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Manufacturing

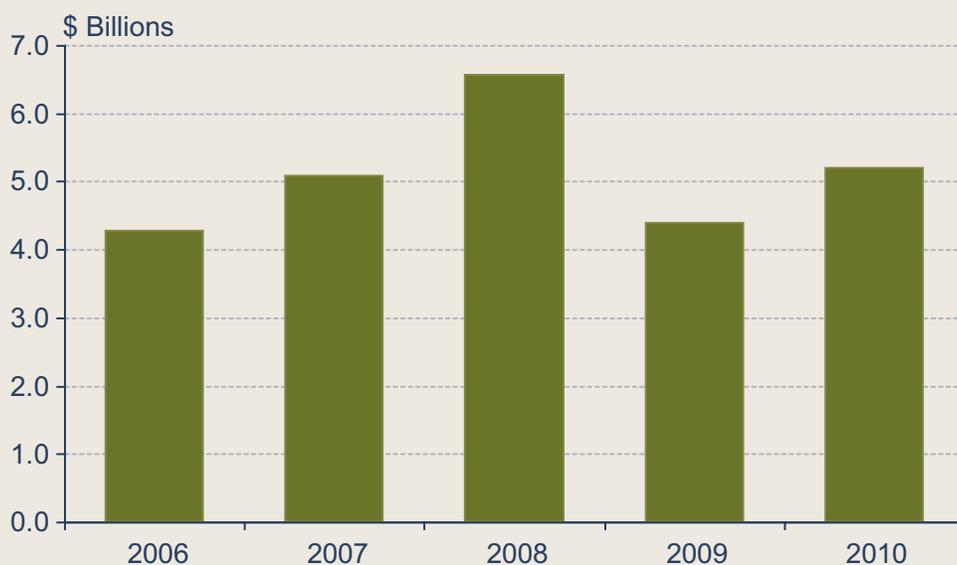
Manufacturing accounts for about 4% of GDP and 5% of total employment in the province. There are many manufacturers in the province producing a wide variety of products, however, most activity is concentrated in three major groups—food processing (mainly fish), newsprint and refined petroleum.

The value of provincial manufacturing shipments rebounded last year mainly due to higher prices for refined petroleum and fish products. The value of shipments rose to about \$5.2 billion in 2010, a 17.7% increase over 2009. Nationally, the value of manufacturing shipments rose almost 9% in 2010.

Harvest Operations Corp. operates the North Atlantic refinery—the only oil refinery in the province and one of three refineries in Atlantic Canada. Both the volume and value of refined petroleum output in the province increased in 2010. The refinery produced about 30.9 million barrels of refined petroleum products, up 2.1% from 2009. According to Industry Canada, the value of refined petroleum product exports increased almost 24% in 2010 compared to the previous year. Harvest is spending \$300 million on a debottlenecking project that will increase the refinery's overall capacity by an average of 5,000 barrels of oil per day. The project will also increase product yield value and reduce both overall energy needs and greenhouse gas emissions. The project began in November 2010 and is scheduled to be completed in 2013. The refinery employs almost 700 people.



Manufacturing Shipments



Source: Statistics Canada

The value of manufactured fish products increased about 30% in 2010. Improved global demand for seafood, higher market prices for crab and shrimp, and an increase in aquaculture production contributed to growth in 2010 (see *Fishery* for details).

The volume of provincial newsprint shipments declined to about 259,100 tonnes in 2010, a decrease of 2.0% compared to 2009. This reflected the closure of the Grand Falls-Windsor mill during the first quarter of 2009. The estimated value of newsprint shipments decreased by about 5% (see *Forestry and Agrifoods* for details).

Employment in the manufacturing sector declined in 2010. Employment averaged 9,800, representing a decrease of 16.2% compared to 2009. Losses were recorded in both the fish processing and non-fish processing sectors.

Manufacturers

Recent Developments

Harvest Operations Corp.—North Atlantic Refining Ltd.

- Investing \$300 million for a debottlenecking project that will be completed in 2013 (Come By Chance)

Vale

- Investing US\$817 million in 2011 for the continuing construction of a nickel processing plant (Long Harbour)

Quinlan Brothers Ltd.

- Establishing a \$6.5 million shellfish by-product processing program (Old Perlican)

Northstar Networks Ltd.

- Signed a letter of intent to collaborate with DEW Engineering and Development on a number of Canadian defence projects (St. John's)

Rutter Technologies

- Secured a US\$1.3 million order for its oil spill detection system that will be completed in April 2011 (St. John's)

Eastern Star Group Canada Inc.

- Establishing a shellfish by-product processing facility (Twillingate)

Kiewit Offshore Services

- Constructing two provincial ferries—one currently in sea trials and the other to be delivered to the provincial government in Spring 2011 (Marystown)

Argentia Metal Works

- Will complete renovations to a 50,000 sq. ft. building to manufacture steel pressure containers in the first quarter of 2011 (Argentia)

Labrador Fishermen's Union Shrimp Company Ltd.

- Constructing a new facility to replace an older crab processing plant (Mary's Harbour)

Jendore Ltd.

- Expected to complete a \$3.0 million expansion of an existing pipe fabrication facility in the first quarter of 2011 (St. John's)

Manufacturing 2011 Outlook

Investment in manufacturing remains robust. In addition to capital spending at the refinery, manufacturing investment has been bolstered by the US\$2.8 billion (US\$441 million invested in 2010) development of Vale's nickel processing plant in Long Harbour. Data on total manufacturing investment in 2010 is confidential, however, it was likely at its highest level ever. While the bulk of investment is concentrated in large-scale commodity processing, other manufacturers (those that provide finished products to smaller, more specialized markets) are also expanding their operations. Some recent developments in manufacturing are outlined on the previous page.

The value of manufactured products is expected to increase in 2011 as a result of higher prices for refined petroleum, fish products and newsprint.

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The manufacture of fish products is expected to benefit from a modest improvement in market prices.

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Newsprint production is expected to remain on par with levels recorded in 2010 and prices are expected to rise.

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The manufacturing industry will continue to be challenged by rising fuel costs and a high valued Canadian dollar.

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Manufacturing investment will remain high in 2011 as construction activity related to the Long Harbour nickel processing plant peaks. Expenditures of over US\$800 million are anticipated on this project this year.

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Harvest Operations Corp. anticipates spending approximately \$190 million on capital projects at the North Atlantic refinery in 2011.

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