Millions)	Start/End Date	Comments
Aquatic Facility	Grand Falls - Windsor	2.5	1993/1994	The facility will be attached to the Joe Byrnes Arena and will consist of a 25 metre pool featuring four lanes for local and regional swimming needs. Also, it will include a multipurpose space containing change rooms and washrooms. This project is expected to be completed in the summer of 1994. 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 meet 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 began in the spring of 1993 and is to be completed in the summer of 1994. 55% Provincial, 45% Municipal funds..
Bridges and Causeways	Various Locations	3.1	1994/1995	Various projects. Provincial funds.
Canada/Newfoundland Cooperation Agreement on Tourism and Historic Resources	Various Locations	7.5	1991/1995	Under the \$17.4 million agreement, approximately \$7.5 million will be spent for capital expenditures. Historic sites in Trinity and Bonavista will undergo improvements and a new Beothuck interpretation centre will be developed at Boyd's Cove, Notre Dame Bay. The agreement also provides for development of an interpretation centre at the Cape St. Mary's Seabird Sanctuary and for improvements to the Point Amour museum and lighthouse at L'Anse-Amour, Labrador. Major improvements to Barachois Pond and Dildo Run Provincial Parks will also be undertaken. Community museums will benefit from a \$860,000 program under the agreement. 70% Federal, 30% Provincial funds.
Canada/Newfoundland Infrastructure Support Program	Various Locations	150.0	1994/1997	This agreement is a part of a national initiative to accelerate economic recovery across the Country by creating short and long-term employment through investment in local communities while at the same time renewing and enhancing infrastructure in the communities. The expenditure figure provided here covers estimated spending in the Newfoundland and Labrador part of the initiative. Under the agreement, the Federal government will contribute one-third of the cost while the remaining two-thirds will come from a combination of Provincial, Municipal, and private/other sources. The program is based on all governments using new, accelerated or redirected funds to support infrastructure projects. In Newfoundland and Labrador, this will include funding under the Newfoundland Municipal Finance Corporation . All projects under the program must be approved by March 31, 1996 and completed by March 31, 1997.
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 in the development of commercial applications of marine communication technology. The centre has recently negotiated a five year agreement with the Centre for Information Technology Innovation (CITI) 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), Industry Canada (\$1.5 million) and the Marine Institute (\$1.1 million).

Appendix 2 (cont'd.)

AN INVENTORY OF SELECTED MAJOR PROJECTS IN NEWFOUNDLAND AND LABRADOR*

Project	Location	Estimated Capital Cost (\$ Millions)	Start/End Date	Comments
Canadian Forces Base - Upgrade	Goose Bay	1.0	1993/1994	The project involves the installation of a new diesel generator along with new piping and pumps. As well, a 20 x 30 square foot extension will be built to enclose the new generator. Federal funds.
Cancer Care and Treatment Centre	St. John's	13.3	1992/1994	The two-level extension, adjoining the existing Health Sciences Centre, will consist of approximately 51,250 square feet. 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 coordinator 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.
Church	Springdale	1.0	1994	A new Salvation Army church building will be constructed that will include 10 classrooms for youth work and Sunday school, as well as a multipurpose room for fundraising and social events. Project is to be completed in the fall of 1994. 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.
Confederation Building - East Block Renovations	St. John's	34.0	1986/1994	Figures include renovations to the existing offices and a new House of Assembly. The House of Assembly has been completed. As of February 1994, approximately 94% 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 reconstruction, 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.
Decentralize Heating System	Gander International Airport	1.7	1993/1994	To decentralize the airport central heating systems for the air terminal building, maintenance garage and heating plant building. The project is scheduled for completion in October 1994. Federal funds.
Department Store - Renovations	St. John's	3.0	1994	Both K-Mart locations will undergo renovations and upgrading to modernize their shopping facilities. This will include an extension to the sales floor in order to provide a larger quantity of merchandise. The project is to be completed in June 1994. Private funds.
Eastern Community College - Extension	Clarenville	1.3	1994/1995	Extension of approximately 7,300 square feet to the existing facility to accommodate first year university courses. Provincial funds.

Appendix 2 (cont'd.)

AN INVENTORY OF SELECTED MAJOR PROJECTS IN NEWFOUNDLAND AND LABRADOR*

Project	Location	Estimated Capital Cost (\$ Millions)	Start/End Date	Comments
Enhancement of Offshore Fabrication Capabilities at Marystown Shipyard Limited	Marystown - Cow Head	40.0	1990/1994	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	4.5	1994/1995	The project involves the construction of a new Marine Atlantic ferry terminal which will replace the existing terminal. This building will be 21,000 square feet and will house management and staff offices, a ticket booth and waiting room as well as a restaurant and lounge area. The project is to be completed in the fall of 1995. Federal funds.
Fish Processing Plant	Valleyfield	5.2	1989/1995	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 75% of the work has been completed with remainder to be finished by March 1995. The project will receive a \$2.6 million contribution from ACOA.
Glynmill Inn - Modernization	Corner Brook	1.5	1993/1994	The project 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 is between 40 to 50% complete and will receive assistance from ACOA in the form of a repayable contribution of \$285,000.
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	Trinity Bay	3.2	1992/1996	A nine hole golf course is presently under construction. Private funds.
Grace General Hospital - Renovations and Expansion	St. John's	3.8	1992/1994	This project involves the renovation of obstetrics and gynaecology wards and the expansion of operating and recovery rooms. The Province will fund most of this work, however, there will be a small contribution from the Federal government.
Harbour Development - Phase 2	Portugal Cove	1.1	1993/1994	Phase 1 of this project included the initial construction of a wharf and a breakwater at a cost of \$600,000. Phase 2 will include an extension to the breakwater, rebuilding of the wharf and pier, a new bridge and an office for the harbour manager. Project is to be completed in August 1994. Federal funds.
Health Care Facilities	Various Locations	60.8	1993/1999	Funding has been provided to undertake renovations and extensions to various health care facilities throughout the Province. The Province will fund most of this work, however, there will be a small contribution from the Federal government.

Appendix 2 (cont'd.)

AN INVENTORY OF SELECTED MAJOR PROJECTS IN NEWFOUNDLAND AND LABRADOR*

Project	Location	Estimated Capital Cost (\$ Millions)	Start/End Date	Comments
Hibernia Offshore Oil Field Development	Various Locations	7,332.0	1990/2015	Expenditures listed for this development include the construction and installation of production and storage facilities, shuttle tankers and development drilling. The capital cost breakdown is as follows: pre-production \$4.6 billion (extending from 1990/1997), and post production \$2.7 billion (extending from 1997/2015). The total estimated cost of the project declined 21 percent from \$19.15 billion to \$15.1 billion during 1993 as projected operating costs fell by 26 percent and capital costs dropped by 15 percent. The principal construction site in the Province is Great Mosquito Cove in Bull Arm, Trinity Bay. Major activities which will be carried out at Bull Arm will include construction of the Gravity Base Structure (GBS), fabrication and assembly of the M20 Wellhead Module and construction of the M81/M82/M83/M84 Topside Mounted Structures. The M71/M72/M73 Topside Mounted Structures will be constructed at the Offshore Fabrication and Rig Repair facility in Cow Head. 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 cost to a maximum of \$1.66 billion. The Government of Newfoundland and Labrador will provide a sales tax exemption on the 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	Gros Morne National Park	3.8	1993/1994	A segment of the highway throughout the park will undergo improvements. Federal funds.
Highway Improvements and Construction	Various Locations	9.0	1994/1995	A variety of projects undertaken by the Province. Provincial funds.
Highway Upgrading	Terra Nova National Park	2.0	1994/1995	Work will involve the continuation of frost heave repair to the highway throughout the park as well as safety improvements to the Eastport Peninsula intersection. There will also be upgrading of an additional seven areas within the park. Federal funds.
Labrador Airport Programs	Various Locations	2.2	1994/1998	General restoration work. Federal funds.
Leonard Miller Centre - Renovations and Extension	St. John's	3.9	1993/1994	This project involves renovations to the D.V.A. pavilion which houses rooms for patients that are veterans. The facility will be administered by the General Hospital Corporation. Federal funds.
Marble Mountain Ski Resort - Development	Steady Brook	9.0	1994/1995	This project involves the building of a new 38,600 square foot base lodge, the purchase of electrical and mechanical equipment for the lodge as well as water and sewer services. Approximately \$3.5 million of the \$9.0 million planned for this project has been committed and is provided under the Canada/Newfoundland Strategic Investment and Industrial Development (SIID) Cooperation Agreement. 70% Federal, 30% Provincial funds.
Motel - Extension and Upgrading	Hawke's Bay	1.2	1992/1994	A 10,000 square foot expansion and upgrading to the existing Maynard's Motel. The project will receive a \$198,300 contribution from ACOA.

Appendix 2 (cont'd.)

AN INVENTORY OF SELECTED 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	31.3	1994/1995	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 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 Power - Capital Expenditures	Various Locations	38.9	1994	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 Expenditures	Various Locations	80.0	1994	Includes expenditures throughout the Province for the growth and modernization of the local and long distance telecommunications network and the introduction of new services and information systems. Approximately 75% of these expenditures are for equipment such as digital switching hardware, fibre optics systems and telephone sets; approximately 20% will be spent on engineering and installation provided by Newfoundland Telephone; and the remaining 5% for locally tendered contracts.
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, including \$68.2 million to be spent on the construction of the Outer Ring Road in St. John's; (2) \$235 million for regional trunk roads over the period of 1991-2003; and (3) \$8.1 million for port improvements to St. John's and Argentia. The port improvements have been completed. Projected expenditure for 1994/1995 is \$50.0 million. Federal funds.
Office Building	Corner Brook	6.5	1993/1994	A 4,580 square metre building is being constructed to house federal government offices. Federal funds.
Office Building	Grand Falls	2.5	1994/1995	A 20,000 square foot building is being constructed to house federal department offices. This is a build-to-lease project that is financed by the private sector and will be leased back to the Federal government via a long-term contract.
Office Building - Renovations	Corner Brook	2.5	1993/1994	General renovations to the Herald Towers office building are being undertaken by Fortis Properties Corporation. The lobby of the building will be redesigned and the entire structure will undergo mechanical and electrical upgrading. Private funds.
Paper Mill Improvements	Stephenville	18.0	1994/1995	Abitibi - Price in Stephenville will make capital expenditures at the mill that will render environmental improvements and increase mill efficiency. The following projects have been scheduled for 1994/1995: (1) installation of a de-inking recycling plant, \$12.3 million; (2) a paper machine defect detection system, \$0.6 million; (3) miscellaneous projects to improve efficiency and maintain facilities, \$5.1 million.

Appendix 2 (cont'd.)

AN INVENTORY OF SELECTED MAJOR PROJECTS IN NEWFOUNDLAND AND LABRADOR*

Project	Location	Estimated Capital Cost (\$ Millions)	Start/End Date	Comments
Paper Mill - Upgrading Facilities for Pollution Control	Corner Brook	40.0	1989/1995	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.
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 approximately 45% complete. When funding permits, plans will 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, a gift shop to enhance visitor services and meeting facilities. On the second level of the Centre, further exhibits will be installed. Federal, Provincial and Municipal funds, as well as corporate and private fundraising.
Road and Bridge Rehabilitation	Various Locations	7.9	1994/1995	Various projects. Provincial funds.
Royal Canadian Mounted Police - Capital Construction Program	Various Locations	2.7	1994	These expenditures pertain to the RCMP construction program in the Province for this fiscal year. 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.
School/Community Centre - Extension	Mainland, Port au Port Peninsula	2.7	1993/1996	Extension of approximately 14,177 square feet. 75% Federal, 25% Provincial funds.
School Construction	Various Locations	10.7	1994/1995	Provincial funds.
Sir Wilfred Grenfell College - Renovations and Extension	Corner Brook	5.0	1994/1996	Extension of approximately 20,000 square feet to accommodate a new library, lecture theatre and computer laboratory. Renovations of approximately 12,000 square feet to the existing facility. Provincial funds.
Skills Training Projects	Various Locations	3.0	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.
Taxiway System Improvements	Deer Lake Airport	1.3	1994	To construct an additional 470 x 15 metre taxiway complete with lighting, cables and fixtures. Federal funds.

Appendix 2 (cont'd.)

AN INVENTORY OF SELECTED MAJOR PROJECTS IN NEWFOUNDLAND AND LABRADOR*

Project	Location	Estimated Capital Cost (\$ Millions)	Start/End Date	Comments
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 Environmental Improvement with the total project cost divided evenly amongst the Federal, Provincial and Municipal Governments. The project is to be completed in the fall of 1994.
Western Memorial Hospital - Renovations to O'Connell Centre	Corner Brook	1.7	1994	The existing long-term care facility will be renovated to house a new 18 bed unit for levels one and two nursing care. This unit will provide recreational therapy, occupational therapy, and physiotherapy to the patients. Two-thirds Federal, one-third Provincial funds.
Wharf Construction	Various Locations	4.9	1993/1994	The Canadian Coast Guard will construct a new wharf in Little Bay LaPoile at a cost of \$2.1 million and the remaining \$2.8 million will be spent on the construction of two new wharfs at Mary's Harbour, Labrador. The project is to be completed in the fall of 1994. Federal funds.
White Hills Ski Resort - Upgrading	Clarenville	2.9	1993/1994	This project involves major improvements for the ski resort including: upgrading and paving of the access road; installation of a water and sewer system; major improvements to the ski slopes; upgrading and expansion of the snow making equipment and the ski-rental shop, as well as an expansion to the day lodge. The project is to be completed in the fall of 1994. 90% Federal, 10% Provincial funds.

Note: * Major projects included in this report must have an estimated capital cost of \$1 million or more.

Appendix 3

**STATISTICAL INDICATORS
OF
NEWFOUNDLAND AND LABRADOR**

TABLE 3.1

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

	1992		1984
	\$Millions	Percent of Total	Percent of Total
Primary	497.0	6.1	9.8
Agriculture	32.0	0.4	0.3
Forestry	55.0	0.7	1.0
Mining, Quarries & Oil Wells	285.0	3.5	6.6
Fishing and Trapping	125.0	1.5	1.8
Manufacturing	535.0	6.5	8.3
Fish Products	170.0	2.1	3.7
Pulp and Paper Products	100.0	1.2	1.8
Other Manufactured Products	265.0	3.2	2.7
Construction	870.0	10.6	9.8
Electric Power & Water Utilities	341.0	4.2	5.6
Subtotal: Goods Producing	2,243.0	27.3	33.4
Transportation, Communications & Other Utilities	630.0	7.7	8.2
Trade	875.0	10.7	10.0
Finance, Insurance & Real Estate	1,225.0	14.9	13.0
Community, Business & Personal Services	2,265.0	27.6	24.1
Public Administration	970.0	11.8	11.3
Subtotal: Service Producing	5,965.0	72.7	66.6
TOTAL: ALL INDUSTRIES	8,208.0	100.0	100.0
Residual Error of Estimate*	176.0		
TOTAL GDP AT FACTOR COST	8,032.0		

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.

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

TABLE 3.2

EMPLOYMENT BY INDUSTRY
NEWFOUNDLAND AND LABRADOR

	1993		1984
	Thousands	Percent of Total	Percent of Total
Primary	17.0	9.1	9.8
Agriculture	1.2	0.6	0.6
Forestry	1.4	0.8	1.0
Mining, Quarries & Oil Wells	3.0	1.6	1.7
Fishing & Trapping	11.0	5.9	5.7
Manufacturing	17.0	9.1	10.9
Fish Products	4.5	2.4	4.5
Pulp & Paper Products	3.0	1.6	1.7
Other Manufactured Products	6.0	3.2	2.8
Construction	9.0	4.8	6.3
Subtotal: Goods Producing	46.0	24.7	28.7
Transportation, Communications & Other Utilities	16.0	8.6	10.3
Trade	36.0	19.4	17.2
Finance, Insurance & Real Estate	6.0	3.2	3.4
Community, Business & Personal Services	68.0	36.6	31.6
Public Administration	18.0	9.7	10.3
Subtotal: Service Producing	141.0	75.8	71.3
TOTAL: ALL INDUSTRIES	186.0	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 3.3

**SELECTED ECONOMIC INDICATORS
NEWFOUNDLAND AND LABRADOR: 1990 - 1994**

	1990	1991	1992	1993	1994f
Gross Domestic Product at factor cost (\$ millions)	7,925	8,034	8,032	8,185	8,349
% change	3.7	1.4	-0.0	1.9	2.0
Gross Domestic Product at factor cost (1986\$ millions)	6,574	6,467	6,374	6,399	6,437
% change	-1.3	-1.6	-1.4	0.4	0.6
Personal Income (\$ millions)	9,355	9,759	10,009	10,019	10,089
% change	8.1	4.3	2.6	0.1	0.7
% change - 1986\$	3.7	-1.7	1.5	-1.6	-1.0
Retail Trade* (\$ millions)	3,386	3,394	3,359	3,331	3,358
% change	5.1	0.2	-1.0	-0.8	0.8
% change - 1986\$	0.8	-4.1	-1.6	-2.4	-1.0
Investment, Capital & Repair ** (\$ millions)	2,723	2,853	2,712	3,003	3,192
% change	-2.3	4.8	-4.9	10.7	6.3
% change - 1986\$	-2.7	9.0	-3.6	11.9	4.6
Labour Force (000's) Annual Average	242	241	236	234	234
% change	1.7	-0.4	-2.1	-0.8	-0.1
Employment (000's) Annual Average	201	197	188	186	186
% change	0.0	-2.0	-4.6	-1.1	0.0
Unemployment Rate (%) Annual Average	17.1	18.4	20.2	20.2	20.1
Consumer Price Index (1986 = 100) Annual Average	113.9	120.9	122.2	124.3	126.4
% change	4.3	6.1	1.1	1.7	1.7
Housing Starts Annual Average	3,245	2,836	2,271	2,405	2,415
% change	-8.2	-12.6	-19.9	5.9	0.4

Notes: Percentage changes may be calculated using unrounded numbers in some cases. Some data, especially for the most recent years, is preliminary.

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

f: forecast

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

** Investment growth between 1990 and 1991 is somewhat overstated due to the fact that data for 1991 is based on a more recent industrial classification system than the 1990 figure.

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

