



Newfoundland and Labrador

The Economy 1995

THE ECONOMY 1995



Published by:

**Economics and Statistics Section
Cabinet Secretariat**

Under the Authority of:

**Honourable Winston Baker
President of the Executive Council**

Preface

The Economy is an annual publication which provides a review of economic performance in Newfoundland and Labrador for 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 Provincial Economic Performance*.**

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 and future publications due to changes in methodologies and revisions to estimates.

The Economics and Statistics Section would like to thank Mr. Earl Tucker, 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. We would also like to acknowledge the important contributions made by Wilson Barfoot, Strategic Economic Planning Secretariat, Executive Council; John Scott, Department of Industry, Trade and Technology; Robert Greenwood, Economic Recovery Commission; Brian Delaney, Department of Fisheries, Food and Agriculture; Tony Burgess, Department of Natural Resources; Brian Martin, Canada Mortgage and Housing Corporation; and Dave King, Seabright Corporation Limited. We are also grateful to the Hibernia Management and Development Company Limited (HMDC) for their assistance with the Hibernia Construction Activity illustration. *The Economy 1995*, like previous editions, has also been enhanced considerably by the excellent suggestions and comments of a number of individuals from both the public and private sectors.

CONTENTS

	Page
Preface	iii
Graphical Statistical Indicators	vii
Summary of Performance in 1994.....	xi
Summary of Outlook for 1995.....	xi
The International and Canadian Economies	1
Overview of Provincial Economic Performance	4
Agriculture.....	16
Fishery	19
Forestry	25
Mining	29
Oil and Gas	35
Construction	38
Manufacturing	41
Tourism	41
Real Estate Market.....	45
Transportation	50
Labour Markets	52
Summary Review and Outlook	56
Special Feature Articles:	
Change and Challenge - A Strategic Economic Plan for Newfoundland and Labrador	8
Newfoundland's New Business Investment Legislation	10
Community Matters: The New Regional Economic Development.....	12
Innovative Technologies Industry in Newfoundland and Labrador	14
Aquaculture	21
Producing and Prospective Mines, Newfoundland and Labrador	30
Recent Initiatives Affecting the Mining Industry	33
1997 - The 500th Anniversary of John Cabot's Voyage	43
The First Home Loan Insurance Program	47
A Note on Revisions to Labour Force Survey Statistics	55
Appendices:	
An Inventory of Selected Major Projects in Newfoundland and Labrador	59
Statistical Indicators of Newfoundland and Labrador	67

GRAPHICAL STATISTICAL INDICATORS

1984 - 1994

NEWFOUNDLAND AND LABRADOR

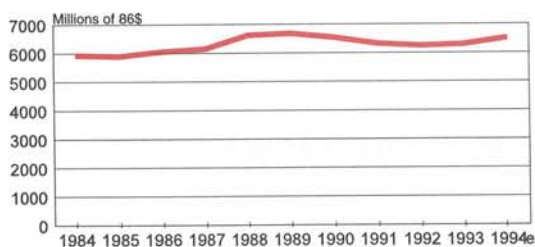
Graphical Statistical Indicators

1984 - 1994

Newfoundland and Labrador

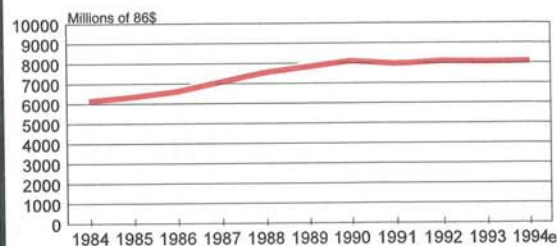
Macro Indicators

Real Gross Domestic Product at Factor Cost



e: estimated
Source: Economics and Statistics Section, Cabinet Secretariat

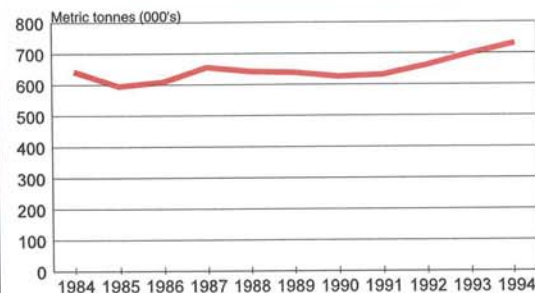
Real Personal Income



e: estimated
Source: Statistics Canada catalogue 13-213; Economics and Statistics Section, Cabinet Secretariat

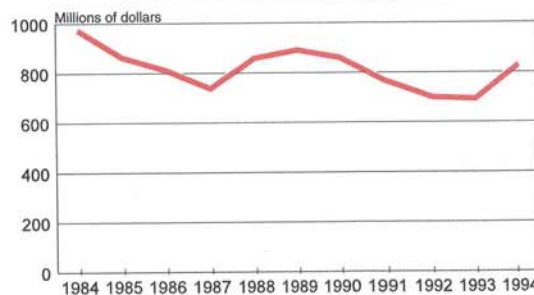
Industry Output

Volume of Newsprint Shipments



Source: Department of Natural Resources

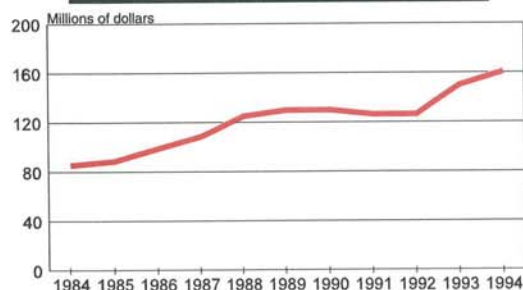
Value of Mineral Shipments



Source: Statistics Canada catalogue 26-202; Department of Natural Resources

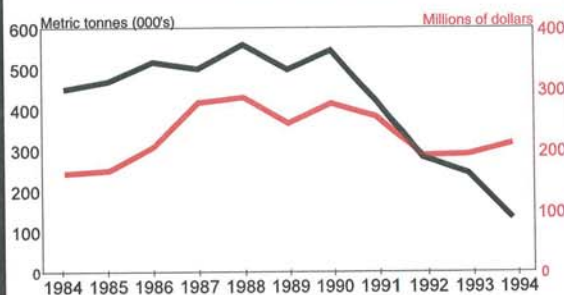
Industry Output

**Non-Resident Tourist Expenditures
(Exports of Tourism Services)**



Source: Department of Tourism and Culture

Volume and Value of Fish Landings



Source: Department of Fisheries and Oceans

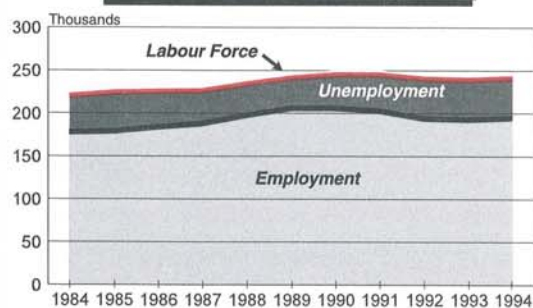
Graphical Statistical Indicators

1984 - 1994

Newfoundland and Labrador

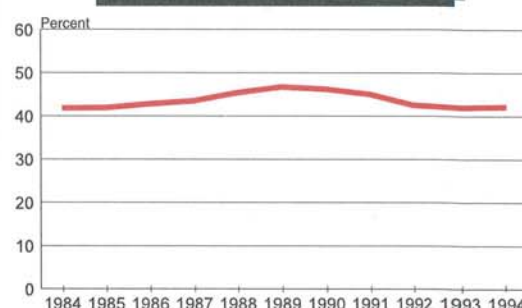
Labour Markets

Employment and Labour Force



Source: Statistics Canada catalogue 71-201

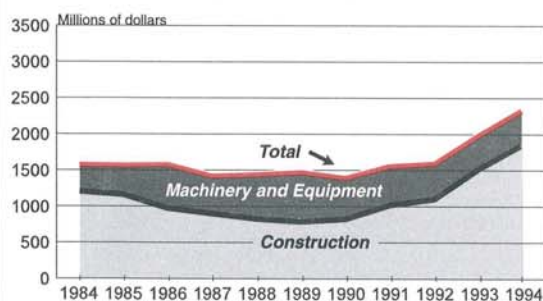
Employment/Population Ratio



Source: Statistics Canada catalogue 71-201

Capital Investment

Non-Residential



Source: Statistics Canada catalogue 61-205, 61-206

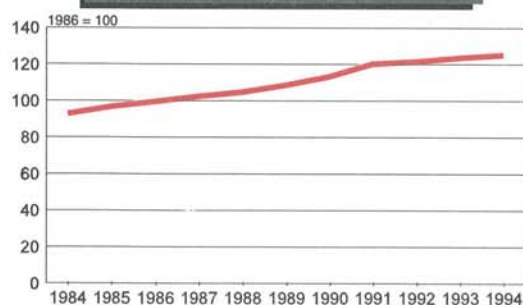
Residential



Source: Statistics Canada catalogue 61-205, 61-206

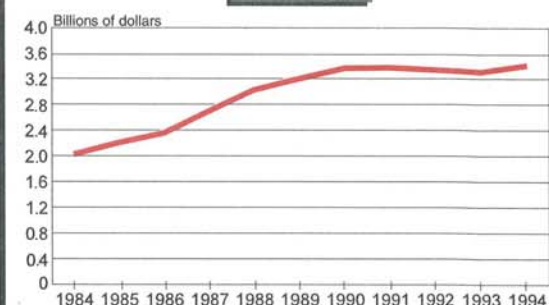
Prices and Retail Sales

Consumer Price Index, St. John's



Source: Statistics Canada catalogue 62-001

Retail Sales



Source: Statistics Canada catalogue 63-005

SUMMARY OF PERFORMANCE IN 1994

International and Canadian:

- G-7 output grew considerably, supported by a strong showing in both the Canadian and United States economies.
- Canadian real GDP and employment increased by 4.5 and 2.1 percent respectively.

Newfoundland and Labrador:

- Real GDP grew by an estimated 3.4 percent, mainly on the strength of increased Hibernia investment and strong performances by the forestry and mining industries.
- The inflation rate remained relatively low at 1.3 percent.
- Personal income grew by an estimated 1.5 percent; 0.2 percent in real terms.
- Retail sales grew by 3.2 percent or 2.5 percent in real terms.
- The volume of fish landed fell by nearly 46 percent, however, strong shellfish catches boosted value by 9.2 percent.
- The amount of newsprint shipped increased by 4.7 percent and value jumped by 13.5 percent.
- The mining industry turned in a stellar performance: the value of mineral shipments increased by about 20 percent.
- Monthly average employment on the Hibernia development in the Province reached 4,592 and expenditures on Provincial goods and services were estimated at \$517 million.
- Activity in the non-residential sector of the construction industry was boosted by expenditures from the Hibernia project.
- Housing starts declined by 6.7 percent due to lower activity in rural areas.
- Good weather and an economic turnaround boosted the tourist trade.
- Labour markets began to recover. Employment rose by over 1,000 or 0.7 percent.
- Labour force growth outpaced employment growth, thus pushing the unemployment rate up to 20.4 percent.

SUMMARY OF OUTLOOK FOR 1995

International and Canadian:

- G-7 output is expected to remain strong, slowing slightly in North America but increasing in Europe and Japan.
- Canadian real GDP and employment are forecast to grow by 3.8 and 2.7 percent respectively.

Newfoundland and Labrador:

- Strong growth is expected again in 1995. Real GDP is forecast to increase by 3.0 percent.
- Inflation should remain moderate at 1.6 percent.
- Personal income is expected to increase by 2.5 percent or 0.8 percent in real terms.
- Retail sales are forecast to grow by 3.2 percent or 1.3 percent in real terms.
- The volume of fish landed is expected to be lower again in 1995, however, shellfish catches should cause another increase in value.
- A strong increase in newsprint prices is expected to provide a considerable boost to the value of shipments. A slight increase is anticipated in volume.
- Higher output in the mining industry should result in the best showing in over a decade. The value of mineral shipments is expected to rise by about 10 percent.
- Hibernia related expenditure and employment in the Province will peak in 1995. Employment should average 5,800 with expenditures approximating \$560 million.
- Construction investment is expected to increase, mostly on the strength of non-residential activity.
- Residential construction is expected to be weak; housing starts are forecast to decline slightly.
- The Canadian Tourism Research Institute expects 1995 to be another year of growth for the Province's tourist trade.
- Recovery in labour markets is expected to continue. Employment is forecast to rise by a further 1.7 percent, and the unemployment rate should decline by about 0.2 of a percentage point to average 20.2 percent.

The International and Canadian Economies

Economic activity in the major industrialized countries increased in 1994 with gains recorded in each of the G-7 Countries; Canada and the United States were leaders in the group. Many nations outside the G-7 also produced solid growth, particularly China and the Dynamic Asian Economies. G-7 output growth is expected to remain strong in 1995, slowing slightly in North America but increasing in Europe and Japan.

TABLE 1

G-7 REAL ECONOMIC GROWTH RATES

	1991 Share in Total G-7	1993	1994e	1995f
United States	44.5	3.1	4.0	3.1
Japan	18.2	0.1	1.0	2.5
Germany	10.6	-1.1	2.3	2.7
France	8.0	-1.0	2.2	3.1
Italy	7.6	-0.7	2.2	2.7
United Kingdom	7.0	2.0	3.5	3.4
Canada	4.1	2.2	4.5	3.8
G-7	100.0	1.5	2.9	2.9

e: estimate; f: forecast

Source: Various, available upon request.

Canada's real Gross Domestic Product (GDP) grew by 4.5 percent in 1994. Exports continued to be the main contributor to growth, however, their effect was mitigated to some degree by increases in imports. Export growth has stemmed from a considerable improvement in Canada's competitiveness, due in part to a decline in the exchange rate over the last three years, and an upturn in world economic performance. Business investment in non-residential construction and machinery and equipment continued to expand. The consumer sector also augmented economic growth in 1994, particularly in the first half of the year before higher interest rates dampened purchases of durable goods. Consumer spending on non-durables increased, supported by strong employment growth and a decline in the household savings rate.

Canadian labour markets improved during 1994. Employment increased by over 277,000 person years or 2.1 percent and outpaced labour force growth of 1.2 percent. Almost all of the growth in employment was in full-time jobs. The unemployment rate averaged 10.4 percent, down 0.8 percentage points from 1993 and almost a full percentage point lower than the last peak of 11.3 percent recorded in 1992. A

further discussion of Canadian labour markets is contained in the *Labour Markets* section.

TABLE 2

CANADIAN ECONOMIC INDICATORS

	Growth Rates (%)			
	1992	1993	1994	1995f
GDP (1986\$)*	0.6	2.2	4.5	3.8
Employment	-0.6	1.3	2.1	2.7
CPI	1.5	1.8	0.2	1.9
CPI, excluding food, energy & indirect taxes	1.6	1.7	1.7	n.a
	Average Levels			
	1992	1993	1994	1995f
Unemployment Rate (%)	11.3	11.2	10.4	9.4
Bank of Canada Rate (%)	6.78	5.09	5.77	7.60
Prime Rate (%)	7.48	5.94	6.88	8.50
Exchange Rates (U.S.\$/\$Can.)	82.80	77.55	73.24	71.50

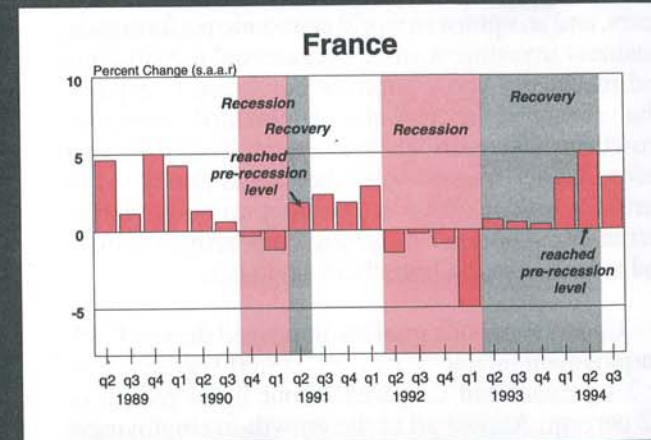
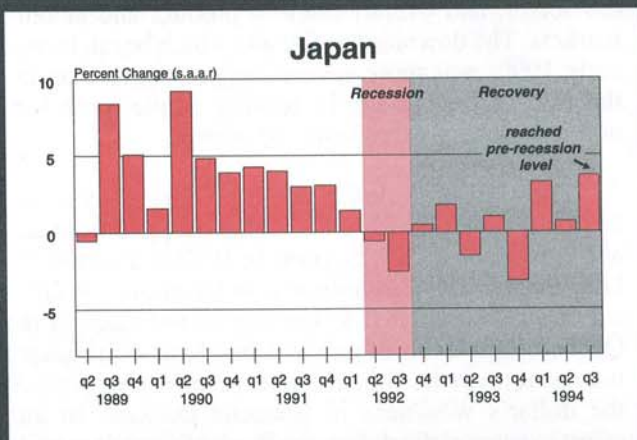
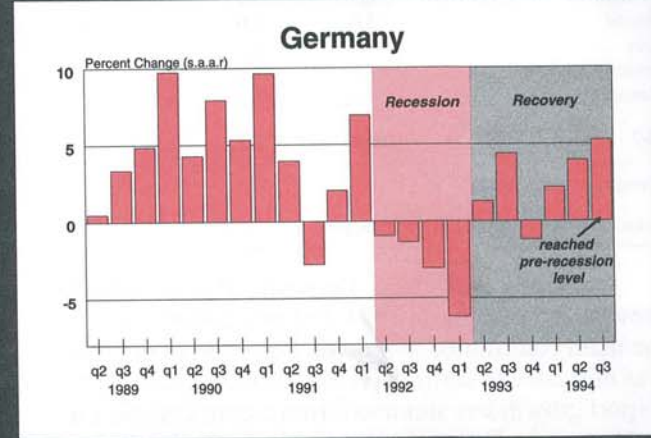
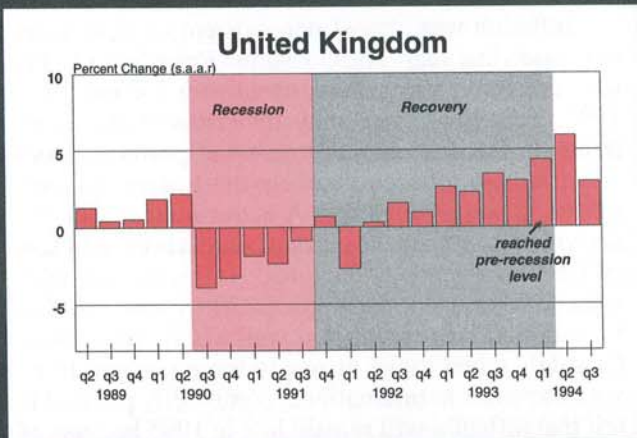
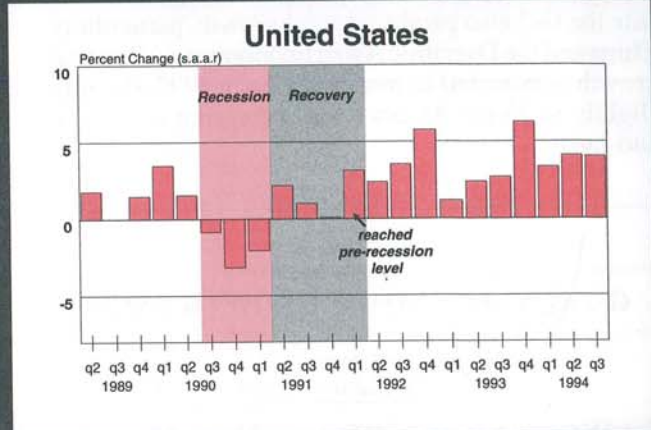
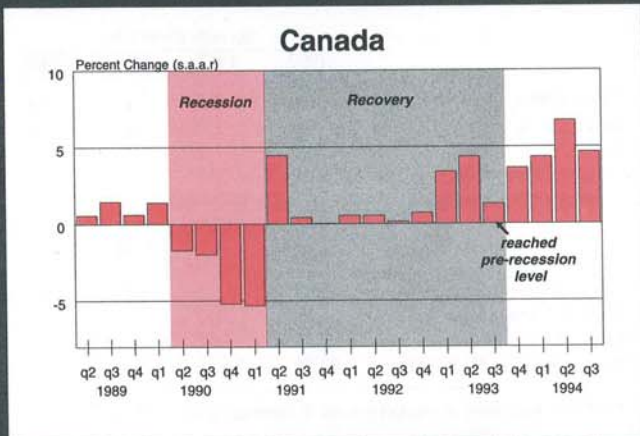
* GDP is measured at market prices; f: forecast; n.a.: not available

Source: Various, available upon request.

Inflation was almost non-existent in most areas of Canada last year. The Consumer Price Index (CPI) rose a mere 0.2 percent compared with 1.8 percent in 1993. This lower rate may understate inflationary trends in the economy as it resulted primarily from reductions in tobacco taxes by the Federal government and some provinces. A better indicator of underlying inflation in the current context is the CPI less indirect taxes (such as the tobacco tax), and the more volatile food and energy prices. The change in this indicator, at 1.7 percent, was well within the Bank of Canada's target range of one to three percent. Even with increases in international commodity prices it is felt that inflation will remain low in 1995 because of increased productivity, greater competition in the retail sector, and overall slack in product and labour markets. The downturn in Canada which began in the early 1990s was more severe and prolonged than in the U.S. (see Diagram 1), leaving ample room for non-inflationary expansion to continue.

The Canadian dollar declined during most of 1994, as Table 2 shows. The dollar dropped from an average of about 78 U.S. cents in 1993 to average 73 U.S. cents in 1994, as indicated in Diagram 2. Political uncertainty related to the September election in Quebec, high levels of public debt, along with higher interest rates in the U.S. are some of the forces behind the dollar's weakness in financial markets. In an effort to support the dollar, the Bank of Canada raised interest rates as indicated in Diagram 3.

Diagram 1
Quarterly Percent Change in Real GDP
Selected G-7 Nations
Quarter 2, 1989 to Quarter 3, 1994



s.a.a.r = seasonally adjusted at annual rates
 Source: Various, available upon request.

C-00648

Diagram 2

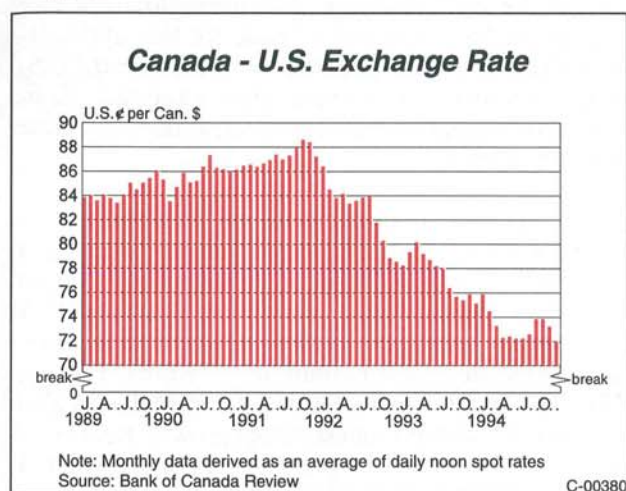
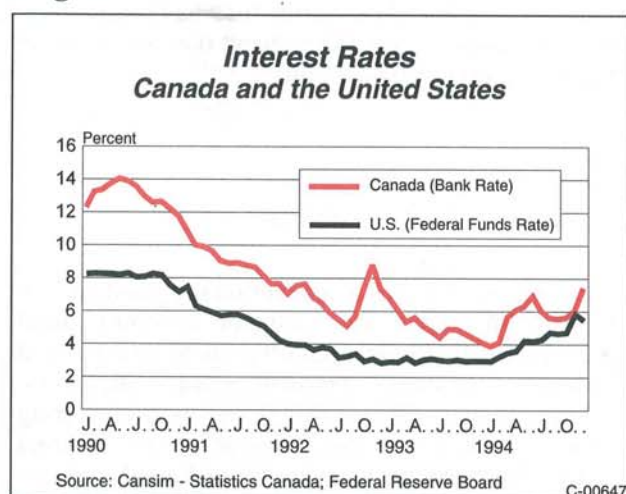


Diagram 3



Real GDP is forecast to grow by about 3.8 percent in 1995, a slightly slower pace than in 1994. Output growth will be slowed by deficit reduction measures in the Federal budget and lower levels of economic growth in the United States. Employment is expected to increase by 2.7 percent and once again outpace labour force growth. As a result, the unemployment rate should fall to about 9.4 percent. Price increases will remain relatively low given a predicted inflation rate of 1.9 percent. With the possibility of a Quebec referendum this year and higher interest rates forecast for the U.S., the Canadian dollar is expected to trade at levels generally lower than in 1994. These forces are also expected to put upward pressure on Canadian interest rates.

The **United States** economy grew by four percent during 1994. The U.S. performance has been driven by consumer spending, and machinery and equipment investment. The U.S. entered recession and began its recovery at a relatively early stage in the world business cycle as shown in Diagram 1. The expansion has

occurred at a rapid pace and there appears to be little spare capacity remaining. As a result, there is concern that continued growth at recent rates will be inflationary.

Labour markets in the U.S. continued to improve in 1994, as indicated in Table 3. Employment increased and the unemployment rate dropped to 6.1 percent. U.S. inflation remained relatively low as well. Strong economic growth during the year prompted the Federal Reserve to raise interest rates in a effort to bring the economy onto a sustainable non-inflationary path of growth.

TABLE 3

UNITED STATES ECONOMIC INDICATORS

	Growth Rates (%)			
	1992	1993	1994	1995f
GDP (1987\$)*	2.3	3.1	4.0	3.1
Employment	0.6	1.5	3.2	2.0
CPI	3.0	3.0	2.6	3.2
CPI, excluding food & energy	3.7	3.3	2.9	n.a.
	Average Levels			
	1992	1993	1994	1995f
Unemployment Rate (%)	7.4	6.8	6.1	5.2
Federal Funds Rate (%)	3.49	3.01	4.28	6.04
Prime Rate (%)	6.25	6.00	7.25	9.04

* GDP is measured at market prices; f: forecast; n.a.: not available

Source: Various, available upon request.

Real GDP growth in the U.S. is expected to slow to 3.1 percent in 1995 as higher interest rates negatively affect interest sensitive sectors of the economy. Furthermore, federal government purchases are expected to be weak.

Real output in the **United Kingdom (U.K.)** grew by an estimated 3.5 percent last year. The unemployment rate continued to decline, averaging 9.3 percent, down one percentage point from 1993. Consumer spending was the driving force behind the recovery in its early stages but in 1994 the expansion became more broadly-based with exports also making a significant contribution to GDP.

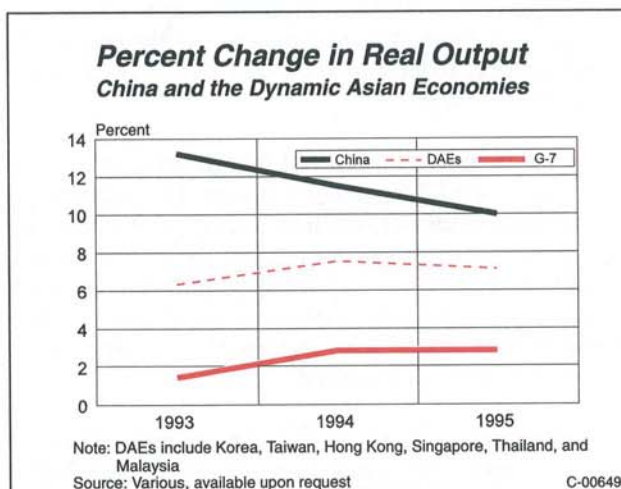
Economic activity in the U.K. is anticipated to grow at about the same pace in 1995, with GDP forecast to grow by 3.4 percent. Although the expansion in the U.K. is well established, the recession was deep and prolonged, as in the case of Canada. For this reason, considerable room for economic expansion remains.

The performance of **Germany's** economy in 1994 was mixed. Real GDP grew by approximately 2.3 percent. However, the unemployment rate increased by 0.9 percentage points to average 9.2 percent. The recovery had its beginnings in the export sector but appears to be spreading to other sectors of the economy. It is also felt that the unemployment rate has reached its peak for this business cycle. Business restructuring in Germany has produced considerable productivity gains, which have allowed for an improvement in competitiveness and subsequent export growth. A consequence of restructuring, however, has been a higher unemployment rate.

Economic activity in Germany is expected to grow at a stronger pace in 1995. Business investment is forecast to grow this year after three years of decline. Personal consumption should also expand as export growth begins to filter through to employment.

Japan's economic output grew by about 1.0 percent in 1994. The Japanese recession ended in the third quarter of 1992, however, the expansion has been sporadic. Employment grew by a mere 0.1 percent in 1994 and the unemployment rate continued to rise. At 2.9 percent, the unemployment rate was 0.4 percentage points higher than in 1993. Consumer spending is currently fueling the sluggish expansion, largely as a result of income tax cuts announced by the Ministry of Finance. These cuts amount to ¥ 5.5 trillion, corresponding to 1.1 percent of real disposable income in each of the current and coming fiscal years.

Diagram 4



Economic activity in Japan is expected to improve in 1995 with real GDP forecast to grow by 2.5 percent. The primary stimulus will continue to be the consumer, a result of expansionary fiscal policy. Business investment should also contribute to growth. After three consecutive years of declines it is

felt that investment has corrected for the over-building of the last expansion. The unemployment rate appears to have reached its peak for this cycle, although the appreciation of the Yen relative to the U.S. dollar continues to hamper most exporters. Subsequently, opportunities for job creation in the near term are limited.

Ongoing economic reforms and an influx of foreign capital has continued to generate unprecedented economic growth in **China**, as illustrated in Diagram 4. Real economic output grew by an estimated 11.5 percent last year, only slightly slower than in 1993. The **Dynamic Asian Economies** of Korea, Taiwan, Hong Kong, Singapore, Thailand and Malaysia also continued to exhibit robust output growth. Real GDP grew by an estimated 7.6 percent last year, against 6.4 percent in 1993. Major forces fueling growth have been higher levels of intra-regional investment and trade. As a result, these economies have been insulated to a large degree from recent downturns in the major industrialized economies.

Overview of Provincial Economic Performance

The past year was an exceptionally good one for the Newfoundland and Labrador economy. Real Gross Domestic Product (GDP) grew by an estimated 3.4 percent, the strongest growth recorded since 1988. A large part of the expansion experienced during 1994 was due to the development of the Hibernia project. Furthermore, some traditional goods producing industries performed well; both shipments of newsprint and iron ore were higher. Gains were recorded in employment last year, however, relatively strong labour force growth caused an increase in the unemployment rate. Personal income increased in 1994; wages and salaries were higher and payments under the fishery income support programs helped offset lower Unemployment Insurance (UI) payments. Consumer price inflation remained moderate during the year and consumer spending increased in real terms.

The goods producing sector performed well in 1994. The newsprint and mining industries both realized a good year. Newsprint shipments increased for the fourth consecutive year and, more importantly, prices began to trend upwards. The mining industry also recorded gains in output. The total value of mineral shipments grew by about 20 percent; higher iron ore shipments accounted for most of the gain. The construction industry recorded another good year, largely on the strength of Hibernia, however, lower housing starts were a drag on the residential

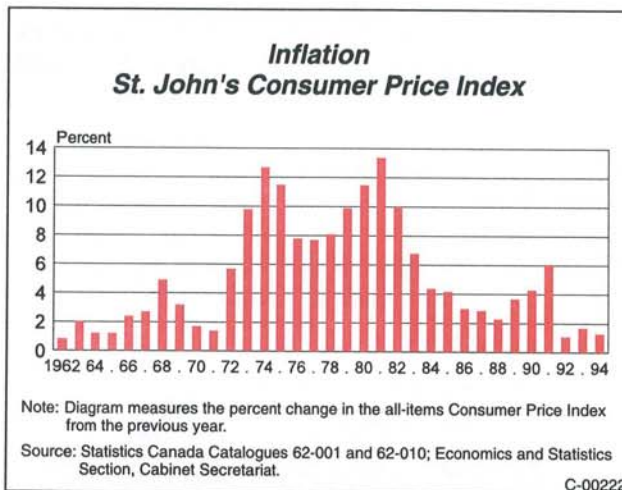
component of the industry. The volume of fish landings declined for the fourth consecutive year; nevertheless, the value of fish landings increased by over nine percent. Overall, output in the goods producing industries is estimated to have increased strongly in 1994.

Improved economic performance in 1994

The service sector benefitted from the improved economic conditions in the Province last year. Retail sales grew by 3.2 percent reflecting higher disposable income and increasing confidence in the economy. Furthermore, the tourism industry recorded solid gains, fostering growth in many service producing industries. On the downside, public sector restraint curtailed growth in public administration. However, in total, it is estimated that service sector output increased slightly last year.

Inflation in 1994 was lower than in the previous year as Diagram 5 shows. The inflation rate, as measured by the St. John's CPI, was 1.3 percent compared with 1.7 percent in 1993. Most categories of the CPI recorded relatively low inflation rates, with several categories actually experiencing deflation.

Diagram 5



The price index for tobacco products and alcoholic beverages fell by 3.3 percent last year, the result of a cut in federal tobacco taxes. Declines were also registered in the housing, health and personal care, and energy components of the CPI. The transportation component recorded relatively high inflation at 6.7 percent in 1994. This reflects higher prices for new cars and a price hike in local bus fares implemented in August 1993.

Personal income, which measures the total income accruing to all individuals residing in the Province, was estimated at \$10,294 million in 1994, up 1.5 percent from the year before. After allowing for the eroding effects of inflation, it is estimated that personal income increased by 0.2 percent in real terms. Personal disposable income—the money available after deducting direct taxes such as income tax, Unemployment Insurance (UI) premiums and contributions to the Canada Pension Plan (CPP)—increased by two percent or 0.7 percent in real terms.

Labour income comprises the largest component of personal income in the Province. Government transfer payments to individuals represent the second largest component and UI payments to individuals is the single largest portion of transfer payments. Since 1992, payments to individuals under several fishery income support programs have also comprised a significant portion of transfer payments.

Labour income totalled approximately \$4.9 billion in the first eleven months of 1994, up by 3.1 percent over the same period in 1993. This represented an increase of 1.9 percent in real terms. The increase reflected both higher weekly earnings and higher employment during the period. Average weekly earnings increased by 1.2 percent in the first eleven months.

Wages and salaries up over 1993

Wages and salaries in the goods producing sector increased by 9.8 percent in the first eleven months of 1994 despite declines in fishing industry wages. The overall strength in the goods sector stemmed primarily from the construction industry which benefitted from work on the Hibernia project; wages and salaries in the construction industry grew by over 30 percent. Wages and salaries in the service producing industries grew by 1.1 percent in the eleven month period. Restraint by both the provincial and federal governments slowed growth in this sector.

UI benefits paid to individuals dropped significantly in 1994 for the second consecutive year. The decline is primarily attributable to reduced employment in the highly seasonal fish processing industry, the net result of closures and reductions of many fishing stocks. To a lesser extent, changes to UI legislation (Bill C-17) during 1994 also played a role in the decline in benefits last year. As of July 1994, the minimum entrance requirement was increased from 10 to 12 weeks and a two-level benefit rate system was introduced. The benefit rate was adjusted

from 57 percent of insurable earnings to 60 percent for those with dependants and low income, and to 55 percent for all others. As well, effective April 1994, the method of determining the number of weeks for which claimants can collect benefits was changed. The benefit schedule is based on the number of weeks worked and the regional unemployment rate. Previously, the benefit schedule was based primarily on the regional unemployment rate. Under the old system if the unemployment rate was above 16 percent, a person with 12 weeks of eligible employment could collect 41 weeks of UI benefits. Under the new scheme, that person can collect only 32 weeks of benefits. While these changes are thought to have had a negative impact in 1994, most of the impact will not be felt until this year.

TABLE 4

**UNEMPLOYMENT INSURANCE STATISTICS
NEWFOUNDLAND AND LABRADOR**

	January to November		Percent
	1993	1994	Change
Benefits Paid (\$000)	864,570	742,661	-14.1
Regular	711,600	584,179	-17.9
Fishing	47,611	46,849	-1.6
Training	71,705	79,648	11.1
Other (1)	33,654	31,985	-5.0
Average Beneficiaries	70,692	60,696	-14.1
Weeks Paid (000's)	3,437	2,977	-13.4
Average Weekly Benefit (2)	251.51	249.48	-0.8

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) Benefits paid divided by weeks paid.

Source: CANSIM - Statistics Canada; Economics and Statistics Section, Cabinet Secretariat.

UI benefits totalled about \$743 million during the first eleven months of last year, 14.1 percent lower than for the same period in 1993. The monthly average number of beneficiaries also declined, falling by 14.1 percent to 60,696. As indicated in Table 4, regular benefits accounted for the lion's share of the decline. The drop in regular benefits is directly related to less fish processing. Most people who traditionally worked in fish plants were employed only part year and collected UI for the remainder of the year. Many individuals are now receiving income support from The Atlantic Groundfish Strategy (TAGS) and, because of a loss of employment due to the fishery crisis, are no longer able to access the UI system as they have in the past. Fishing benefits also declined last year, although the drop was smaller than in regular benefits. Most of the drop in fishing benefits due to groundfish moratoria was experienced in previous years.

TABLE 5

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

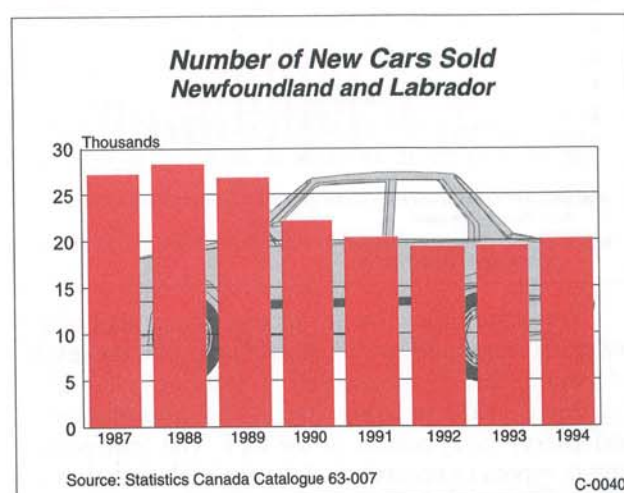
Type of Business	1994	Percent Change from 1993
Supermarkets & Grocery	1,099.3	4.4
Drugs & Patent Medicines	269.7	4.7
Clothing & Shoes	145.7	-14.9
Household Furnishings & Appliances	115.3	3.2
Motor & Recreational Vehicles	594.9	9.6
Service Stations & Automotive Related	466.5	-2.5
General Merchandise	464.0	6.2
Other (1)	277.9	0.8
TOTAL	3,433.3	3.2

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

Source: CANSIM — Statistics Canada; Economics and Statistics Section, Cabinet Secretariat.

Retail sales rebounded in 1994 after three years of little or negative growth. Sales in the Province totalled over \$3.4 billion, up 3.2 percent over 1993 or approximately 2.5 percent in real terms. Sales performance varied by type of business as indicated in Table 5. Supermarkets and car dealerships, the largest components of retail sales, registered increases of 4.4 and 9.6 percent respectively. The only type of vendors which recorded declines in sales were clothing and shoe stores, and service station and automotive related stores.

Diagram 6



Car sales are cyclical in nature and are determined mainly by the level of disposable income, consumer confidence in the economy and the quantity

and age of existing vehicles. The new car market recorded an improvement in 1994 (see Diagram 6). Car sales in the Province rose by 3.5 percent to 20,225 while value grew by 10.1 percent to \$373.5 million. Higher value reflected increases in both the number of cars sold and new car prices.

Investment in the Province was considerably higher in 1994 than in the previous year. According to the most recent survey by Statistics Canada, capital spending grew by 13.1 percent, boosted by higher construction investment: construction spending increased by 16.2 percent. Investment growth was experienced by a number of industries, with the main contributor being Hibernia.

Provincial Outlook

This year promises to be another outstanding one for the Province. The main source of growth continues to be Hibernia—both capital outlays and employment will peak this year. The Province's traditional export industries are also expected to contribute to growth. Newsprint production and shipments are expected to be slightly higher than in 1994 and stronger prices and the lower Canadian dollar should improve the financial position of the industry. In addition, shipments of mineral products are expected to increase by about 10 percent and recent significant discoveries are expected to continue to spur exploration activity. Further quota cuts announced for redfish and turbot will cause fish landings to decline for the fifth consecutive year. On a positive note, the value of fish landings should increase because of a continued shift toward higher valued species such as crab and shrimp.

Economy poised for further growth in 1995

Personal income is expected to rise by about 2.5 percent this year on the strength of growth in labour income. Income growth will, however, be tempered by Bill C-17 which will lower total UI benefits, a reduction in the number of people receiving TAGS and restraint in the public sector. The retail industry will benefit from higher income; the value of retail sales is forecast to grow by 3.2 percent. The inflation rate is expected to remain low at about 1.6 percent.

Overall, real GDP is expected to expand by 3.0 percent this year and employment is forecast to be about 1.7 percent higher than last year. Slower growth in the labour force will result in a slight decline in the unemployment rate which is expected to average 20.2 percent for the year.

Special Feature Articles

The Economy 1995 is primarily focused on providing a review of economic performance, both at a provincial and industry level, as well as presenting a forecast for the current year. In addition, however, this publication to a greater degree than previous publications, contains several feature articles. Most of these deal with industry specific topics and are included in the relevant sections. Others however, explore diverse topics, none of which fit neatly into specific sectors. Instead, they deal with broad initiatives or activities which hold the potential to positively affect future economic performance. These include the following:

Change and Challenge - A Strategic Economic Plan for Newfoundland and Labrador. The Provincial government undertook a public consultative process several years ago to formulate a broad economic blueprint for development, culminating in the release of a strategic economic plan in June 1992. This feature article highlights some of the results that have flowed from action items contained in the plan.

Newfoundland's New Business Investment Legislation. On January 1, 1995 the Province launched a bold and innovative program designed to attract new investment. This initiative flows from the Strategic Economic Plan. The article examines in detail the substance of the program and results to date.

A new approach to regional economic development has been approved by Government. The management areas (zones), decision-making structures and the overall mechanics of the new system are outlined in *Community Matters: The New Regional Economic Development*.

A new industry, which was discussed in the Strategic Economic Plan as an area requiring government support and encouragement, Innovative Technologies, is recording substantial growth and recent trends seem to suggest that this growth will continue. The feature article *Innovative Technologies Industry in Newfoundland and Labrador* outlines some success stories and other key developments taking place in this sector.

Change and Challenge - A Strategic Economic Plan for Newfoundland and Labrador

Change and Challenge - A Strategic Economic Plan for Newfoundland and Labrador was released in June 1992. The Plan lays down a foundation for economic recovery and diversification through sound, effective and long-term planning. The Plan was not the end of the strategic economic planning process but the beginning. We live in a constantly changing economic environment bringing new challenges and opportunities. The unprecedented shock inflicted on the Newfoundland and Labrador economy by the groundfish crisis is a perfect example of this changing environment. Newfoundlanders and Labradorians, however, can meet those challenges by becoming more outward looking, enterprising, innovative, and better educated. Concurrently, Government has to focus on long-term economic development and planning and establish a climate in which the private sector can assume the lead role in expanding and diversifying the economy. Partnerships between government, business, labour, academia and community groups will be essential in this process.

In October 1994 Government introduced steps to reinforce its commitment to the Plan. Membership on the Plan's Implementation Committee was expanded and its mandate was broadened so that it could assume a more proactive role. A dedicated Secretariat was established to support the work of the Committee, to assist departments with the preparation of Strategic operational plans which would be updated annually for budgetary purposes, and to effectively communicate government's efforts to the public.

In January 1995 Government issued a status report on the implementation of the Plan. The status report coincides with the mid point of the five year time frame which Government originally set to implement the Plan. Generally, Government is pleased with the progress achieved despite the pressures of fiscal restraint and the crisis imposed by the fisheries moratoria. The following sections provide highlights of the implementation phase to date.

Government Operations

The Plan called for a change within governments, i.e., the streamlining of operations, the

elimination of duplication, the provision of a higher quality service to clients and the initiation of an action plan to support economic development. To meet this challenge Government has:

- consolidated and/or streamlined departments;
- established a "one-stop" shop for land use, building, permitting and inspection services;
- initiated a regulatory review process which will result in new legislation repealing all subordinate legislation;
- moved forward on privatizing/outsourcing services;
- initiated action on a new service quality program focusing on the provision of better client services;
- entered into arrangements with the federal government to eliminate or reduce duplication at the federal/provincial level.

Developing an Entrepreneurial Culture

The Strategic Economic Plan called for change within people, specifically, an attitude change, a renewed sense of pride, self-reliance and entrepreneurship. Government is approaching this through:

- changes to the education system by placing more emphasis on mathematics, the sciences, enterprise education, cooperative programs, basic literacy, and by developing better partnerships with private sector organizations and with educational and research institutions;
- the delivery of communications/marketing strategies focusing on new opportunities in which the private sector and the public can assume a lead role;
- the development of a zonal approach to regional economic development and devolving more authority to zonal agencies to permit local regions to develop strategies and programs which are specifically designed to meet their needs.

Establishing the Proper Business Climate

The Strategic Economic Plan states that the private sector must be the engine of growth and that government must create the proper economic and social environment in which to promote competitiveness. Government has undertaken a number of initiatives to respond to the challenge, for example:

- The general corporation tax has been reduced from 17 percent to 14 percent, and the general manufacturing and processing rate from 17 percent to 5 percent.
- A payroll tax relief measure for small business has been implemented.
- New business prospecting and marketing initiatives are being implemented. Included is new legislation to promote economic diversification and growth enterprises (i.e., EDGE legislation) by providing significant tax relief to new and expanding enterprises including a full tax holiday for 10 years in respect of provincial corporate income tax, payroll tax and retail sales tax.
- The elimination of the machinery and equipment factor from Municipal Property Assessment roles will take effect January 1996.
- Amendments have been made to the Mineral Act and Regulations to facilitate and encourage mineral exploration.
- The streamlining and consolidation of government departments and agencies will result in less red tape and accelerate decision-making.
- Initiatives to communicate the importance of a good labour relations climate to economic development, and initiatives to develop better linkages between employers and employees are being implemented.

Some Specific Successes Stemming from the Strategic Economic Plan

During the development of the Plan and throughout the implementation phase, there have been a number of notable accomplishments:

- There is a clearer understanding and working relationship between departments in pursuit of economic development objectives.
- Representatives of the federal, provincial and municipal governments, rural development agencies, community futures groups and business development centers have agreed upon a new approach to regional economic development based on the zonal concept.
- The federal government has responded positively to the Plan and a number of cost-shared agreements have been signed to implement many of the Plan's actions.
- Newfoundland and Labrador has one of the most favourable mining tax regimes in North or South America. This tax regime, in combination with a number of other factors led to an increase in mineral exploration of over 40 percent in 1994. It is estimated that a further 40 percent increase will be realized in 1995.
- Positive results have been realized from an increased emphasis on developing the under-utilized fishery sector and the aquaculture industry.
- The private sector has responded quite favourably to the Plan. There has been significant growth in small business establishment and this should continue as the general economy rebounds and as Government's new policies favouring business formation and expansion take effect.
- Significant progress has been made in the development of primary tourist destination areas such as Marble Mountain, the Terra Nova Park area and the Viking Trail.

This provides a very brief overview of the province's Strategic Economic Plan and the progress which is being made. Additional information can be obtained by calling the Strategic Economic Planning Secretariat at 709-729-0222.

Contributed by:

***Strategic Economic Planning Secretariat
Executive Council***

Newfoundland's New Business Investment Legislation

Background

On January 1, 1995 a bold and innovative program aimed at stimulating new business investment in the Province of Newfoundland came into effect.

The program flows from Government's Strategic Economic Plan (SEP) and forms an important part of a wide-ranging initiative to transform the Province into one of the most attractive locations in all of North America for new business investment. The underlying objective is to establish an internationally competitive investment climate that will lead to significant growth in private sector job creation and diversification of the provincial economy.

Program Overview

The new program is known as the Economic Diversification and Growth Enterprises Program, or EDGE for short, and is available to both existing businesses wishing to expand and new businesses. A company meeting prescribed criteria will be eligible for designation as an EDGE corporation and this will entitle it to a range of special business development incentives as outlined below. These incentives are in addition to any other incentives the company may be eligible for under other assistance programs established to encourage business development in the Province.

Provincial Taxation Relief

- A 10 year holiday from provincial corporate income tax, the post-secondary education and health (payroll) tax, and provincial retail sales tax will be provided, followed by a further five year period of partial relief from these same taxes on a sliding scale (the taxes will be phased-in at the rate of 20 percent a year after the 10 year holiday).
- From those municipalities that elect to participate in the EDGE program, a 10 year holiday will be provided from municipal business taxes or municipal property taxes, or both, followed by a further five year period of partial relief from these same taxes on a sliding scale (same formula as noted above).
- The possibility of an extension of up to five additional years to the 10 year tax holiday in economic zones of the Province where the unemployment rate exceeds the provincial average.

Start-up Assistance

- Cash grants of \$2,000 will be provided for each permanent full-year job created in the first five years of the operation of an EDGE corporation. Where a job is created for only part of a year, but is of a seasonally recurring nature, the grant will be prorated to cover the portion of the year actually worked.

Access to Crown Land

- Unserved Crown land will be leased for up to 50 years for a nominal fee of \$1.00, plus an option to purchase for \$1.00, where serviced land is unavailable or cannot be obtained at a reasonable price.

Provision of a Facilitator

- An EDGE corporation can, at no cost to itself, request the appointment of a facilitator to assist with obtaining all permits, licenses, options for the use of Crown assets, and other governmental authorizations necessary to implement its business plan.

Program Criteria

To qualify as an EDGE corporation, a company must meet the following tests:

- Demonstrate the potential for a minimum capital investment of \$300,000 or incremental annual sales of \$500,000.
- Demonstrate the potential to create and maintain at least 10 permanent jobs. The 10 permanent jobs may be less than year-round jobs as long as they are seasonally recurring. This takes into account the seasonal nature of strategically important industries such as tourism and fisheries.
- Demonstrate that the proposed business activity is consistent with the objectives for economic development as embodied in Government's Strategic Economic Plan, including the principle of sustainable development.
- Give reasonable assurances that the EDGE incentives are required to trigger new business investment or expansion.

- Demonstrate that the incentives will not provide the EDGE corporation with a competitive advantage over existing companies in the Province that provide similar goods or services and operate in the same market.
- Demonstrate that the EDGE corporation will provide a net economic benefit to the Province.

Review and Approval Process

A company must apply to the Department of Industry, Trade and Technology for designation as an EDGE corporation. A business plan must accompany the application and contain sufficient information that will allow a public-private sector evaluation board to determine whether the corporation meets the eligibility criteria. Decisions on all applications will be made within 30 days. All commercial and proprietary information is kept confidential.

Response to the EDGE Program to Date

The EDGE program has generated significant interest provincially, nationally and internationally. Upwards of 1,000 general inquiries have been received to date and numerous formal applications for EDGE designation have been submitted. Two companies were granted EDGE status in the first month of operation alone and additional designations are expected shortly. The two companies already designated are:

Lotek Marine Technologies Incorporated

Lotek is an Ontario based high technology company that plans to establish a new operating division in Newfoundland to develop and market radio and acoustical telemetry services for worldwide application to the ecological study of marine wildlife.

Canadian Iceberg Vodka Corporation

This is a new company that intends, in cooperation with the Newfoundland Liquor Corporation, to manufacture and market a premium brand of vodka using iceberg water harvested off the coast of New-

foundland. A \$75 million distribution contract has already been executed with a major U.S. based firm. The announcement of this company as an EDGE corporation has generated worldwide media attention.

The EDGE Program in Context

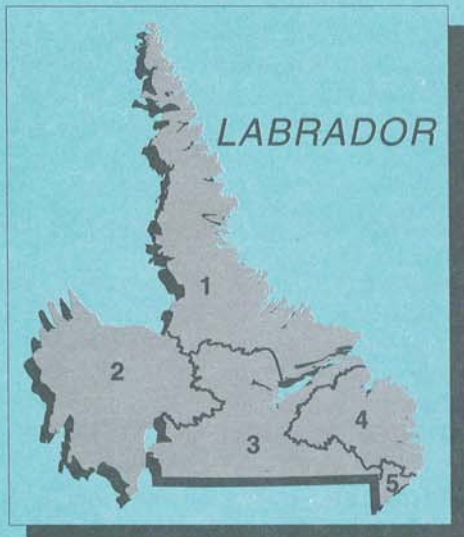
As noted earlier, the EDGE program forms part of a comprehensive plan by the Province of Newfoundland to create a significantly enhanced "business friendly" environment that will attract substantive new investment to the Province. Other elements of the plan being implemented include:

- focusing on the investor as a valued client;
- eliminating all regulations that are not essential to the protection of public health, safety and the environment, and making those that remain more "friendly" to the business community and to the public generally;
- streamlining the environmental assessment approval process;
- developing training programs to match skills with market requirements;
- establishing a single agency to administer permits, licenses, inspections and other governmental authorizations needed by the private sector to do business in the Province;
- privatizing Government's commercial operations and avoiding the provision of new public services directly where these can be provided more appropriately and cost-effectively by the private sector;
- reforming the taxation system in general to stimulate private sector growth in all areas of the provincial economy; and
- taking steps to improve the labour relations regime in the Province.

More information on the EDGE program can be obtained from the Department of Industry, Trade and Technology by calling (709) 729-2781 or calling Toll Free 1-800-567-2298.

Contributed by:

Department of Industry, Trade and Technology



Newfoundland and Labrador Economic Zones



Source: Economics and Statistics Section, Cabinet Secretariat.

Community Matters: The New Regional Economic Development

The release of the Report of the Task Force on Community Economic Development in February 1995 opened a new chapter in the Province's approach to regional economic development.

Nineteen economic zones were approved by Government as the means to devolve decision-making for local economic development to boards elected at the community level. The 19 zones are outlined in the map on the opposite page. The five functions of the boards are to:

- provide a leadership role in the development and implementation of a zonal strategic economic plan;
- operate a business investment centre;
- provide support to organizations and communities within the zone for projects consistent with the zone plan;
- coordinate all social and economic initiatives relating to regional economic development in the zone;
- promote public participation and community education.

The process to establish each Regional Economic Development Board involves an interim Provisional Board elected by existing community development groups, municipalities, education and training institutions, business and other community stakeholders. The Provisional Boards will have up to six months to determine the type of permanent structures that would be most suited to their particular zone. A Performance Contract will be negotiated with government to provide a framework for developing and implementing a five-year strategic economic plan.

Performance Contracts will reflect a commitment by both government and the zone boards to meet specified performance targets. Contracts will be monitored on an ongoing basis and assessed and adjusted annually. Performance in meeting objec-

tives will be rewarded, and both government and non-government parties to the contracts will be held accountable to meet their commitments within the agreement. The contracts and their annual assessments will be tabled in the House of Assembly to ensure that the process receives the maximum public awareness and transparency.

Government also endorsed the Task Force's call for new mechanisms to generate and invest local capital. The Economic Recovery Commission (ERC) has been directed to lead the development and implementation of new approaches and to operationalize the economic zones over the next three to five years. The ACOA/Enterprise Network has been endorsed as the main electronic information platform for regional economic development at the zonal level.

The need for improved education and training in regional economic development for governmental and non-governmental development staff and for community volunteers was identified, along with a commitment to enhance government coordination and support of regional development groups.

The Management Committee of the Federal-Provincial Cooperation Agreement on Strategic Regional Diversification (SRDA), co-chaired by the Chairman of the ERC and the Vice-President of ACOA for Newfoundland, is responsible for the negotiation of Performance Contracts and the provision of support necessary to implement the zone plans. The President of Enterprise Newfoundland and Labrador is a voting member of the SRDA Management Committee to ensure a smooth transition of responsibility from the ERC to ENL once the zones are operational. The Assistant Secretary to Cabinet for Strategic Economic Planning is a non-voting member of the Management Committee to ensure coordination with the implementation of the province's Strategic Economic Plan.

Additional information on the Task Force Report and the new approach to regional economic development is available by contacting the ERC at 709-738-0199.

Contributed by:

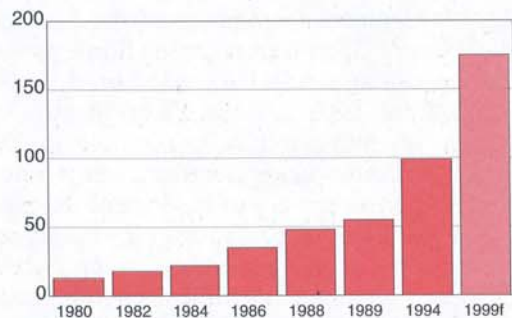
*Economic Recovery Commission and the
Strategic Economic Planning Secretariat, Executive Council*

Innovative Technologies Industry in Newfoundland and Labrador

Innovative Technologies are defined as "knowledge-based organizations developing and/or commercializing technology products or services." In its Strategic Economic Plan, Government identified this area as holding significant potential for growth. As part of that plan, several action items were tabled, many of which have been implemented, resulting in positive results for this sector. Firms employing innovative technologies are quickly growing and the sector as a whole is rapidly becoming an important element of the Province's economy.

A 1989 study led by the Economic Recovery Commission concluded that there were a total of 55 firms in the Innovative Technology industry in the Province, comprised of 49 private companies and six not-for-profit organizations. As a result of phenomenal growth in the early 1990's, there are now 100 firms in the sector, comprised of 91 private companies and nine not-for-profit organizations. Extrapolating these results to the turn of the century, it is expected that 175 firms will be active in this industry.

**Number of Innovative Technology Firms
Newfoundland and Labrador**



f: forecast
Source: Seabright Corporation Limited; Economics and Statistics Section,
Cabinet Secretariat.

C-00670

This sector has experienced low business failure rates. Between 1989 and 1994, less than 20 percent of businesses failed even though this period spanned a recession. It is also interesting to note that the Information Technology (IT) sector had virtually no failures, although mergers and acquisitions did occur.

Information Technologies

It is estimated that the single largest component of this sector (Information Technology) generates revenues of about \$330 million per year and employs approximately 3,000 people.

Between 1989 and 1994, the number of IT companies tripled, growing from 22 to 60. This sector includes a large number of small firms involved in software development and geomatics as well as a small number of organizations providing network services. It also includes a few large companies that essentially operate from a "communications" industry base.

The largest player in this sector is NewTel Enterprises. It operates the telephone utility as well as a major software/systems development company called Newtel Information Solutions Limited (NISL). NewTel Enterprises has a major investment program underway: it plans to invest \$170 million over 10 years in support of the information highway. In 1995, it will complete its second fibreoptic link across the Island which will provide the assurance of continuous service essential to attract large scale data processing and service centres.

Another information technology based company is planning significant investment. Neweast Wireless Technologies, through a recent \$7.5 million private placement, will establish a \$4.5 million Customer Support and Data Centre as well as launch a global network of TeleOceanic franchises, utilizing the *Virtual Earth Station* products developed by its subsidiary.

Cable Atlantic has recently raised \$60 million to invest in a two-way broadband network, or information highway, in the Province. As the Company expands from its core cable operations, it will pursue telecommunications opportunities including software development and multi-media products.

Over 40 companies are involved in software development covering topics such as educational software and database development. For example, IES Health Technologies developed interactive educational software for children with chronic medical conditions. Zedd Technologies developed "Med-net" a CD-ROM database of medical design specifications and technology assessments. *The Financial Post* recently chose this company as one of Canada's top 25 up-and-coming new businesses.

The geomatics sector includes at least 20 companies and operates in areas such as imaging, remote sensing and digital mapping. A good example of a company in this sector is Nautical Data which, through a strategic alliance with Canadian Hydrographic Services, is producing digital maps of the world's oceans and marketing their product internationally.

Another area of significant activity in the Province's IT sector is network services. This includes public sector participants such as Memorial University of Newfoundland's (MUN) TETRA which delivers health services and post secondary distance education throughout the Province and Stemnet which delivers educational programming to schools.

Government recently established a task force to oversee the implementation of a comprehensive five-year strategy (termed "Operation Online") to develop the Province's information technology sector. The task force has two years to develop a plan and implement the strategy.

Environmental Technologies

The environmental industry offers great potential for growth and opportunity. Examples of activity in this sector includes SCC Environmental, which in joint venture with another firm, is commercializing the unique "Chemical Phase Separator" process to clean soils contaminated by PCBs.

Biotech/Medical Technologies

The biotechnology and medical sector is a new emerging area, comprised of approximately 10 firms, up from only three in 1989. Most of the activity in this sector originates from research at MUN. Some companies and their activities include: Terra Nova Biotechnology, bringing to market diagnostic kits for bone marrow transplant matching and rheumatoid arthritis; and AF Proteins Canada Ltd., using anti-freeze protein technology to set up a manufacturing facility in St. John's to pursue food processing and medical applications.

Aquaculture

Sea Forest Plantation Ltd., a world leader in the development of cod aquaculture, is focusing on hatchery techniques. Seabright Corporation's patented scallop hatchery techniques will form the basis for a new hatchery in the Province. AF Proteins Inc., using technology licensed from MUN, is developing salmon stock which are capable of growing 10 times faster than normal.

Defense and Aerospace

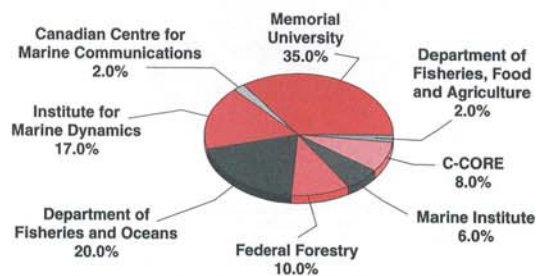
The past few years marked the first entry of local companies into this sector. Companies operat-

ing in this area include Instrumar with its ice wing detector system, Guigné International with its microgravity acoustic modelling systems and Canpolar with its machine vision system for metal fatigue inspection in space applications.

Research and Development

Supporting the development of the Innovative Technologies industry is the research community comprised of MUN, government departments and various publicly and privately supported institutes and centres of excellence. This group represents an industry unto itself, attracting over \$65 million in public funding and supporting over 1,000 jobs. The biggest player in this sector is MUN which combined with its affiliates attracts over half the R&D dollars. In addition to being generators of major economic activity, these institutions are developing innovative products which can be transferred to the private sector and are often partners in strategic initiatives with private sector companies. As well, such R&D activity serves as the training ground for potential entrepreneurs.

***Allocation of Research Expenditures
Newfoundland and Labrador
1994***



Source: Seabright Corporation Limited; Economics and Statistics Section, Cabinet Secretariat.

C-00669

Summary

To conclude, this sector has experienced significant growth in the past and opportunities for growth in the future appear plentiful. The growth potential is further enhanced by the stated commitment to strategic alliances between large companies and small entrepreneurial businesses as well as the commitment to private/public sector partnership. Continued growth in this area will strengthen the economy through diversification and enhance employment opportunities.

Contributed by:

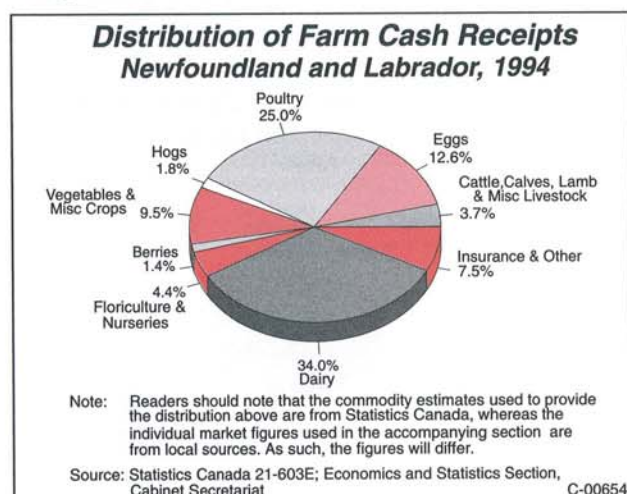
Seabright Corporation Limited

Agriculture

Production and Marketing Division,
Department of Fisheries, Food and Agriculture

The primary sector of the Province's agri-food industry consists of approximately 725 farms with 32 percent producing only livestock and the remaining farms involved in either vegetable, fruit or mixed farming. The land base held by these farms is in excess of 117,000 acres. Livestock production is the largest component generating about 80 percent of total farm cash receipts (see Diagram 7). The majority of livestock producers are located close to the Province's larger urban centres while farms involved in crop production tend to be more geographically dispersed. Supplemental or subsistence farming also plays an important role in the economy with many residents in rural areas growing a portion of their annual food requirements.

Diagram 7



Total farm cash receipts for 1994 were \$62.2 million according to Statistics Canada, up less than one percent from 1993 levels. Higher crop receipts and increased program payments were offset by a decline in the value of livestock production.

Farm cash receipts up slightly

Vegetable production was valued at \$5.1 million last year, up by 1.1 percent over the previous year. The 1994 growing season was characterized by good crop development and high yields. Local producers, however, had to contend with lower prices for some traditional crops. Higher production, combined with increased competition from household-based farming

operations and mainland imports, is believed to have exerted downward pressure on prices during last year's harvest season.

There were approximately 1.4 million pounds of blueberries harvested last year, up from 314,000 pounds in 1993. Value also grew strongly, rising almost six-fold to \$644,000. Although the year-over-year figures were impressive, blueberry production continued to remain below the 10 year average harvest level of approximately two million pounds. Growing conditions for blueberries were good last year but fruit was left on the vine as pickers and buyers focused their efforts on the more lucrative partridgeberry markets. There was a record harvest of partridgeberries last year as production increased from 333,000 pounds in 1993 to approximately 976,000 pounds. Correspondingly, value increased by about \$800,000 to over \$1.1 million. A crop failure in Scandinavian countries increased demand for local product and resulted in a 25 percent price increase.

Record harvest of partridgeberries in 1994

The volume of tame hay grown in the Province in 1994 is estimated at approximately 38,000 tons, unchanged from 1993. This sector of the industry has experienced significant growth in recent years with production more than doubling since 1987. Tame hay is used as feed for livestock such as cattle and sheep. Increased local production lessens the dependence on feed imports from the rest of Canada.

The value of floriculture and nursery products increased by approximately three percent to \$2.7 million. Products produced by this sector are generally for local consumption and include flowers and plants grown in greenhouses.

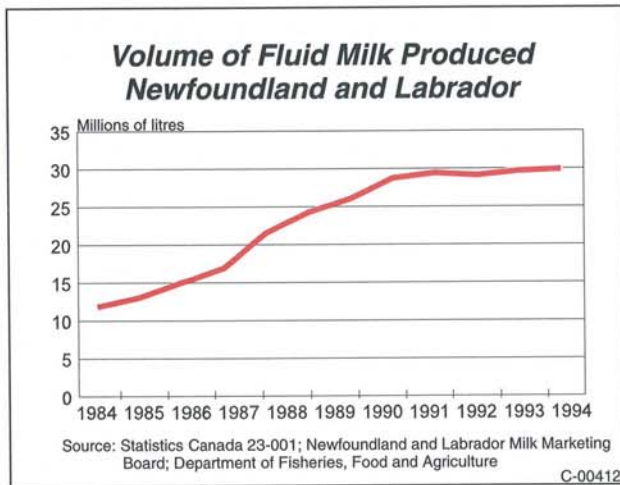
There were 60 farms producing milk in the Province last year with 32 located in eastern Newfoundland, eight in the central region and 20 in the western portion of the Province. Map 1 indicates the locations of dairy producers in the Province, with each symbol representing the location of one or more farms. The volume of milk produced in 1994 increased by one percent to 30.1 million litres and value rose by 2.6 percent to \$22.7 million. Adherence by producers to quotas set by the Newfoundland Milk Marketing Board kept production close to 1993 levels. Most of the increase in value can be attributed to higher farm gate prices. In August, the farm price rose from \$74.48 to \$77.48 per hectolitre. The production of fluid milk by local producers represents about 95 percent of Provincial consumption. Most of the milk

Map 1



that is imported tends to arrive in bulk form and generally is further processed and packaged in this Province.

Diagram 8



There were approximately 7.5 million dozen eggs produced in the Province during 1994, down 1.4 percent from 1993. The decline in production was a result of lower capacity. In 1993 some producers sold all or portions of their layer quota under a National Quota Retirement Program. As a result, approximately 26,000 birds were removed from the Provincial system with the full effect of the capacity reduction not realized until 1994. Quota retirements and farm buyouts have resulted in the number of farms declining from 31 in 1991 to 21 by December 1994. This rationalization within the industry was in response to declining demand for eggs and improved operational efficiency, that is, more eggs per laying bird.

Value of chicken produced increased by 15.4 percent in 1994

There were 20 producers raising broiler chicken in the Province last year with half located on the east coast and the other half on the west coast. Map 1 shows the location of these farms. Producers sell their product to Newfoundland 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 1994 increased 12.5 percent to 12.9 million kilograms live weight while farm value was up 15.4 percent to about \$19.2 million. The increase in production was due to higher chicken quota allocations while the increased value was attributed to both higher production and prices. The

price paid to Newfoundland producers is based on a formula involving prices paid elsewhere in Canada and the farmer's cost of growing chicken during each production cycle. Higher feed costs paid by producers caused the farm price to edge upwards.

Farm cash receipts for the hog sector dropped by over 62 percent to \$1.1 million in 1994. Lower receipts were mainly a result of a decline in production. The Provincial Government announced in March 1993 that it was discontinuing support programs for the industry and closing the provincially run abattoir in St. John's. Since this announcement, the hog sector has gone through a period of structural adjustment. The Provincial swine breeding station has been privatized. Most of the 14 original producers have withdrawn from the industry and have been replaced by smaller scale operators. In December 1994, there were 18 producers operating in the Province raising anywhere from 150 to 3,000 pigs per year. Producers are serving niche markets primarily for the fresh pork trade. Most animals are slaughtered in Provincially licensed facilities.

In June of last year the Province announced the establishment of a new Provincial Meat Inspection Program. Under the program, the responsibility for licensing slaughter facilities was transferred from the Department of Health to the Department of Fisheries, Food and Agriculture. As well, the program was expanded to give operators of abattoirs the option of having animals inspected throughout the slaughter process. This service allows the operator to officially ensure its customers that minimum slaughter standards have been met and in turn provides increased opportunities for access to retail markets. At the end of 1994 there were a total of 19 licensed abattoirs with five to 10 other facilities being assessed for licensure. While meat inspection is not compulsory at this time, five abattoirs are availing of the service.

On February 27, 1995, the Federal Minister of Finance announced the termination of the Feed Freight Assistance Program (FFA). Effective October 1, 1995 this program will no longer provide a transportation subsidy for grain travelling to grain-deficit regions of the Country. Prior to the announcement, subsidy rates for grain entering Newfoundland were between \$46 and \$57 per tonne. The elimination of the program is expected to result in a 10 to 12 percent increase in feed costs. On a per farm basis, feed costs could increase by over \$50,000 for an average broiler producer, \$23,000 for an egg producer and about \$10,000 for an average dairy farm. The Federal government will make \$60 million available in transitional funding to the provinces affected. Further details on this funding have yet to be released. The Province is committed to finding a

cheaper source of feed for the livestock sector. In this regard, work has been ongoing for a number of years under Government's Alternative Feeds Program. Initiatives under this program have included grain variety trials and studying the use of fish waste and other marine resources as a livestock feed. Work in these areas will continue through 1995.

The elimination of the Atlantic Region Freight Assistance Act and Maritime Freight Rates Act subsidies were also announced on February 27 of this year. These transportation subsidies were designed to reduce costs on goods moving throughout the Atlantic region. The elimination of the subsidies on July 1, 1995 is expected to negatively impact some inter- and intra-provincial trade in agri-foods products. Affected products include berries, eggs, milk and value-added products such as dairy treats, chicken products and locally manufactured confectionary items. On the positive side, the added shipping costs for goods moving into Newfoundland from other Atlantic provinces may provide some local vegetable producers with a competitive edge. A \$326 million five year transitional adjustment program has been established for the regions affected by the subsidy elimination. These expenditures will be targeted to meet local shippers' adjustment needs and to provide for improved infrastructure. It is expected that Newfoundland's share of the transitional expenditure will amount to \$4.5 million per year.

The Province's Strategic Economic Plan and 1991 Task Force on Agri-foods identified significant opportunities for growth within this Province in the production of value-added food products. To nurture and encourage this growth, the Department of Fisheries, Food and Agriculture has announced that a Food Division will be created within the Department. The new division will be responsible for promoting the Province's food industry.

Agriculture Outlook

The outlook for the agriculture industry remains favourable for 1995. Both the volume of milk and eggs produced is expected to be on par with 1994 levels. Broiler chicken production is expected to increase by about six percent as additional quota comes on stream and hog production is expected to expand as producers react to strong demand for local product. While the effect of FFA reductions will be felt in 1995, the greatest impact on the livestock sector is expected to occur in 1996. If weather conditions are good again this year, solid harvests of vegetables and small fruits can be expected.

Fishery

Last year the Newfoundland and Labrador fishery continued the restructuring process necessary to adapt to the present and future realities of the industry. The imposition of moratoria on most groundfish stocks combined with the poor performance by pelagic fisheries led to an increase in fishing effort aimed at previously underutilized species. Strong catches of higher valued shellfish resulted in the value of fish production being on par with 1993 but could not prevent a further slide in employment. Some processors were also successful last year in procuring fish from foreign sources to supplement their dwindling supplies of groundfish. Diversity and procurement activities aided in the positive performances of two of the largest publicly traded fish companies in the Province. In an effort to consolidate its approach to the crisis, the Federal government merged all existing Atlantic fishery income support programs under one program. Last year was also marked by ongoing developments in international fisheries policies which are of particular importance to the Province.

TABLE 6

FISH LANDINGS AND IMPORTATION NEWFOUNDLAND AND LABRADOR

	Quantity Landed (metric tonnes)		Percent Change
	1993	1994	
Groundfish	97,806	28,606	-70.8
Pelagics	78,479	24,111	-69.3
Molluscs & Crustaceans	66,420	78,870	18.7
Total Landings	242,705	131,587	-45.8
Imports	14,000	20,000	42.9
Total Landings & Imports	256,705	151,587	-40.9

	Value (\$ 000)		Percent Change
	1993	1994	
Groundfish	51,041	14,232	-72.1
Pelagics	25,979	6,923	-73.4
Molluscs & Crustaceans	117,196	190,975	63.0
Total Landed Value	194,216	212,130	9.2

Note: Figures are preliminary and subject to revision.

Source: Department of Fisheries and Oceans; Economics and Statistics Section, Cabinet Secretariat.

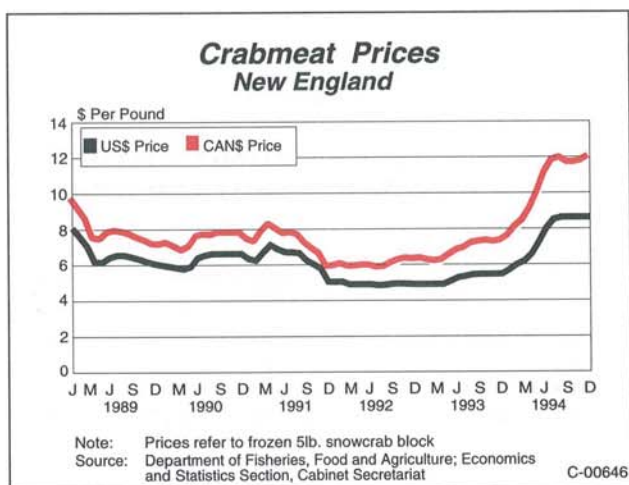
The volume of fish landed in the Province declined for the fourth consecutive year in 1994, a product of the resource problems in the groundfishery coupled with a poor performance in the pelagic fisheries. Groundfish landings (cod, flounder and redfish)

dropped because of various moratoria and quota reductions implemented over the last couple of years. Capelin experienced the most dramatic decline within the pelagic species with landings falling from 47,000 in 1993 to 1,800 tonnes last year. Catches of herring

The value of fish landings increased last year despite sharp reductions in volume

and mackerel also fell. The performance of the shellfish fishery stood in stark contrast to the other major species as indicated in Table 6. Shellfish catches jumped to their highest level in 15 years. This growth came through increased landings of crab, shrimp and scallops. Landed values clearly reflected the higher market value of shellfish relative to other species and increases in crab prices. While the total volume of fish landed declined, value increased by 9.2 percent, as strong gains in the value of shellfish were more than sufficient to offset declines in other species.

Diagram 9



There has been increased emphasis on shellfish and other previously underutilized species over the past several years. An example of this is the Newfoundland crab fishery which benefitted from both an increase in quota and positive developments on the demand side of the industry last year. Crab landings rose by about 5,600 tonnes to slightly more than 28,000 tonnes, the highest level ever recorded. Lower landings of crab elsewhere in the world, notably Alaska, reduced supplies available to the U.S. market and created additional opportunities for local producers. Furthermore, increased demand for crab in Japan, the U.S. and Europe resulted in higher prices for Newfoundland products. U.S. prices for crab products rose between 30 and 35 percent last year, as exhibited in Diagram 9. The lower exchange rate

trend helped boost crab prices for Canadian producers even further.

Some processors have turned to foreign sources of groundfish to keep their plants operating during the groundfish shortage. Approximately 20,000 tonnes of fish, primarily cod from the Barents Sea, were processed in the Province in 1994 compared with 14,000 tonnes in the previous year. Fish procured from foreign sources enables some companies to maintain their customer base and market presence despite reduced domestic supplies. It also provides employment for plantworkers in a number of communities that have been hard hit by the fishery closures. Many fish plants would remain idle if it were not for the importation of raw material.

Imports of foreign-sourced fish rose to 20,000 tonnes

The export value of fish landed in the Province last year was approximately \$425 million, about on par with levels recorded in 1993. Higher valued shellfish, particularly crab, offset lower groundfish and capelin production.

The performance of the three largest publically traded companies operating in the Province was mixed last year. Fishery Products International (FPI), National Sea Products Limited (NSP) and ConPak Seafoods Inc. (CSI) have undergone substantial rationalizations to their Newfoundland operations as a result of the fishery crisis. FPI, the largest fish processing company operating in the Province, has sustained groundfish quota reductions of approximately 90 percent since 1988. In response, FPI has reduced its fleet from 59 vessels in 1988 to only six in 1994 and is expected to maintain seven vessels this year including the Company's shrimp freezer trawler. FPI has also significantly reduced its workforce in the Province over the past number of years. In 1988, employment at FPI (exclusive of trawlermen) was 7,800. The Company's workforce last year was only about 1,800 and will approximate this level again in 1995. FPI is expecting to operate four plants for varying periods of time in 1995. These plants are expected to process shrimp, crab, redfish, imported fish and secondary products. The operation of a further two plants will be dependant upon the outcome of the 1995 capelin fishery.

FPI recorded net income last year of \$13.9 million compared with a net loss of \$15.4 million in 1993. The loss in 1993 included a \$20 million unusual item

Aquaculture

Aquaculture is increasingly being seen as a viable alternative to traditional fishing practices. Interest has been heightened in recent years by the current troubles with many of the world's major fisheries. Based on current rates of population growth and fish consumption, the Food and Agriculture Organization of the United Nations (FAO) estimates that by the year 2025 the annual world demand for fish protein will be 162 million tonnes while available supply from wild fisheries will only be 100 million tonnes. With current world supply of aquaculture product running at about 30 percent of this deficit, substantial growth is expected to take place in aquaculture over the next 30 years.

Aquaculture involves the raising of fish and shellfish in captivity, either in saltwater or fresh. Newfoundland and Labrador aquaculture is still a developing industry. Nevertheless, production from currently established sites has increased steadily since 1989, as shown in the table. In particular, the production of such species as blue mussels, steelhead trout and Atlantic salmon have all shown solid improvements. A forecast of the Provincial aquaculture industry's potential to the year 2000 was recently released by the Department of Fisheries, Food and Agriculture. It estimated that aquaculture production could increase to 5,000 tonnes by 2000 with an associated value of \$50 million. About 1,500 person years of employment could be generated from this production level.

**Newfoundland Aquaculture Production
Selected Years, Metric Tonnes**

Species	1989	1991	1993	1994p
Blue Mussels	70	270	224	426
Steelhead Trout	n.a.	30	113	328
Atlantic Salmon	n.a.	31	100	46
Other	n.a.	31	26	34
Total	70	362	463	834

Note: Other species includes Atlantic cod, rainbow trout, Arctic charr and giant scallops

n.a.: not applicable; p: preliminary

Source: Department of Fisheries, Food and Agriculture.

In 1994, there were 64 commercial aquaculture enterprises located in various areas of the Province. Blue mussels, the first species in full commercial production, is farmed primarily on the northeast coast of the Island with the largest mussel grower, Atlantic Ocean Farms in Notre Dame Bay. Atlantic

salmon has been produced successfully by S.C.B. Fisheries in Bay d'Espoir. Since this company's formation in 1992, sales have risen from \$360,000 to over \$3 million last year and are expected to increase to over \$12 million annually by 1998. Among the other aquaculture developments currently underway is the construction of a new giant scallop hatchery in Belleoram. Once completed in May 1995, the hatchery will provide scallop growers with a consistent supply of scallop seed so that producers will no longer have to collect unreliable wild scallop seed.

The Provincial and Federal governments have taken several steps aimed at encouraging the orderly and efficient growth of a viable aquaculture industry in Newfoundland and Labrador. The Provincial government stated, in Action Item 105 in the Strategic Economic Plan, its intention to develop and expand the aquaculture industry. To this end, revisions to the aquaculture licensing system were made by the Department of Fisheries, Food and Agriculture in February 1994. The revisions to the licensing system are designed to improve the efficiency and effectiveness of the regulations. One of the major areas under revision has to do with the technical and financial capability of applicants. New applicants will be required to submit a business plan that covers a minimum five-year period and includes the amount and sources of funding necessary to finance the operation until the expected time of commercial viability is reached. The Department will ensure that licensed sites are developed in accordance with the approved development plans. If they are not developed properly the sites are made available to other applicants. To make the system more efficient, a two month limit has been placed on the time it takes to process a typical application. As well, an independent appeal process for aquaculture licensing has been established.

A national plan, the Federal Aquaculture Development Strategy, was released by the Minister of Fisheries and Oceans in February of this year. The objective of this strategy is to create an economic and regulatory environment in which aquaculture can prosper while recognizing that aquaculture is a private sector initiative and that the principal responsibility for commercial development rests with the industry. Industry-Government Aquaculture Implementation Committees will be established in the provinces and territories with members working together to foster growth in the industry.

recorded to reflect a revaluation of the Company's Newfoundland-based harvesting and processing operations. Sales for 1994 amounted to \$664.7 million, an increase of 10.6 percent from the same period in the previous year. Sales for the FPI Division declined by 3.2 percent as reduced volumes of groundfish and the failure of the capelin fishery offset a favourable performance by shellfish species. The Clouston Division (FPI's international seafood trading, marketing and brokerage operation) recorded sales growth of 27 percent, reflecting a combination of increased volumes, higher prices and favourable foreign exchange rates.

Major fish companies report profits in 1994

National Sea Products Limited has also recorded major losses over the past few years, both in terms of its quotas and financial position. Since 1988, NSP has experienced a loss of about 90 percent of its quota allocations. This has translated into a reduction in NSP's Newfoundland trawlers from 11 vessels to one vessel, affecting approximately 160 trawlermen. NSP's processing operations in Newfoundland have also been substantially reduced. In 1993, employment at NSP plants amounted to 120 persons compared to an employment level of approximately 1,425 in 1988. In 1995, activity at the Company's Newfoundland-based operations in Arnold's Cove will be largely determined by the procurement of raw materials from foreign sources, the offshore surf clam fishery and the capelin fishery.

NSP reported net income of \$6.3 million in 1994 compared with a net loss of \$42.5 million for the previous year. The loss in 1993 included a restructuring provision of \$49 million. 1994 was the first year since 1987 that the Company reported a profit. NSP's Arnold's Cove and Lunenburg operations were utilized more fully in 1994 than in the previous year due to success in procuring raw material on the world market to produce seafood products for the North American marketplace.

ConPak Seafoods Inc. was also negatively impacted in 1994 by lower groundfish and capelin catches. Sales for CSI's year ending September 1994 amounted to \$10.7 million, down from \$24.6 million in the previous year. CSI reported a \$3.1 million net loss for the year compared with net earnings of \$0.6 million for the previous operating year. The Company also recorded a \$1.4 million unusual item to reflect a revaluation of its groundfish related assets.

The Federal government combined all fishery income support programs into one umbrella program in 1994. Up to May last year there were two income support programs ongoing in the Province for fisherpersons and plantworkers. The largest, the Northern Cod Adjustment and Recovery Program (NCARP), provided income support for workers directly affected by the northern cod moratorium. Approximately 26,500 individuals were approved for compensation payments under NCARP, while only about 18,000 actually required assistance in most pay periods. Approximately \$485 million was spent on support under this program which began in July 1992. In addition to income compensation, the Federal government, in cooperation with the Province, developed several education-related initiatives designed to assist those eligible for NCARP to adjust to the future challenges both inside and outside the fishery.

The Atlantic Groundfish Adjustment Program (AGAP) was the second support program ongoing in the first five months of last year. AGAP was developed to assist those industry workers adversely affected by the various closures and quota reductions announced in 1993 and 1994. This \$191 million program provided individuals with the opportunity to take part in training and job development projects. Approximately 1,200 people in the Province were covered under AGAP at the end of the program.

TABLE 7

STATUS OF TAGS APPLICANTS NEWFOUNDLAND AND LABRADOR

Type	Accepted By TAGS	Rejected By TAGS	Not Yet Assessed	Total Applicants
Rollover from previous programs:				
NCARP	23,606	3,939	253	27,798
AGAP & other*	21,582	3,602	234	25,418
AGAP & other*	2,024	337	19	2,380
New Applicants	3,717	3,874	153	7,744
Total	27,323	7,813	406	35,542

Notes: *Other includes response programs prior to AGAP

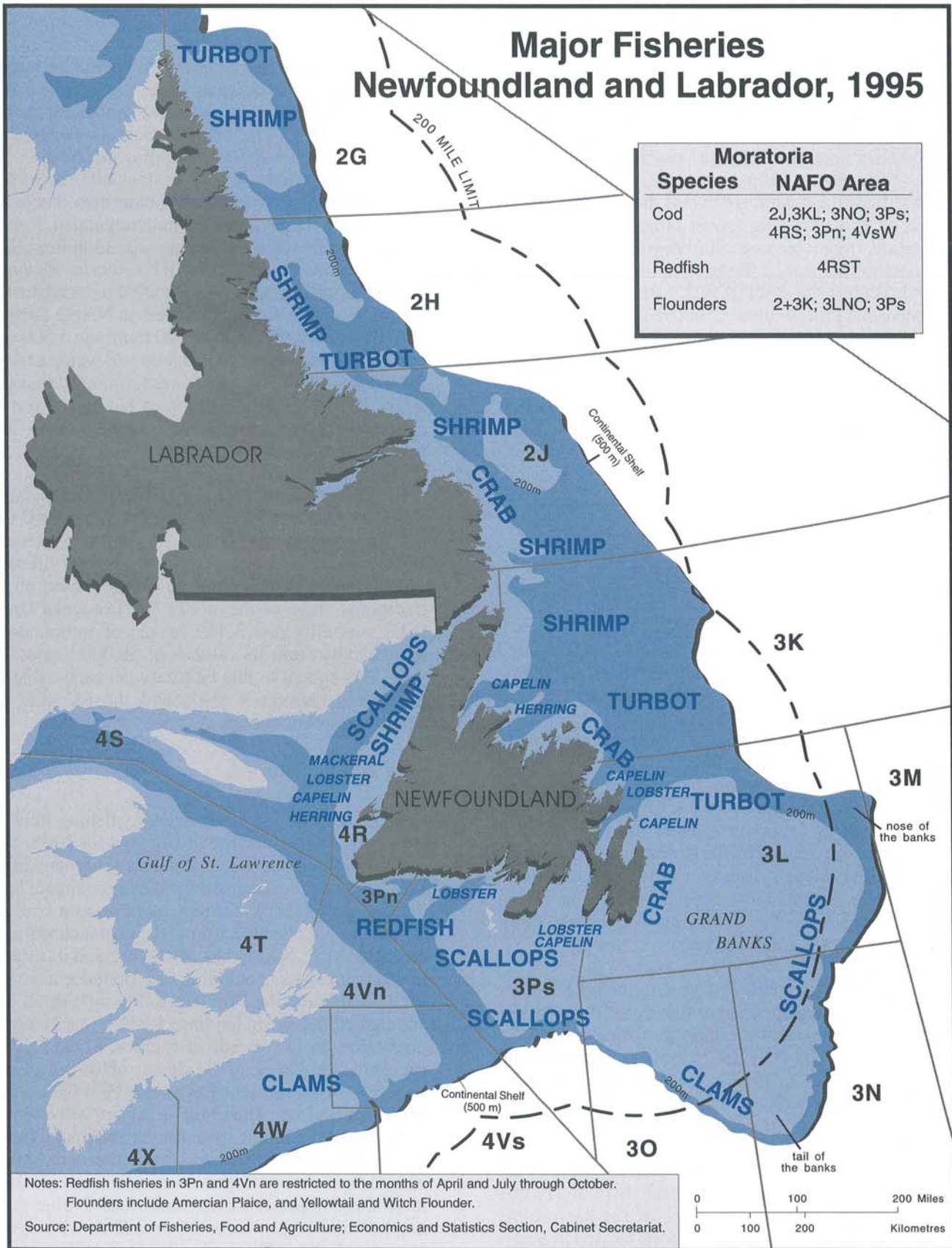
Figures as of January 31, 1995

Source: TAGS Database, Department of Human Resources and Development; Economics and Statistics Section, Cabinet Secretariat.

The new umbrella program, The Atlantic Groundfish Strategy (TAGS), was initiated in May 1994. This program is scheduled to run for five years and spend \$1.4 billion in Newfoundland. TAGS contains new criteria for program qualification which required that all affected fisheries workers re-apply for assistance. Table 7 details the number of individuals that have been accepted or rejected from this program as of January 31, 1995 and whether they had

Map 2

Major Fisheries Newfoundland and Labrador, 1995



availed of one of the previous income support programs. Those who had originally been covered under NCARP and AGAP but had been rejected under TAGS received income support until December 1994. The vast majority of applicants, close to 80 percent, have been accepted into the program. All accepted individuals will receive TAGS until May 1996. After this period, continued compensation is dependent upon the degree of attachment to the fishery. As well, in order to receive benefits, eligible individuals must exercise one of the various options such as skills training, green projects and mobility assistance available under the program. Training is an important element of the program with emphasis on Adult Basic Education (ABE), literacy, skills development and professionalization training for fisherpersons. As of January 1995, the average weekly TAGS income support rate was approximately \$287 per individual, however, the actual amount paid out averaged around \$188 depending on whether participants received Unemployment Insurance benefits or other forms of income.

TAGS replaced other fishery income support programs

TAGS also contains adjustment measures aimed at achieving 50 percent capacity reduction and industry renewal. To this end, progress was made last year in the establishment of Harvesting Adjustment Boards. These Federal boards will focus on reducing harvesting capacity in the Atlantic groundfish industry and will advise the government on license and early retirement programs for fisherpersons. The Boards will be based in each of the four regional fishing areas managed by the Department of Fisheries and Oceans (DFO). Approximately \$300 million in funding is allocated for capacity reduction in the TAGS budget and the Boards are expected to complete their work within the year.

Progress was made last year in the area of conservation and management of fish stocks that straddle Canadian waters and the maritime zone around St. Pierre and Miquelon. In November, Canada and France reached a 10-year fisheries agreement for regional cooperation. This agreement will give Canada secure access to valuable Icelandic scallops in French waters and prevent future overfishing of the 3Ps cod stock. It was agreed that Canada would provide France with a 15.6 percent share of 3Ps cod in return for a 30 percent share of the harvestable concentrations of Icelandic scallops located in a narrow corridor of water near St. Pierre. Access to this

scallop resource is critical for the future of scallop harvesting and processing on Newfoundland's south coast.

Conservation measures for the Greenland halibut (turbot) stock, the largest groundfishery active off the east coast of Newfoundland, were announced in June last year by DFO. The turbot stock is another groundfishery for which recent scientific information has detailed a significant decline in stock biomass as well as a reduction in the number of older fish. There has also been a large increase in unregulated foreign catches of this stock outside the 200-mile limit. Following recommendations by the Fisheries Resource Conservation Council (FRCC), DFO reduced the turbot quota within Canadian waters in NAFO Subarea "0" (Baffin Island) from 12,500 tonnes to 5,500 tonnes. In addition, a special program to develop a turbot fishery in northern Labrador was terminated immediately. In 1994 Provincial turbot landings from all management zones were 5,250 tonnes, down 38.6 percent from the previous year.

The Northwest Atlantic Fisheries Organization (NAFO) introduced a catch limitation of 27,000 tonnes for turbot in NAFO division 2+3 in September 1994. In early February of this year, NAFO allocated 16,300 tonnes of this quota to Canada based on the traditional share of the stock. The European Union (EU) was allocated 3,400 tonnes of turbot, down dramatically from its catches of 50,000 tonnes last year. Subsequent to this February decision a dispute has arisen between Canada and the EU over the sharing of turbot quotas.

Fishery Outlook

The outlook for the Province's fishing industry calls for a further decline in landings for 1995. Map 2 outlines the status (i.e., open/closed) of many of the Province's major fisheries and the approximate location of each fishery. Current moratoria on cod and flounder stocks located around the Province will continue this year. NAFO has also continued its closure of six major stocks, including cod, flounder and capelin, that straddle the Province's 200-mile limit. The anticipated decline in landings for this year is mostly predicated on lower redfish catches. Redfish is expected to fall because of the closure of the West Coast fishery announced in the December 1994 Groundfish Management Plan. The shellfish fishery will continue to be one of the bright spots for the Provincial industry. Landings of shellfish species such as crab, shrimp and scallops should improve again this year resulting in another solid increase in overall landed value. Also, imports of foreign-sourced fish will be on par with last year. In the area of adjustment, TAGS will provide not only income support for those individuals

affected, but also programs aimed at bringing about necessary industry restructuring.

Forestry

Last year was a relatively good one for the Provincial forest industry. Newsprint mills operated at close to full capacity and no significant production-related downtime was experienced. Newsprint shipments were higher and global demand for newsprint strengthened. Newsprint prices rose sharply and the lower value of the Canadian dollar vis-à-vis the United States currency benefitted the industry. There were some anxious moments during the year when two mills announced plans to idle paper machines, but agreements were later reached which averted the shutdowns. Furthermore, both production and exports of lumber products from the Province's sawmill industry increased sharply during the year.

Global demand for newsprint strengthened in 1994

The world market for newsprint improved significantly in 1994 and this had positive implications for newsprint mills at the national and provincial level. In the United States, growth in demand was concentrated in the latter part of the year. Orders were slow in the first half of 1994 as producers drew down inventories to cushion the blow of rising newsprint prices. Overall, the amount of newsprint purchased by U.S. customers on both domestic and foreign markets rose by about one percent on an annual basis. In Europe, orders were strong last year and consumption is purported to have increased by close to seven percent. Europe traditionally gets most of its newsprint from domestic suppliers and to a lesser extent from Canada. Canadian exports into the European Union are subject to a nine percent tariff once they exceed 630,000 tonnes, thus shipments tend to fluctuate around this quota each year. While demand in Japan was weak in 1994 as newsprint consumption suffered from a drop in paper advertising, good opportunities existed in other parts of Asia and Latin America.

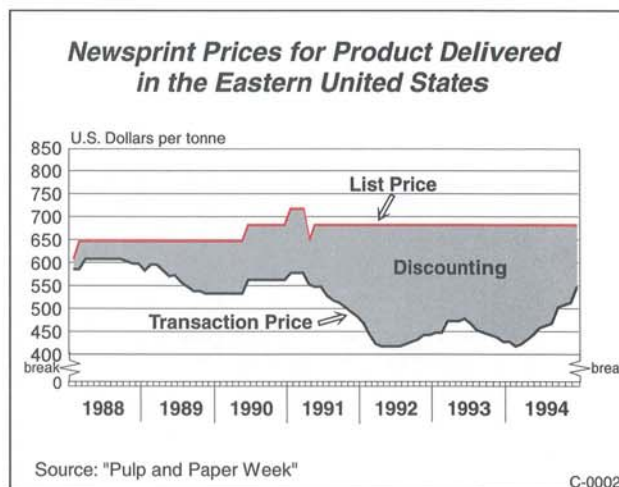
North American newsprint prices finally appear to be on an upward trend after several years at extremely low levels, as shown in Diagram 10. Prices tumbled in 1991, a result of increasing supply and falling demand. Many producers were forced to offer considerable discounts over the last several years in order to maintain market share. This practice caused

the industry to be immersed in a sea of red ink during the period. Low prices persisted into 1994 and in February the average transaction price for newsprint delivered in the eastern U.S. was US\$420 per tonne, almost 40 percent lower than the list price of US\$685

Newsprint prices began an upward trend in 1994

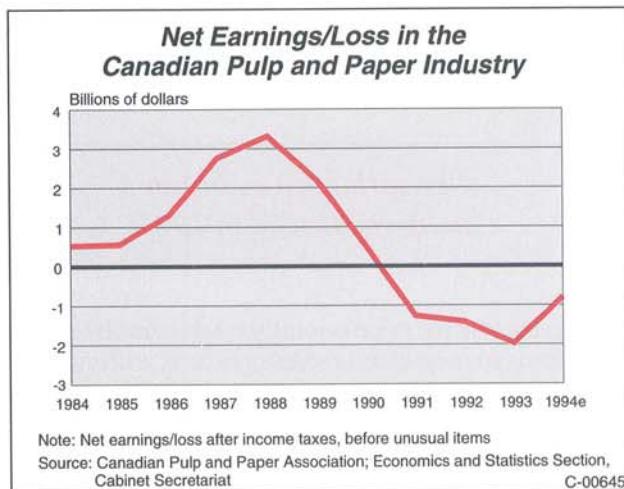
per tonne (the list price is jointly established by sellers as a basis for negotiating sales contracts with customers). The market began to turn around in March when producers successfully implemented the first of three discount reductions for the year. The two other reductions occurred in August and December. By December the transaction price had risen to US\$550 per tonne, the highest since June 1991. Over the year, prices averaged US\$469, up 2.5 percent from 1993. The news was even better for Canadian producers. The price of newsprint in Canadian dollars averaged CAN\$641, up 8.5 percent over the previous year. Most of the gain in price for producers was due to the exchange rate.

Diagram 10



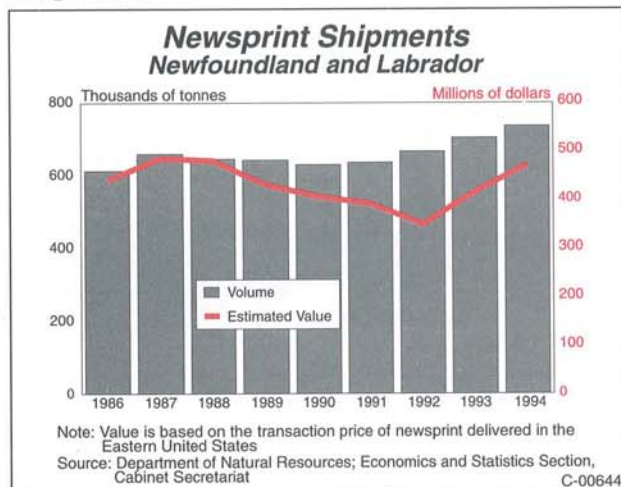
After several years of low prices and staggering financial losses many now feel that the Canadian pulp and paper industry has turned the corner and is on the road to recovery. The industry slid into recession in 1991 when declining world demand and excess capacity caused prices to plummet. Losses over the 1991 to 1994 period totalled \$5.5 billion (see Diagram 11). While the industry continued to lose money in 1994, the losses were considerably lower than in the previous year. It is estimated that most companies had turned a profit by the fourth quarter of the year.

Diagram 11



Canadian production and shipments of newsprint increased last year by 1.9 and 3.5 percent respectively. Approximately 9.3 million tonnes of product was produced during the year and operating rates rose from 95 to 96 percent of capacity. Markets which contributed to the increase in Canadian shipments included the United States, Asia, Africa and Latin America.

Diagram 12



Newsprint shipments from the Province's three mills reached historically high levels in 1994. The volume of newsprint shipped rose by 4.7 percent to reach approximately 736,600 tonnes and mills operated at close to full capacity. There was no significant production related downtime during the year; most of the downtime taken was related to maintenance. The value of shipments rose by an estimated 13.5 percent to \$470 million (see Diagram 12).

Newfoundland mills shipped more product into North America, Asia, South America and Africa in 1994 as Map 3 illustrates. North America was the

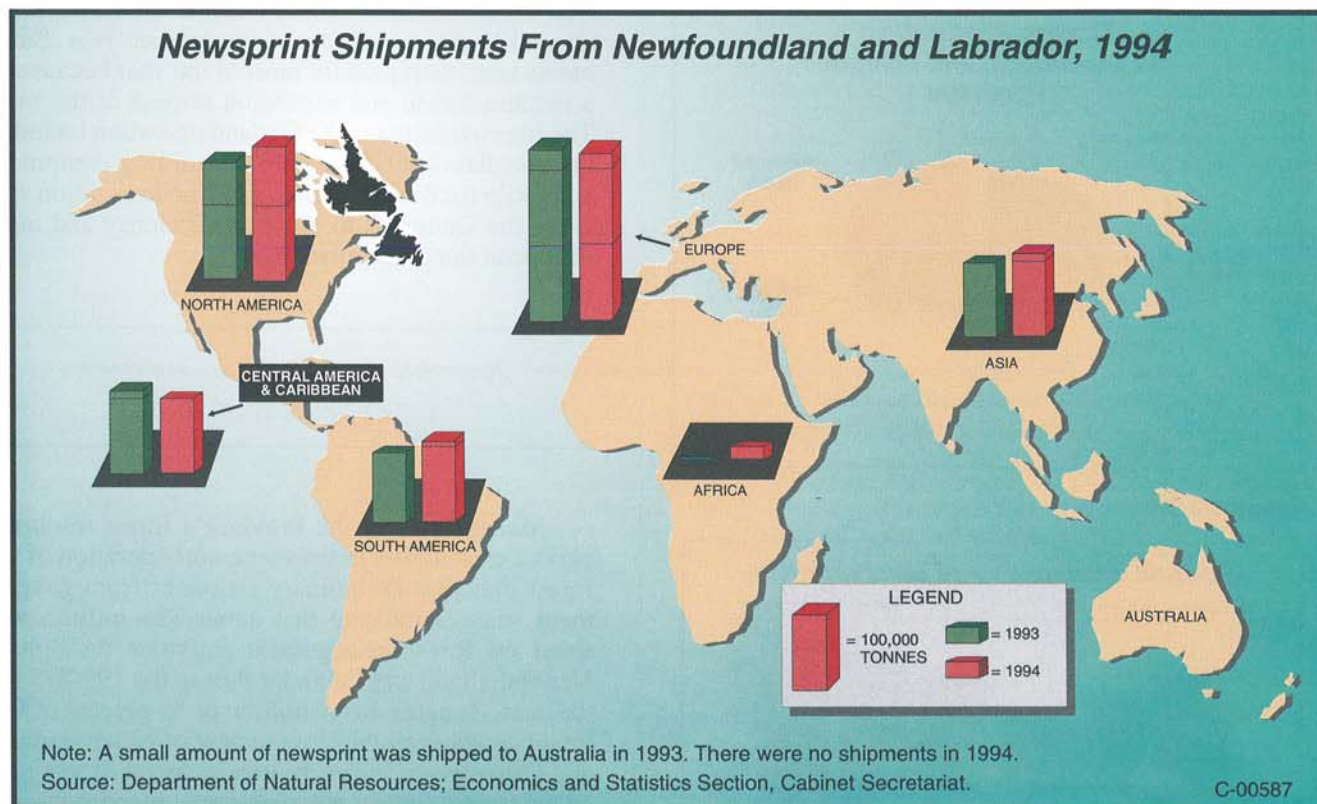
single largest contributor to growth; exports into the U.S. rose by roughly 18,000 tonnes or 11.3 percent. Following a trend very similar to the Canadian industry as a whole, the strength in exports into the U.S. came in the last half of the year. While exports to Europe declined slightly in 1994, this market still remained the Province's largest customer, accounting for 30 percent of all newsprint shipped. The United Kingdom was the principal customer in the European market, followed by Italy and France.

Provincial newsprint shipments increased by 4.7 percent

The recession in the newsprint industry nearly led to the shutdown of two paper machines in the Province last year. In the spring, Corner Brook Pulp and Paper Limited announced that it would idle the No.4 machine later in the year. The Company cited the lingering recession and the need to restructure a heavy debt load as the reasons behind the shutdown. The closure would have cut capacity by an estimated 77,000 tonnes per year, and logging and mill employment by 515 jobs. It would also have reduced the mill to a three machine operation. Fortunately, the decision was reversed after the Company and its workers reached an agreement to help the Company restructure its debt. In order to avert any major layoffs, workers have agreed to invest a total of \$10 million in wage concessions to be repaid beginning in 1997. In addition, the Provincial government has agreed to purchase from the Company a major portion of its private land assets in the Province at a cost of \$15 million.

The second closure averted last year was at the Abitibi Price mill at Grand Falls-Windsor. In July the Company announced that it would idle the No.7 machine, the oldest operating machine at the mill, as part of an effort to increase efficiency and lower costs. This action would have trimmed about 64,000 tonnes per year from capacity, and cut logging and mill employment by 370 jobs. It also would have reduced the Grand Falls mill to a one machine operation. Like Corner Brook, the closure was averted through negotiations between the Company and its workers. Both sides agreed to make changes to the collective agreement which should permit increased mill efficiency. Wage concessions were not part of the arrangement. Some employment losses will occur because of the restructuring. The Grand Falls mill will reduce its workforce by approximately 100 in 1995, mainly through early retirement.

Newsprint Shipments From Newfoundland and Labrador, 1994



Newsprint mills in the Province will spend \$80 million on capital improvements this year, as part of a continuing effort to increase mill efficiency and meet environmental regulations. Corner Brook Pulp and Paper Limited will spend an estimated \$43 million. Most of this expenditure (\$30 million) will be used to install an effluent treatment system and complete a bark burning boiler project, both of which will allow the Company to comply with environmental

Local paper mill capital improvements expected to reach \$80 million in 1995

regulations. The remaining monies will cover various projects which are described in more detail in Appendix 1 - *An Inventory of Selected Major Projects in Newfoundland and Labrador*. Abitibi Price will spend \$34 million at its Grand Falls-Windsor mill in 1995. A considerable portion (\$12 million) of this expenditure will go for environmental upgrading. The remaining expenditure will cover various projects, some of which will be designed to improve efficiency. Abitibi's Stephenville mill will spend about \$3 million this year on general maintenance projects.

The latest figures on timber production show that approximately 3.1 million cubic metres of timber were harvested in the Province during the 1993/94 fiscal year. As Diagram 13 shows, pulpwood for the newsprint industry accounted for about 60 percent of this production while the remainder consisted of sawlogs, used in lumber manufacturing, and firewood. Most of the firewood produced was used for domestic home heating, while a small portion was employed in electricity generation and institutional heating.

Over nine percent of the timber produced in the Province is destined for the sawmill industry. Most sawmills in the Province are relatively small, producing less than 50,000 board feet of lumber a year. The mills tend to be seasonal employers and are particularly important to rural parts of the Province. Sawmills in the Province typically produce small dimension building materials for the local market. It has been estimated that the local industry supplies about 40 percent of the Province's lumber requirements. In recent years, a growing amount of product has been exported to mainland Canada and to other countries.

Diagram 13

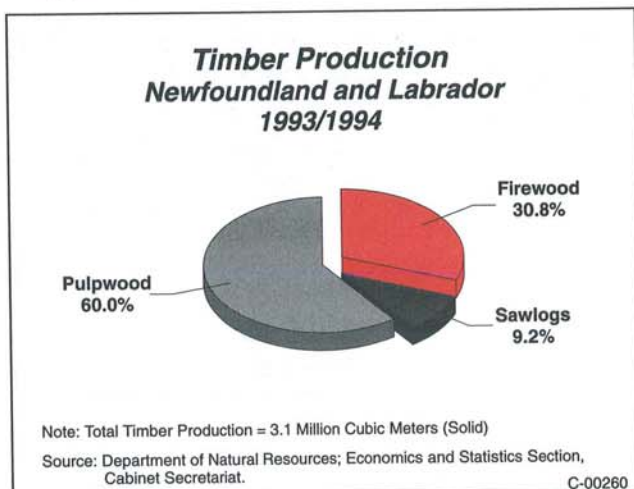
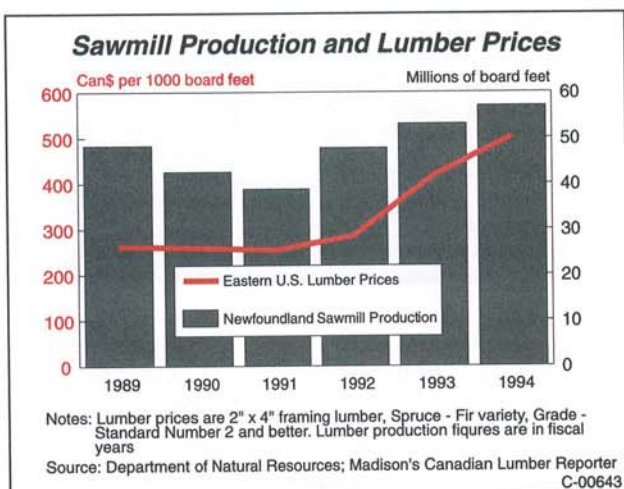


Diagram 14



Sawmill production in the Province has increased in each of the last three years as illustrated in Diagram 14. It is estimated that in the 1994/95 fiscal year, lumber production reached 57 million board feet, an increase of 7.3 percent over the previous year. The growth in output was a product of several factors including better marketing techniques, mill expansion and modernization projects, and better export opportunities stemming from strong lumber prices (see Diagram 14). Most of the increase has come from the relatively larger mills producing over 500,000 board feet of lumber a year.

Lumber exports from the Province totalled over 18 million board feet in 1994, up from 6.25 million in 1993. Most of the lumber exported came from A. L. Stuckless and Sons Limited of Glenwood, the largest producer on the Island. Exports from A. L. Stuckless went to central Canada and the eastern seaboard of the United States. This mill is currently undergoing a \$2.3 million modernization and expansion program which will allow it to increase produc-

tion and cater to an expanding market. These improvements should be completed this year. Paul Garland Forest Products Ltd. of Harbour Grace exported about 125,000 board feet of lumber last year. Shipments were disrupted for most of the year because of a modernization and expansion project at the mill. The improvements at the Garland operation included the installation of high-yield sawmilling equipment and a kiln for drying lumber. This modernization will allow the Company to improve efficiency and meet European import regulations.

*Sawmill production up by over
seven percent in 1994*

Management of the Province's forest resources plays a crucial role in the successful operation of the forest industry. Preliminary estimates from government sources indicate that about \$25 million was spent on forest management activities throughout Newfoundland and Labrador during the 1994/95 fiscal year. Roughly \$14.4 million or 57 percent of this total was spent by the Government of Newfoundland and Labrador on such activities as forest access road construction, fire suppression, forest inventories, development of databases for ecosystem plans, operational research and regulatory monitoring, and other operations carried out in the area of forest management. Another \$800,000 was spent under the Comprehensive Labrador Cooperation Agreement. The majority of this money was spent on the continuation of a forestry inventory. Almost \$10 million was spent under the Canada/Newfoundland Cooperation Agreement on Forestry Development (CAFDA). This agreement, which came into effect in April 1990, supports expenditures on silviculture and other forest management and protection activities on a 70/30 cost-shared basis between the Federal and Provincial governments. CAFDA will expire at the end of March 1995.

In its recent budget, the Federal government reiterated its 1993 position that development agreements with the provinces in the forestry and mining industries will not be renewed. The Federal government has stated that these resources fall within Provincial jurisdiction and Federal involvement in their development in the future will be limited. The Provincial government is evaluating the financial requirements for intensive forest management with the purpose of providing the necessary funds after the expiry of the CAFDA.

The private sector also contributed to forest management last year through resource road construction, forest protection taxes and silviculture expenditures. The forest protection, or managed land tax, is designed to recover some of the costs incurred in providing fire and insect protection to the Province's forest resource. It is estimated that revenue from this tax in the 1994/95 fiscal year totalled \$2.2 million. In addition, each of the paper companies in the Province spent about \$1 million last year (\$2 million in total) on silviculture under cost-shared agreements with the Province. Government's contribution to this arrangement was \$4 million from the CAFDA agreement. The industry also assisted in forestry inventories and other forest management planning activities.

Forestry Outlook

The outlook for the Provincial forest industry in 1995 is very positive. Demand for newsprint is expected to be strong in most major markets, providing good opportunities for local mills. While only slight increases in shipments and production are expected because mills are operating near full capacity, value should rise considerably as prices strengthen. Price

Forest industry outlook for 1995 is bright

increases have been announced for March and May in the U.S. market, and if they are successful, newsprint should be selling for a transaction price of US\$675 per tonne by mid-year. Higher prices, together with a weak dollar, should benefit the local industry. Furthermore, tight market conditions have led to strong price increases throughout other major markets. Most European suppliers boosted prices in January and newsprint sold in Latin America is reported to be commanding a higher value. Another good year is anticipated for the sawmill industry in 1995 as the industry continues to benefit from capital improvements made over the last year. Overall, sawmill production could reach 60 million board feet this year. If attained, this will be the highest level of production in over 40 years.

Mining

The mining industry experienced one of its best years on record in 1994. The volume and value of mineral shipments rose considerably and employment was also higher. In value terms, mineral shipments increased by approximately 20 percent. Increasing commodity prices, a very favourable business environment for mining companies in the Prov-

ince along with the announcement of major mineral discoveries gave exploration in particular, and, the industry in general, a major shot in the arm in 1994. As a result, exploration expenditures were higher and the number of claims staked and the number of claims in good standing rose to higher levels.

Metals

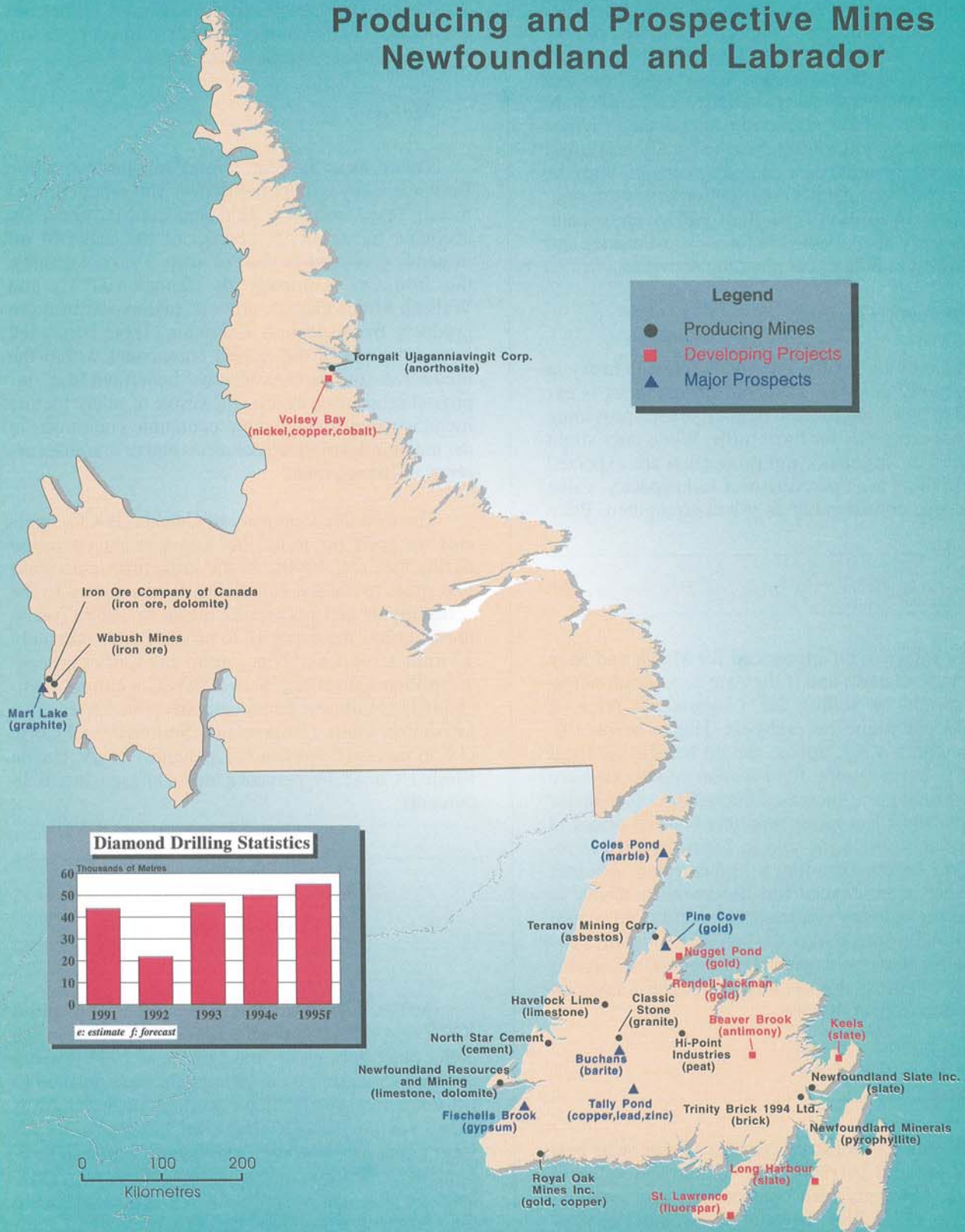
Today, as in the past, mining remains one of the Province's key export industries. The production of metals (e.g., iron ore, gold and copper) generally accounts for about 95 percent of the value of all minerals produced in the Province. Two companies, the Iron Ore Company of Canada (IOCC) and Wabush Mines extract, process, and export iron ore products from western Labrador. Their combined output comprises the largest component within the metals category. Both companies benefitted from improved production levels, the result of many factors including improved general economic conditions in the major industrialized countries and favourable currency exchange rates.

The Iron Ore Company of Canada (IOCC) operates an open pit mine that commenced operation during the early 1960s. At the same time, a decision was made to build a pelletizing plant adjacent to the concentrator and operations began in 1963. Today, the plant has the capacity to produce approximately 17 million tonnes of concentrate and further process 10 million tonnes into pellets. IOCC's current ownership is as follows: Bethlehem Steel (34.52 percent); Mitsubishi Corp. (20 percent); National Steel Corp. (19.96 percent); Norcen (11 percent); M. A. Hanna Mining Co. (8.14 percent); and Dofasco Inc. (6.38 percent).

Mining performance in 1994 one of the best on record

Increased demand for iron ore products required IOCC to recall 22 laid-off employees to work in the pellet plant during the first quarter of 1994. During the second quarter, over 100 people were recalled to fill temporary positions for workers on vacation as there was no summer shutdown last year. Recalls were temporary however, and layoffs began in mid-September and concluded in December. Nevertheless, the past year's results stand in stark contrast to the Company's situation in 1993 when IOCC imposed a five-week summer shutdown to curb production and inventory levels. Clearly, 1994 marked the beginning of an upturn in iron ore markets.

Producing and Prospective Mines Newfoundland and Labrador



Source: Department of Natural Resources; Economics and Statistics Section, Cabinet Secretariat.

The mining industry contributes significantly to the Provincial economy. The map on the opposite page outlines active mines currently in operation as well as developing projects and known mineral deposits which offer major future development opportunities. There are a number of rich deposits in the Province that offer development potential. The deposits which are expected to become operating mines in the very short term (two-three years) are listed below.

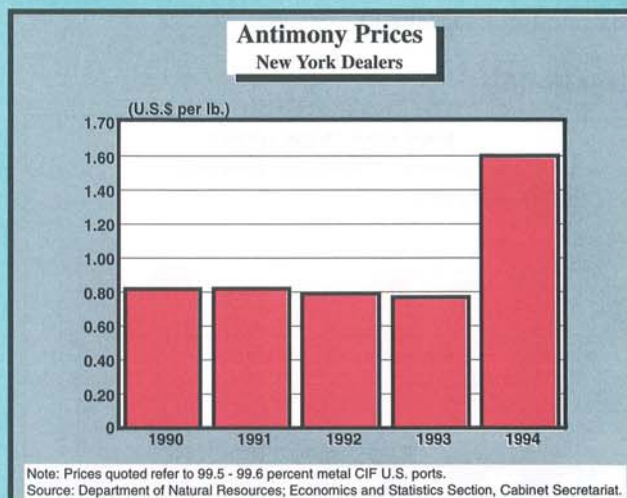
- **Noveder Inc.'s, Nugget Pond** gold property on the Baie Verte Peninsula. This property has reserves of over 190,000 ounces of gold and can sustain a 4-5 year mining operation employing up to 90 people. Noveder started a \$6 million dollar exploration program in 1994 and to date \$3.5 million has been spent. A 5 kilometre access road and 300 meters of underground development have been completed. A final production decision is expected early in 1995.
- **Major General Resources Ltd.'s, Rendell-Jackman** gold property near Springdale. This property is expected to recover more than 224,000 ounces of gold over a 3-year mining life. Exploratory mining to confirm this tonnage has been recommended. It will cost \$3.1 million and take five months to complete. A final production decision is expected during the second quarter of 1995.
- **Newfoundland Slate Inc.'s Long Harbour** deposit and **Power Slate Inc.'s Keels** deposit on the east coast of the Island. Operators will quarry some slate material this spring for testing and evaluation. It is expected that these deposits will be developed in the near future.
- **Roycefield Resources', Beaver Brook** antimony deposit in central Newfoundland. This property has reserves of 120,000 tonnes grading 5.7% antimony. Further drilling and sampling are presently underway and results to date have been very encouraging. As prices for antimony continue to rise and supplies remain tight, prospects for development are improving. An overview of the mineral antimony is provided in the adjacent box.
- **Northern Resource Investments Ltd.** (fluorspar resources at St. Lawrence). In January 1995, a proposal to attempt the re-development of fluorspar deposits at St. Lawrence was accepted by the Provincial Government. The Company has the exclusive right to obtain the mining leases and purchase existing assets upon completion of a positive feasibility study. This study will be completed in 1995 and the operation could re-open in 1996.
- **Diamond Fields Resources Inc.'s** nickel-copper-cobalt deposit at Voisey Bay Labrador. This deposit is located 35 kilometres southwest of Nain and only 10 kilometres from tide water. This deposit has the potential to be one of the largest nickel-copper-cobalt discoveries in Canada. Based on the success of the exploration program to date, Diamond Fields has commissioned Watts, Griffs and McQuat of Toronto to outline a development plan intended to take the project to full feasibility.

In addition to these projects, six other exploration properties have very encouraging qualities. These include Noranda's Duck Pond-Tally Pond base and precious metal discovery; NovaGold's Pine Cove gold property on the Baie Verte Peninsula; Newfoundland Mining and Exploration Co. Ltd.'s Buchans barite deposit; Aurion Minerals's Coles Pond marble deposit located near Roddickton; the Fischells Brook gypsum deposit on the west coast; and Mart Mining's graphite project located near Labrador City.

Exploration is a necessary ingredient in the mining industry which sometimes leads to the discovery and/or development of new, commercially feasible ore bodies. Diamond drilling is one component of exploration which is often carried out to determine the quantity and quality of known mineralization and can be viewed as a good barometer of activity in the exploration sector. Diamond drilling has risen in recent years, as indicated in the diagram on the opposite page, and is expected to rise again in 1995, reflecting a general increase in mineral exploration expenditures.

Antimony is a silver-white, brittle metal used principally in alloy or oxide form. In alloys, antimony hardens and strengthens lead and inhibits chemical corrosion. Antimonial-lead alloys are used for lead acid storage batteries, power transmission and communication cable, sheathing type metal, solder, chemical pump and pipe linings and anti-friction bearings. In the oxide form, it is used as a fire retardant, stabilizer in plastics, textiles and rubber, and as a decolouring agent for glass.

It is clear that antimony has many industrial applications. The Chinese government view it as an important mineral worth preserving for domestic use. In fact, to discourage raw material exports, the Chinese government recently announced export duties. Effective January 1, 1995 antimony exports from China were subject to a 20 percent export duty. Recent price increases have been attributed in part, to recent action taken by this major world supplier of antimony.



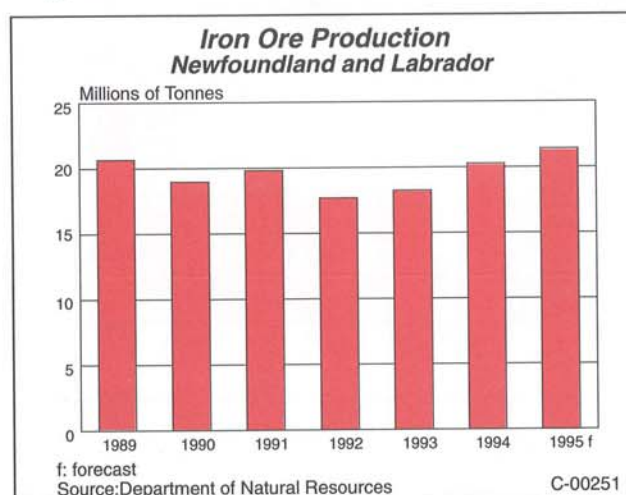
Contributed by the Department of Natural Resources

Total production at IOCC in 1994 was 15.9 million tonnes, of which 10.4 million tonnes was pellets. This compares quite favourably to the previous year when total production was 13.2 million tonnes of which 7.5 million tonnes was pellets. Employment was up as well: 1,688 in 1994 compared to 1,555 in the previous year. Workers are covered by a three year contract which expires in 1996.

Wabush Mines operates an open pit mine which started production in 1965. Wabush Mines' current ownership is as follows: Stelco (37.9 percent); Do-fasco (24.2 percent); Acme (15.1 percent); Inland Steel (15.1 percent); and Cleveland Cliffs Inc (7.7 percent). The ore body and concentrator are located in Wabush and a pelletizing plant and dock facilities are located in Quebec. Concentrate from the mine is transported to Quebec by rail in specially designed ore cars.

A meeting of Wabush shareholders in 1991 resulted in a decision to reduce production to 4.5 million tonnes per year until 1994. Nevertheless, concentrate production last year totalled 4.9 million tonnes representing an increase of approximately six percent over the previous year. Employment was up slightly in 1994 and averaged 407 throughout the year. During 1994, Steelworkers Local 6285 accepted a two-year contract which ends in March 1996. The terms of the current contract are generally similar to the terms of the previous contract. Taken together, the enhanced performance of both iron ore companies gave rise to one of the best production performances in years as illustrated in Diagram 15.

Diagram 15



The majority of iron ore exports are directed towards U.S. and European markets. In 1993, approximately 80 percent of all iron ore exports were directed towards these two markets. Between the two product types, pellets and concentrate, the former is

the higher valued product. Both, however, are priced in U.S. dollars and despite improved demand, prices during 1994 were lower on average compared to the previous year. While average pellet prices decreased by approximately three percent during 1994, average concentrate prices were about 12 percent lower than the previous year. Nevertheless, higher production and shipments combined with a shift toward pellets versus concentrate and a substantially lower Canadian dollar gave rise to a 21.5 percent increase in the overall value of shipments. In fact, the rise in the value of iron ore shipments closely mirrors the total increase in the value of mineral shipments.

Royal Oak Mines Inc. (Royal Oak) operates a gold mine located on the southwest coast of the Province. The Company also benefitted from an upsurge in general economic activity and a favourable exchange rate. Royal Oak acquired the assets of Hope Brook Gold Inc. in 1992. The Company estimates current mineable reserves at 7.4 million tonnes of ore containing 857,000 ounces of gold. A new copper recovery plant constructed to recover copper from the ore was commissioned in April 1993. The copper concentrate is shipped to Quebec for smelting. The installation of equipment to recover copper also aids in obtaining a higher yield of gold.

Gold production for 1994 is estimated at 90,000 ounces representing a decrease of approximately seven percent from the previous year. Production at precious metal mines has been known to fluctuate widely over time due to variations in ore quality. This explains the downward dip in mining output in 1994. Copper production for 1994 is estimated at 1.4 million pounds or, more than twice that recorded in 1993. Employment rose in 1994 to average 281 compared to 267 in 1993.

Gold prices higher in 1994

The value of gold production increased despite the drop in the quantity of gold production. Higher gold prices combined with a favourable currency exchange rate gave rise to an increase in the total value of gold production in 1994 of nearly five percent over the previous year. Gold prices averaged about U.S. \$384 per ounce in 1994 versus \$360 in the previous year. In Canadian dollar terms, gold prices averaged approximately \$523 per ounce versus \$465 in 1993, with the difference between the two price levels reflecting the depreciation of the Canadian dollar against its U.S. counterpart.

RECENT INITIATIVES AFFECTING THE MINING INDUSTRY

⇒ Changes to the Mining and Mineral Rights Tax Act:

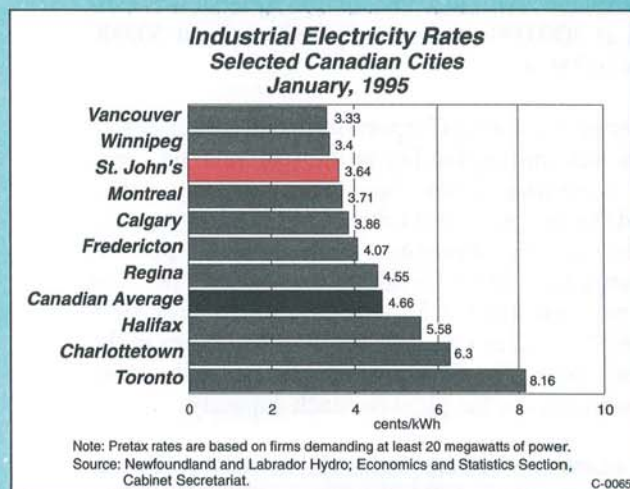
- Provincial corporate taxes are now creditable against mining taxes for the first 10 years a new mine is in operation.
- A depreciation schedule which permits accelerated write-offs has been adopted. Whereas previously assets had to be depreciated over a minimum of 10 years, the Province's new schedule allows accelerated write-offs consistent with those provided by the *Income Tax Act* for capital cost allowance.
- The processing allowance has been set at 8 percent of the processing asset base and 15 percent of the smelting asset base or 15 percent of taxable income, whichever is greater, to a maximum of 65 percent of net income. Previously, the processing allowance was calculated as 8 percent of processing assets up to a maximum of 65 percent of net income. This change provides an incentive for mining companies to add additional value to mining output produced within the Province.
- A 5-year carry forward provision to write off all exploration expenses against mining income has been introduced. New legislation enables mining companies to write off exploration expenses incurred anywhere in Newfoundland and Labrador against income from any mining operation in the Province. Previously, mineral exploration expenditures could only be written off if the specific property related to the expenditures was developed.

⇒ The Provincial Corporate Income Tax rate was reduced from 17 percent in 1992 to 14 percent effective January 1, 1995.

⇒ Industrial Hydro rates were reduced in 1995. Rates in the Province are well below the average Canadian industrial electrical rate (see accompanying diagram).

⇒ The Newfoundland Exploration Assistance Program was implemented. This program is designed to encourage junior exploration companies and local prospectors to conduct more exploration in the Province, and carry mineral prospects to a more advanced stage through non-repayable grants. The program provides 50 percent of eligible costs up to \$80,000 per project, and an individual or company may obtain assistance for more than one project to a maximum of \$160,000 per year.

⇒ The *Economic Diversification and Growth Enterprises (EDGE)* legislation was introduced. Designated *EDGE* Corporations are offered substantial tax holidays, start-up assistance and inexpensive Crown Land leases. A more detailed discussion of the *EDGE* legislation follows the *Overview of Provincial Economic Performance* section of this report.



Contributed by:
The Department of Natural Resources

Industrial and structural mineral production generally accounts for about five percent of the overall value of mineral production. Industrial mineral production includes asbestos, dolomite, pyrophyllite, gypsum and peat while structural materials include such products as slate, limestone, cement and brick.

Industrial Minerals

One of the largest mineral producers in the industrial mineral products category is a recently commissioned dolomite quarry. Its origin dates back to 1984 when the dolomite deposits on the east side of Wabush Lake were identified as a source of quality dolomite by the Department of Natural Resources. Dolomite is used as a fluxing agent in iron ore pellet production. IOCC's first dolomite quarry which operated from 1986 to 1991 supplied the Company's requirements. A second quarry called Lelia Wynne, was developed in 1991 and began production in 1992. In 1994 IOCC completed a five-year mining plan with production scheduled at 300,000 tonnes per annum but this could increase if the upswing in fluxed pellet consumption continues. Production in 1994 was estimated at 300,000 tonnes compared to about 50,000 tonnes in 1993.

Teranov Mining Corporation produces asbestos from a wet milling facility at the former Baie Verte mine. Activities at this operation generally centre around the processing of tailings left behind from the now defunct dry milling operation. The operation has a capacity to produce 25,000 tonnes of fibre per year and a projected life of 15 years. Shipments for 1994 were 6,572 tonnes compared to 13,493 tonnes in the previous year. The Company is continuing to make improvements to the plant to reach capacity.

A number of smaller industrial mineral producers were also active in 1994; for the most part performances were generally on par with recent years.

Structural Minerals

Newfoundland Slate Inc. (NSI) was incorporated in Newfoundland in 1989. In 1990, NSI formed a joint venture with Miller-McAsphalt, an Ontario company to develop slate deposits. Since that time considerable development work has taken place. With the help of a French slate company Ardoisiere d'Angers (ADA) a 36,000 square foot processing facility, utilizing European technology, was officially opened in October 1992.

The recession in the construction industry which began in 1991 negatively impacted the operation. Originally ADA was to take all NSI could initially

produce, enabling NSI to develop its own markets in North America for both roofing and flooring products. The arrangement between NSI and ADA came to an amicable conclusion in 1993, and NSI pursued an aggressive marketing plan on its own.

NSI reduced production in November 1993 in order to conduct an operational review and to establish new marketing arrangements throughout Europe. The facility resumed normal operations in late March 1994. Newfoundland Slate has since made considerable production improvements. Production rose from slightly under 1,000 tonnes in 1993 to almost 3,000 tonnes in 1994. Employment averaged just over 50 persons for the year.

Classic Stone Incorporated (CSI) opened its first commercial quarry in 1993, producing green and yellow-green granite in central Newfoundland. Other development work was also carried out that year at other potential quarry sites. In 1994, CSI opened new quarries located near Mt. Peyton and Seal Cove. Development was initiated at the following sites: Hodge's Hill, Hinds Lake and Main River.

CSI announced in 1994 that it had formed a strategic alliance with Kenny's Marble Works of St. John's to form North Atlantic Stone Incorporated and set up a \$2.3 million integrated dimension stone fabrication plant in Buchans. The Companies will focus on the production of granite monuments as well as the fabrication of other granite products for commercial and domestic uses. CSI expects to produce 1000 cubic meters of granite block as feed for the new plant. At peak operation, 20 people are expected to be employed.

Newfoundland Resources & Mining Company Limited, a subsidiary of Explaura Holdings PLC of England, began producing limestone aggregates at Lower Cove on the Port au Port Peninsula in 1990. Conveyors carry the aggregates from the quarry to the tidewater crushing and processing facility, which has an annual capacity of 2.6 million tonnes. Newfoundland Resources ships its products to the eastern seaboard of North America. Other major markets in 1994 included the Hibernia and P.E.I. fixed link projects. Approximately 530,000 tonnes were shipped in 1994, representing an increase from the previous year of about 38 percent. Employment also rose from 12 in 1993 to 22 in 1994.

A number of other structural mineral producers were also active in 1994; for the most part performances were on par with recent years.

Exploration

Exploration levels were also higher in 1994. Expenditures of \$12.5 million represented an increase of nearly 44 percent from the previous year. Major discovery announcements in 1994, in particular the announcement regarding a significant nickel, copper and cobalt discovery in northern Labrador, provided added impetus and generated significant exploration related activity in the latter part of the year. Overall, 22,000 new claims were staked in 1994 versus 6,955 the year before. As a result, the number of claims in good standing also rose. Claims in good standing totalled 36,698 at year end versus 22,910 for the same period in 1993. Significant new development projects and the location of these projects are illustrated and discussed in detail in a special feature report contained within the *Mining* section.

Mining Outlook

The mining industry in 1995 is expected to build on the gains and momentum achieved in 1994. Prices for iron ore products (iron ore pellets and concentrate) are recovering. Pellet prices in U.S. dollar terms are expected to rise by eight percent and concentrate prices by seven percent. IOCC is expected to boost production and the owners of Wabush Mines have announced their intentions to increase production to capacity which is estimated at 5.4 million tonnes. Therefore, both the volume and value of iron ore shipments are expected to rise. As well, gains are expected to accrue from a number of other operations, especially gold. Overall, the value of shipments is expected to rise by about 10 percent to \$916 million, which if realized, would represent one of the best performances in more than a decade. Employment is also set to increase not only because of increased mining activity but also because of more exploration activity. Exploration expenditures are expected to rise by 50 to 60 percent.

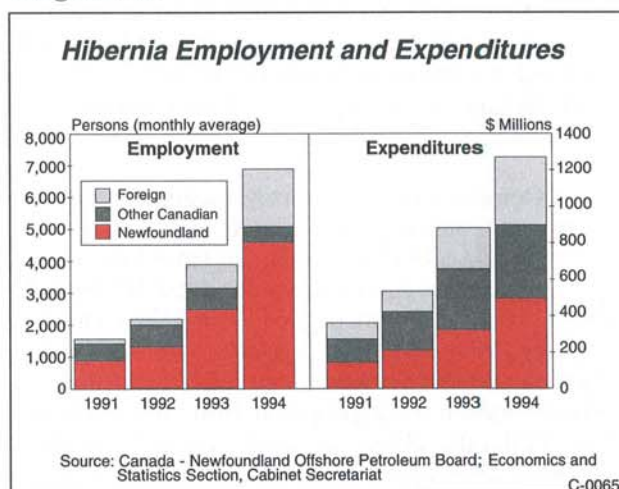
Oil and Gas

Development work on the Hibernia project was the dominant factor in the Provincial oil and gas industry in 1994. Total employment and expenditures on the project reached their highest levels recorded to date. In addition, the onshore segment of the oil and gas industry received a boost when drilling commenced on the west coast of the Province. Oil prices increased steadily during the year but remained on average below 1993 levels.

A major milestone on the Hibernia project was achieved in November of last year when the dry dock

phase of construction on the Gravity Base Structure (GBS) was completed. The 120,000 tonne concrete structure was successfully floated and towed to the deepwater site at Bull Arm where construction will continue through to 1997. At the end of December, the GBS was approximately 40 percent complete. Work on the topsides structures also continued on schedule. The four supermodules being constructed in South Korea and Italy and the fifth supermodule currently under construction at Bull Arm varied between 85 and 95 percent complete. The delivery date for the South Korean and Italian supermodules has been set for the second quarter of this year as the illustration in this section shows. The assembly of the topsides facilities will begin immediately after delivery and is expected to be completed, along with the GBS, in November 1996. The topsides will be mated with the GBS in March 1997 and the completed structure towed approximately 350 kilometers to the Hibernia oil field in June 1997.

Diagram 16



Hibernia related employment in Newfoundland averaged 4,592 last year, up from 2,456 in 1993. Approximately 80 percent of the people employed in Newfoundland were working at Bull Arm with the remaining jobs located in Marystown and St. John's. Diagram 16 indicates that the number of people employed in other parts of Canada averaged 483 while foreign employment reached 1,810. In total, employment on the Hibernia project in 1994 averaged 6,885. Provincial employment is expected to increase significantly this year when the assembly of the topsides facilities kicks into high gear. Hibernia Management and Development Company Ltd. (HMDC) decided in December to increase camp capacity at Bull Arm by 480 beds and is evaluating alternative means of accommodating an expanded workforce at the construction site which could reach 7,000 in the third quarter. Employment will begin to decline in 1996, levelling

off at about 800 in Newfoundland when oil production begins in 1998.

Hibernia employment in the Province averaged close to 4,600

Hibernia investment expenditures totalled close to \$1.3 billion in 1994, the highest annual spending since the project began. This level of expenditure brings cumulative spending on the project to \$3.1 billion. According to HMDC, Newfoundland content, which consists of spending on local goods and services, represents approximately 39 percent of the cumulative total. Canadian content, excluding Newfoundland and Labrador, is estimated at 30 percent.

Approximately \$500 million in Hibernia related contracts were awarded during 1994. One of the largest Newfoundland contracts, valued at \$65 million, was awarded to Vinland Industries (Marystown Shipyard) for the construction of two supply vessels. Work on this project is scheduled for completion in April 1996.

In October 1994, Hibernia Management and Development Company Ltd. (HMDC) decided to move a portion of a \$43 million contract from Marystown Shipyard to Saint John Shipyard in New Brunswick. HMDC stated that work on the East and West Drilling Modules (M71 and M72) at Marystown was behind schedule and that demand for qualified electrical and instrumentation tradespeople at Bull Arm could reduce Vinland's ability to secure enough qualified personnel to complete the work on time. As a result, the remaining electrical and instrumentation work on the M71 and M72 modules was transferred to Saint John while the third component of the contract, the M73 Pipe Rack, remained at Marystown.

TABLE 8

HIBERNIA COST ESTIMATES (\$ millions)

	1990 Estimate	1993 Estimate	1994 Estimate	% Change 1994/90
Capital Costs	8,622	7,332	8,503	-1.4
Operating Costs	10,532	7,763	7,463	-29.1
Total Project	19,154	15,095	15,966	-16.6

Source: Hibernia Management and Development Company Ltd.

The Hibernia owners announced in June 1994 that the total estimated cost of the project had in-

creased by close to six percent or about \$900 million. The increase was composed of a \$1.2 billion rise in capital costs which was partially offset by a \$300 million savings in operating costs. The capital cost overrun is largely due to design complexities on the GBS which resulted in unanticipated engineering, labour and materials requirements. Despite this increase, the total estimated cost of the project remains almost 17 percent below the original projection in 1990. Table 8 provides the original cost estimate and subsequent revisions.

The average price for Brent Sullom Voe and West Texas Intermediate (WTI) crude oil declined in 1994. Brent declined by 7.2 percent from 1993 to US\$15.82 per barrel while WTI, a crude closely linked to western Canadian crude oil prices, fell by 7.1 percent to US\$17.17. Although declines were recorded on an annual basis, prices did trend upwards during the summer months because of a number of supply disruptions in some non-OPEC nations. By December, Brent and WTI prices were 16.8 and 18.1 percent higher than in December 1993.

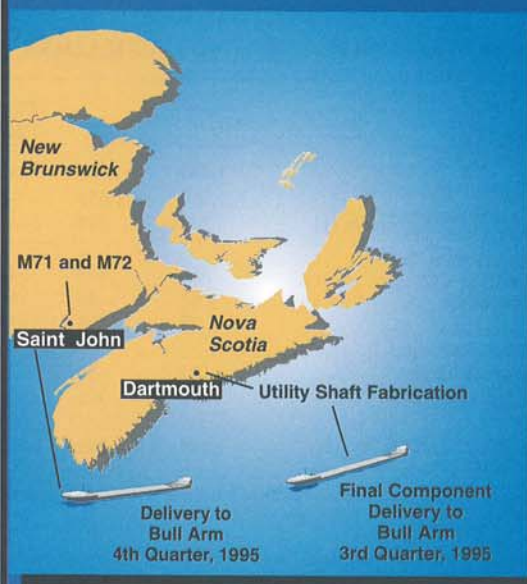
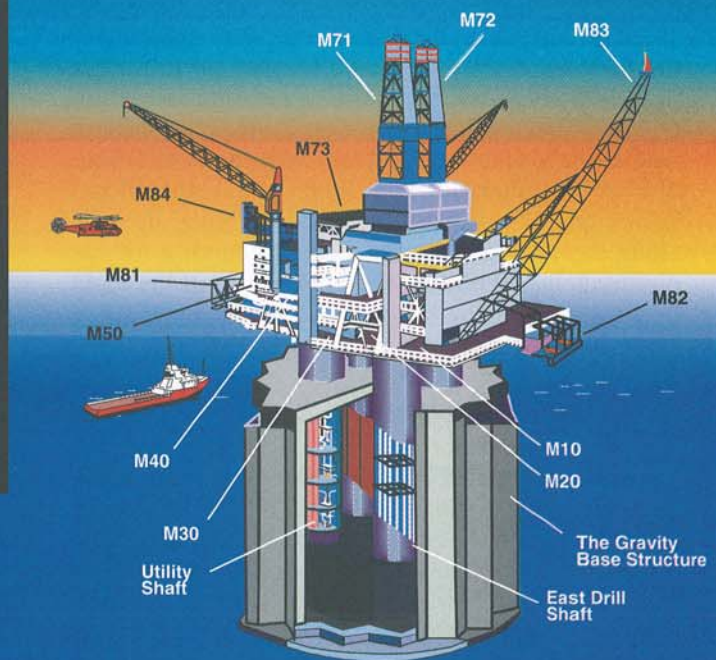
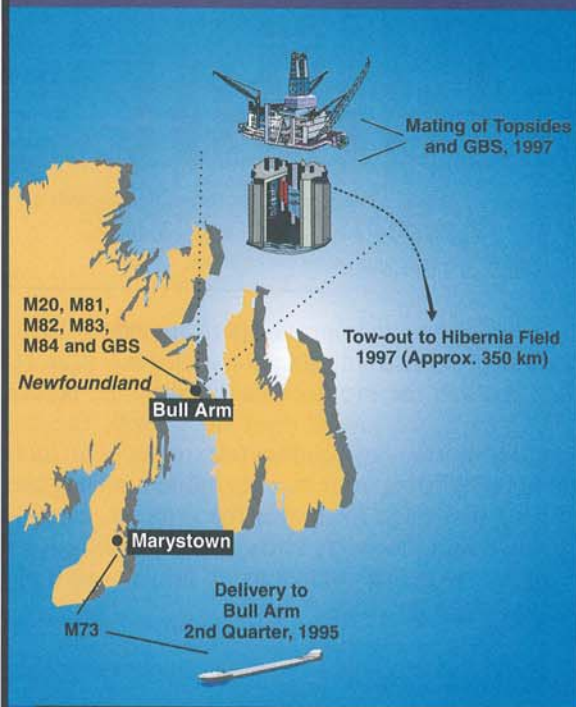
The Terra Nova oil field, off the Province's east coast, is expected to be the next offshore development. This field is situated approximately 350 kilometers east-south east of St. John's and is estimated by the Canada-Newfoundland Offshore Petroleum Board (C-NOPB) to contain approximately 406 million barrels of crude. Petro-Canada is the majority holder in the development with the remaining ownership split between Mobil Oil Canada Properties, Husky Oil Operations Ltd., Murphy Oil Company Ltd, and Mosbacher Operating Ltd. Petro-Canada has stated that it hopes to submit a development plan to C-NOPB this year and has indicated that oil production from Terra Nova could begin by the turn of the century.

Onshore royalty regime announced in 1994

The Province announced in June 1994 a royalty regime for application to onshore petroleum resources. This initiative was contained in the Province's Strategic Economic Plan. The details of the regime include a royalty holiday on the first two million barrels of production and a basic Ad Valorem Royalty equivalent of five percent of gross revenue on production beyond the two million barrel plateau. No additional royalty beyond the five percent basic is levied until a certain profit level is achieved. Once that level is surpassed, government revenue will in-

Hibernia Construction Activity

- | | |
|-----|------------------------------------|
| M10 | Process Module |
| M20 | Wellhead Module |
| M30 | Mud Module |
| M40 | Utility Module |
| M50 | Living Quarters/
Service Module |
| M71 | East Drilling Module |
| M72 | West Drilling Module |
| M73 | Pipe Rack |
| M81 | Main Lifeboat Station |
| M82 | Auxilliary Lifeboat Station |
| M83 | Flareboom |
| M84 | Helideck |



Source: Hibernia Management and Development Company Ltd.; Economics and Statistics Section, Cabinet Secretariat.

C-00628

crease with profits. The regime should encourage the development of oilfields of various sizes as well as ensure a reasonable level of fiscal benefits for the Province.

Hunt Oil Company, in conjunction with its partner PanCanadian Petroleum Limited, spudded an onshore exploration well on the Port au Port Peninsula in September last year. The 4,600 metre well is located approximately four kilometers northeast of Cape St. George and is the first to be drilled in the area since 1965. Drilling was ongoing at the time of writing. Hunt Oil's presence on the Port au Port Peninsula has meant significant economic benefits for the region. The \$8 million to \$10 million estimated cost of the project has generated economic spinoffs for local businesses and has created much needed employment in the region. There are currently over 30 people working on the project.

It is likely that a successful commercial discovery on the Port au Port Peninsula would lead to further drilling activity on the Province's west coast. Hunt Oil has indicated that positive results from its onshore well could lead to a drilling operation this year on one of its two offshore licenses. At present, Hunt Oil and four other companies hold eight offshore licenses along the Province's west coast, accounting for approximately 1.9 million hectares. Seven of the eight licenses require the spudding of a well by January 1996, or will revert to the Crown.

Oil and Gas Outlook

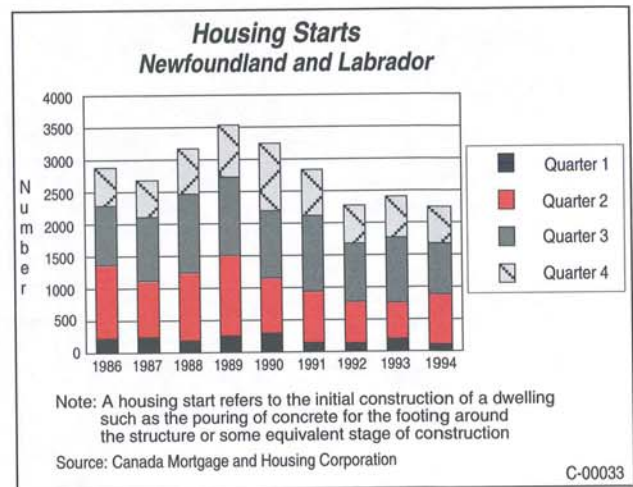
Hibernia related activity will continue to dominate the oil and gas industry in 1995 with annual expenditures on the project expected to peak at \$1.4 billion. Approximately 40 percent of this total will be spent directly in Newfoundland and project employment will average roughly 5,800. Exploration efforts on the Province's west coast will continue this year, however, the level of activity will depend to a large extent on the success of the Hunt-PanCanadian Port au Port well.

Construction

The construction industry is one of the largest goods producing industries in the Province, accounting for about seven percent of GDP. The Hibernia project was the most significant contributor to growth in the industry last year, boosting the non-residential sector. Residential construction activity, however, exhibited mixed signals. Housing starts declined while the value of building permits rose over the previous year. Employment in the industry averaged

about 11,100 during the year, an increase of over 18 percent from 1993 and capital construction investment increased by 16.2 percent.

Diagram 17



Following an improved performance in 1993, the new home construction sector stalled last year. Housing starts in the Province declined by 6.7 percent to 2,243 units, the lowest level since 1966. The second quarter was the only quarter to experience an increase in homebuilding activity as exhibited in Diagram 17. Rising mortgage rates over the summer, uncertainty in the fishing industry and reduced funding for Federal/Provincial assisted housing projects each played a role in the decline.

TABLE 9

HOUSING STARTS NEWFOUNDLAND AND LABRADOR

Dwelling Type	1993	1994	Percent Change
Singles	1,850	1,766	-4.5
Detached	1,559	1,455	-6.7
With Basement Apartment (1)	291	311	6.9
Multiples	555	477	-14.1
Semi-detached	62	20	-67.7
Row	95	66	-30.5
Apartment and other (except basement)	107	80	-25.2
Basement Apartments	291	311	6.9
Total	2,405	2,243	-6.7

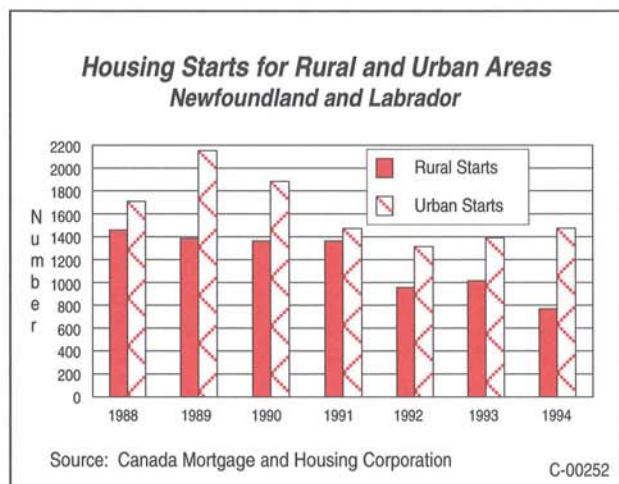
Note: (1) The table above classifies houses with basement apartments differently than other published sources.

Source: Canada Mortgage and Housing Corporation; Economics and Statistics Section, Cabinet Secretariat.

The only type of dwelling start to record an increase in construction last year was houses with

basement apartments, as indicated in Table 9. Growth in this type of start has been prevalent for several years. Apartments in the basement of single family dwellings accounted for nearly 80 percent of the total number of apartment units started during 1994. The economic uncertainty of the past few years has contributed to the reduced number of traditional single detached homes as homebuyers have opted for houses with basement apartments. This increase is not surprising since the rental income obtained makes an important contribution towards the homeowner's mortgage payment, particularly in urban areas. 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 incidence of mortgage financing as well as basement apartments are less prevalent.

Diagram 18

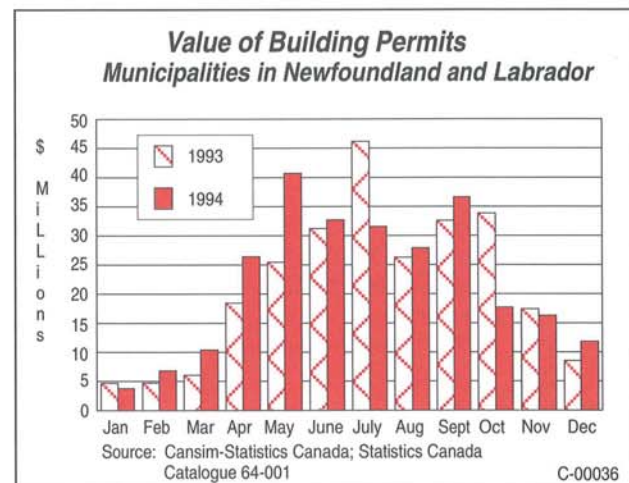


New home construction increased in urban centres (population of 10,000 or more) of the Province during 1994. In urban centres, housing starts increased from 1,391 in 1993 to 1,474 in 1994, a rise of six percent. Much of the growth resulted from an increased number of single dwelling units and singles with basement apartments. In the St. John's Census Metropolitan Area (CMA), which generally accounts for more than 75 percent of urban homebuilding activity in the Province, starts rose by nearly seven percent to 1,215 units.

In contrast to urban centres, starts in rural areas (population less than 10,000) declined substantially. Rural starts numbered 769, a decline of 24.2 percent over 1993. The significant reduction in housing starts in rural areas of the Province over the last several years (as illustrated in Diagram 18) is a reflection of the crisis in the fishery. Rural housing starts in 1994 were at their lowest level in over 30 years.

Both the number of homes under construction and dwelling completions are a function of housing starts in the current year as well as in the previous year. Homes under construction at the end of 1994 fell by 16.3 percent; primarily a consequence of lower starts during the year. Completions, however, grew by 5.4 percent to 2,590 as higher completions in urban centres more than offset a drop in rural completions. The overall increase in completions is attributed to higher starts in 1993.

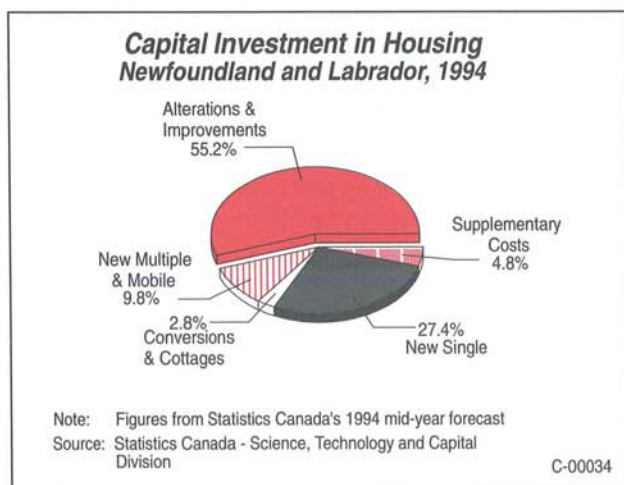
Diagram 19



The value of all types of building permits issued by municipalities in the Province is one indicator of future activity in the construction industry. Permits issued in 1994 were valued at \$262.7 million, an increase of 2.8 percent when compared to 1993 (see Diagram 19). Growth in the value of permits issued in the St. John's CMA, which accounted for over half of total permits last year, offset declines posted in other areas of the Province. The value of residential permits reached \$174.9 million during 1994, a rise of 4.8 percent. Permits for non-residential building declined slightly to \$87.8 million. An increase in the value of industrial, and institutional and government permits was unable to offset the large decrease in commercial permits, and led to the decline in non-residential building permits.

Residential investment in the Province is comprised of capital and repair construction. Capital construction is the major component: it comprises 85 to 90 percent of total residential investment and includes new dwellings, and improvements and alterations to existing homes. While data on alterations and improvements is limited, the importance of this category to residential investment in the Province is illustrated in Diagram 20. The construction of new single dwellings also forms a significant proportion (27.4 percent in 1994) of capital investment in housing.

Diagram 20



Mortgage interest rates were higher, on average, last year than in 1993. Rising interest rates played a role in the tapering off of new housing demand particularly during the last half of 1994. By the end of the year, rates for one and five-year terms had risen from 5.75 and 7.25 percent respectively at the beginning of the year to 9.50 and 10.50 percent (see *Real Estate Markets*).

Mortgage interest rates rose last year

The development of the Hibernia project spurred investment in the non-residential sector of the construction industry last year. Total expenditures on the project amounted to almost \$1.3 billion in 1994. Approximately \$517 million was spent within the Province, compared with \$334 million during 1993. The increased expenditures were reflected in Hibernia-related employment in the Province which increased from 2,456 in 1993 to 4,592 in 1994, thus providing a significant contribution to the construction industry.

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. Work carried out at the site last year included the continued construction of the GBS, the M20 module and some of the topsides components. Employment at Bull Arm rose to 3,683 compared with 2,002 in 1993. Readers may refer to the *Oil and Gas* section of this report for a more detailed discussion of the Hibernia project.

A significant portion of engineering construction in the Province is related to the development of government funded infrastructure such as highways,

roads, bridges, and water and sewer lines. 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 143 tenders last year for work valued at \$71.4 million. Expenditures on various projects, which are recorded on a fiscal year basis, amounted to approximately \$107.5 million from April to December 1994. The majority of this amount was related to projects tendered in 1994, while the remainder consisted of carryover work from previous years. A significant portion of spending, nearly 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.

The Canada/Newfoundland Infrastructure Support Program was signed in February 1994. This agreement is part of a national initiative to accelerate economic recovery across the Country by creating employment through investment in local communities and at the same time renewing and enhancing infrastructure in the communities. The agreement is expected to run for five years and all projects must be approved by March 1996. Expenditures of about \$147.5 million will be spent in the Province. 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. Approximately \$123 million in funding has been committed with about \$47.8 million spent as of the end of January 1995. Projects funded thus far include water and sewer installation and upgrading; road work; and the construction of ice arenas.

Construction Outlook

Overall performance in the construction industry is expected to improve again this year. Increased activity in the non-residential sector should more than make up for any weakness that may arise in the residential sector. The Hibernia project will continue

Hibernia expenditures in the Province expected to be higher this year

to be an important contributor to the industry. Hibernia related expenditures in the Province are expected to total about \$560 million. 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 1995. Many of the large projects that are expected to be underway in the Province this year are outlined in Appendix 1 - *An Inventory of Selected Major Projects in Newfoundland and Labrador*.

Housing starts in the Province are forecast to decline slightly this year. Improvements in urban areas are expected to be offset by a lacklustre performance in rural areas. Residential investment, however, is forecast to grow in 1995, largely on the strength of alterations and improvements to existing houses.

Manufacturing

The Province's manufacturing industry consists of three major groups: fish, pulp and paper, and other manufactured products. Fish and newsprint manufacturing are key resource sectors of this industry. These segments of the manufacturing base add value to the Province's primary resources. Virtually all fish products and newsprint produced are exported while other manufactured products are sold in both local and export markets.

Manufacturing shipments increased in 1994

Manufacturing shipments from the Province grew by an estimated 4.3 percent last year to \$1,410 million. This represented the second year-over-year increase in shipments since 1988 and is indicative of a strengthening in certain segments of the industry.

The manufacturing industry benefitted from an improved performance in a number of segments of the industry last year. Newsprint values rose due to higher volumes and strong price growth. In addition, non-resource manufacturing is believed to have benefitted from the improved economic performance both Provincially and Nationally. Furthermore, the value of fish production was about on par with levels recorded in 1993 as higher valued shellfish, particularly crab, offset lower groundfish and capelin production. Strength in these areas more than offset a decline in the manufacture of petroleum products.

The closure of the Come-By-Chance oil refinery reduced the production of refined petroleum throughout most of last year. A fire at the refinery forced the operation to shut down in April. The refinery was sold

in August to Vitol S.A. Incorporated, an international oil trading company, and has since undergone considerable maintenance and refurbishing work. The facility commenced production in late November and will be operating throughout 1995. Vitol S.A. will invest \$30 million over the next two years to help the refinery meet new U.S. environmental rules designed to limit toxic emissions from gasoline.

The Provincial government identified in its Strategic Economic Plan the need to stimulate growth and diversification in the manufacturing industry. As part of its effort to accomplish this goal, the Government introduced a number of initiatives over the last two years. In 1993 the Provincial tax rate for manufacturing and processing income was reduced from 17 percent to 7.5 percent. The tax rate remained at this level in 1994 and was reduced to five percent in January of this year, making it the lowest manufacturing tax rate in the Country. Another initiative, the Economic Diversification and Growth Enterprises (EDGE) program, was introduced last year. EDGE provides a tax holiday and other benefits for innovative companies looking to expand or establish new enterprises in the Province. This program is discussed in a special feature following the *Overview of Provincial Economic Performance*.

Manufacturing Outlook

Continued improvement is anticipated in a number of sectors of the manufacturing industry this year. The volume of newsprint shipped is expected to be up slightly and a solid increase in prices should result in higher value. In addition, the Come By Chance oil refinery will be in operation for all of 1995, resulting in an increase in refined petroleum products. Despite further declines expected in the overall volume of landings, continued strong performances by many shellfish species should slightly increase the value of fish production. Finally, the industry should benefit from various business incentives, announced over the last year or so by the Provincial government, which are aimed at promoting growth.

Tourism

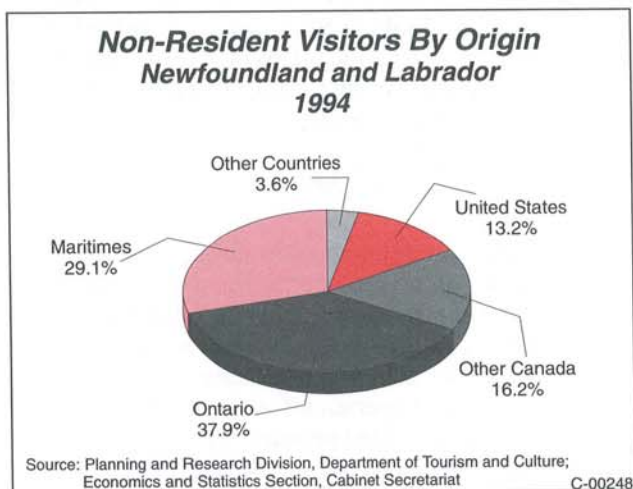
The level of tourism activity in the Province rose during 1994 according to indicators of resident and non-resident travel. Non-resident tourist trips rose by four percent to 319,000 and associated expenditures grew by about seven percent to \$161.3 million. The increase in non-resident activity was reflected in a greater number of travellers arriving by air while visitors arriving by ferry remained at levels comparable to 1993. Resident tourist statistics for last year

were unavailable at the time of writing, however, it is believed that resident tourist trips and expenditures also increased.

Non-resident tourist activity rose in 1994

Visitors arriving by airline totalled about 205,000 in 1994, up by six percent over the previous year. These visitors spent \$114.1 million in the Province on various goods and services. Air travellers tend to spend more per trip than automobile travellers. Expenditures per trip for visitors travelling by air averaged \$558 in 1994, compared with \$412 for tourists travelling by automobiles. Tourists arriving through the ferry system totalled 115,000 last year, about the same as in 1993. Expenditures of \$47.2 million were up slightly from the previous year.

Diagram 21



Visitors to the Province come to see friends and relatives, to sightsee, for business, to enjoy outdoor recreation and for various other reasons. Non-resident visitors to the Province come from all over the world, however, the largest percentage are from other parts of Canada and North America. The largest proportion of tourists in 1994 came from Ontario and the Maritime Provinces as Diagram 21 shows. The United States is the main foreign market for Provincial tourism services. The number of non-resident tourists from the United States rose by 6.4 percent to 42,200 in 1994 as the lower exchange rate made Canada a more attractive location for U.S. tourists.

Several indicators suggest that resident tourism trade within the Province was higher in 1994 than in the previous year. The number of residents exiting the Province and utilizing ferry services for an out-of-Province vacation/trip decreased by one percent dur-

ing 1994. For the peak travel season (June to September) the number reached approximately 60,000 travellers, representing a decline of 2.2 percent from levels recorded in 1993. These results suggest that many residents of the Province took advantage of the excellent summer weather last year and spent their tourist dollars at home.

The Provincial park system recorded increased activity last year. During the 1994 season (May to September) campers spent 252,200 nights at the parks, up 18.3 percent from 1993. The increase has been attributed, in part, to the exceptionally good weather experienced throughout the Province during the summer months. Historical data shows that 85 percent of overnight stays at the parks are by residents.

The Provincial chalet system reported increased traffic last year. Currently, there are seven chalets which provide interpretative services to tourists. About 99,100 visitors in 1994 utilized the services of the chalet system, representing an increase of over 19 percent from 1993. The two primary users of the chalet system are resident and non-resident automobile travellers. Since the level of non-resident automobile travel was unchanged in 1994, the increase in chalet traffic suggests more resident travel.

Other industry indicators also reveal a good tourist trade. More visitors were reported at designated tourist sites around the Province. The Cape St. Mary's Ecological Reserve attracted 10,472 visitors during 1994, almost double the level recorded in 1993. As well, visitors to the Salmonier Nature Park during the June to August time period increased by 21.3 percent to approximately 40,000 people. Some of this increase can be attributed to the new seven weekday operating schedule (versus five weekday in 1993) and an improved trail system.

Visits to the Province's various historic sites last year reached approximately 53,700 between July and mid-October, about on par with 1993. Among the several individual sites that registered increased activity was the 7.3 percent growth in the number of visitors to the five historic properties in the Bonavista/Trinity area. Other sites of historic interest also registered gains last year. Visits to the Ferryland archaeology site reached 5,228 in 1994, almost double the level in the 1993 season. The Red Bay archaeology site in Labrador also experienced growth in the number of visitors; 4,424 persons went to the site in 1994, up eight percent from the previous year.

A study completed for the Marble Mountain Development Corporation in late 1992 concluded that there is good growth potential in the downhill ski

1997 - The 500th Anniversary of John Cabot's Voyage

1997 will be a year of national and international significance and Newfoundland and Labrador will be the center of attention. During 1997 the 500th Anniversary of John Cabot's landing in Newfoundland will be celebrated, and this will provide the Province with the opportunity to:

- stimulate its tourism industry;
- celebrate its cultural links and uniqueness;
- develop an events product that will be marketable in the future.

The Province, in 1992, established the John Cabot Corporation and gave it the responsibility to plan, organize and deliver a calendar of events designed to help stimulate the economy and develop a sense of pride and accomplishment in the Province's heritage. The work of the Corporation is guided by a Master Plan which was completed in 1993 and accepted by the federal and provincial governments in 1994. To guide its work the Corporation developed a Mission Statement as follows:

To plan, organize and oversee the 500th Anniversary of John Cabot's voyage, and encourage the entire province to celebrate our culture in a spirit of pride in our heritage and renewed faith in our future.

The fundamental strategy of the John Cabot Corporation is to undertake a major celebration by developing, attracting and marketing a series of major and supporting events throughout the Province, and by acting as a catalyst and facilitator to encourage other groups to develop their own celebrations. To assist in the overall planning for the event four sub-themes have been adopted:

- **Newfoundland and Labrador:** The Root of European Culture in North America;
- **Newfoundland and Labrador:** An Exotic, Natural Environment;
- **Newfoundland and Labrador:** A Wealth of History;
- **Newfoundland and Labrador:** A Friendly, Proud and Welcoming People.

The overall Master Plan sets out the strategic direction to be pursued amongst which the following two elements are key:

Events Planning

Events are powerful tools. They will:

- provide a focus for tourism spending and economic stimulation;
- act as a national rallying point for pride, optimism and celebration;

- promote a lasting legacy of event experience and technology to the Province's tourism sector.

The key criteria for the selection of an event is its ability to generate new wealth in the economy.

Market Planning

A well planned and focused marketing plan is being developed to:

- generate awareness of, interest in, and visitation to the anniversary celebration, both within Newfoundland and in the external target market areas;
- encourage Newfoundland residents to "buy in" to the celebration and to participate in events, thereby strengthening their feeling of pride in their past and optimism for the future;
- persuade and encourage cities, governments, companies and organizations, both at home and abroad, to hold events in Newfoundland in 1997;
- to foster improved perceptions for Newfoundlanders both at home and abroad.

Marketing resources will be targeted to those areas which will provide the maximum returns in terms of visitation and economic impact.

Key Events to Date

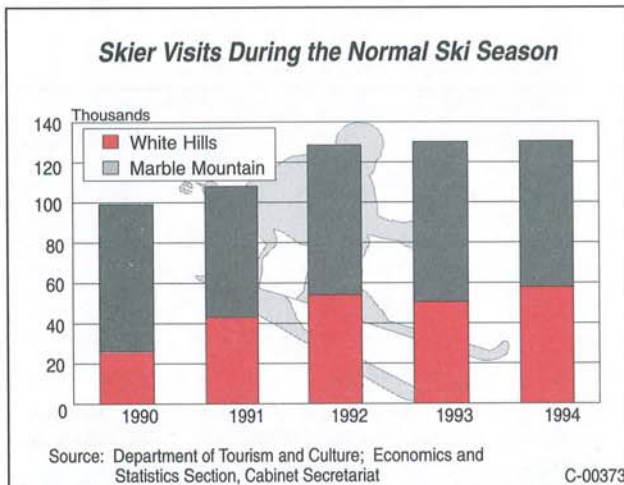
- The federal government has declared the anniversary of Cabot's voyage an event of "National Significance." This will raise the profile of the event and help attract national and international sponsorships.
- A replica of John Cabot's ship *The Matthew* is being constructed in Bristol, England and will be launched in 1995. Negotiations with officials in Bristol are underway to maximize the impact of this launching and to plan further events in Newfoundland. This will include a Royal Visit.
- An International Summit of the Sea is a planned event involving a series of affiliated conferences united by the overall theme, "Exploring the Sustainability of the Marine Environment, its Problems and Solutions, its Past and its Future."
- A province-wide choral *Festival 500-Sharing the Voices* is a new festival developed for the Cabot 500th Celebrations which is already receiving international attention.
- Major national and international winter events are scheduled for Corner Brook and Labrador.
- The Newfoundland Irish Festival - *Talamh An Eisc* (The Land of the Fish) is a 10-day festival showcasing the best of Newfoundland Irish Culture and Heritage.

Contributed by:

*Strategic Economic Planning Secretariat, Executive Council
and the John Cabot (1997) 500th Anniversary Corporation*

industry in Newfoundland and Labrador. The study also highlighted a number of strategies that could increase both the demand for and frequency of skiing in the Province. Among the strategies identified are expanded and better promoted ski school programs; development and promotion of travel packages; increased advertising and promotion of the skiing industry; and improved facilities and activities to foster the social aspects of skiing.

Diagram 22



The combined number of visits to the Province's two major ski resorts, White Hills and Marble Mountain, increased slightly in 1994. The Marble Mountain ski resort, located in the Corner Brook area, reported about 72,500 skier visits during its 1994 season (December 1993 to April 1994), a decrease of nearly nine percent over the previous year (see Diagram 22). A two week delay in the start of the ski season due to adverse weather conditions resulted in the overall decline in skier visits last year. While many of these visitors came from the Corner Brook area, a significant number were from other parts of the Province and from outside Newfoundland. Visitors from outside the Province constitute a major export of tourism services to other parts of Canada and abroad.

Development of Marble Mountain as a major all-season resort continued during last year with the completion of a 54,000 square foot lodge. Future plans for the Marble Mountain facility include improvements to the ski area including an expansion to the snow-making system; the construction of new trails and improvements to existing trails; and the purchase of a new snow-grooming machine. Development of a base village will proceed this year and will feature a variety of accommodations including individually-owned suites, townhouses, chalets and a hotel. This project is being undertaken through a partnership between the Marble Mountain Develop-

ment Corporation and Newfoundland and Labrador Housing Corporation.

The White Hills Ski Resort is located in the Clarendville area and caters mostly to skiers from Eastern Newfoundland. Last year 58,000 skier visits were recorded at White Hills, up almost 15 percent compared with the 1993 ski season. White Hills has generally experienced an increase in the number of visitors since 1990 as Diagram 22 shows. Major improvements were made to the ski resort last year at a cost of approximately \$2.9 million, cost-shared between the Federal and Provincial governments. Work completed at White Hills included upgrading and paving of the access road; installation of a water and sewer system; improvements to the ski slopes; and expansion of the day lodge.

New ski resort opens in Baie Verte

Copper Creek Mountain, the newest addition to the Province's ski resorts, officially opened in February of this year. The resort is located in Baie Verte on the northeast coast of the Island. The mountain has a 713 foot vertical drop with five groomed trails and two mogul trails. At the base of the mountain is a newly built lodge.

A longstanding component of the tourism industry is the outfitting sector. There are about 120 licensed hunting and fishing camp operators who operate approximately 240 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 sport-fishing, 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. One indicator of the level of activity in the Province's outfitting sector is the number of hunting licenses sold to non-residents. Last year, 2,895 licenses were issued to non-residents, up almost eight percent from the previous year. Another indicator of outfitting activity is the number of sportfishing licenses sold to non-residents. Approximately 2,600 trout licenses and 1,500 salmon licenses were purchased by non-residents last year.

The future of the Province's recreational fishery rests largely on responsible conservation and harvesting practices. The commercial salmon fishery on the island portion of the Province has been closed since

1992. The Department of Fisheries and Oceans (DFO) announced that for this year recreational salmon fishermen in Labrador can only retain one large salmon for the season, down from two large salmon last year. The recreational trout fishery has also undergone catch restrictions in recent years. Bag limits apply to trout, Arctic charr and salmon caught in marine waters as well as inland waters.

Expenditures under the Cooperation Agreement for Salmonoid Enhancement/Conservation (CASEC) continued in 1994. This five-year, \$21 million cooperation agreement was signed in October 1992 and is financed on a 70/30 basis by the Federal and Provincial governments. Its principal objective is to maximize the economic benefits to the Province of the recreational fishery. Approximately \$4 million was allocated in 1994 for projects pertaining to stock assessment; salmonoid enhancement; habitat restoration and improvement; cooperative enforcement; and planning and industry development activities. An additional \$1 million was contributed by industry and community groups as well as various government departments.

Expenditures continued under the Tourism and Historic Resources Cooperation Agreement last year. The agreement extends until the end of March 1996 and is designed to develop the Province's tourism potential. The total value of the agreement is \$17.4 million which is cost-shared 70/30 between the Federal and Provincial Governments. Projects last year included \$3.3 million for the Interpretation Center at the Cape St. Mary's Ecological Reserve, and the Boyds Cove and Point Amour Lighthouse Provincial Historic Sites. Tourism Masterplans were completed for the Avalon Peninsula and a Provincial Themed Touring Route System. As well, approximately 20 community museums in the Province received assistance to improve infrastructure and prepare new exhibits.

The Comprehensive Labrador Cooperation Agreement has allocated \$5.75 million for the development of tourism in the Labrador region. Approximately \$2.0 million was provided last year by both levels of government for the construction of the Labrador Interpretation Center, a branch of the Newfoundland Museum network.

The Avalon Peninsula Regional Tourism Strategic Plan was released in late 1994. The plan is a blueprint designed to encourage and guide development, organization and marketing of the Avalon's tourism industry. An eleven step Action Plan has been developed to execute the key recommendations of the Strategic Plan with the objective to achieve substantial implementation by 1997 when the Cabot 500

celebrations take place. Funding of \$195,000 was provided under the Canada/Newfoundland Tourism and Historic Resources Cooperation Agreement. Activities emanating from the Strategy will be cost-shared by the Federal and Provincial governments.

Planning for the Cabot 500th celebration continued last year

The John Cabot 500th Anniversary Corporation is funded by the Federal and Provincial governments, and charged with the responsibility of overseeing and promoting the celebration of the 500th anniversary of John Cabot's landfall in the New World. For further information on the celebration plans, readers can refer to the special feature in this section.

Tourism Outlook

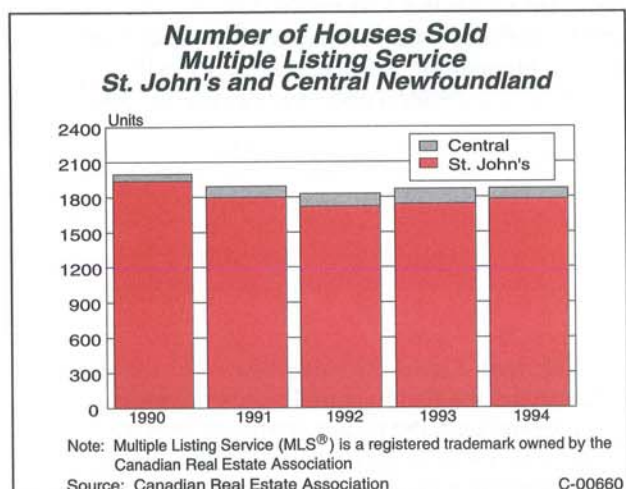
The performance of the tourism industry is expected to improve again this year. The Canadian Tourism Research Institute, a division of the Conference Board of Canada, has forecast a two percent increase in the number of non-resident and resident domestic pleasure trips taken to, and within, the Province in 1995. In addition, activities in support of the celebration of the 500th anniversary of John Cabot's landfall will continue.

Real Estate Markets

The Province's major real estate markets recorded a mixed performance in 1994. Interest rate increases dampened activity through the Multiple Listing Service (MLS®) so that the number of units sold through the service was only slightly higher than in 1993. The persistence of a buyers market continued to place downward pressure on house prices in most areas of the Province. Demand for rental accommodations, however, increased in most major urban areas with the exception of Grand Falls-Windsor.

The number of houses sold through the MLS system in the Province rose by a marginal 0.3 percent last year to 1,873. Two urban markets in the Province use the Canadian Real Estate Association's MLS—the St. John's Census Metropolitan Area (*St. John's*) and Grand Falls-Windsor-Gander area (*Central Newfoundland*). Increased activity in St. John's offset declines in Central Newfoundland last year.

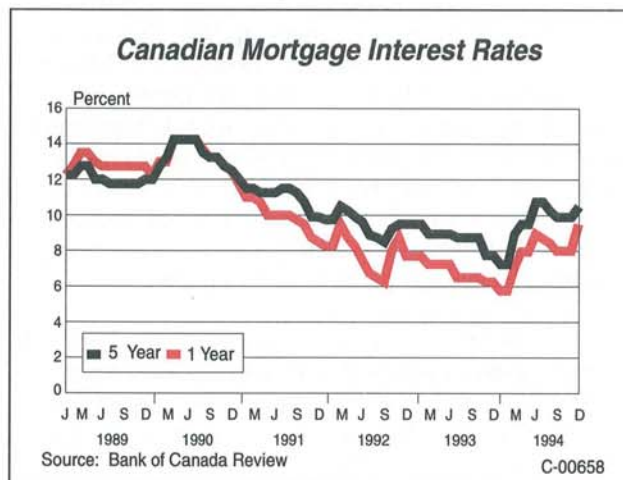
Diagram 23



St. John's typically accounts for approximately 90 percent of total MLS sales in the Province, as indicated by Diagram 23. The number of houses sold in St. John's last year increased by 2.4 percent to 1,783 while value grew by 2.1 percent to \$164.1 million. Activity was brisk in the first half of the year: sales rose by over 26 percent. By mid-year, however, the impact of several interest rate hikes had taken hold and activity plummeted.

Mortgage interest rates were higher on average in 1994 than in the previous year. Rates were low at the beginning of the year but sustained a number of increases early in the year as shown in Diagram 24. At the end of December rates for one and five year mortgages were 9.50 and 10.50 percent respectively, up over 300 basis points from January.

Diagram 24

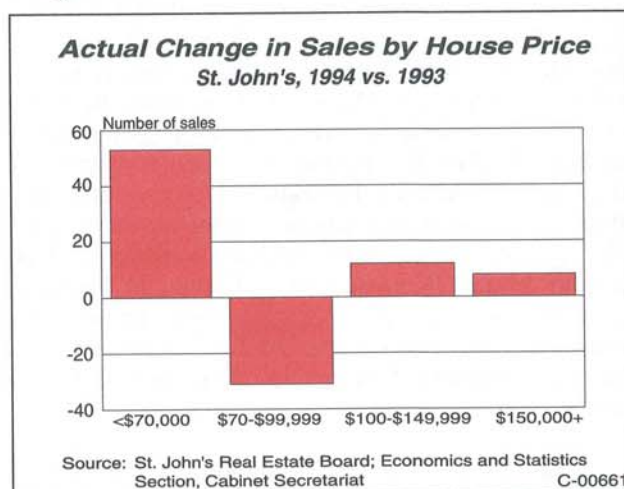


The St. John's residential real estate market continued to favour buyers in 1994. The supply of homes for sale greatly outstripped demand, a pattern exhibited for several years. The average number of active

MLS listings increased by 13.7 percent to 1,148 while sales increased by a modest 2.4 percent. The sales to active listings ratio averaged 12.7 percent per month, well below the 20 to 25 percent rate considered to reflect a balanced market which does not favour buyers or sellers, or vice versa. Market conditions in 1994 allowed buyers to purchase homes at prices much lower than the asking price.

The average MLS house price in St. John's, which does not distinguish between house type, fell by 0.3 percent to \$92,011 in 1994. The modest drop in the average price is believed to reflect the buyer's market in the region and the subsequent downward pressure on prices, and higher sales of lower priced or "entry level" homes. As Diagram 25 indicates, growth in MLS transactions last year was most pronounced in homes priced at less than \$70,000. This category of sales increased by 11 percent or 53 units. The strength in this segment of the market may be due in part to initiatives introduced by the Federal government in recent years to help Canadians purchase homes. One of these initiatives, the *First Home Loan Insurance Program*, is discussed in a special feature in this section.

Diagram 25



Home sales through the MLS® in Central Newfoundland numbered 90 units last year, down from 126 recorded in 1993. Sales were valued at \$7.7 million, down from \$9.6 million in 1993. Reduced activity in the Central market can be partially attributed to rising interest rates, however, uncertainty related to the restructuring at the Abitibi Price newsprint mill is also believed to have played a role (see *Forestry* section).

Price movements over the past year for some of the Province's largest real estate markets are outlined in Table 10. As the table indicates, most house prices throughout the St. John's, Mount Pearl, and Gander

The First Home Loan Insurance Program

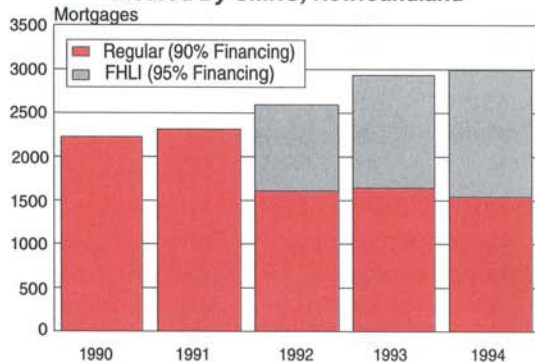
Canada Mortgage and Housing Corporation (CMHC) is a Federal crown corporation whose mandate is to promote housing for all Canadians. As part of an effort to achieve this goal, the Federal government introduced legislation in 1954 which gave CMHC the authority to insure approved lenders against residential mortgage defaults. With CMHC assuming the risk of default, Canadians were able to purchase homes with only a 10 percent downpayment versus the traditional 25 percent required under conventional mortgages. This initiative gave many Canadians the opportunity to own their own home.

cent financing to 95 percent under the FHLI program.

Most of the households (87 percent in 1994) using the FHLI program purchase resale homes. As the table in the insert below indicates, the average price for houses under the FHLI program was \$72,000 in 1994, about \$7,000 lower than homes insured under the regular CMHC program, and significantly lower than the \$92,000 average price for all homes sold on the Provincial Multiple Listings Service (MLS®).

The diagram also shows that the number of regular 10 percent mortgages fell considerably since the introduction of the FHLI program. This suggests that the FHLI program is also being used by individuals who have a sufficient downpayment and monthly income to use the regular 10 percent program but chose instead to place only five percent down on their homes. By paying five percent down, these homebuyers free up cash to use towards furnishings and other home improvements.

**Residential Mortgages
Insured By CMHC, Newfoundland**



Note: Figures do not include new homes, only resale
Source: Canada Mortgage and Housing Corporation

C-00659

The accessibility of homeownership was broadened in February 1992 when the Federal government announced the First Home Loan Insurance (FHLI) Program. This program insures mortgages of first-time buyers for up to 95 percent of the value of the house, thus allowing consumers to purchase a home with a five percent downpayment. FHLI has been particularly helpful to individuals that can afford a home but do not have the 10 percent downpayment. Since its introduction, over 4,000 households in Newfoundland and Labrador have availed of the program. The diagram indicates the significant increase in the number of homes purchased through the CMHC mortgage insurance programs since 1991 and in particular, the shift from 90 per-

CMHC Mortgage Insurance Client Profile

FHLI users are, on average, slightly younger than regular CMHC clients and this relative youth is reflected in their annual incomes. Although FHLI households have lower incomes, these clients are not considered an added risk to either CMHC or the lending institutions since their average Gross Debt Service was no higher than CMHC's regular insurance clients.

	Average (1994)			
	Age	Household Income	Price	GDS
FHLI (95% Financing)	31	\$46,900	\$72,000	20%
Regular (90% Financing)	36	\$56,400	\$79,000	20%

Note: Gross Debt Service (GDS) is the percentage of a borrower's gross annual income that is paid out annually for shelter.

Source: Canada Mortgage and Housing Corporation (CMHC).

Contributed by:

Canada Mortgage and Housing Corporation

Table 10

HOUSE PRICES IN SELECTED LOCATIONS - NEWFOUNDLAND

House Type	Selling Price (\$) January 1994	Selling Price (\$) January 1995	Percent Change January 1994 to January 1995	Percent Change January 1994 to April 1994	Percent Change April 1994 to July 1994	Percent Change July 1994 to October 1994	Percent Change October 1994 to January 1995
Standard Townhouse							
St. John's - East End	66,100	69,080	4.5	1.1	1.0	2.5	-0.2
St. John's - West End	67,700	67,800	0.1	0.4	0.1	0.1	-0.6
Mount Pearl	68,500	67,350	-1.7	-0.6	-0.3	-0.1	-0.7
Corner Brook	51,500	51,500	0.0	0.0	n.a.	n.a.	n.a.
Gander	65,000	65,000	0.0	n.a.	n.a.	n.a.	-3.7
Detached Bungalow							
St. John's - East End	101,200	100,000	-1.2	0.3	0.0	0.0	-1.5
St. John's - West End	96,600	94,800	-1.9	-0.1	-0.5	-0.5	-0.7
Mount Pearl	90,500	89,600	-1.0	0.3	-0.3	-0.6	-0.4
Corner Brook	93,500	93,500	0.0	0.0	n.a.	n.a.	n.a.
Gander	120,000	115,000	-4.2	n.a.	n.a.	n.a.	0.0
Standard Condominium Apt.							
St. John's - East End	100,000	103,200	3.2	-1.7	2.7	2.9	-0.7
Gander	85,000	80,000	-5.9	n.a.	n.a.	n.a.	0.0
Standard Two-Storey							
St. John's - East End	127,400	126,200	-0.9	0.8	-0.1	0.0	-1.6
St. John's - West End	123,100	123,500	0.3	-0.2	0.5	0.8	-0.8
Mount Pearl	116,500	117,500	0.9	0.0	0.9	0.9	-0.8
Corner Brook	89,000	87,500	-1.7	0.0	n.a.	n.a.	n.a.
Gander	125,000	115,000	-8.0	n.a.	n.a.	n.a.	0.0
Executive Detached Two-Storey							
St. John's - East End	143,500	141,400	-1.5	-0.3	0.3	0.3	-1.8
St. John's - West End	141,500	140,400	-0.8	-0.4	0.0	0.7	-1.1
Mount Pearl	132,200	130,000	-1.7	0.6	-0.4	-0.5	-1.4
Corner Brook	115,000	115,000	0.0	0.0	n.a.	n.a.	n.a.
Gander	150,000	140,000	-6.7	n.a.	n.a.	n.a.	0.0
Luxury Condominium Apt.							
St. John's - East End	143,700	139,400	-3.0	-1.1	-0.8	-0.1	-1.0
Senior Executive							
St. John's - East End	222,000	209,000	-5.9	-0.8	-1.0	-1.4	-2.8
St. John's - West End	217,800	198,000	-9.1	n.a.	n.a.	-1.5	-2.0
Mount Pearl	210,000	198,600	-5.4	-0.3	-1.1	-1.0	-3.1
Corner Brook	185,000	185,000	0.0	0.0	n.a.	n.a.	n.a.
Gander	190,000	175,000	-7.9	n.a.	n.a.	n.a.	0.0

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

Housing prices 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 analysts.

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

n.a.: data not available

Source: *Royal LePage Survey of Canadian House Prices*; Economics and Statistics Section, Cabinet Secretariat.

Glossary of Housing Types



Detached Bungalow

A detached, three-bedroom single storey home with $1\frac{1}{2}$ 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 $2\frac{1}{2}$ 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.



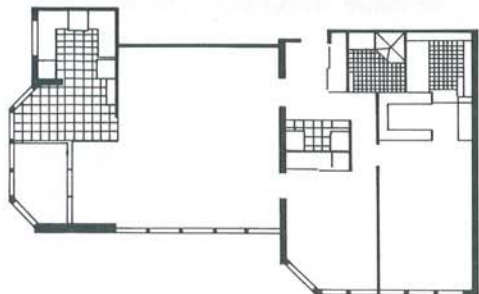
Standard Townhouse

Either condominium or freehold, the townhouse (rowhouse) has three bedrooms, a living room and dining room (possibly combined) and a kitchen. Also included are $1\frac{1}{2}$ 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, $1\frac{1}{2}$ 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.

areas over the past year declined. In Corner Brook prices were generally unchanged last year.

Improved rental demand widespread in 1994

All of the Province's major rental markets, with the exception of Grand Falls-Windsor, recorded lower vacancy rates in October 1994 compared to the same month in 1993. Overall, vacancies fell from 9.4 percent of the urban market in 1993 to 7.4 percent last year according to CMHC's *Rental Market Survey*.

TABLE 11

VACANCY RATES SELECTED CENTRES NEWFOUNDLAND AND LABRADOR

Area	Vacancy Rates (%)	
	Oct. 1993	Oct. 1994
St. John's CMA	8.8	7.1
Carbonear	11.9	10.7
Corner Brook	2.5	2.3
Gander	14.6	12.4
Grand Falls-Windsor	2.3	4.6
Labrador	29.7	13.2
Total	9.4	7.4

Note: The vacancy rate refers to privately owned row and apartment structures containing three or more units.

CMA: Census Metropolitan Area.

Source: Canada Mortgage and Housing Corporation.

Although demand for rental accommodations improved in most urban regions of the Province, it was the decline in the St. John's vacancy rate that generated the largest decrease in the number of vacant apartments. This market represents about 70 percent of the total rental stock in urban areas and consequently a change in the St. John's vacancy rate has a fairly significant impact on the Provincial rate. The 1.7 percentage point drop in the vacancy rate in St. John's was the largest relative decline in availability of any major metropolitan area in the Country. Grand Falls-Windsor and Corner Brook had the lowest vacancy rates in the Province, as Table 11 indicates. The relatively low rates in these markets are attributed to stable rental demand and limited additions to the rental stock in the form of new multiple unit construction. Since 1990, vacancy rates in Corner Brook and Grand Falls-Windsor have consistently hovered around their five year averages of 3.2 percent and 4.5 percent respectively.

The decline in vacancy rates was met with modest rental rate increases in most regions of the Province. Year-over-year rental rate increases for a standard two-bedroom apartment ranged from 0.3 percent in Carbonear to 3.0 percent in Grand Falls-Windsor. In St. John's, higher rental rates were recorded across all bedroom types with the exception of bachelor apartments. Despite the latest increases, real rental rates in St. John's have been on a downward trend in recent years. Between April 1990 and October 1994, the decline in real rental rates have ranged from 2.4 percent for a three bedroom unit to 6.5 percent for a bachelor apartment. These declines may reflect the proliferation of basement apartments in the St. John's area. Approximately 1,340 basement apartments have been added to the rental stock over the last five years. This type of accommodation provides renters with a high quality, competitively priced alternative to apartments in larger rental structures.

Real Estate Outlook

Even though Provincial employment and personal income are expected to be higher in 1995, increasing mortgage interest rates are expected to curtail homebuying activity. As a result, Provincial MLS sales are expected to decline slightly in 1995. A reduction in homebuying may have a positive impact on several rental markets.

Transportation

Performance indicators in the Provincial transportation industry revealed mixed results for 1994. Air passenger travel rose considerably while traffic on the Province's largest ferry service and intra-provincial bus service declined. Commercial vehicle traffic on Marine Atlantic's gulf service and shipments moving through the St. John's and Corner Brook ports increased.

The average level of employment in the transportation industry increased approximately seven percent to about 9,300 in 1994. The majority of the workforce in the Province, according to 1991 Census estimates, is employed in trucking and water related shipping. These segments of the industry share about 50 percent of the entire workforce. The remaining components of the industry are primarily involved in passenger transportation such as air travel, public transit, and taxi cab services.

The number of Marine Atlantic passengers travelling between Nova Scotia and Newfoundland declined a modest 1.5 percent in 1994. Lower traffic was recorded on both the Port aux Basques-North Sydney

and Argentinia-North Sydney services as Table 12 indicates. A number of factors contributed to lower passenger traffic last year. Fewer Newfoundland residents utilized the ferry services for an out-of-Province trip. In addition, a shorter operating season in Argentinia led to a reduction in the number of sailings on that service. Although passenger traffic declined last year, the number of passengers travelling on both services in 1994 was the second highest ever recorded by Marine Atlantic.

Marine Atlantic announced in December 1994 that it would be increasing ferry rates on most of its services. Effective January 1995, one-way passenger, automobile and commercial vehicle rates rose by between three and four percent on the Port aux Basques service. Passenger and automobile fares on the seasonal Argentinia service increased by about four percent. The rate hikes are consistent with this Federal crown corporation's efforts to improve cost recovery and to assist in meeting the government's deficit reduction targets.

TABLE 12

**MARINE ATLANTIC ACTIVITY
NEWFOUNDLAND-NOVA SCOTIA FERRIES**

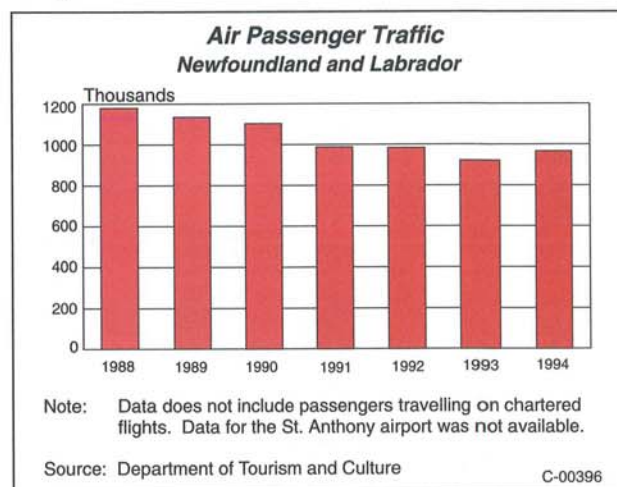
	1993	1994	Percent Change
Port aux Basques - North Sydney			
Passengers	376,366	373,933	-0.6
Passenger Related Vehicles	117,176	113,619	-3.0
Commercial Vehicles	65,971	70,289	6.5
Argentinia - North Sydney			
Passengers	43,084	39,223	-9.0
Passenger Related Vehicles	14,912	12,818	-14.0
Commercial Vehicles	1,079	350	-67.6
Total			
Passengers	419,450	413,156	-1.5
Passenger Related Vehicles	132,088	126,437	-4.3
Commercial Vehicles	67,050	70,639	5.4

Source: Marine Atlantic; Economics and Statistics Section, Cabinet Secretariat.

Other major passenger carrier services recorded mixed performances during 1994. The total number of passengers travelling on the Canadian National (CN) Roadcruiser bus service declined by 14.7 percent to 77,625. 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 substitution to other modes of travel. Lower passenger traffic has prompted CN to scale down its service in recent years. The latest cuts occurred in July last year when CN reduced its St. John's to Grand Falls-

Windsor service from three trips per week to one trip per week. CN Roadcruiser service is now limited to the daily trans-province run and the once-a-week St. John's to Grand Falls-Windsor trip.

Diagram 26



Air passenger traffic recorded a significant increase in 1994 following five consecutive years of decline. As indicated in Diagram 26, the estimated number of passengers at the Province's seven main airports (excluding charter flights) reached approximately 966,515, up 4.9 percent from 1993. An improvement in the tourism industry, particularly the number of non-resident visitors travelling to the Province by air, helped boost traffic last year. This was most evident in St. John's where traffic increased by 6.3 percent.

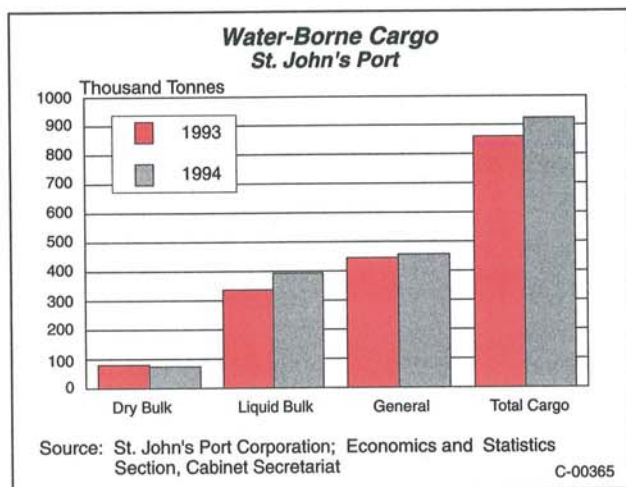
Freight shipments up in 1994

The number of commercial vehicles moving freight on Marine Atlantic's Newfoundland-Nova Scotia service increased in 1994. Commercial vehicle traffic rose by 5.4 percent to reach 70,639. The overall increase in activity was entirely due to the Port aux Basques service where significant gains in commercial vehicle traffic compensated for reduced activity on the Argentinia route (see Table 12).

The amount of water-borne cargo moving through the St. John's Port increased by 7.4 percent to 924,273 tonnes in 1994 (see Diagram 27). Freight shipments moving through the port are typically classified as dry, liquid, or general cargo. Dry bulk shipments, which represent about eight percent of total freight, were the only type of cargo to decline last year. Liquid bulk cargo, which consists of gas and fuel oil, rose by 17 percent and accounted for the vast

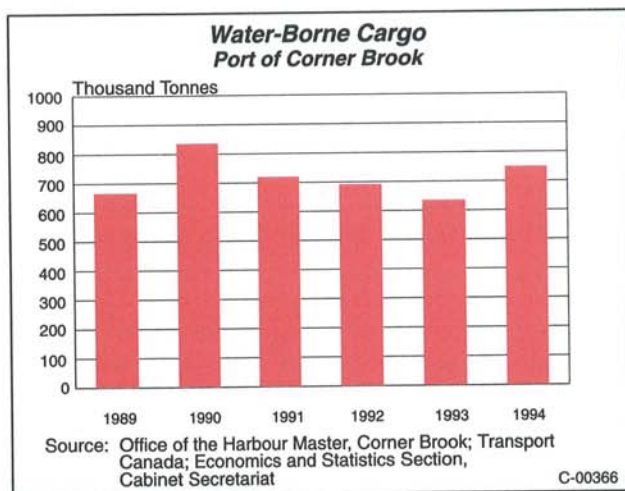
majority of the overall increase in freight. Gas and fuel oil shipments increased by 15 and 19.1 percent respectively.

Diagram 27



General cargo shipments at St. John's Port consist of containers, trailers, automobiles, and other bulk shipments. All types of general cargo, with the exception of other bulk, increased in 1994, leading to an overall rise in general cargo of 2.7 percent. The increase in containers and trailers, which carry consumer goods, is consistent with the improvement in retail sales. Furthermore, new automobile imports through St. John's Port rose in 1994, consistent with the increase in new car sales.

Diagram 28



The Port of Corner Brook shipped 747,207 metric tonnes of cargo last year, an increase of 18.1 percent over 1993. Cargo moving through this port typically includes such commodities as: fish, petroleum, paper, cement and break bulk (i.e. different types of cargo transported together). As Diagram 28 indicates, shipping activity at the port in 1994 was at its highest level

since 1990. This large increase is attributed to the overall improved economic climate.

Transportation Outlook

A modest improvement in the Province's transportation industry is forecast for 1995. While a reduction in demand for some transportation services related to the fishery is forecast, most major passenger carriers are expected to benefit from an aggressive promotional campaign aimed at increasing non-resident tourist activity. Continued strength in the mining and forest industries combined with peak activity on the Hibernia project may have a positive impact on commercial ferry services and on freight movements through the Province's main ports. Port activity will also benefit from higher general cargo shipments associated with a projected rise in retail sales.

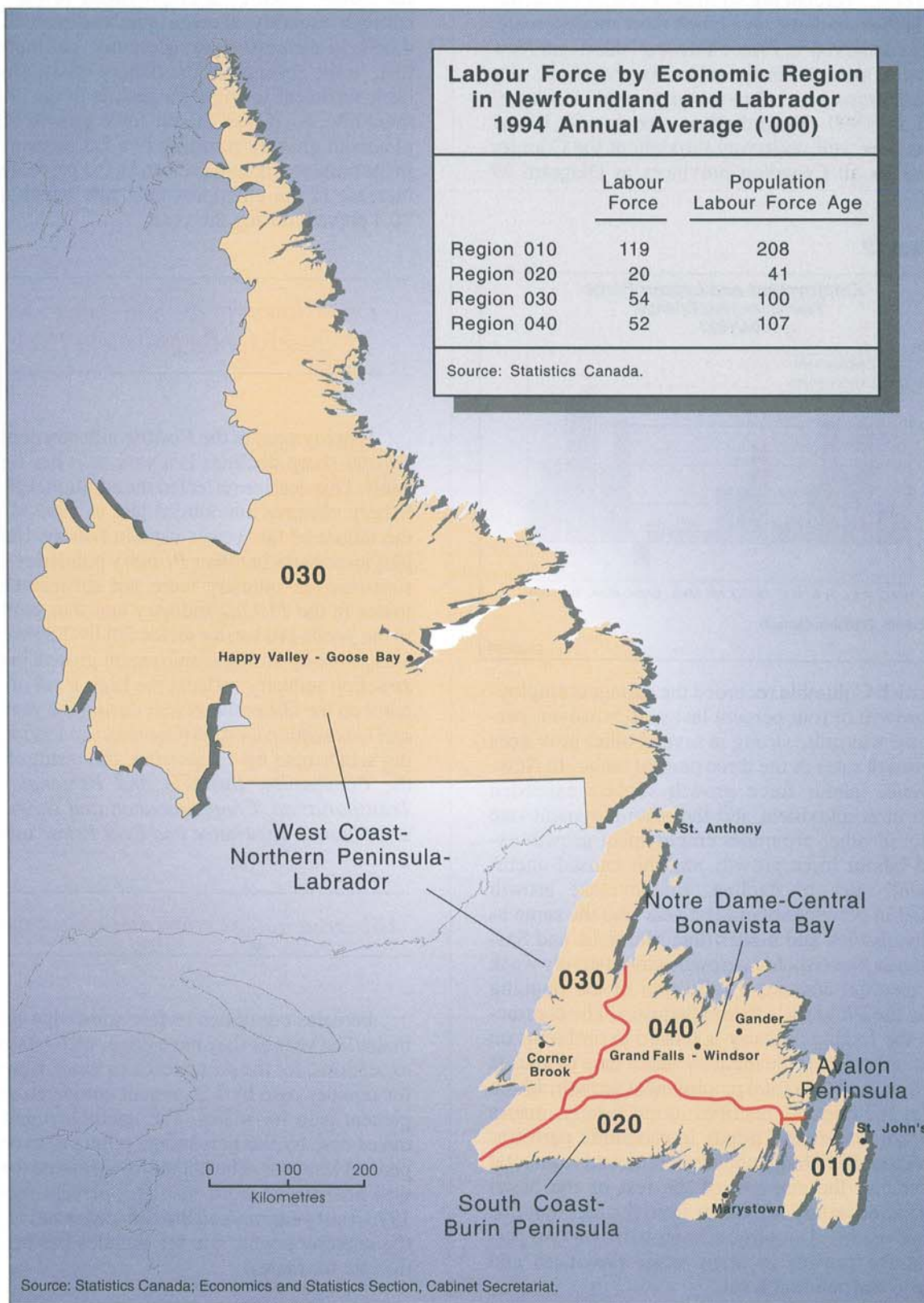
Labour Markets

Growth in the economy manoeuvred Canadian labour markets into full recovery position during 1994, producing record high levels of employment and nudging the unemployment rate down by nearly a full percentage point. Employment growth of 2.1 percent was the strongest recorded since 1989, and the gain of 277,000 brought total employment to 13,292,000, just slightly above the pre-recession peak of 13,165,000 recorded in 1990. The size of the Canadian labour force also reached record levels, reflecting renewed optimism among Canadian workers in need of jobs. Employment growth was more than sufficient to absorb the additional workers entering the labour force, and the ranks of the unemployed contracted by 6.6 percent. This pushed the number of unemployed workers to the lowest level since 1991 and caused the unemployment rate to fall by 0.8 percentage points to an average of 10.4 percent.

Canadian employment reached record high levels in 1994

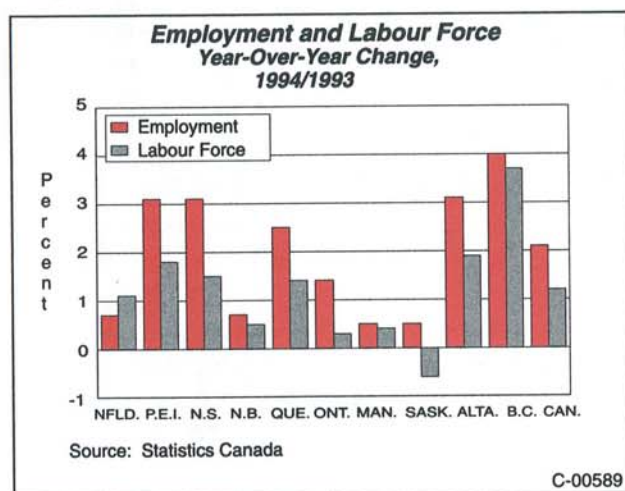
While the Country achieved full recovery in employment last year, the level of employment in some provinces remained below 1990 levels. The recovery in Canadian labour markets was, in fact, almost entirely due to the strength of labour market performance in British Columbia over the last number of years and, to a lesser extent, to labour market performance in Alberta. Employment in British Columbia averaged 1,733,000 in 1994, an expansion of

Map 4



172,000 or 11 percent from the 1990 level. In Alberta, employment averaged 1,337,000 in 1994, some 60,000 or 4.7 percent higher than in 1990. Full recovery in labour markets, on a much more modest scale, was also achieved in Prince Edward Island and New Brunswick whereas in the other six provinces, employment remained below national peak levels recorded in 1990. Nevertheless, recovery in labour markets was well underway throughout the Country last year in all Canadian provinces as Diagram 29 shows.

Diagram 29



British Columbia recorded the strongest employment growth of four percent last year, however, performance was quite strong in several other provinces with growth rates in the three percent range. In Newfoundland, labour force growth slightly exceeded growth in employment and the unemployment rate rose. In all other provinces employment growth exceeded labour force growth, and this caused unemployment rates to decline. Employment growth recorded in Newfoundland last year was the same as New Brunswick and higher than Manitoba and Saskatchewan. Nevertheless, growth was relatively weak in a Canadian context, a reflection of the ongoing crisis in the Province's fishing industry. The contraction in the fishing industry is related to problems on the resource side of the industry rather than to market conditions, and thus total employment growth, which includes the ongoing declines in the fishery, masks significant underlying trends in economic performance. When the fishing industry is removed from total employment, the strength of the rest of the Newfoundland economy is evident from the fact that this Province recorded employment growth over two percent, above growth in many other provinces and similar to the national level.

Recovery in Newfoundland labour markets continued in 1994 despite the dampening effects of re-

duced employment in the fishing industry. Employment grew by over 1,000 or 0.7 percent. Removing the fishery from total employment reveals a much stronger monthly average gain (estimated at about 4,000) in the rest of the economy, an improvement that, in the absence of the fishery crisis, might have been sufficient to trigger a decline in the unemployment rate. As it was, labour force growth offset employment growth, resulting in a 2.5 percent increase in the number unemployed and a 0.3 percentage point increase in the unemployment rate which averaged 20.4 percent during the year.

Employment in the non-fishery sector posted solid growth in 1994

Employment in the *Fishing* industry continued to register sharp declines last year as it has for several years. This decline reflected the additional groundfish fishery closures announced late in 1993 along with the failure of last year's capelin fishery. Strong employment gains in *Other Primary* industries and in the *Construction* industry were not sufficient to offset losses in the *Fishing* industry and thus employment in the goods producing sector fell by 2.3 percent. The exceptionally strong employment growth in the *Construction* industry reflects the high level of employment on the Hibernia project during the year (see *Oil and Gas* section). Employment in the service producing sector rose by 1.6 percent, the result of gains in the *Community, Business and Personal Services, Transportation, Communication and Other Utilities* and *Finance, Insurance and Real Estate* industries.

Hibernia boosts construction employment

Females continued to fare somewhat better than males last year as they have done, with relatively few exceptions, for the past decade or more. Employment for females rose by 1.2 percent compared with a 0.5 percent gain for males. The unemployment rate for males rose by 0.6 percentage points to average 21.3 percent last year. The unemployment rate for females was unchanged from the 19.3 percent recorded in 1993. Last year marked the fifth consecutive year that the unemployment rate for females has been below the rate for males.

The *Avalon Peninsula* and the *West Coast-Northern Peninsula and Labrador* regions of the Province posted solid employment growth last year, while in

A Note on Revisions to Labour Force Survey Statistics

Statistics Canada *Labour Force Survey* calculations of employment, unemployment and other key aspects of Provincial labour markets are linked to estimates of the Province's total population, and in particular the population of labour force age. Whenever estimates of the total population are revised, as they invariably are following the taking of a census, this inevitably results in revisions to *Labour Force Survey* estimates.

Up until the end of 1994, *Labour Force Survey* estimates since 1981 were linked to population estimates based on the 1986 Census. Beginning in January 1995, all newly released and some historical estimates will be linked to 1991 Census estimates. This, together with an adjustment for previous undercounting of the Province's population, has generally resulted in some significant changes in labour market indicators from 1976 to 1994. Revised estimates for the entire period, together with a more detailed explanation of the factors contributing to the revisions, are available upon request from the Economics and Statistics Section (Newfoundland Statistics Agency) of Cabinet Secretariat.

The table below illustrates the impact of the revisions on the 1994 *Labour Force Survey* estimates. The table shows that the level of labour market activity in the Province last year was generally higher than previous estimates indicated. For example, employment is now estimated at a monthly average of 195,000 in 1994 rather than the previous estimate of 188,000. The revisions had little impact on employment growth between 1993 and 1994. The level of unemployment was relatively unaffected by the revisions, however, the growth of unemployment between 1993 and 1994 changed from 4.3 percent under the previous estimates to only 2.5 percent under the revised estimates. The table also shows that the 1994 unemployment rate was not quite as high as previously estimated whereas the employment/population ratio was 0.5 percentage point higher.

**Previous and Revised
Labour Force Survey Estimates
Newfoundland and Labrador, 1994**

Labour Market Indicator	Previous (1986 Census Based)	Revised (1991 Census Based)
Population 15+	446,000	456,000
% Change 94/93	0.9	0.4
Labour Force	237,000	244,000
% Change 94/93	1.3	1.1
Employment	188,000	195,000
% Change 94/93	1.1	0.7
Unemployment	49,000	50,000
% Change 94/93	4.3	2.5
Participation Rate	53.2	53.6
Actual Change 94/93	0.4	0.4
Unemployment Rate	20.6	20.4
Actual Change 94/93	0.4	0.3
Employment/Population Ratio	42.2	42.7
Actual Change 94/93	0.1	0.2

Source: Statistics Canada *Labour Force Survey*; Economics and Statistics Section, Cabinet Secretariat.

the other two regions of the Province, the level of employment declined (regional boundaries are illustrated in Map 4). On the Avalon, employment rose by 2.1 percent, triggering a 0.2 percentage point decline in the region's unemployment rate. The growth in employment was accounted for by a 2.6 percent employment increase in the St. John's Census Metropolitan Area (CMA), while indications are that employment in rural parts of the Avalon may have declined. On the west coast and northern region of the Province employment growth was even stronger, increasing by 5.1 percent and causing a 1.1 percentage point drop in the unemployment rate. Elsewhere employment fell, largely reflecting the ongoing crisis in the fishery, and the unemployment rate rose.

Labour Markets Outlook

The outlook for Provincial labour markets in 1995 is for continued improvement. The non-fishery sector is expected to turn in a positive performance again this year and this will offset any negative impacts on employment growth that may emanate from the *Fishing* industry. Both expenditures and employment related to the Hibernia development are forecast to peak this year and this will provide a boost to the *Construction* industry as well as to the service sector. While a portion of the 45,000 public sector employment reduction announced in the Federal Budget will occur in Newfoundland, it is believed that most of the reductions will occur after 1995 and some of the jobs will be transferred to the private sector.

Employment is expected to increase by 1.7 percent to a monthly average of 198,000. This will mark the second consecutive year of employment growth. Growth in employment is expected to exceed growth in the size of the labour force, and thus the unemployment rate is expected to fall. The unemployment rate is expected to average 20.2 percent, down by 0.2 percentage point from 1994.

Summary Review and Outlook

The past year was an exceptionally good one for the Province. Real GDP grew by an estimated 3.4 percent, the strongest growth recorded since 1988. A large part of the improvement experienced during 1994 was due to the Hibernia project. Improved performances by some of the traditional resource-based and service sector industries also contributed to growth.

The forest and mining industries both realized a good year in 1994 as global economic expansion translated into increased demand for newsprint and

mineral products. Newsprint shipments increased for the fourth consecutive year and, more importantly, prices began to trend upwards. The mining industry also recorded gains in output. The value of mineral shipments grew by about 20 percent; higher iron ore shipments accounted for most of the increase. The construction industry recorded another solid year, largely on the strength of Hibernia. Lower housing starts, however, were a drag on residential construction. The volume of fish landed continued to decline as further stock closures and quota reductions served to shrink an already diminished industry. Nevertheless, the value of landings increased by over nine percent reflecting a shift in the composition of landings toward higher valued shellfish.

The service sector benefitted from the improved economic conditions in the Province last year. Retail sales grew by 3.2 percent reflecting higher disposable income and increasing confidence in the economy. Furthermore, the tourism industry recorded solid gains, fostering growth in many service producing industries. On the downside, public sector restraint curtailed growth in public administration.

Labour markets in the Province improved in 1994. Employment grew by over 1,000 or 0.7 percent on a monthly average basis. Service sector employment accounted for the gain; goods sector employment fell by 2.3 percent as a result of employment losses in the fishing industry. Labour force growth offset employment growth, resulting in a 2.5 percent increase in the number of unemployed and a 0.3 percentage point increase in the unemployment rate which averaged 20.4 percent during the year.

Inflation slowed to 1.3 percent in 1994 after registering 1.7 percent in the previous year. Personal income increased by 1.5 percent fueled by labour income growth. Personal disposable income increased by two percent or 0.7 percent in real terms.

This year promises to be another good one for the Province's economy. The main source of growth will continue to be Hibernia—both capital outlays and employment will peak this year. The Province's traditional export industries are also expected to contribute to growth. Newsprint production and shipments are expected to be slightly higher than in 1994 and stronger prices and the lower Canadian dollar should improve the financial position of the industry. In addition, the value of mineral shipments is expected to increase by about 10 percent and a recent significant discovery in the Voisey Bay area of Labrador is expected to continue to spur exploration activity. Further quota cuts for redfish and turbot will cause fish landings to decline for the fifth consecutive year. On a positive note, the value of fish landings should

increase because of a continued shift toward species such as crab and shrimp.

Personal income is expected to rise by about 2.5 percent (0.8 percent in real terms) this year. Labour income will be the main contributor to growth. Increases in personal income will be tempered by lower UI benefits, a reduction in the number of people receiving TAGS and restraint in the public sector, especially at the Federal level. Retail trade will continue to benefit from higher income; the value of retail sales is forecast to grow by 3.2 percent. Furthermore, the inflation rate is expected to remain moderate at 1.6 percent.

Overall, real GDP is forecast to expand by 3.0 percent this year and employment is forecast to be 1.7 percent higher than in 1994. Slower growth in the labour force will result in a slight decline in the unemployment rate which will average 20.2 percent for the year.

Appendix 1

AN INVENTORY OF SELECTED MAJOR PROJECTS IN NEWFOUNDLAND AND LABRADOR

Appendix 1

AN INVENTORY OF SELECTED MAJOR PROJECTS IN NEWFOUNDLAND AND LABRADOR*

Project	Location	Estimated Capital Cost (\$ Millions)	Start/End Date	Comments
Canada/Newfoundland Cooperation Agreement on Tourism and Historic Resources	Various Locations	1.0	1995/1996	This five-year agreement extends until March 1996, but project approval is only to March 1995. In total, the agreement contained \$5.1 million for capital expenditures. The remaining \$1.0 million shown here will be used for the conclusion of projects that were initiated in the past two years. 70% Federal, 30% Provincial funds.
Canada/Newfoundland Infrastructure Works Agreement	Various Locations	147.5	1994/1999	This agreement is part of the national initiative to stimulate economic growth across the country by creating short and long-term employment through investment in local communities. Projects under the agreement include work on roads, water and sewer systems and public buildings. The expenditure figure provided covers spending in Newfoundland and Labrador. Three of the largest projects include: the connection of the St. Anthony/Roddickton power system to the main Island power grid; the construction of a multipurpose civic centre for the City of Corner Brook; and the construction of roads under the "Roads to Resources" program of the Department of Forestry and Agriculture. All projects under the program must be approved by March 1996 and completed by March 1999. One-third of the funding for this program is Federal while the remaining two-thirds is a combination of Provincial, Municipal, and Private funding.
Church/School Complex	Grand Falls-Windsor	3.5	1993/1995	The Windsor Pentecostal Assembly will construct a 3,809 square metre facility which will include a church, an elementary school and administrative offices. Approximately 70% Private, 30% Provincial funds.
Community Correctional Centre	St. John's	2.7	1995/1996	A Community Correctional Centre (CCC) will be constructed to provide a supportive environment for day parolees preparing for their return to the community. The CCC will accommodate up to 18 male and two female residents. The facility will be 2,150 square metres. The expected completion date is July 1996. The CCC is Federally operated and funded.
Confederation Building - East Block Renovations	St. John's	1.2	1995/1996	These expenditures cover the completion of renovations to the East Block. Provincial funds.
Corner Brook East Urban Renewal	Corner Brook	6.2	1991/1995	This project will involve street reconstruction, including the provision of curbs, gutters and storm water control measures as well as improving street access. Funding for this project will be provided under the Canada/Newfoundland Cooperation Agreement on Environmental Improvement and is cost-shared between the three levels of government.
Department Store	St. John's	6.3	1995	This project involves the construction of a 9,941 square metre Zeller's department store. Completion is expected in the fall of 1995. The project is owned by the Hudson Bay Company. Private funds.
Ferry Terminal	Port aux Basques	4.5	1994/1995	This project involves the construction of a new Marine Atlantic ferry terminal to replace the existing terminal. This building will be 1,951 square metres and will house management and staff offices, a ticket booth, a waiting room as well as a restaurant and lounge area. The project is expected to be finished in the fall of 1995 and was 50% complete at the time of writing. Federal funds.

Appendix 1 (cont'd.)

AN INVENTORY OF SELECTED MAJOR PROJECTS IN NEWFOUNDLAND AND LABRADOR*

Project	Location	Estimated Capital Cost (\$ Millions)	Start/End Date	Comments
Glynmill Inn - Modernization	Corner Brook	1.5	1993/1995	This project will include the installation of air conditioning 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 the rear parking lot. The project is between 60 to 70% complete and is receiving assistance from the Atlantic Canada Opportunities Agency (ACOA) in the form of a repayable contribution of \$285,000.
Golf Course	Codroy Valley	2.0	1994/1996	A nine hole golf course is presently under construction. Private funds.
Golf Course	Grand Meadows, Frenchman's Cove	1.4	1991/1995	A nine hole golf course is presently under construction. Funding is approximately one-third Fisheries Alternative Program (Federal) and two-thirds private.
Golf Course	Hatchet Cove	2.0	1994/1996	A nine hole golf course is under construction. This project includes private funds and support from ACOA.
Health Care Facilities	Various Locations	63.2	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.
Hibernia Offshore Oil Field Development	Various Locations	8,503.0	1990/2015	These expenditures include the construction and installation of production and storage facilities, shuttle tankers and development drilling. Hibernia Management and Development Company Ltd. has committed 55-60% of capital expenditures to be spent in Canada. Since the project began, however, approximately 70% has been spent in Canada and approximately 40% in Newfoundland and Labrador. The project is owned by Mobil Oil Canada Properties (Mobil) 33.125%; Chevron Canada Resources (Chevron) 26.875%; Petro-Canada Hibernia Partnership (Petro-Canada) 25%; Canada Hibernia Holding Corporation (Government of Canada) 8.5%; and Murphy Atlantic Offshore Oil (Murphy) 6.5%. The individual owners will contribute their working interest share of the \$5.8 billion initial cash investment. In addition, the Federal government will provide \$975 million in grants to qualified owners and contribute 75% of a \$95 million Bull Arm Site Development grant. The Provincial government will fund the additional 25% of this grant and has provided an \$11.0 million offshore technology transfer grant in return for the Hibernia owners agreeing to undertake certain Gravity Base Structure (GBS) engineering work in Newfoundland and Labrador. The remaining capital cost will be provided by the owners with a Federal government loan guarantee. Also, the Provincial government is providing both sales and corporate tax exemptions. See <i>Oil and Gas</i> section for further details.
Highway Upgrading	Terra Nova National Park	2.0	1995/1996	Work involves repairs to the highway throughout the park as well as safety improvements to the Eastport Peninsula intersection. In addition, there will be upgrading to seven other areas within the park. Approximately 85% of the project is complete. Federal funds.

Appendix 1 (cont'd.)

AN INVENTORY OF SELECTED MAJOR PROJECTS IN NEWFOUNDLAND AND LABRADOR*

Project	Location	Estimated Capital Cost (\$ Millions)	Start/End Date	Comments
Labrador Airport Programs	Various Locations	2.2	1994/1998	This project involves general restoration work including runway and electrical restorations. Federal funds.
Labrador Interpretation Centre	North West River, Labrador	2.0	1995/1996	As a branch of the Newfoundland Museum, the interpretation centre will promote Labrador's unique history and culture. The centre will be approximately 743 square metres. The project is funded by the Canada/Newfoundland Comprehensive Labrador Cooperation Agreement. 70% Federal, 30% Provincial funds.
Newfoundland and Labrador Housing Corporation (NLHC) - Housing and Development	Various Locations	20.5	1995/1996	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 Remote Housing Program, the Residential Rehabilitation Assistance Program (RRAP), Residential Land Assemblies, Industrial Land Development and modernization of the Corporation's rental portfolio.
Newfoundland and Labrador Hydro - Capital Expenditure	Various Locations	37.5	1995	These include expenditures for the upgrading of transmission lines and terminal stations as well as the purchase of equipment. This figure also includes an \$8.7 million contribution to the connection of the St. Anthony/Roddickton power system to the Main Island power grid (the total expenditure for this project in 1995 is \$16.2 million of which \$7.5 million is covered under the Canada/Newfoundland Infrastructure Works Agreement). Private funds.
Newfoundland Power - Capital Expenditures	Various Locations	38.0	1995	Includes upgrading of transmission and distribution systems and improvements to computer systems. These capital projects help ensure that customers continue to have a reliable supply of electricity.
Newfoundland Telephone - Capital Expenditures	Various Locations	77.0	1995	Includes expenditure throughout the Province for the growth, modernization and expansion of the local and long distance telecommunications network and the introduction of new services and information systems. Approximately 70% of these expenditures are for equipment such as fibre optic and digital switching systems. Approximately 20% will be spent on engineering and installation provided by Newfoundland Telephone, and the remaining 10% for locally tendered contracts.
Newfoundland Transportation Initiative	Various Locations	648.1	1988/2003	The Newfoundland Transportation Initiative was developed in conjunction with the closure of the Newfoundland Railway. Expenditures designed to upgrade and improve the Province's transportation infrastructure include the following: (1) \$405.0 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 construction of the Outer Ring Road in St. John's; (2) \$235.0 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 1995/1996 is \$55.0 million. Federal funds.
Office Building	Grand Falls	3.0	1994/1995	A 2,044 square metre building is being constructed to house Federal offices. This is a build-to-lease project financed by the private sector and leased back to the Federal government via a long-term contract.

Appendix 1 (cont'd.)

AN INVENTORY OF SELECTED MAJOR PROJECTS IN NEWFOUNDLAND AND LABRADOR*

Project	Location	Estimated Capital Cost (\$ Millions)	Start/End Date	Comments
Office Building - Extension	St. John's	2.0	1995/1996	This project involves an extension to the former Newfoundland and Labrador Computer Services Building. The building is being leased to NewTel Information Solutions Ltd. Provincial funds.
Operations Building	St. Anthony	1.2	1995	This project involves the construction of a 768 square metre operations building and a 52 square metre generator building. The construction of these facilities will permit an upgrade to existing Marine Radio and Loran "C" marine-related services provided by the Canadian Coast Guard to southern Labrador, the northern Gulf of St. Lawrence and the north-east coast of Newfoundland. The project costs are split 87.5% for construction and 12.5% for equipment and machinery. Federal funds.
Paper Mill - Capital Expenditures	Corner Brook	43.0	1995	These expenditures by Corner Brook Pulp and Paper Limited include \$4.0 million to replace the penstock at the Deer Lake Power Plant; \$10.0 million to complete the Bark Burning Boiler project (total cost \$40.0 million); \$20.0 million for an Effluent Treatment System to comply with environmental regulations; \$2.0 million for a warehouse modernization project and the remaining \$7.0 million will be spent on routine capital improvements. Approximately 75% of the estimated capital cost will be spent on machinery and equipment. Private funds.
Paper Mill - Capital Expenditures	Grand Falls-Windsor	34.0	1995	These expenditures by Abitibi-Price include: (1) \$12.0 million for environmental upgrading; (2) \$7.2 million to upgrade the mill's wood room to improve handling; (3) \$7.0 million to increase the speed of the No. 3 paper machine; (4) \$2.4 million to repair and improve hydro facilities; and (5) \$5.4 million for numerous smaller projects. Private funds.
Paper Mill - Capital Expenditures	Stephenville	3.0	1995	These expenditures by Abitibi-Price will go towards maintenance of the paper mill. Most of the budget will be spent on equipment and machinery. Private funds.
Provincial Parks - Upgrading	Various Locations	1.0	1995/1996	This project involves park rehabilitation. Provincial funds.
Provincial Roads - Improvements and Construction	Various Locations	15.0	1995/1996	A variety of projects undertaken to maintain roads, bridges and causeways. Provincial funds.
Replacement of Steam Distribution - Canadian Forces Base	Goose Bay	2.6	1995	These expenditures cover the second phase of a six phase project to replace the steam distribution system. Phase II of the project is expected to be completed in September 1995. The project was initiated in 1993 and is slated to continue until 1997. Total cost is estimated at \$14.5 million. Currently it is 25% complete. Funding consists of 60% Allied Forces (the British, German and Netherlands Air Forces) and 40% Federal funds.
Royal Canadian Mounted Police - Capital Construction Expenditure	Various Locations	2.0	1995	These expenditures pertain to the RCMP construction program in the Province for this fiscal year. Expenditures include construction of a new detachment and three married quarters in Gander and site acquisition in Happy Valley - Goose Bay. The remaining expenditure will be used to complete several detachment accessibility programs.

Appendix 1 (cont'd.)

AN INVENTORY OF SELECTED MAJOR PROJECTS IN NEWFOUNDLAND AND LABRADOR*

Project	Location	Estimated Capital Cost (\$ Millions)	Start/End Date	Comments
Sawmill Modernization and Expansion	Glenwood	2.3	1993/1995	Project of A.L. Stuckless and Sons Limited of Glenwood, that involves the construction of three new buildings to expand production and cater to an expanding market. \$1.3 million of project is for equipment and machinery and \$1.0 million is for construction. Approximately 40% Federal/Provincial Strategic Investment Industrial Development (SIID) Cooperation Agreement; Enterprise Newfoundland and Labrador, 23% term loan and 17% equity investment funds.
School/Community Centre - Extension	Mainland	2.7	1993/1996	Extension of approximately 1,317 square metres. 75% Federal, 25% Provincial funds.
School Construction	Various Locations	4.0	1995/1996	Provincial funds.
Shrimp Processing Facility - Modernization	Port au Choix	7.0	1994/1995	This project includes the complete modernization of a shrimp processing facility owned by Fishery Products International Limited. The project is expected to be finished in May 1995 and the costs are split 50/50 machinery/construction. Private funds.
Sir Wilfred Grenfell College - Renovations and Extension	Corner Brook	5.0	1994/1996	Extension of approximately 1,858 square metres 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 Project	Various Locations	2.9	1987/1995	Funding has been provided under the Canada/Newfoundland Offshore Development Fund to make capital improvements to existing community colleges and institutes for the delivery of offshore-related training programs. This project is 90% complete. 75% Federal, 25% Provincial funds.
Strategic Highway Improvement Program	Various Locations	20.0	1994/1998	These expenditures are for highway improvement projects. 50% Federal, 50% Provincial funds.
Taxiway System Improvements	Deer Lake	1.3	1994/1995	This project involves the construction of an additional 470 x 15 metre taxiway complete with lighting, cables and fixtures to the Deer Lake Airport. This project is 95% complete and is expected to be finished in August 1995. Federal funds.
TeleOceanic Communications Centre	St. John's	4.5	1995	This 1,858 square metre centre will provide integrate mobile satellite communications services and value-added information products to Maritime and remote users worldwide. This project, owned by NewEast Wireless Telecom Inc., is expected to be completed in the fall of 1995. 70% private, 30% Canada/Newfoundland SIID Cooperation Agreement.
Wabush Airport - Repairing Runway	Wabush	1.0	1994/1995	Project includes complete repavement of runway and repairs to taxiways, aprons and groundside. Federal funds.
Warehouse	St. John's	1.0	1995	This project includes the construction of a 929 square metre warehouse for the Provincial government. It will be used to store items such as government records. Provincial funds.

Appendix 1 (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	1992/1995	A water treatment facility is being 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 three levels of government. This project is to be completed in the spring of 1995.
Western Memorial Hospital - Renovation to O'Connell Centre	Cornier Brook	2.1	1995	The existing long-term care facility will be renovated to house a new 18 bed unit for levels two and three nursing care. This unit will provide recreational and occupational therapy as well as physiotherapy. The project is expected to be completed in October 1995. Two-thirds Federal, and one-third Provincial funds.
Wharf Reconstruction	Hermitage	2.3	1995/1996	The Canadian Coast Guard will construct a new 802 square metre wharf and small freight shed for ferry services to Gaultois and coastal services for the South Coast to replace existing facilities. Federal funds.
Wharf - Reconstruction	St. John's	1.5	1995/1996	This project involves the reconstruction of the Canadian Coast Guard Wharf (Berth 30) in St. John's Harbour. Construction is scheduled to begin in April 1995. Federal funds.
Wholesale Warehouse Store	St. John's	8.1	1994/1995	This project includes the construction of a 12,542 square metre wholesale warehouse store. The expected completion date is August 1995. This project is owned by Price Costco and is privately funded.

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

Appendix 2

**STATISTICAL INDICATORS
OF
NEWFOUNDLAND AND LABRADOR**

TABLE 2.1

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

	1993		1986
	\$Millions	Percent of Total	Percent of Total
Primary	415	5.2	9.0
Agriculture	24	0.3	0.2
Forestry	61	0.8	0.7
Mining, Quarries & Oil Wells	215	2.7	5.6
Fishing and Trapping	155	1.4	2.4
Manufacturing	555	7.0	9.3
Fish Products	165	2.1	4.2
Pulp and Paper Products	105	1.3	1.8
Other Manufactured Products	285	3.6	3.3
Construction	585	7.3	8.4
Electric Power & Water Utilities	447	5.6	5.8
Subtotal: Goods Producing	2,002	25.1	32.5
Transportation, Communication & Other Utilities	570	7.2	7.1
Wholesale and Retail Trade	855	10.7	10.4
Finance, Insurance & Real Estate	1,220	15.3	13.7
Community, Business & Personal Services	2,295	28.8	24.0
Education	775	9.7	8.8
Health & Social Services	765	9.6	8.0
Accommodation & Food Service	185	2.3	2.1
Other	570	7.2	5.0
Public Administration	950	11.9	11.3
Other Services	80	1.0	1.0
Subtotal: Service Producing	5,970	74.9	67.5
TOTAL: ALL INDUSTRIES	7,972	100.0	100.0
Residual Error of Estimate*	(132)		
TOTAL GDP AT FACTOR COST	8,104		

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

GDP is measured at factor cost.

Source: Statistics Canada; Economics and Statistics Section, Cabinet Secretariat.

TABLE 2.2

**EMPLOYMENT BY INDUSTRY
NEWFOUNDLAND AND LABRADOR**

	1994		1986
	Thousands	Percent of Total	Percent of Total
Primary	19.5	10.0	10.3
Agriculture	1.2	0.6	0.6
Forestry	2.1	1.1	1.1
Mining, Quarries & Oil Wells	3.8	2.0	1.8
Fishing & Trapping	12.1	6.2	6.7
Manufacturing	13.2	6.8	11.9
Fish Products	3.5	1.8	7.2
Pulp & Paper Products	3.0	1.5	1.6
Other Manufactured Products	6.7	3.4	3.3
Construction	11.1	5.7	5.6
Subtotal: Goods Producing	46.0	23.7	29.1
Transportation, Communication & Other Utilities	16.5	8.5	9.0
Wholesale and Retail Trade	36.3	18.7	17.8
Finance, Insurance & Real Estate	6.9	3.5	3.1
Community, Business & Personal Services	73.7	37.9	31.4
Education	18.2	9.4	8.6
Health & Social Services	24.6	12.6	9.1
Accommodation & Food Service	10.3	5.3	5.0
Other	20.6	10.6	8.6
Public Administration	17.9	9.2	11.1
Subtotal: Service Producing	148.6	76.4	71.0
TOTAL: ALL INDUSTRIES	194.5	100.0	100.0

Notes: Goods and service producing industry subtotals will differ from the sum of the industries which are found in each category. This stems from the fact that the Other Utilities component of Transportation, Communication & Other Utilities is included in goods producing employment. Detailed industry breakdowns in the Primary, Manufacturing, and Community, Business and Personal Service industries have been estimated. This estimation was required because revised Labour Force Survey (1991 Census Based) employment figures for these breakdowns were not available at the time of writing. For further discussion on the Labour Force Survey revisions, readers are directed to the *Labour Markets* section.

Figures may not sum to individual totals and subtotals because of rounding.

Source: Statistics Canada; Economics and Statistics Section, Cabinet Secretariat.

TABLE 2.3

**SELECTED ECONOMIC INDICATORS
NEWFOUNDLAND AND LABRADOR: 1991 - 1995**

	1991	1992	1993	1994	1995f
Gross Domestic Product at factor cost (\$ millions)	8,034	8,032	8,104	8,573	9,118
% change	1.4	-0.0	0.9	5.8	6.3
Gross Domestic Product at factor cost (1986\$ millions)	6,389	6,315	6,359	6,577	6,775
% change	-3.3	-1.2	0.7	3.4	3.0
Personal Income (\$ millions)	9,759	10,009	10,139	10,294	10,547
% change	4.3	2.6	1.3	1.5	2.5
% change - 1986\$	-1.7	1.5	-0.4	0.2	0.8
Retail Trade* (\$ millions)	3,394	3,359	3,328	3,433	3,544
% change	0.2	-1.0	-0.9	3.2	3.2
% change - 1986\$	-4.1	-1.6	-2.5	2.5	1.3
Capital Investment (\$ millions)	2,099	2,080	2,485	2,811	3,117
% change	3.5	-0.9	19.4	13.1	10.9
% change - 1986\$	7.7	-0.3	20.4	11.8	7.0
Labour Force (000's) Annual Average	248	243	242	244	248
% change	0.2	-2.1	-0.5	1.1	1.4
Employment (000's) Annual Average	203	194	193	195	198
% change	-1.4	-4.3	-0.4	0.7	1.7
Unemployment Rate (%) Annual Average	18.3	20.2	20.1	20.4	20.2
Consumer Price Index (1986 = 100) Annual Average	120.9	122.2	124.3	125.9	128.0
% change	6.1	1.1	1.7	1.3	1.6
Housing Starts Annual Average	2,836	2,271	2,405	2,243	2,178
% change	-12.6	-19.9	5.9	-6.7	-2.9

Notes: Percent changes may be calculated using unrounded numbers. Some data are 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.

Source: Statistics Canada; Canada Mortgage and Housing Corporation; Economics and Statistics Section, Cabinet Secretariat.

