

Rock no longer the hard place [Globe and Mail]

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Newfoundland's gains twice national pace

Offshore energy services entrepreneur Jerry Byrne is the human face of Newfoundland and Labrador's mind-boggling productivity gains.

"It's been unbelievable for us," said Mr. Byrne, the president of D.F. Barnes Ltd., a repair, fabrication and manufacturing company in St. John's whose corporate productivity has bounded along spectacularly on the back of the province's energy boom.

Since leading a 2002 management buyout of the 74-year-old company, Mr. Byrne has guided it to a 30-fold increase in annual revenue in just four years -- and he expects to hit a threshold of about 50 times 2002 revenue some time in the next year.

Work force growth has also been stunning -- to about 200 people today, from about a dozen in 2002 -- but the percentage gain is not as eye-opening as for revenue, which suggests Mr. Byrne is achieving higher average output from each employee.

A Statistics Canada report yesterday provided broad-brush context to Mr. Byrne's experience, telling a growth and productivity story that defies Newfoundland's image as a tired economy being drained of quality workers by the siren call of Alberta's labour-hungry oil sands.

It says Newfoundland and Labrador's productivity in real terms jumped an annual average of 3.2 per cent from 1997 to 2005, twice the national pace and far ahead of other provinces, including Alberta, which, while red hot at times, has actually lagged in average annual growth over nine years.

Labour productivity, measured as the amount of gross domestic product in constant dollars per hour worked, is considered an underpinning of a prosperous economy, which should bode well for Canada's most eastern province.

Still, St. John's technology entrepreneur Trevor Adey says provincial productivity numbers are "a red herring" at a time when workers are flooding out of the province looking for good jobs -- or any jobs.

Mr. Adey, president of software developer Consilient Technologies Corp., said big productivity wins in oil and gas, spurred by the Hibernia, White Rose and Terra Nova fields, are not filtering down to a broadly better standard of living, particularly in rural Newfoundland. "The Hibernia wealth never hits the grassroots," said Mr. Adey, whose own company is growing -- to 75 employees now from 50 a year ago -- but not at the rate of some energy service firms.

Mr. Byrne, the oil services entrepreneur, agrees that big problems lie in rural Newfoundland, which is losing jobs in fish and forestry, for example. In fact, he said the boom is highly focused in the northeastern Avalon Peninsula, which contains St. John's, a growing international energy hub that is close to the offshore drilling action.

"We have the power of adjacency," he said.

Mr. Byrne said one factor in his company's success has been the ability to increase prices. But he also credits the multinational oil and gas companies that keep prodding Newfoundland suppliers to improve quality, safety and computer systems. "Over time, that translates into really significant increases in productivity," he said.

Economist Doug May of Memorial University of Newfoundland said the province is experiencing "a shift from the old resource economy into the new resource economy," as seasonal jobs in fisheries lose way to better-compensated employment in new mining ventures and energy services.

This reflects Statistics Canada's observation that while Newfoundland and Labrador have experienced strong constant-dollar gains in productivity, the relative increases are even more dramatic after factoring in changing prices that provinces receive for their output. In other words, the province's productivity has piggybacked on the oil price gains of recent years.

Similarly, Newfoundland's real GDP growth has tracked the progress of energy projects. Growth, for example, stalled in 2005 because of mechanical problems in the oil fields, but last year reached an estimated 3.9 per cent, the third-highest rate in Canada, although well behind Alberta's gain of about 7.5 per cent, according to Canadian Imperial Bank of Commerce.