

TUESDAY 21.02.06

# REPORT ON BUSINESS

S&amp;P/TSX

11,805.76

+107.72

Mixed prices  
for energy-  
related stocks  
higher

D.J. Ind.

Closed

Nasdaq

Closed

Dollar

87.18c (U.S.)

+0.22

Canadian  
prices continue  
to advance  
to the lower

Gold

\$554.50 (U.S.)

+2.28

A jump in crude  
prices helped  
refiners, but  
inflation worry

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## Today's News

INTERNATIONAL, B20-22



**Nigerian attacks  
cause oil prices  
to spike**

## ECONOMY

## Boom-bust cycle swings up for Newfoundland in 2006

On top this year, then back to bottom

BY JANE ARMSTRONG, HALIFAX

Newfoundland and Labrador is expected to vault from last place to Canada's leader in economic growth, thanks to its surging oil and gas and mining industries, according to figures from the Conference Board of Canada.

The province's newest offshore oil project, White Rose, and the Voisey's

Bay nickel mine will lift Newfoundland and Labrador's real gross domestic product by 6.4 per cent this year, ahead of all other provinces, including red-hot Alberta, the board said yesterday in a report entitled Provincial Outlook -- Winter 2006.

However, the bad news for Canada's newest oil and gas player is that the growth will plateau, then slow

to 1.5 per cent in 2007 as mining production stabilizes.

"Until there is another boom in construction or mining activity, the overall prospects are rather moderate to weak," said Marie-Christine Bernard, associate director of the board's provincial outlook.

"Yes, there is the mining going up, but it's not going to create any new jobs. There may be a lot more jobs in the construction phase of these two projects."

British Columbia and Alberta are

also expected to see strong expansion, but Ontario, Quebec and the other Atlantic provinces will lag, according to the board. "Not all provinces are being lifted by the rising tide of high commodity prices," Ms. Bernard said. "Energy prices demand high levels of resource-rich provinces, but the continued strength of the economy demands growth in manufacturing and export-driven

sectors."

See B20/B21 on page B20

## TRANSPORTATION

## Railway accident rates up sharply in 2005

CN derailments  
rise 55 per cent

BY BRENT JANE  
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JANE ARMSTRONG

With files from reporter Gordon Pitts and CP

HALIFAX -- Newfoundland and Labrador is expected to vault from last place to Canada's leader in economic growth, thanks to its surging oil and gas and mining industries, according to figures from the Conference Board of Canada.

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British Columbia and Alberta are also expected to see strong expansion, but Ontario, Quebec and the other Atlantic provinces will lag, according to the board. "Not all provinces are being lifted by the rising tide of high commodity prices," Ms. Bernard said.

"Surging global demand will benefit resource-rich provinces, but the continued strength of the loonie will constrain provincial economies that are manufacturing- and export-driven."

Marystown, on the Burin Peninsula of Newfoundland's south coast, is an example of what can happen to a community when construction jobs end.

Mayor Sam Synard said Marystown's two main industries are a fish plant operated by **FPI Ltd.** and a shipyard, which has done steel fabrication for offshore rigs. The shipyard and the town geared up mightily for the White Rose oil field operated by **Husky Energy Inc.**, including work on a giant floating production, storage and offloading facility. The yard employed about 1,400 people at its peak, about half from out of the province, Mr. Synard said.

But that work was completed last year, the shipyard is now idle, and its work force has largely departed. "It was a mini-boom for three years and all of a sudden we find ourselves at the bottom of the curve again. Sometimes it is worse to live in a boom and bust economy than a bust economy all the time."

"People have expectations and they invest in good faith and then, bang, it's a different world."

Mr. Synard estimates that of about 500 to 600 workers in Marystown's traditional shipyard industry, including journeyman welders, pipefitters and other tradespeople, about 200 to 300 of them are now working in the oil sands around Fort McMurray, Alta. He says the unemployment rate is about 20 per cent, one of the highest of any region in the country -- and the town has among the lowest per-capita incomes. "The work ethic here is great, there just is no opportunity."

Another recent study said the economy in Newfoundland and Labrador has been transformed by the offshore oil industry. That study was done by Petroleum Research Atlantic Canada and was funded by the provincial government, academic institutions and the oil industry.

The report, written by the Jacques Whitford consulting company, said the oil industry has created about 17,000 jobs in the province, in direct and spinoff work, and was responsible for about 25 per cent of the province's real gross domestic product.

However, the study did note that most of the profits earned by oil-based businesses, particularly the firms that own drilling rights offshore, don't stay in Newfoundland.

More important for the long term, the report said, the oil and gas industry could be the key to diversifying Newfoundland's economy, which has traditionally relied on fishing and mining. The oil industry has brought a new breed of jobs to the province, namely consultants, engineers and high-tech companies. Restaurants and shops in downtown St. John's are busy and new retail outlets are sprouting.

The report said the new companies are more ambitious and competitive than ever and have adopted international standards.