When a boom goes quiet

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ST. JOHN'S
— Greg Gulliver is one of Newfoundland's fortunate sons – making good wages as a project supervisor at the Orphan Industries Ltd. fabrication mill just a few kilometres from his St. John's home.

More often than not, though, the marine launch and recovery systems he works on are being fashioned for overseas markets – the Gulf of Mexico or offshore Angola – rather than for the oil and gas fields located a few hundred kilometres off the Newfoundland coast.

Mr. Gulliver, 40, joined Orphan's parent company, **D.F. Barnes Ltd.** six years ago, and has prospered along with the St. John's success story. From a 10-person operation just four years ago, D.F. Barnes has grown to 320 people today. Revenue has climbed to $1-million a week from $1-million a year.

But with the recent slowdown in offshore oil activity, the company has followed a well-trod path that so many take in this province – finding work in booming oil fields around the globe, including in Alberta, where a third of D.F. Barnes' work force is located.

Enlarge Image

Greg Gulliver prospers at Orphan Industries near St. John’s, but others have sought work out West. *(Paul Daly for The Globe and Mail)*

Newfoundland and Labrador – and the St. John's area in particular – has relied for years on the offshore oil industry to propel its economic growth, even as outport communities have withered with the collapse of the fishery. But now, after a 10-year boom, the oil industry itself is in a lull that some fear could turn into outright decline.

Drilling rigs are moving to more hospitable climes as the provincial government and the oil companies bicker over development projects. The major oil companies have downsized their local staffs, prompting some in the service sector to follow suit.

There is a promise of better days and, everyone agrees, plenty of potential.

Royal Bank of Canada last week forecast that Newfoundland would lead the country in economic growth this year at 7.5 per cent. The bank cited a resumption of production at Terra Nova and an increase at White Rose. But it said the provincial economy will stall next year, projecting growth of only 0.5 per cent.

In a speech to an industry group last week, Newfoundland Premier Danny Williams softened his combative tone, and said that he is looking to restart negotiations on the largest and most pivotal of the proposed developments, the $5.2-billion Hebron offshore project.

Oil companies outlined several expansion projects that await a final go-ahead from a provincial government that demands a richer slice of the pie.

In the meantime, the only way for local companies to maintain their growth is to go where the jobs are.

“It's not unusual for Newfoundlanders to go far to find work,” D.F. Barnes chairman Jerry Byrne said in an interview. “And so, whether it is a company or individual, we will have to do that for a while until the parties [to the Hebron negotiations] can get back to the table and strike a deal.”

Mr. Byrne expanded a few years ago into Alberta, where oil and gas companies are investing about $150-billion in the booming oil sands. At the same time, his company is doing fabrication for Western Canadian energy developments in St. John's, where hourly rates for work are half what they are in overheated Alberta.

Still, the businessman remains optimistic about the economy in the St. John's area.

Three producing offshore producer fields – Hibernia, Terra Nova and White Rose – provide plenty of work, including about 2,700 direct jobs and an estimated 14,000 in support industries and business.

While politicians and company executives dicker, there are several projects in the planning stages, including development of Hebron and expansions into fields adjacent to Hibernia and White Rose.

And there are a some major projects being touted that would complement the offshore development – among them, a new refinery, the Voisey's Bay nickel mine, and the Lower Churchill hydroelectric project in Labrador.

The typical barometers of St. John's economy – housing sales, unemployment figures, retail sales – remain healthy, at least compared with historical levels, if not in relation to other Canadian cities.

Although employment has remained flat in the past year, the jobless rate in St. John's sits at 7.3 per cent, and there are complaints of a shortage of skilled trades people – many of whom have fled to the booming provinces of the West. The employment rate for St. John's – the percentage of the working age population who hold jobs – is 60.8 per cent, comparable with Saint John, N.B., but well below that of Halifax.

But critics say that Newfoundland and its capital city is living off the investment made in the three producing oil and gas fields, which were discovered more than 20 years ago and the last of which was completed in 2005.

There has been little exploration work in the past few years, and the one rig that completed a test well in the deep-water of the Orphans Basin is off to the Gulf of Mexico.

In a speech to the oil industry conference last week, federal Natural Resources Minister Gary Lunn said Newfoundland attracted only $700-million in oil and gas investment last year, just 1.5 per cent of the $45-billion spent in Canada.

But Memorial University economist Wade Locke said the Premier's conciliatory speech should set the stage for new development offshore Newfoundland, which holds reserves of an estimated 2.8 billion barrels of oil and 10 trillion cubic feet of natural gas.

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