

THE
LESLIE
HARRIS
CENTRE
OF REGIONAL
POLICY AND
DEVELOPMENT

Federal Government Presence
in Newfoundland & Labrador
FINAL REPORT - AUGUST 2006

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Executive Summary

During the years after 1992, the federal government, including its various agencies and Crown corporations, went through substantial expenditure restraint driven mainly by the need to deal with a large and growing public debt. However, with the magnitudes of the job losses, the announcements of closures of high-profile offices, and concerns by provincial government and business groups regarding spending restraint, a perception developed that the adjustments in Newfoundland and Labrador were disproportionate. Heightening the concerns was the timing of these events, as they came when the provincial economy was in very difficult circumstances. This report was therefore initiated by Memorial University's Harris Centre in order to determine whether such perceptions were consistent with the facts.

This report is about federal presence in terms of what might be described as active presence. As such, it does not focus on transfer payments to persons or to the provincial and local governments, nor does it deal with the effects of federal government policy decisions generally. The report, which relies extensively but not wholly on Statistics Canada data, is concerned with documenting:

- employment in the province by the federal government and its agencies, including Crown Corporations, and examining how they have changed and comparing those changes to the national trend;
- the number of federal government and other federal offices and the issues of office closures, downgrading and transferring of offices to the Maritimes;
- the extent of spending by the federal government and its agencies on wages and salaries in Newfoundland and Labrador, both over time and relative to the rest of the country;
- federal government spending on goods and services and capital expenditures in the province with a comparison with the national trend; and
- spending by the federal government on subsidies and capital transfers to businesses in this province.

One of the main conclusions is that the reduction in federal government employment since the 1990s was disproportionately large in this province and there is little evidence up to 2005 to suggest that there has been a turn-around. Also, regarding office location, there appears to be a continuing trend towards shifting offices and higher-level activities to regional centres that are typically in Nova Scotia and New Brunswick. Regarding senior executive positions and the presence of military personnel, the evidence suggests that levels have been disproportionately low for some time with no indication of change.

There is also some evidence that from the latter half of the 1990s until 2002, there was a relative decline in the share of federal spending on goods and services as well as capital expenditures taking place in the province. This is consistent with provincial government and local business concerns over federal government procurement. On the other hand, the proportion of federal government outlays on assistance to businesses through subsidies has been somewhat higher than the province's share of the national population. Capital transfers in support of Hibernia's development were substantial prior to 1997 and since then have been modestly more than the province's share of the national population.

The overall conclusion is that the most pronounced aspect of the change in federal presence has been the decline in federal government employment and the associated downsizing, downgrading and closure of offices.

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I. Introduction

In recent years, a widespread perception has developed in Newfoundland and Labrador that there has been a substantial and systematic reduction in federal government employment and services. The purpose of this report is to investigate whether that perception is consistent with the facts. Subsection I.a of this Introduction gives a brief summary of the events that have given rise to these opinions on federal presence. Subsection I.b then further explains the role and scope of this report.

I.a. Background

In the early 1990s, the federal government was faced with large fiscal deficits and a growing debt. It therefore launched a series of measures during the remainder of the 1990s that were intended to improve its fiscal position. One of the measures was a reduction in the size of the federal public service. To varying degrees, those measures, including the reductions in federal government employment, affected all parts of the country.

The concerns in Newfoundland and Labrador, however, appear to go beyond the federal government's nationwide belt-tightening of the 1990s. The sense among many is that the reductions in employment and spending here were disproportionately large and that many important public services were eliminated. An internal provincial government report, which was completed in 1999, cited evidence to that effect. That study, which dealt with employment, found that there has been a 32.5% reduction in the number of federal departmental public service positions in the province between 1995 and 1999; it pointed out that the national average decline was lower, at 17.4%.¹

At various times individual communities and representatives of sectors of the economy have pointed to cut-backs in federal jobs or services that have had an adverse effect on them. For instance, in recent years, there was considerable controversy in the wake of the news of the closure of the Gander Weather Office, the movement of a number of Department of Fisheries and Oceans positions outside the province, the uncertainty surrounding the military base in Happy Valley-Goose Bay, and the announcement of the closure of the Cool Climate Research Centre.²

Despite the fact that by 1999 the federal government's fiscal position has greatly improved, there are ongoing concerns that both federal jobs and federal public services are either being relocated outside the province or reduced. Those concerns are based

¹ "Federal Employment Presence in Newfoundland and Labrador," Intergovernmental Affairs Secretariat, Government of Newfoundland and Labrador, Sharmane Allen, August 27, 1999

² The decision to close that Research Centre has been placed on hold. Also, in 2006, the federal government announced that it would restore the Gander Weather Office.

on a number of examples that have caught the public's attention. One such example is the federal government's decision to cease its support of the Fisheries Conservation Chair for Northern Cod research at Memorial University.³ Another example is the federal government's decision to close its Public Service Commission office in St. John's in July 2005. That office's functions have been moved to Halifax, Nova Scotia where "... most government departments and agencies are located."⁴ In addition to these actual events, there is continued uncertainty regarding some ongoing operations; e.g., the agricultural research station in Mount Pearl and the Canadian Forces' plans for 5-Wing Goose Bay.

The loss of federal jobs and the distancing of many of the federal government offices from where their services are provided or their policy decisions are implemented were among the matters raised by the Province's *Royal Commission on Renewing and Strengthening Our Place in Canada* (the 2003 Royal Commission). In its final report, and referring to cutbacks since 1995, the 2003 Royal Commission stated that:

Federal employment in Newfoundland and Labrador was cut by 38 percent, the highest proportion of cuts of any province in Canada. More efficient public management may have resulted through contracting out, privatization and, in some cases, the downsizing of federal operations. Nonetheless, the cumulative effect in this province has been a clear sense of abandonment.⁵

The Royal Commission report (pp.83-84) was also critical of the "downgrading of federal administrative authority," citing the absence of any headquarters with regional or national mandates, other than for offices where the region coincides with the province.⁶ In broader terms, the Royal Commission appears to have perceived the issue of federal presence as going to the province's sense of belonging, fairness and contribution to national policy and decision-making and as a reflection of where Newfoundland and Labrador stands in the eyes of the federal government.

Subsequent to the Royal Commission, the Government of Newfoundland and Labrador again voiced its own contention that the federal presence has been declining. Specifically, in a press release it claimed that there was a 39% decline in federal jobs in

³ CBC News, July 7, 2005 <http://stjohns.cbc.ca/regional/servlet/View?filename=nf-rose-cod-050707>

⁴ News Release – PSC Changes in Response to New Public Service Employment Act, http://www.psc-cfp.gc.ca/centres/news_releases/2005/psea_e.htm.

⁵ Royal Commission on Our Place in Canada, "Main Report: Our Place in Canada," (Queen's Printer: St. John's), 2003, p.83.

⁶ The Royal Commission Report (p.83) also raised the issue of Newfoundland and Labrador's participation in representation in the national institutions. See also, Christopher Dunn, "Federal Representation of the People and Government of Newfoundland and Labrador," Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada.

Newfoundland and Labrador between 1990 and 2004, compared with a 18% decline across all provinces; it also expressed concern that federal government spending on goods and services here, in per-capita terms, was significantly lower than in the Maritimes.⁷ In short, the matter of federal presence remains contentious.

I.b. Scope of this Report

Thus, to inform the debate, the Harris Centre initiated its own federal-presence investigation. That initiative produced an initial report in November 2005, which provided a basic overview of the trends in federal involvement in Newfoundland and Labrador over the past twenty-five years, including employment, expenditures and decision-making authority. This document is the final report of the investigation. As such, it embodies and extends the initial Harris Centre report. Some of the notable extensions include: a discussion of federal offices, an examination of the presence of federal government business enterprises and the wages and salaries paid by them, a review of federal government capital expenditures, a more focused look at federal government current expenditures, and the inclusion of information on federal government subsidies to businesses.

The notion of "federal presence" can be very broadly interpreted. It can encompass all aspects of the Government of Canada's activity in the provinces. These activities include, among other things:

- employment;
- expenditures on goods and services/procurement;
- location of executives who would have high-level input into national policy and decision-making that significantly affects Newfoundland and Labrador;
- distribution, and the subsequent uptake, of grants, loans and subsidy programs;
- strategic location of regional headquarters and centres of excellence that are complementary to the industries and sectors located here;
- infrastructure and other support for provincial industries and the economy;
- location of military and national defence personnel in relation to this province's geographic location in the North Atlantic and its advantages as an area for training and deployment;
- placement of national bodies such as the Canadian Mint and federal penitentiaries;
- location of crown corporations, agencies and quasi-government organizations, especially those whose mandates are specific to or relatively important to this province;
- appointments of provincial representatives to national bodies;
- transfer payments to persons and government; and
- the amounts of taxation levied by that level of government.

⁷ See press release "Decreases of federal employment presence a disturbing trend," Government of Newfoundland and Labrador, August 31, 2005.

The controversy over federal presence does not relate to the last two of the listed items. Federal taxation applies at the same rates and under the same rules generally across the country. Therefore, any disagreement over taxation tends to be broad rather than province-specific. As for transfer payments, it is well known that the federal government provides substantial transfer payments, both to persons, e.g., old age pensions and employment insurance, and to the provincial government, e.g., the Canada Health Transfer. However most, if not all, of the debate on federal presence revolves around what might be termed “active” spending, i.e., spending on activities that involve the production of goods and services. Therefore, transfer payments are not the focus of this study. At the same time, it should be acknowledged that federal transfers to this province, both to persons and the provincial government, are large and, on a per-capita basis, are among the highest across the provinces.⁸ For interested readers, a brief overview of federal government transfer payments to the provincial government and to persons is provided in the Appendix.

This report is organized as follows. Section II, which follows, provides a brief background on the provincial economy, providing context for the analysis. After that, Section III looks at federal employment, with special consideration of executive level positions as well as military employment. Section IV turns to a discussion of federal government offices. Wages and salaries are considered in Section V. That is followed by Section VI, which deals with other forms of federal government spending. The final section, Section VII, contains concluding remarks.

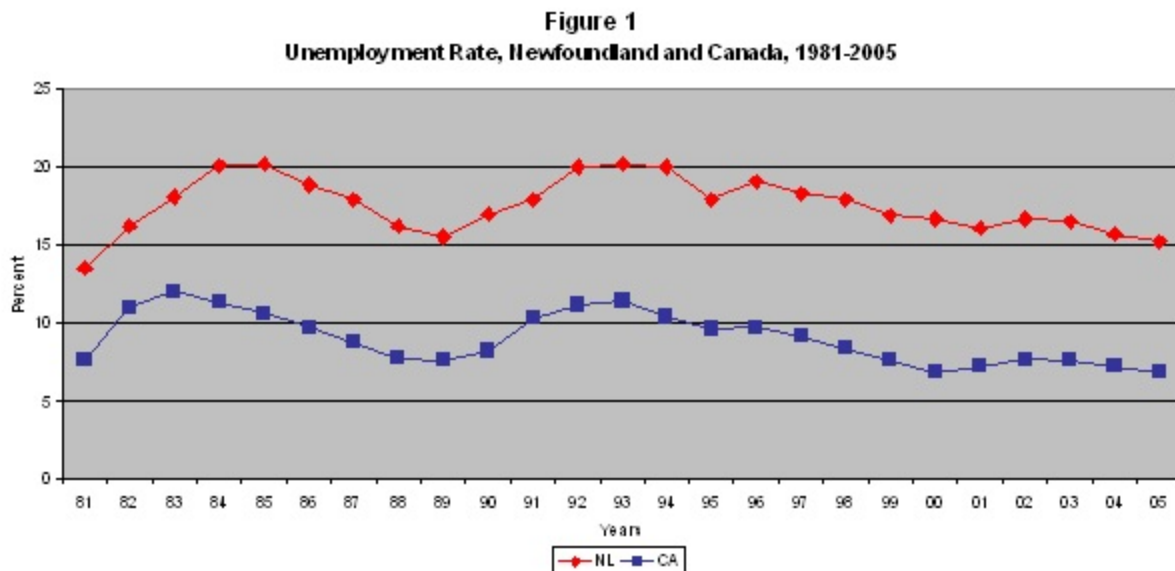
⁸ That higher amount reflects the effects of some programs aimed at disadvantaged provinces, e.g., the Equalization program, or disadvantaged people, e.g., Employment Insurance benefits in areas of high unemployment.

II. Background on the Provincial Economy

In order to appreciate how important an issue federal presence is in Newfoundland and Labrador, overall economic circumstances should be taken into account. Therefore, before proceeding to the core issues, this section provides a brief overview of the economy.⁹

II.a. Unemployment and Population Loss

The most outstanding aspect of the provincial economy has been persistently high unemployment. As pointed out by the 2003 Royal Commission (p.23), since 1973 the annual unemployment rate has not been less than 13%. In fact, during the mid-1980s and again in the early 1990s, the annual rate of unemployment was in the region of 20%. This is much worse than the Canada-wide pattern. As can be seen in Figure 1, provincial annual unemployment rates have mirrored those of Canada. However, the provincial rate is consistently almost 10 percentage points higher than the national one. Associated with such on-going unemployment has been near continuous provincial out-migration. In such circumstances, it is hardly surprising that the loss of any jobs, whether it be with the federal government or any other sector of the economy, would be a cause for concern.

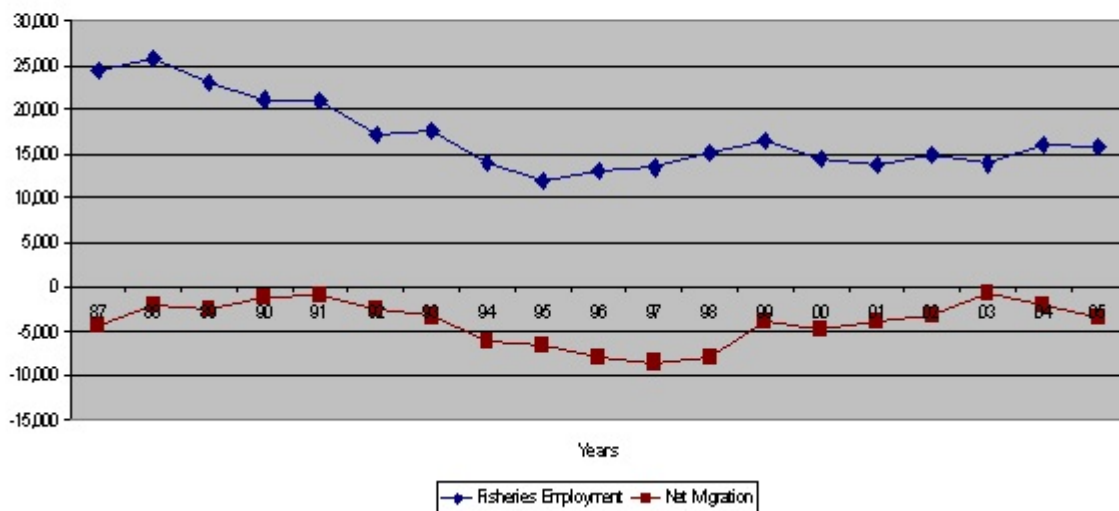


Source: Statistics Canada, Table 282-0002, Labour Force Survey.

⁹ For an up-to-date account of the economy, see the provincial government's *The Economy 2006*, at www.gov.nl.ca.

In the 1990s, the situation worsened considerably.¹⁰ In 1992, the federal government announced its decision to close the Northern Cod fishery. That was followed by other moratoriums on other fisheries. Many of the rural areas and smaller communities in the province were directly dependent on those fisheries for employment in harvesting and processing, and other jobs in those communities and elsewhere were indirectly related to the fisheries. With already prevailing high rates of unemployment, these closures were devastating. Few could find work elsewhere and, as it became clear that the closures were not to be short-lived, many people had to migrate. Compounding this situation, later in the 1990s, to address its serious fiscal deficit, the federal government enacted cost-reduction measures, expenditure restraint on programs including intergovernmental grants, and the downsizing of the public service. Those cuts were experienced throughout the country but were relatively more pronounced in this part of the country. In such fiscal circumstances, and with the shock of the loss of most of the labour-intensive fisheries, the result was massive-out-migration. Figure 2 summarizes what happened.

Figure 2
Employment in the Fishery and Net Migration
Newfoundland & Labrador, 1987 - 2005



Source: Statistics Canada, Labour Force Survey (Special Tabulations) and Demography Division.

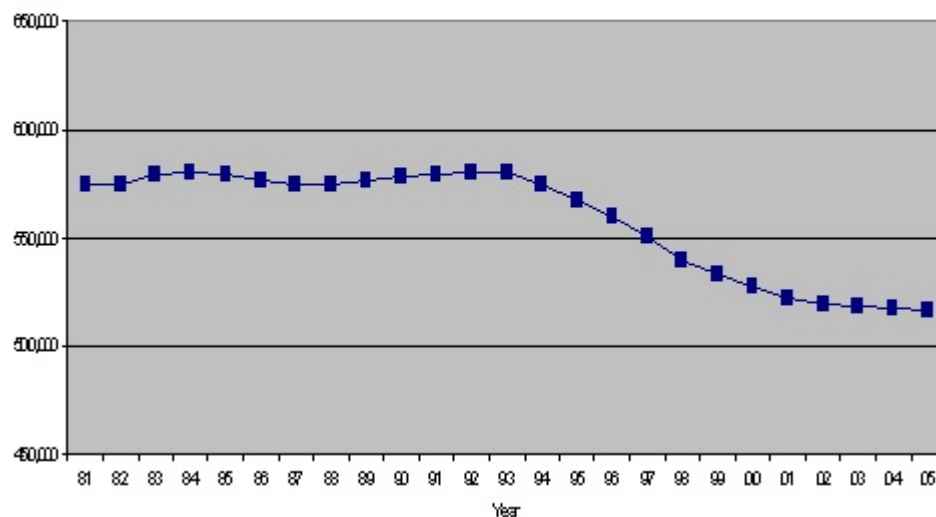
Figure 2 illustrates the level of employment in the fishing industry in the province

¹⁰ 1991 and 1992 were years of national recession and Newfoundland and Labrador was negatively affected along with the rest of Canada. However, while national recovery occurred after 1992, these specific events - the closure of most of the fisheries and federal cutbacks - in the province led to a worsening situation.

since 1987 as well as net migration.¹¹ There is an apparent relationship between the two. Migration and fisheries employment have moved in a similar fashion since 1991. As employment decreased, out-migration increased. Employment in the fishery has been relatively stable since 2000 as the industry expanded into different species. Net out-migration declined in 2000 and 2003. That is to say, there was still a net outflow of people but the total number of individuals leaving had decreased. However, since 2003 people continue to leave. It is widely accepted that the majority of those leaving are being compelled to go because of local economic circumstances. The situation is particularly alarming since those leaving are the youth of Newfoundland and Labrador.

The net out-migration shown in Figure 2 has contributed to the declining provincial population as seen in Figure 3.¹² Prior to 1992, net migration, although negative, was still steady, resulting in a fairly constant population between 1981 and 1992. In 1992 out-migration increased, leading to a simultaneous population drop. The

Figure3
Population Newfoundland and Labrador, 1985-2005



Source: Statistics Canada, Table 51-0001, Estimates of Population.

population decline has ebbed since 2000 and, while it is still decreasing, the rate of decline has gotten smaller, resulting in a more gradual decline in population. No other

¹¹ Net migration equals the number of people entering the province minus the number leaving. Negative net migration means there are more people leaving the province than entering.

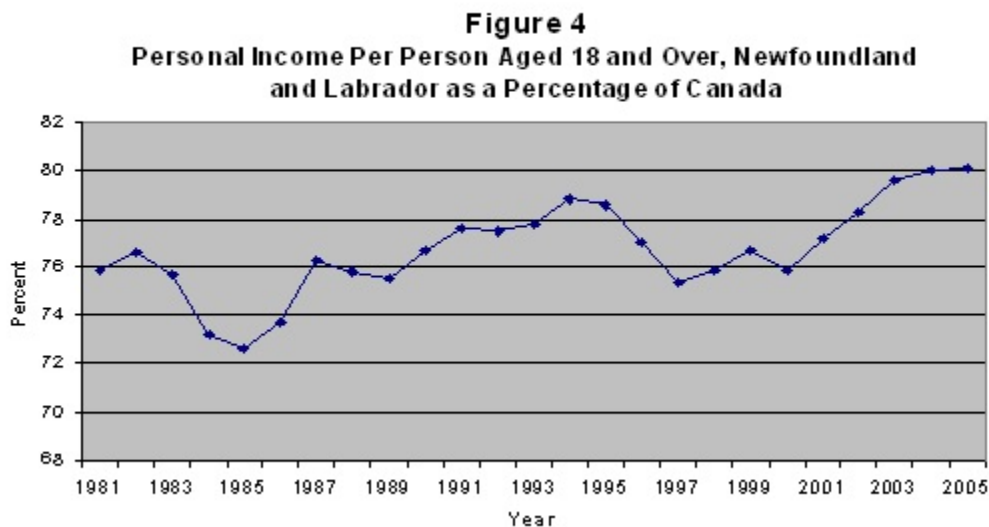
¹² Low birth rates and an aging population have also contributed to the declining population but those phenomena prevail across Canada and, increasingly, across the world.

province experienced a decrease in population between 1981 and 2005.¹³ In fact, during this time, Canada's population increased by 30%. It is important to emphasize that the dramatic decline in Newfoundland and Labrador's population has not been due as much to reduced natural population growth as to momentous economic shifts that have caused so many to leave as economic refugees. A disproportionate share of those leaving are young and skilled. Unless circumstances change so that they have the opportunities to return, the long-term consequences may be devastating.

II.b. Other Key Aspects of the Provincial Economy

While the interaction between unemployment, out-migration and population are the outstanding features of the 1990s, it is worthwhile to briefly review a few of the other key aspects of the economy, including its future prospects.

First, consider income. Personal income refers to the income received by a person from all sources before the payment of taxes on that income. In Newfoundland and Labrador, levels of personal income have been persistently below the national average. Figure 4 gives a picture of the disparity. It shows, for instance, that in 1981, personal income per adult, i.e., per person aged 18 and over, was approximately 76% of the corresponding national figure. Since then, there has been a rough trend towards improvement. However, by 2004, there remained a 20% gap.



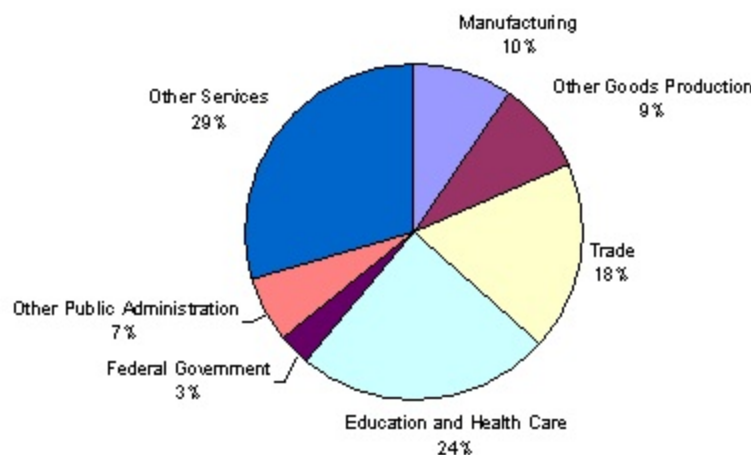
Source: Statistics Canada, Cansim Tables 384-0012 and 051-0001

¹³ Saskatchewan has had some population declines but, overall, its population increased by 2% over the 1981-2004 period.

Next, Figures 5 and 6 provide brief snapshots of the structure of the economy.

Figure 5 shows the sources of employment by industry. It shows that, as is generally the case for Canada, most employed people work in the service sector. In Newfoundland and Labrador only about 20% of the employed have jobs in the goods-producing sector.

Figure 5
Employment in Newfoundland and Labrador, by Major Industry, 2005

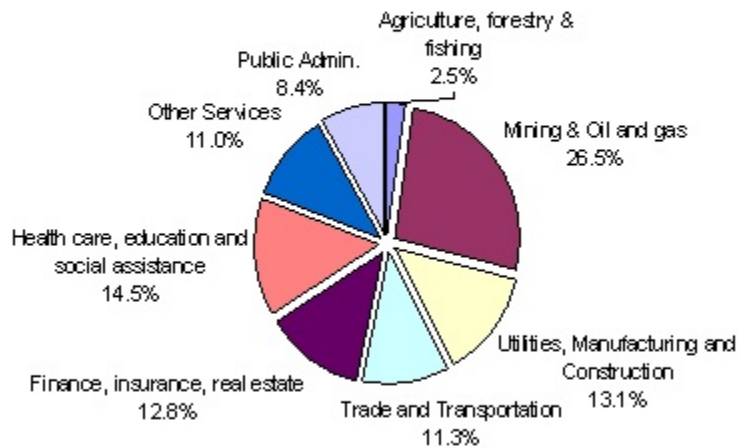


Source: Statistics Canada, Annual Estimates of Employment, Earnings and Hours

On the other hand, Figure 6 shows a decomposition of Gross Domestic Product (GDP) by industry.¹⁴ It shows that a sizeable portion, about 30%, of the economy's production is directly related to natural resources. In large part, this reflects the growing value of offshore oil production, which has not added to employment at nearly the rate it has increased GDP.

¹⁴ GDP is a measure of the value of the all the goods and services produced within the geographic boundaries of a region.

Figure 6
GDP by Industry, Newfoundland and Labrador



Source: Statistics Canada, Cansim Table 379-0025

Turning to the future prospects for the provincial economy there are some very promising developments as well as serious challenges. On the positive side, offshore oil production and the potential for more oil-related developments are especially encouraging. Moreover, with the recent 2005 agreement with the federal government on the Atlantic Accord, there is substantial compensation for losses in Equalization payments to the provincial government as oil revenues increase. Those increased revenues, if oil prices remain high, will greatly strengthen the provincial government's fiscal position, allowing it to deal with debts and to address economic development challenges. In addition to oil-related developments, there are other strong sectors, notably mining and tourism, and there are many success stories as small and medium-size businesses seek opportunities in new and traditional sectors of the economy.

There are, however, serious challenges. Many rural areas and towns still face difficulties. The fishing industry is again in crisis as markets have been unfavourable and the largest fish company, Fishery Products International, is experiencing severe problems. The newsprint sector here as well as elsewhere in Canada is having great difficulty and one of three local newsprint mills has been closed permanently. The high value of the Canadian dollar also has an adverse effect on the province's export-oriented economy. With some industries and many rural areas shedding jobs, it will be a challenge for the growth elements of the economy to generate sufficient jobs to

overcome the losses elsewhere and to generate sufficient employment prospects to create opportunities for Newfoundlanders and Labradorians to return home.

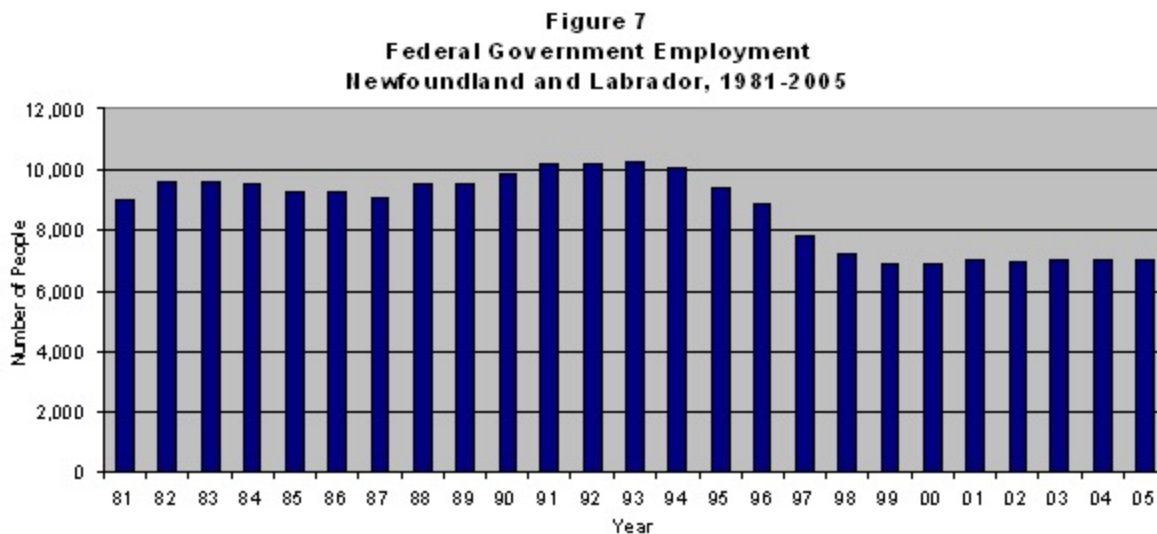
In light of these circumstances, both the number of federal jobs located here and federal spending and policy decisions affecting the provincial economy will continue to be important.

III. Employment

This section is devoted to the most visible and controversial aspect of federal presence, namely, jobs.¹⁵ Subsection III.a is devoted to a presentation of the trends since 1981 in federal government employment. That is followed by two further subsections, III.b and III.c, which focus on two important subsets of federal employment: executive positions and military presence, respectively. Then, Subsection III.d reports on employment in federal government business enterprises, such as Crown corporations. Subsection III.e provides a brief summary of the key findings.

III.a. Federal Government Employees

The most easily understood and tangible measure of federal government employment is the actual number of jobs per year. To that end, Figure 7 shows the total number of people in Newfoundland and Labrador employed by the Government of Canada. The number includes all employees paid during the year whether employed on a full-time, part-time, casual or seasonal basis. Military personnel are also included but not employees of federal government business enterprises. The presentation in Figure 7 shows that there were actually fewer people employed by the federal government in



Source: Statistics Canada, Cansim Table 183-0002.

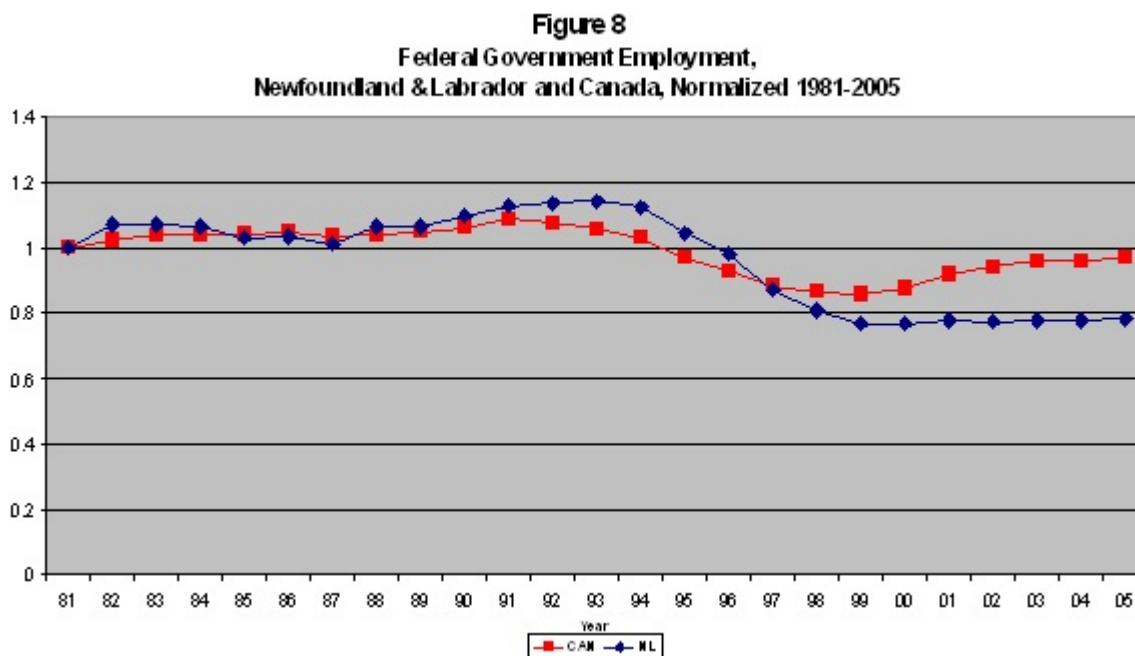
¹⁵ Throughout this report, employment data are from Statistics Canada sources which may differ somewhat from data from other sources. See Statistics Canada's Cansim Table 183-0021 "Federal public sector employment reconciliation of Treasury Board of Canada Secretariat, Public Service Commission of Canada and Statistics Canada statistical universes, as at December 31, annual (Persons)."

2005 than in 1981. The difference between the two is almost 25%. Over the same time, there was also a decline in federal government employment throughout Canada but that decline was 5%, a much smaller percentage reduction than here.

A more striking feature of the data is what happened between 1993 and 1999. In 1993, the total number of federal jobs was approximately 10,250. By 1999, the total was 6,900. This constitutes a loss of more than 3,300 jobs - some part-time, some casual, and some permanent - in a six-year period. That is a 30% reduction.

In part, those job losses reflected the federal government's efforts to address its budgetary deficit at the time but the cutbacks in this province were proportionately much greater than at the national level and came when the provincial unemployment rate was close to 20%. Additionally, these sharp cuts came on the heels of the 1992 Northern Cod Moratorium imposed by the federal government. That moratorium caused substantial losses of employment in rural areas. Subsequently, the federal government was compelled to impose closures of other fisheries, which worsened the situation.

As also illustrated in Figure 7, since 1999 there has been no significant recovery in federal employment. It has leveled off at about 7,000. However, across the country federal government employment has been increasing since 1999. To see this contrast, one may turn to Figure 8.

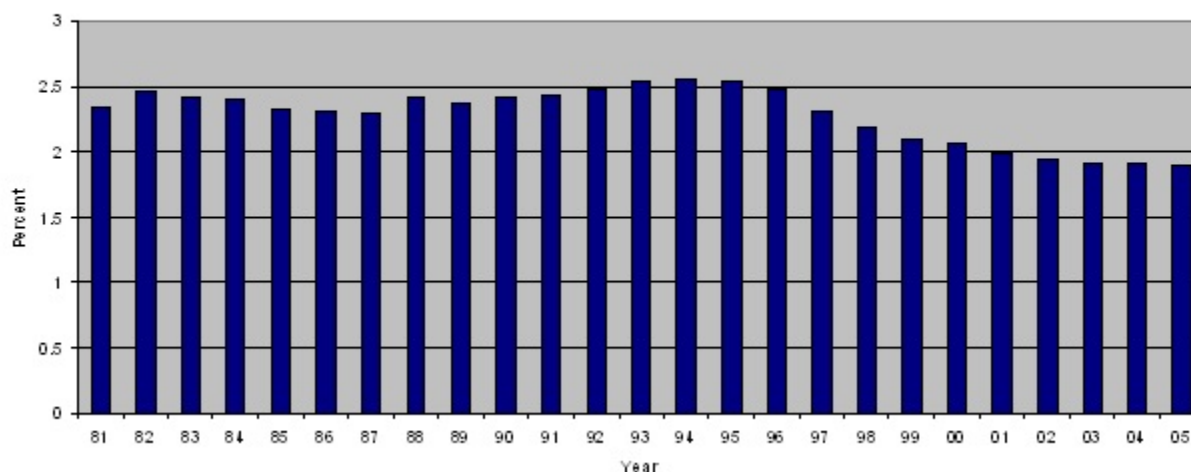


Source: Statistics Canada, Cansim Table 183-0002.

Figure 8 shows how federal government employment in the province and Canada

has changed in “relative terms” since 1981. The data have been normalized to show the percentage change over time in relation to the base, or initial year examined, in this case 1981. Normalization simply sets the first year examined equal to one and all subsequent years are shown as a proportion of the first year.¹⁶ Federal government employment in Newfoundland and Labrador and Canada changed in similar proportions during the eighties and early nineties. The figure shows that employment in Newfoundland and Labrador increased by a greater proportion than in Canada until 1993, when both began to decline.¹⁷ Differences in the trends began to emerge in 2000 as the total number of people employed by the federal government grew. Between 2000 and 2005, total federal government employment in the country increased by more than 10% while remaining almost constant in the province, with only a very marginal increase.

Figure 9
Federal Government Employment in Newfoundland & Labrador
as a Percentage of Total Federal Employment, 1981 - 2005



Source: Statistics Canada, Cansim Table 183-0002.

Figure 9 provides another way of looking at the trend in federal employment in Newfoundland and Labrador. It displays that employment in the province as a percentage of total federal government employment throughout Canada. As shown in the figure, throughout the 1980s, about 2.4% of federal employment was located in the

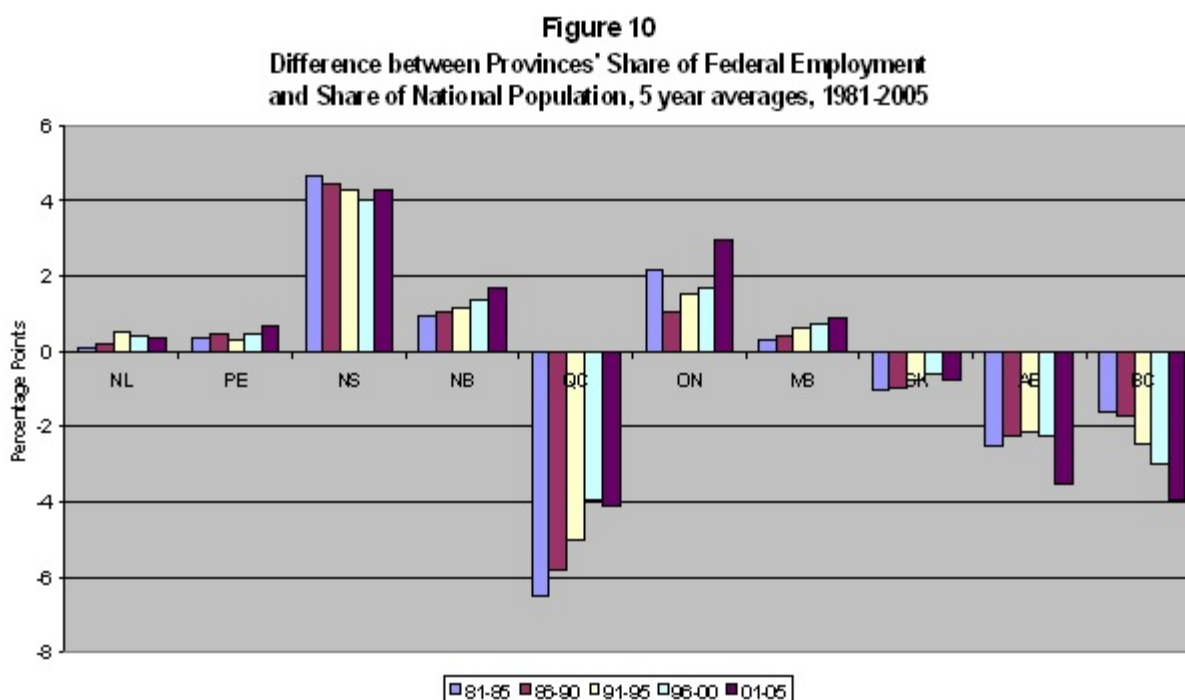
¹⁶ For example, if employment in 1981 was 10 and in 1982 was 12, normalization would set 1981 = 10/10 = 1 and 1982 = 12/10 = 1.2 which gives a change of 20%.

¹⁷ The provincial growth was a result of the addition of 1,000 jobs in the province between 1987 and 1994, because there were fewer than 10,000 jobs in the province that addition equated to a large percentage change, about 13%. A portion of that increase, 200-300 jobs, is a result of the hiring of additional staff at Human Resources and Skills Development Canada (HRSDC), Department of Fisheries and Oceans (DFO) and the Atlantic Canada Opportunities Agency (ACOA) to manage the Northern Cod Adjustment and Recovery Program (NCARP) and The Atlantic Groundfish Strategy (TAGS) programs.

province. That share rose to slightly more than 2.5% during the early 1990s; and this share of federal employment was larger than Newfoundland and Labrador's share of Canada's population. However, after 1996 there was a downward movement in the province's relative share. By 2003, 1.8% of federal government employment was in Newfoundland and Labrador, which was little different from the province's share of the national population at the time, about 1.65%.

It is worthwhile to elaborate on the comparison between this province's share of the national population and its share of total federal employment. While one would not expect that any province's shares of the two should be equal, it is of interest to know whether the differences in those shares are substantial across provinces. Figure 10 provides a picture of this issue.

Figure 10 illustrates the difference between the provinces' shares of Government of Canada employment and their shares of the national population, in five-year aggregates. For example, if 2.5% of federal government employees are in Newfoundland and Labrador during one 5 year period and the province has 2% of the country's population during the same time then 0.5% would be plotted for that time period. Positive numbers mean that the province has a larger share of federal employment than it does the national population.



The share of federal government employment in Quebec, Saskatchewan, Alberta and British Columbia is disproportionately lower than their respective shares of the national population. The negative differential in Quebec has been decreasing since 1981, due to a decrease in Quebec's share of the national population (the share of federal employment in Quebec has remained about the same over the past 25 years). Quebec's share is more difficult to measure because of the number of public employees who work in Ottawa, Ontario but live in Hull, Quebec and vice versa. As well, it is possible that arrangements between the federal government and the Quebec government involve a substitution of Quebec provincial employees for federal ones; e.g, collection of the GST is handled in Quebec by its public servants. The differential in Alberta is increasing because its share of the national population is increasing at a faster rate than the share of federal government employment there. Similarly, in British Columbia, the share of federal employment has not changed significantly (0.2%) over time but that province has gained an additional 2% of the national population over that same period; hence, the employment-population differential has been steadily increasing there.

The remaining provinces, namely, Newfoundland and Labrador, Nova Scotia, Prince Edward Island, New Brunswick, Ontario and Manitoba, all have a greater share than they do of the national population. However, as can be seen in Figure 10, for Newfoundland and Labrador this is only marginal. Its share of employment is only slightly above its share of the national population. On the other hand, Nova Scotia has consistently had almost a 5 percentage-point larger share of federal employment than its share of Canada's population. This difference is most likely the result of locating regional offices for the Atlantic provinces there, as well as a large military presence. Of these provinces, Newfoundland and Labrador is the only one that experienced a drop in its federal employment-population percentage ratios during 2000-2005. Its shares of federal government employment and national population both decreased but the drop in the ratio reflects the fact that the former went down more than the latter.

Finally, it is useful to focus a little more on recent years. With the substantial improvement in the federal government's fiscal position during the late 1990s, it has stopped shedding jobs. In fact, since 2000, federal employment across Canada has been increasing. Between 2000 and 2005, federal employment has increased by approximately 10.5%. Table 1 presents a breakdown of that increase in federal employment by province. The largest increase was in Ontario, where federal employment increased by approximately 15%. Other large increases were in Prince Edward Island, Ontario, Quebec, British Columbia and Alberta. Newfoundland and Labrador and Saskatchewan experienced the smallest increases at just 1.7% and 1%, respectively. To put those changes in perspective, the 10% increase across the country means there were 35,288 more federal government employees in Canada between 2000 and 2005, but only about 120 of those can be found in Newfoundland and Labrador and just 90 in Saskatchewan.

Table 1
Percent Change in Federal Employment by Province, 2000-2005

Years	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	CA
2000-2005	1.7%	7.6%	4.9%	4.8%	10.9%	14.5%	5.3%	1.0%	8.4%	9.7%	10.5%

Source: Statistics Canada Cansim Table 183-0002.

While the level of federal employment in the province appears to have stabilized following the large cuts of the 1990s, concerns remain. For instance, in 2005 the Department of Fisheries and Oceans announced plans to move science positions from the Toxic Chemical Program from Newfoundland and Labrador to other locations.¹⁸ It is anticipated that this will affect 5 to 9 positions.¹⁹

Having provided these perspectives on total federal government employment, there are two subsets of which that are of particular interest: executive positions and the number of military personnel. They are discussed in the next two subsections, respectively.

III.b. Executive Employment

The presence of senior officials who contribute substantially to policy decisions is important in representing the province's interests and needs at the national level. The number of senior positions is indicative of decision making authority and provincial contribution to regional and national policies at the executive level. Executive and Executive-equivalent positions include Director, Director General, Assistant Deputy Minister and Deputy Minister classifications and their equivalents.²⁰

Table 2 shows the number of executive and equivalent positions in the provinces since 1997. The number of executive positions in Newfoundland and Labrador is almost the same as that in Prince Edward Island, however, Newfoundland and Labrador has four times the population. Similarly, Nova Scotia has about four times as many executive positions and less than twice as many residents as Newfoundland and Labrador. The bulk of executive positions are in Ontario, over 57%.

¹⁸ See http://www.dfo-mpo.gc.ca/media/infocus/2005/20050223/budget_14_e.htm.

¹⁹ There has, however, been some discussion that these losses will be offset through the creation of a centre for excellence for stock assessment which is planned to be located in the province, but at this time that is speculative.

²⁰ Data only include Treasury Board positions, that is, it only includes staff hired through the Public Service Commission, it does not include federal Crown corporations or organizations for which Treasury Board is not the employer.

Table 2

Executive and Equivalent Positions, 1997-2004

Year	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
1997	55	55	203	86	1317	3784	143	100	245	392
1998	50	61	207	95	1294	3977	144	104	262	392
1999	58	71	221	98	1347	4067	141	112	263	406
2000	60	74	228	103	1465	4337	153	117	291	446
2001	66	75	259	119	1638	4797	175	128	330	475
2002	68	72	274	118	1722	5284	188	143	347	520
2003	72	74	278	128	1843	5557	199	162	370	554
2004	76	74	290	127	1873	5642	204	171	379	574

Source: Treasury Board Secretariat, Government of Canada.

Next, Table 3 shows that the number of executive positions in Newfoundland and Labrador has been well below 1% of the total number of positions in Canada and that number has declined since 1997. The provincial share of executive and equivalent positions is less than one-half of its share of Canada's population.

Table 3

Number of Executives in Newfoundland and Labrador as a Percent of Total Executive Employment, 1997-2004

Years	1997	1998	1999	2000	2001	2002	2003	2004
Percent	0.85	0.75	0.85	0.82	0.81	0.77	0.77	0.81

Source: Treasury Board Secretariat, Government of Canada.

Finally, of the 76 executive positions located in the province in 2004, just 13 were at the most senior levels (classifications of Executive Level 02 or higher), which is about 0.5% of the total of such positions across all provinces and territories.²¹

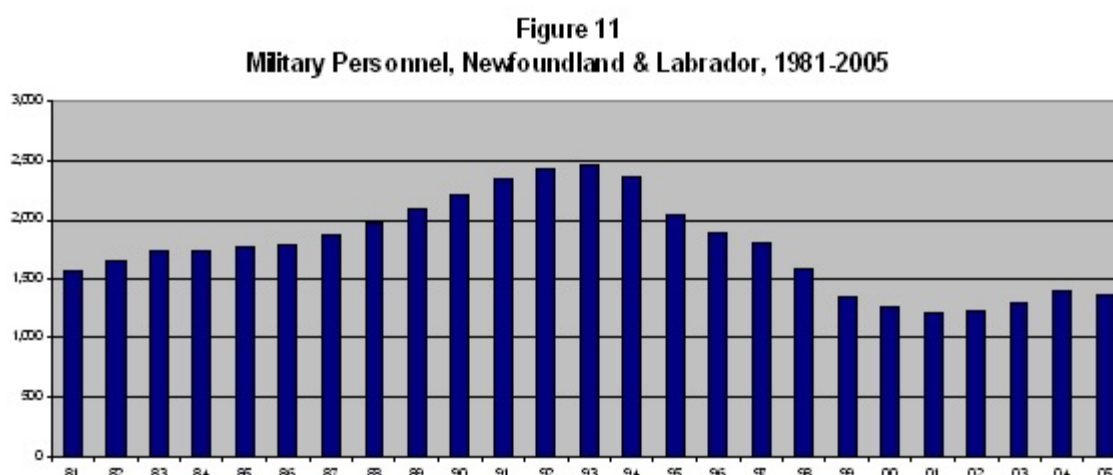
III.c. Military Personnel

In 2005, there were approximately 86,000 military personnel in the Canadian Forces. Of that number approximately 62,000 were regular military personnel and 24,000 were reservists. There are disproportionately more Newfoundlanders and Labradorians in the Canadian military. Almost 8% of the 62,000 regular military personnel are originally from Newfoundland and Labrador. Approximately one-half of these are in the Navy.

²¹ The total number of positions classified as EX-02 or higher across Canada, including the territories, in 2004 was 2,441. Source: Treasury Board Secretariat, Government of Canada.

Since 1981, the number of military personnel based in Newfoundland and Labrador has ranged between 1.5% and 2.2% of total Canadian Forces. Those shares are substantially less than the proportion of Newfoundlanders and Labradorians in the military. Of course, the fact that a disproportionate share of the military comes from a particular province does not imply that it is necessarily appropriate that a similar portion of the military be stationed in that province. Surely, strategic considerations should dominate such locational decisions. However, consider Newfoundland and Labrador's geographic location. It is the most easterly part of Canada; it has 17,500 kilometres of coastline; and it is adjacent to the North Atlantic Ocean and the huge area of associated waters that fall within the 200-mile limit. Moreover, its land mass is approximately three times larger than the three Maritime provinces combined. It has an apparent abundance of land that could be used for military training and exercises and ice-free ports on the south coast; in fact, Argentia was used as a major American naval base during World War II and several decades thereafter. On the surface, these characteristics imply that one might expect that there would be a significant military presence. That is not the case.

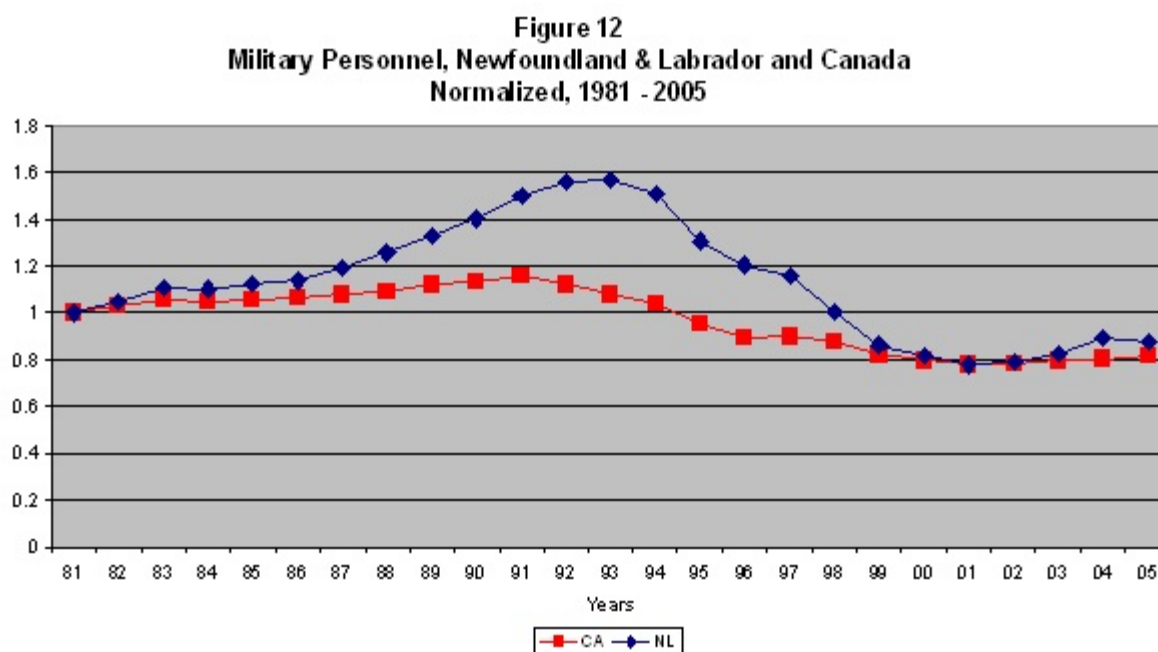
Figure 11 describes the changes in military personnel in Newfoundland and Labrador over the past 25 years. As can be seen from this figure, since 1981 the number of personnel has never exceeded 2,500. The number of military personnel in Newfoundland and Labrador peaked in 1993 at 2,464. As of 2005, there were only approximately 1,400 which is less than the number in 1981. Of those 1,400, the majority, approximately 900, were reservists. Thus, in 2005 only 500 regular military were stationed in the province.²² That is only 0.8% of Canada's 62,000 regular forces.



Source: Statistics Canada, Cansim Table 183-0004

²² Since 2001, as a result of a contract with the Marine Institute at Memorial University to provide two naval engineering programs, there are as many as 160 students from the military. Those 160 are members of the regular Forces and thus part of the approximately 500 regular military.

Next, consider Figure 12. It shows the pattern in the number of Canada's military personnel, both regular and reserve forces, in total and in Newfoundland and Labrador, both relative to 1981. The figure shows a pattern of increasing military presence until 1993, and then a sharp decline. In fact, over that period from 1981 to 1993, the increase was approximately 60%, reflecting the rise from the normalized value of 1 in 1981 to a value of 1.6 in 1993. Over years 1981 to 1991, the nationwide increase was less than 20%. Both declined from their respective peaks to less than 80% of their 1981 levels in 2000-2002. Since then the number of military in Newfoundland and Labrador and nationally have both stabilized at approximately 80% of their respective 1981 levels.



Still, in reviewing Figure 12, one must bear in mind that it simply tracks the trends from 1981. It does not reveal anything about the number or the proportion of Canadian Forces that are stationed in Newfoundland and Labrador. It shows that the trends were similar but, as shown in previous figures, the number of military personnel in Newfoundland and Labrador was very low to start with.

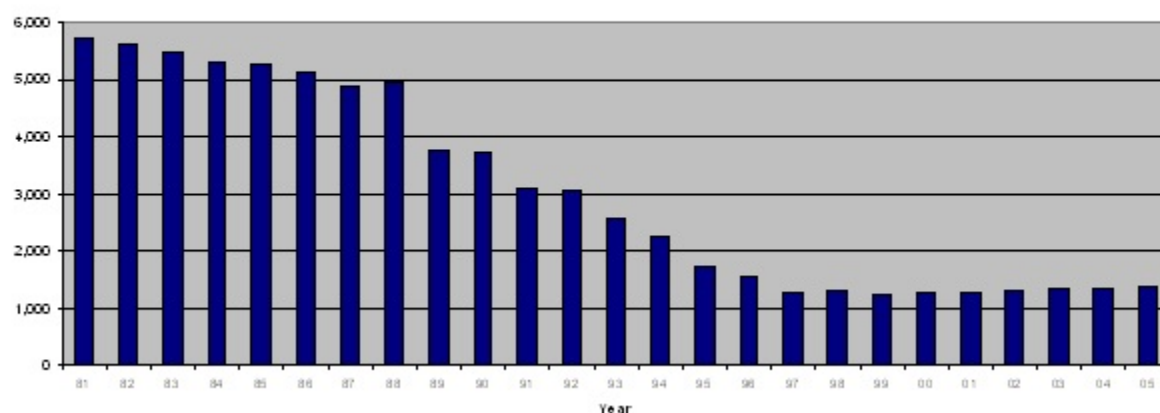
III.d. Employment in Federal Government Enterprises

To complete the picture of federal jobs, it is necessary to consider employment in federal government business enterprises. These include institutions such as the Canada Post Corporation, Marine Atlantic and other Crown corporations.

Figure 13 shows that since 1981 there has been a substantial reduction in the

number of people employed in federal government business enterprises in Newfoundland and Labrador.²³ There were more than 5,000 employees in these enterprises in the early 1980s. Sharp reductions in the late 1980s and early 1990s brought the number to approximately 1,300 by 1997, with little change since then. It is important to recognize that not all this reduction translated into job losses. In some cases, federal government business enterprises were privatized, so the jobs were transferred from the public sector to the private sector.

Figure 13
Employment in Federal Government Business Enterprises:
Newfoundland and Labrador



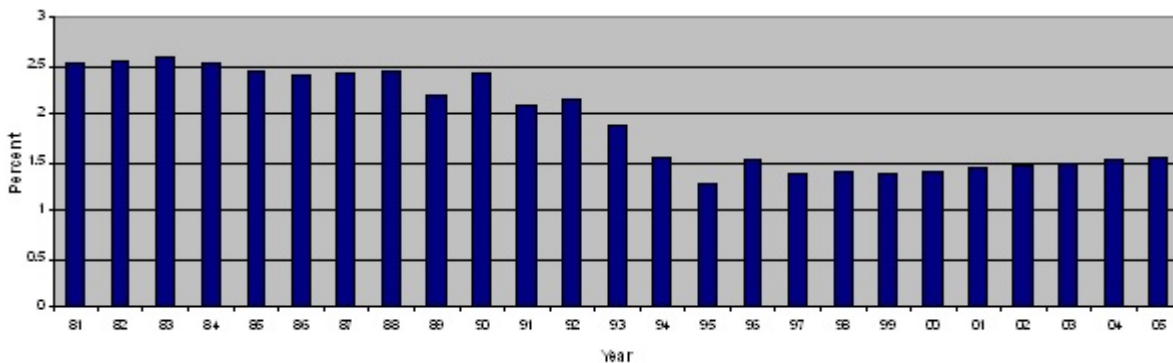
Source: Statistics Canada, Cansim Table 183-0002

It should also be noted that the steep reductions pictured in Figure 13 were consistent with a national trend over this time period.²⁴ Across Canada, federal government business enterprises eliminated positions and others were privatized. Nevertheless, the decline in this province was more pronounced than the national trend. This is illustrated in Figure 14, which shows employment in federal business enterprises in Newfoundland and Labrador as a percentage of the total employment in such enterprises across Canada. In the early 1980s, about 2.5% of such employment was in this province but a significant decline in that proportion occurred between 1990 and 1994. Since then it has averaged about 1.5%.

²³ Information acquired directly from some federal Crown corporations suggest that employment is somewhat higher than reported by Statistics Canada. Therefore, while the levels in Figure 13 may be subject to a margin of error, the trend displayed therein is highly indicative of what has taken place.

²⁴ Also, a province-specific event was the closure of the railway in the late 1980s, for which there was a federal-provincial "rails to roads" agreement under which the provincial government received \$800 million to assist with the upgrading of provincial roads.

Figure 14
Employment in Federal Business Enterprises in Newfoundland
and Labrador as a Percent of National Total: 1981-2005



III.e. Synopsis

The main features of federal employment in Newfoundland and Labrador are:

- the federal government and its enterprises are significant employers in Newfoundland and Labrador;
- there was a sizable reduction in the number of federal government jobs from 1993 to 1999, with no significant recovery up to 2005;
- the share of federal government jobs in this province has generally been slightly higher than the province's share of the national population, but the share has been declining and some other provinces have much higher shares;
- there are relatively few executive level positions in the province, only about 0.8% of the total such positions in the federal government;
- of the 1,400 military personnel stationed here, the vast majority, approximately 900, are reservists;
- there are only about 500 regular Canadian Forces in Newfoundland and Labrador, which constitutes a mere 0.8% of all regular Forces;
- the extent of Canadian Naval presence appears to be limited to naval personnel enrolled in naval engineering programs; and
- employment in federal government business enterprises in this province has fallen substantially and by disproportionately more than the nationwide decline; only 1.5% of such employment was located here in 2005, compared to 2.5% in 1981.

IV. Federal Offices

Federal employees are of course associated with specific federal government departments, agencies and institutions. In some cases, the downgrading of an office has been the cause of job losses. For instance, consider the Canadian Forestry Service. Since 1995 Canadian Forest Service personnel in the province has declined by about 70%. Prior to the federal government's Program Review Initiative that office was a regional one located in St. John's with a regional Director General and approximately 80 staff. With downsizing and a relocation to Corner Brook, which was completed in 1998, there were 22 permanent positions left.²⁵ The Corner Brook location does not have anyone as senior as a Director General; the regional Director General is in New Brunswick where a much larger Canadian Forest Service operation is based.

Other offices have been closed entirely. That was the fate of the Statistics Canada office, the Gander Weather office, and more recently, the Public Service Commission office, each of which had its functions transferred to Nova Scotia. The closure of the Gander Weather office ignited a province-wide grassroots protest and a petition with more than 100,000 signatures. That particular controversy brought to the forefront not only concerns about the job losses in a small town but also the widespread perception that services would be of reduced quality.²⁶

This section deals with the location of federal offices. It does so in three ways. Specifically, each of the following subsections provides, respectively, a current snapshot of:

- federal offices that are actually located in Newfoundland and Labrador;
- the number of offices here relative to other provinces; and
- the location of federal offices with national mandates.

Unlike employment and other types of data, information on federal offices is not readily available through Statistics Canada or other agencies. Therefore it was necessary to compile data from a variety of sources, including the federal government website Burolis, which identifies the location of most federal offices by department and province.²⁷ Some variation between the estimates and actual number of offices is likely, as updates to the database by the departments are not always timely and efforts to verify existing data with the respective departments were not always successful. Nevertheless,

²⁵ See www.atl.cfc.nrcan.gc.ca/index-e/who-e/role-e/corner_brook-e.html.

²⁶ In March 2003, the federal government had announced it would be consolidating 14 weather offices into five centres of excellence, resulting in Gander losing its forecasting function and moving 11 positions to Halifax. That move did take place. However, in 2006 the federal government announced the reopening of the Gander Weather Office.

²⁷ Burolis is a directory of offices and facilities run by the Public Service Human Resource Management Agency of Canada. It can be found at www.hrma-agrh.gc.ca/burolis/home-accueil_e.asp.

the information presented herein should provide a reasonable picture.

IV.a. Federal Offices in Newfoundland and Labrador

Table 4 identifies most of the Government of Canada offices located in Newfoundland and Labrador by department, agency or corporation. In cases where the information was available, the table also provides an estimate of the number of staff in those offices.²⁸ There is no precise definition of an office and staff numbers are variable during the year so the information in the table is best considered as being indicative.

As can be seen by gleaning Table 4, the federal entity with the greatest number of offices in the province is the Canada Post Corporation. It has 362 offices with more than 1,800 staff.²⁹ Coming second, in terms of offices, is the RCMP with 56 and a staff of almost 700. Both provide services that require local presence in various geographic localities. Interestingly, both are financed by charging for their services; the Post Office's revenues come from customers and the RCMP's presence, beyond where mandated, is paid for by the provincial government. Marine Atlantic is also a significant employer, provides services that require a local presence, and charges users for its services.³⁰ The other entities listed in the table provide a mix of services and are quite variable in terms of the number of offices and staff complements, with the largest of them, in terms of staff, being the Department of Fisheries and Oceans with 1,500 staff and 42 offices.³¹

Table 4 also illustrates the roles of the federal government across the province. Large staffing complements are concentrated in the areas of service delivery. The data, and discussions with federal employees, indicate that few positions are devoted to research and program and policy development in Newfoundland and Labrador. While some research and policy positions do exist within the province, for instance in the Department of Fisheries and Oceans and the Atlantic Canada Opportunities Agency (ACOA), they are primarily concentrated in regional or national offices.

The federal government has located three "regional" offices in Newfoundland and Labrador: Department of Fisheries and Oceans, the Atlantic Canada Opportunities Agency and Service Canada.³² None of these has Atlantic-wide responsibilities, but are

²⁸ Data have been gathered through discussions with local authorities.

²⁹ This information is as of June 2006. Postal outlets operated by the private sector are not included.

³⁰ A significant portion of Marine Atlantic's costs is covered by a subsidy from the federal government.

³¹ Table 4 does not include military bases or stations. There are three in Newfoundland and Labrador: 5-wing Goose Bay, 9-wing Gander and Canadian Forces Station-St.John's.

³² Service Canada constitutes a reorganization of the Department of Human Resources and Social Development, which itself was formerly known as Human Resources and Development Canada.

regional only in so far as the “region” coincides with Newfoundland and Labrador. All offices with Atlantic-wide responsibilities are located in Halifax, Nova Scotia or in Moncton or Fredericton, New Brunswick.

Table 4
Federal Offices and Staff,
Newfoundland and Labrador, 2005-2006

Department /Agency	Offices	Staff
Agriculture and Agri-Food Canada	3	36
Atlantic Canada Opportunities Agency	9	117
Business Development Bank of Canada	3	80
Canada Post Corporation	362	1,828
Canada Mortgage and Housing Corporation	1	8
Canada Revenue Agency	5	1,058
Canada Border Services Agency	5	59
Canadian Heritage Program	1	17
Canadian Food Inspection Agency	25	132
Canadian Air Transport Security Authority	1	2
Canadian Broadcasting Corporation	7	132
Citizenship and Immigration Canada	1	9
Correctional Service of Canada	5	32
Courts Administration Service	1	2
Defence Construction Canada	2	10
Department of Public Safety and Emergency Preparedness	1	3
Environment Canada	6	61
Export Development Canada	1	1
Farm Credit Canada	1	2
Fisheries and Oceans Canada	42	1,500
Health Canada	5	22
Human Resources and Social Development/Service Canada	18	800
Indian and Northern Affairs Canada	2	5
Industry Canada	1	30
Marine Atlantic Inc	4	660
National Defence	5	
National Research Council Canada	6	16
Natural Resources Canada	1	26
Parks Canada	10	130
Passport Canada	1	8
Privy Council Office	1	3
Public Works and Government Services Canada	7	138
Royal Canadian Mounted Police	56	699
St. John's Port Authority	1	15
Status of Women Canada	1	1
Transport Canada	8	98
Veterans Affairs Canada	3	32

Table Note:

Estimates for staff may not be comparable. They were obtained from different sources and for different times. Some include full-time, part-time, seasonal, and casual workers, all of which would vary during the year. For instance, according to information provided by Fisheries and Oceans, its monthly payroll has ranged from 1,427 to 1,573 during the 2005/06 fiscal year.

Marine Atlantic, formerly CN Marine, is the only federal entity in Newfoundland and Labrador with regional responsibilities that extend beyond the province. However, that Crown Corporation's mandate was substantially reduced during the 1990s. Its only remaining significant functions are the operation of a ferry service between North Sydney, NS and Port aux Basques, NL, which is mandated under Newfoundland's Terms of Union with Canada, and the operation of a seasonal service between North Sydney and Argentia, NL. Therefore its mandate is regional, i.e., reaching beyond Newfoundland, only in so far as it has facilities and employees in North Sydney.

No national headquarters, head offices, specialized centres or unique government entities such as tribunals, penitentiaries, or Bank of Canada offices, are located in Newfoundland and Labrador. Also, there are few offices or staff associated with programs that must exist but may be described as "footloose" in the sense that they might well be located anywhere in Canada without adversely affecting their efficiency. The only apparent and significant exception to that observation is the Canada Revenue Agency presence. It has a large staff complement, more than 1,000, which is largely the result of the location in St. John's of its tax processing centre for Eastern Canada.

In 2006, the federal government did announce that the Gander Weather office would be re-opened. Otherwise, there has been little indication of any reversal of the downgrading and closures that have occurred. However, one potentially positive development is the Service Canada initiative announced in February 2005. That plan involves the transfer of federal positions from 12 different departments to smaller cities and towns across the country to create a universal service agent.³³ This may prove to create improved lines of communication as well as public service delivery. However, it is not clear whether this will mean a net increase in federal offices offering public services in Newfoundland and Labrador; the opposite is possible.

IV.b. Offices across Canada: Comparison by Province

Having provided a sketch of federal offices in Newfoundland and Labrador, one might ask how this compares with the experience of other provinces. Table 5 shows a summary of federal offices across the country.³⁴ Where possible, Crown corporations and agencies have been grouped with their respective departments.³⁵ Head office locations for each department have been denoted by an asterisk (*). Also, Canada Post

³³ The initiative was announced in the federal government's 2005 budget, www.fin.gc.ca/budtoce/2005/budliste.htm and commented on by union officials on February 12, 2005 as reported by CBC News: www.cbc.ca/story/canada/national/2005/02/11/services-canada050211.html.

³⁴ This table was constructed using Burolis data and follow-up contact with federal government staff in the respective departments.

³⁵ Numbers are not always cumulative when corporations and agencies are grouped with their department due to the nature of the data source.

Table 5

Federal Government Offices by Department and Province, 2005-2006

Department	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
Agriculture and Agri-Food Canada	3	3	3	5	7	10*	11	22	14	4
- Canadian Dairy Commission	0	0	0	0	0	1	0	0	0	0
- Canadian Food Inspection Agency	25	9	14	13	28	44	12	12	10	21
- National Farm Products Marketing Council	0	0	0	0	0	1	0	0	0	0
- Canadian Grain Commission	0	0	0	0	1	2	4	4	1	2
- Farm Credit Canada	1	8	2	5	15	20	14	16	18	4
Atlantic Canada Opportunities Agency	9	2	11	13*	0	1	0	0	0	0
Atomic Energy Commission	0	0	0	0	1	3*	1	0	0	0
Blue Water Bridge Authority	0	0	1	0	0	1	0	0	0	0
Bank of Canada	0	0	1	0	1	2*	0	0	1	1
Business Development Bank of Canada	3	1	4	5	20*	27	2	2	8	14
Canada Economic Development for Quebec Regions	0	0	0	0	17*	0	0	0	0	0
Canada Industrial Relations Board	0	0	1	0	1	2*	1	0	0	1
Canada Lands Company Limited	0	1	1	1	2	4*	1	0	2	3
- Old Port of Montreal	0	0	0	0	1	0	0	0	0	0
- Park Downsview Park Inc.	0	0	0	0	0	1	0	0	0	0
Canada Mortgage and Housing Corporation	1	1	1	1	5	7*	1	2	2	3
Canada Revenue Agency	5	2	1	4	14	24	3	2	4	7
Canada School of Public Service	0	1	1	2	3	5	1	0	2	1
Canadian Air Transport Security Authority	8	1	2	4	18	16*	2	3	7	20
Canadian Broadcasting Corporation	3	1	2	4	8	7*	2	3	2	1
Canadian Environmental Assessment Agency	0	0	1	0	1	2*	1	0	1	1
Canadian Heritage	1	1	1	1	3*	6	3	2	2	3
Canadian Human Rights Commission	0	1	1	0	1*	3	1	0	1	1
Canadian Institutes of Health Research	0	0	0	0	3	6*	0	0	2	3
Canadian International Development Agency	1	1	1	1	1*	0	1	1	1	1
Canadian National Railway Company	0	0	2	2	4	7	5	2	5	2
Canadian Nuclear Safety Commission	0	0	0	1	2	6*	0	1	1	0
Canadian Radio-Television and Telecommunications Commission	0	0	1	0	2*	1	1	0	1	1
Canadian Tourism Commission	0	0	0	0	0	1*	0	0	0	1
Canadian Transportation Accident Investigation and Safety Board	0	0	1	0	3	4	2	0	4	2
Canadian Transportation Agency	0	0	0	1	2*	1	1	0	1	1
Canadian Wheat Board	0	0	0	0	0	0	1*	1	1	1
Citizenship and Immigration Canada	1	3	4	6	14	33*	4	3	8	16
Commissioner of Official Languages	0	0	0	1	1	3*	1	1	1	1
Courts Administration Service	1	1	1	2	2	6	1	2	2	1
Defence Construction Canada	2	0	3	1	4	11*	2	1	6	4
Defence R&D Canada	0	0	1	0	1	2*	0	0	1	0
Elections Canada	0	0	0	0	0	1	0	0	0	0
Environment Canada	6	2	6	10	42	24	8	15	18	31
Export Development Canada	1	0	1	1	2	4*	1	0	2	1
Farm Credit Canada	1	2	2	4	15	21	13	15*	19	5
Financial Transactions and Reports and Analysis Centre of Canada	0	0	0	0	1	2*	0	0	0	1
Fisheries and Oceans Canada	42	8	39	26	24	29	4	2	4	64
Foreign Affairs and International Trade ¹	1	1	0	0	0	1*	0	1	0	0
- Passport Canada	1	0	1	1	8*	13	1	2	3	4
Health Canada	5	8	9	8	10	31	6	7	14	7
Human Resources Development Canada	18	1	24	25	90	118	21	15	41	43
Immigration and Refugee Board	0	0	0	0	1	3*	1	0	2	1
Indian and Northern Affairs Canada	2	0	2	0	5*	10	2	4	3	4

Department	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
- Indian Oil and Gas Canada	0	0	0	0	0	0	0	0	1	0
Indian Claims Commission	0	0	0	0	0	1	0	0	0	0
Indian Residential Schools Resolution of Canada	0	0	0	0	0	1	0	1	0	1
Industry Canada	1	1	7	3	12	35*	2	3	7	8
- Competition Bureau	0	0	1	0	1*	2	1	0	1	1
Justice Canada	0	0	1	0	1	2*	1	1	2	1
Marine Atlantic Inc	4*	0	2	0	0	0	0	0	0	0
National Capital Commission	0	0	0	0	5	3	0	0	0	0
National Defence	5	7	4	5	14	23*	4	3	5	8
National Film Board	0	0	1	1	5	4*	1	0	1	1
National Research Council Canada	6	0	2	0	3	13	2	1	2	4
Natural Resources Canada	1	0	3	1	6	9*	1	1	5	5
NAV CANADA1	0	0	0	0	17	3	0	0	0	0
Office of the Auditor General of Canada	0	0	1	0	1	1*	0	0	1	1
Office of the Superintendent of Financial Institutions Canada	0	0	0	0	1	2*	0	0	0	1
Parks Canada Agency	10	1	14	9	37*	26	9	9	9	11
Privy Council Office	1	1	1	1	1	13*	1	1	1	1
Public Health Agency of Canada	1	0	1	1	1	6*	3	1	2	2
Public Safety and Emergency Preparedness	1	5	2	2	2	8*	1	1	3	2
- Canada Border Services Agency ²	5	1	6	29	59	59*	20	13	9	31
- Canada Firearms Centre	0	0	0	0	0	1*	0	0	0	0
- Canadian Security Intelligence Service	0	0	0	0	0	1	0	0	0	0
- Commission for Public Complaints Against the RCMP	0	0	0	0	0	1	0	0	0	1*
- Correctional Service of Canada	12	1	20	19	65	80*	15	20	29	41
- National Parole Board	0	0	0	1	1	2	0	1	1	1
- Royal Canadian Mounted Police	56	1	58	79	31	28	85	128	120	154
Public Sector Pension Investment Board	0	0	0	0	1	1*	0	0	0	0
Public Service Commission of Canada	0	1	1	1	2	3*	1	1	1	2
Public Works and Government Services Canada	7	9	4	4	11*	8	3	2	3	3
Royal Canadian Mint	0	0	0	0	0	1*	1	0	0	0
St. Lawrence Seaway Management Corporation	0	0	0	0	5	5	0	0	0	0
Statistics Canada	0	0	1	0	1	2*	1	1	1	1
Status of Women Canada Office	1	2	1	1	2	5*	1	1	1	1
Tax Court of Canada	0	0	1	1	2	2*	1	0	2	1
Telefilm Canada	0	0	1	0	1*	1	0	0	0	1
Transport Canada	8	3	7	6	26	26*	6	3	8	17
Transportation Safety Board of Canada	0	0	1	0	3*	2	1	0	2	1
Veterans Affairs Canada	3	3*	3	3	7	14	3	2	2	8
VIA Rail Canada Inc.	0	0	3	7	31	30*	6	1	2	4
Western Economic Diversification Canada	0	0	0	0	0	1	2	2	4	2
TOTAL	263	95	293	322	739	952	308	338	440	598

Table Notes:

1. Foreign Affairs and International Trade have Trade Commissioners in each province located in their respective Canada Business Service Centres.
2. Numbers indicate the number of regional offices in each province. Each regional office is affiliated with a number of service locations or sufferance warehouses.
3. Canada Post Corporation is not included.

Corporation offices are not included in this table. It has so many offices that inclusion in the table would overwhelm the other figures. Canada Post has more than 4,000 offices across Canada, excluding outlets operated by the private sector.³⁶

Based on those listed in the table, Newfoundland and Labrador, with 263 federal government offices, is ahead of only Prince Edward Island, which has the least, at 95. Almost one half of the offices in the province are offices of the Canadian Food Inspection Agency, Fisheries and Oceans, and the RCMP. These are primarily smaller offices with limited staff and responsibilities; their mandates are specific; and their contribution to the local economy is limited. As one might expect, the key service delivery departments all have offices in the province; the RCMP, Human Resources Development Canada, Parks Canada, ACOA, and Fisheries and Oceans to name a few. However, many others have no, or limited, presence, such as, Justice Canada, Industry Canada, Public Works and Government Services Canada, Statistics Canada, Defence R&D Canada and the Public Service Commission. The work of these and other departments in the province is provided through regional offices located in the other Atlantic Provinces or the national headquarters. There are 183 agencies, corporations or departments identified in Table 5 and, of these, 38 have a presence in Newfoundland and Labrador. The remaining organizations offer services to the province via a regional or national office located elsewhere in Canada.

IV.c. The Location of Federal Agencies with National Mandates

Table 6, given in the last two pages of this section, shows the location and number of offices of federal departments, corporations, agencies or offices with national mandates but with a single or few points of service. As that lengthy table indicates, there are a great many such institutions, and the table may not be exhaustive. The table also confirms that the vast majority of these are located in Ontario, with the remainder shared between Nova Scotia, Prince Edward Island, Quebec and Manitoba. Of the nearly 100 organizations listed in the table, all but 14 are located only in Ontario, with another 4 having offices in both Ontario and another province.

It is not at all surprising that a large portion of these offices are located in Ontario. Most of those in Ontario are in Ottawa, which is encompassed by the National Capital Region. Presumably many offices in Quebec are also in the National Capital Region, being on the Quebec side of the Ottawa River. And some of these institutions must naturally be in Ottawa, e.g., the Parliament. Nevertheless, this list does draw attention to the possibility that many of these institutions are in Ottawa for antiquated reasons.

For some of these institutions, synergies may be such that the national capital

³⁶ According to Canada Post officials, of those, 362 are in Newfoundland and Labrador. Quebec has the most, at 1,014, followed by Ontario with 785. Among the Atlantic Provinces, Newfoundland and Labrador has the most, followed by Nova Scotia with 246. However, as of June 2006 there were more Canada Post employees in Nova Scotia; 2,735 versus 1,828 in Newfoundland and Labrador.

region is the best location. However, there may be others that could be located in various provinces without any loss of efficiency and conceivably could even result in cost-savings for the federal government. It is beyond the scope of this report to ascertain whether such efficiencies exist. Still, this seems to be a matter worth investigating. This observation, of course, speaks to the broader issue of the location of such offices across all of Canada, not just Newfoundland and Labrador. Therefore, the scope for such relocation is limited and, in any case, would be of less significance than the location of services that are more specifically relevant to the province.

IV.d. Synopsis

The main findings of this section are:

- many federal offices in Newfoundland and Labrador were either downgraded or closed during the past 10 years;
- few, if any, existing federal government, or federal Crown Corporation, offices in this province have mandates that extend beyond its boundaries;
- practically all federal entities with Atlantic Region responsibilities have their headquarters in other Atlantic provinces; and
- headquarters and major offices with national mandates are heavily concentrated in the National Capital Region and none of those outside that area are in Newfoundland and Labrador.

Table 6

Federal Offices with National Mandates, by Province of Location

Department/Agency	Location	Number
Atlantic Pilotage Authority	NS	1
Canada Council for the Arts	ON	2
Canada Deposit Insurance Corporation	ON	2
Canada Pension Plan Investment Board	ON	1
Canada Science and Technology Museum Corp.	ON	3
- Canadian Agricultural Museum	ON	1
- Canadian Aviation Museum	ON	1
- Canadian Science and Technology Museum	ON	1
Canadian Artists and Producers Professional Relations Tribunal	ON	1
Canadian Centre for Occupational Health and Safety	ON	1
Canadian Centre on Substance Abuse	ON	1
Canadian Commercial Corporation	ON	1
Canadian Dairy Corporation	ON	1
Canadian Forces Grievance Board	ON	1
Canadian Forces Personnel Support Agency	ON	1
Canadian Human Rights Tribunal	ON	1
Canadian Intergovernmental Conference Secretariat	ON	1
Canadian Intellectual Property Office	QC	1
Canadian Intergovernmental Conference Office	ON	1
Canadian International Trade Tribunal	ON	1
Canadian Judicial Council	ON	1
Canadian Museum of Civilization	QC	1
Canadian War Museum	ON	1
Canadian Museum of Nature	QC & ON	2
Canadian Polar Commission	ON	1
Canadian Police College	ON	1
Canadian Race Relations Foundation	ON	1
Canadian Space Agency	QC & ON	3
Canadian Tourism Commission	BC	1
Communications Security Establishment	ON	1
Competition Tribunal	ON	1
Copyright Board Canada	ON	1
Elections Canada	ON	1
Environmental Protection Review Canada	ON	1
Office of the Ethics Commissioner	ON	1
Federal Bridge Corporation Limited	ON	1
Federal Labour Standards Review	QC	1
Finance Canada	ON	1
Financial Consumer Agency of Canada	ON	1
Financial Consumer Agency of Canada	ON	1
Freshwater Fish Marketing Corporation	MB	1
Governor General	ON	1
Hazardous Materials Information Review	ON	1
Indian Claims Commission	ON	1
Information Commissioner of Canada	ON	1
Infrastructure Canada	ON	1
Interagency Advisory Panel on Research Ethics	ON	1
International Centre for Human Rights and Democratic Development	QC	1
International Development Research Centre	ON	1

Department/Agency	Location	Number
International Joint Commission	ON	2
Department of International Trade	ON	1
Law Commission of Canada	ON	1
Library and Archives of Canada	QC & ON	3
Military Police Complaints Commission	ON	1
NAFTA Secretariat - Canadian Section	ON	1
National Advisory Council on Aging	ON	1
National Arts Centre Corporation	ON	1
National Battlefields Commission	QC	1
National Energy Board	AB	1
National Farm Products Council	ON	1
National Gallery of Canada	ON	2
National Joint Council	ON	1
National Literacy Secretariat	ON	1
National Round Table on the Environment and the Economy	ON	1
National Search and Rescue Secretariat	ON	1
Natural Sciences and Engineering Research Council of Canada	ON	1
Networks of Centres of Excellence	ON	1
Office of Infrastructure of Canada	ON	1
Office of the Chief Electoral Officer	ON	1
Office of the Commissioner for Federal Judicial Affairs	ON	2
Office of the Correctional Investigator	ON	1
Office of the Governor General's Secretary	ON	1
Office of the Registrar of the Supreme Court of Canada	ON	1
Offices of the Information and Privacy Commissioners	ON	1
Parliament of Canada	ON	1
Patented Medicine Prices Review Board	ON	1
Pension Appeals Board	ON	1
Policy Research Initiative	ON	1
Public Sector Pension Investment Board	QC & ON	2
Public Service Human Resources Management Agency of Canada	ON	8
- The Leadership Network	ON	1
Public Service Integrity Office	ON	1
Public Service Labour Relations Board	ON	1
Public Service Staffing Tribunal	ON	1
Royal Canadian Mint	ON & MB	2
Seaway International Bridge Corporation Limited	ON	1
Security Intelligence Review Committee	ON	1
Social Sciences and Humanities Research Council of Canada	ON	1
Species at Risk Act Public Registry	ON	1
Standards Council of Canada	ON	1
Supreme Court of Canada	ON	1
Transportation Appeal Tribunal of Canada	ON	1
Treasury Board of Canada, Secretariat	ON	4
Veteran's Review and Appeal Board	PE	1

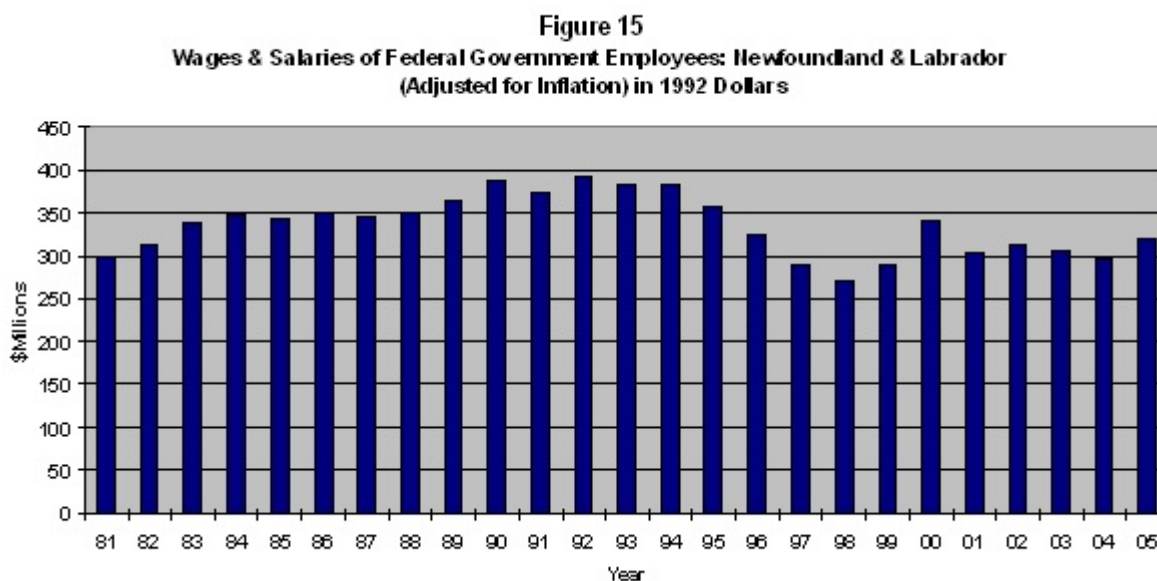
V. Wages and Salaries

Directly associated with federal employees are their wages and salaries. Such payments benefit not only those employees but also have an impact on the provincial economy as those earnings are spent locally. However, the focus of this report is on direct spending so spin-off effects associated with federal wages and salaries, or with any of the other forms of federal spending discussed later, are not part of this report.

This section examines the annual levels of federal spending on wages and salaries within the province and the pattern of that spending since 1981. Payments to federal government employees and to employees of federal government business enterprises are both dealt with in turn.

V.a. Wages and Salaries of Federal Government Employees

Figure 15 shows annual federal government expenditures on wages and salaries for its employees in Newfoundland and Labrador. These annual amounts are expressed in real terms, i.e., they have been adjusted for inflation.³⁷ The amounts of such payments are large. Over the time period 1981 to 2005, they are typically between \$300 million and \$400 million per year, in 1992 dollars.

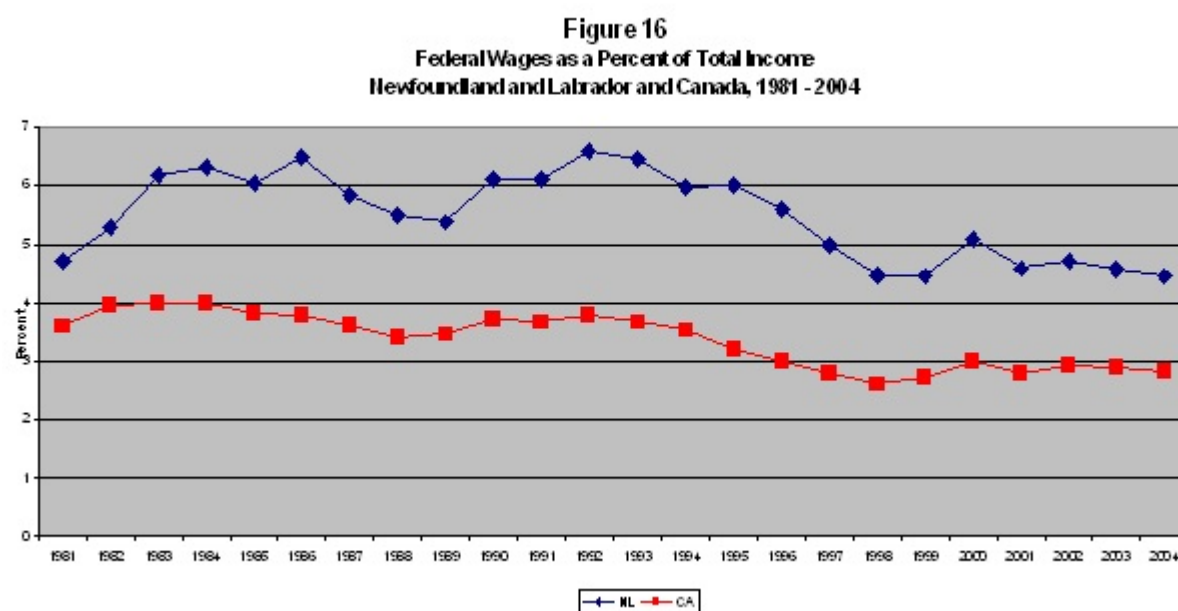


Source: Statistics Canada, Cansim Tables 183-0002 and 326-0002.

³⁷ Adjustment for inflation was done using the Consumer Price Index (CPI) for Canada (1992=100), which was used as the price index throughout this report.

To put these expenditures on wages and salaries in perspective, they should be related to the provincial economy. That is done in Figure 16. It shows total federal wages and salaries as a percentage of total earnings for Newfoundland and Labrador and for Canada over the past 25 years.³⁸ As illustrated, the wages and salaries of federal government employees comprise a significant portion of the total earnings in this province. At times, those wages and salaries accounted for in excess of 6% of all earnings in Newfoundland and Labrador, although that proportion has fallen in more recent years.

Figure 16 also shows the corresponding national ratio. The reason that the Newfoundland and Labrador proportion is higher is due to the fact that the amount earned per person in the province is lower than the national average.³⁹ In short, these payments are significant in this province and more significant than across Canada.



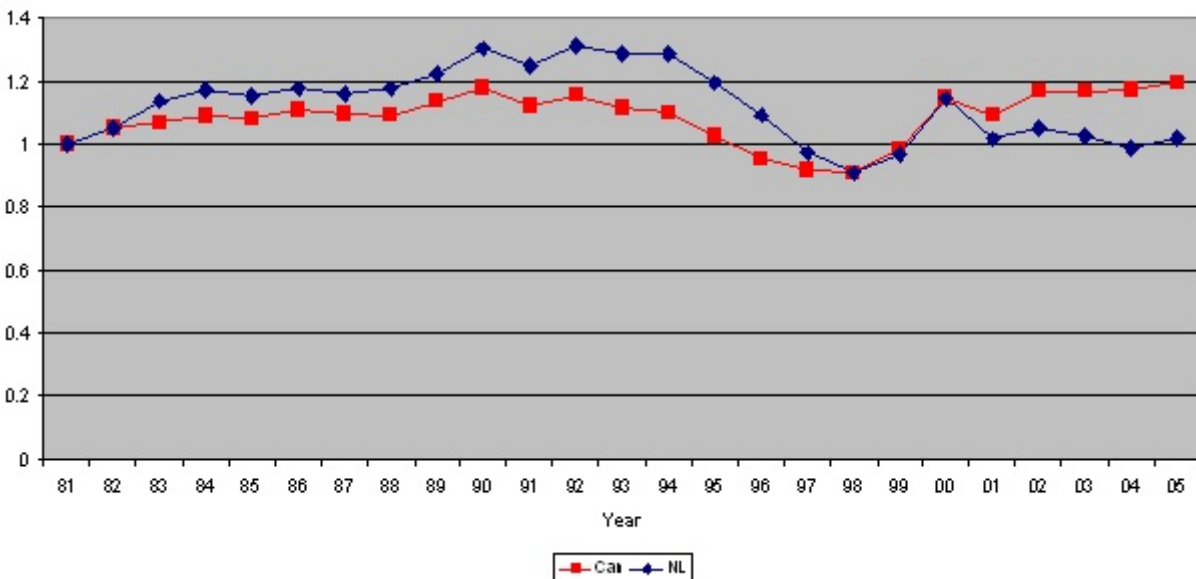
Source: Public Sector Employment and Survey of Labour and Income Dynamics
Statistics Canada, Cansim Tables 183-0004 and 202-0407.

³⁸ Earnings are composed of wages, salaries and commissions as well as self-employment income. For example, in 2003 earnings in Newfoundland and Labrador totaled \$6.7 billion. Federal expenditures on wages and salaries for the same year was \$305 Million. The ratio of these numbers is about 4.6% as shown in the table for the province in that year.

³⁹ Over this time period, earners in Newfoundland and Labrador lagged behind the national average in earnings by approximately \$6,000 to \$10,000 per year.

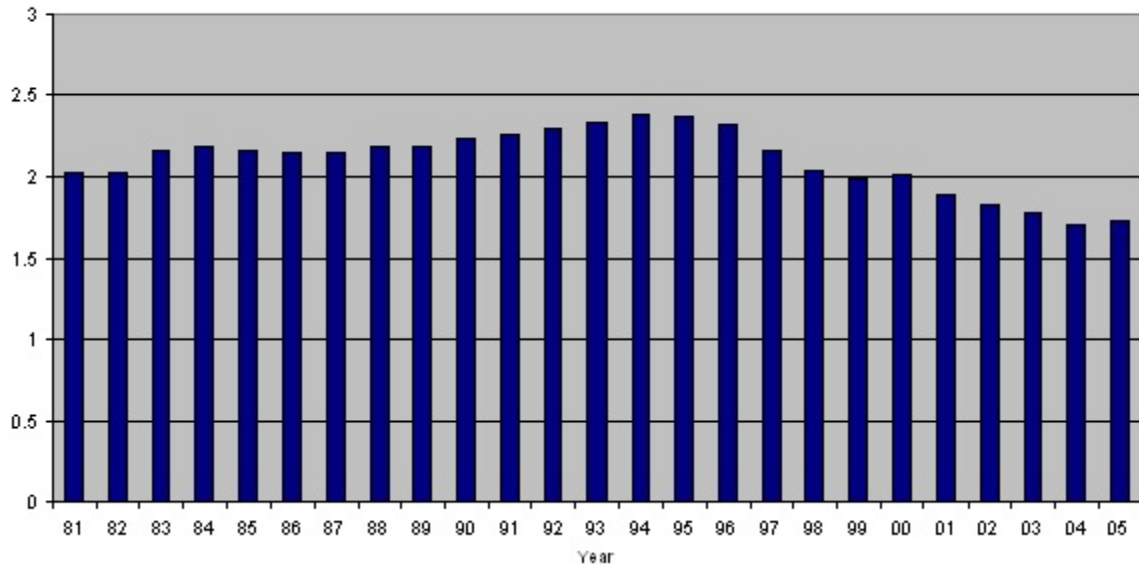
Next, consider the trend in these payments of wages and salaries. One way of doing so is to consider the normalized values as displayed in Figure 17, which gives the patterns of federal government expenditures on wages and salaries, both in Newfoundland and Labrador and nation-wide. As can be seen, over the past 25 years federal government expenditures on wages and salaries in this province have moved in a pattern somewhat similar to the national trend. However, in the year 2000 there was a cross-over and after that year the national trend began to increase but provincial index fell back to the same level it was in 1981. In other words, adjusted for inflation, federal government spending on wages and salaries for its employees in Newfoundland and Labrador was the same as in 1981, while the national spending level was about 20% higher.

Figure 17
Federal Government Expenditures on Wages & Salaries
in Newfoundland & Labrador and in Canada, Normalized



Another way of assessing the trend is to look at Newfoundland and Labrador's share of all federal government expenditures on wages and salaries. That is illustrated in Figure 18. As shown, that share followed an upward movement until 1994 when it stood at approximately 2.4%. Thereafter, the trend turned downward. By 2001 the share was less than the 2% realized in 1981 and by 2005 was 1.7%. These movements largely mirror the trend in employment, as previously shown in Figure 9. The outstanding feature of both is the noticeable decline beginning in the mid-1990s.

Figure 18
Federal Government Wages and Salaries in Newfoundland and Labrador
as a Percent of National Total

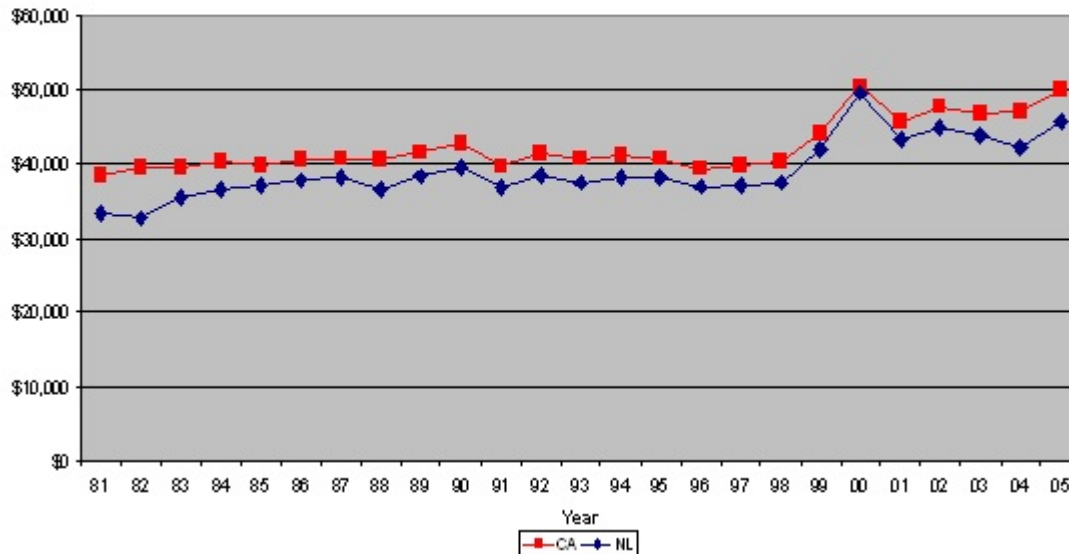


Source: Statistics Canada, Cansim Tables 183-0002 and 326-0002.

One other interesting aspect of federal government expenditures on wages and salaries is the amount per employee. That is examined in Figure 19, the last figure of this subsection. Figure 19 shows wages and salaries per federal government employee in Newfoundland and Labrador.⁴⁰ The figure also provides the corresponding national levels. Clearly, there is a persistent gap between the two. The average amount earned by federal government employees working in Newfoundland and Labrador has been consistently below the national average. Typically that annual gap has ranged from \$2,500 to \$4,000 per employee (in 1992 dollars). Since the federal government maintains common pay scales across the country, this phenomenon is presumably due to there being relatively fewer senior and higher paying positions or relatively more part-time and casual positions, or some combination of the these factors.

⁴⁰ One might note the spike for the year 2000. Apparently that is due to a substantial -more than \$2 billion - national pay equity adjustment.

Figure 19
Federal Government Wages & Salaries per Federal Government Employee:
Newfoundland & Labrador and Canada (Adjusted for Inflation), 1992 Dollars



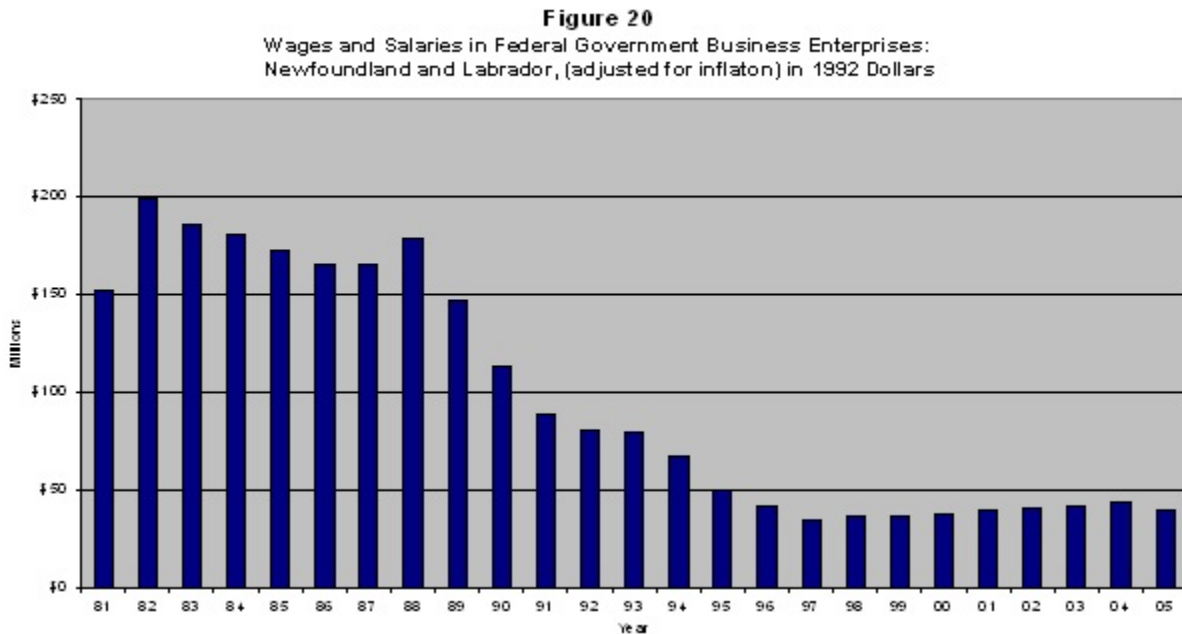
V.b. Wages and Salaries: Federal Government Business Enterprises

In addition to the employees that the federal government itself has on its payrolls, there are many people who work for federal government business enterprises. The wages and salaries earned by these employees are also of relevance to this study.

Figure 20 shows the annual total payments of wages and salaries made to employees of federal government business enterprises in Newfoundland and Labrador. In that regard, two observations are in order. First, such payments are much less than the amount paid to federal government employees. That can be seen by comparing Figure 20 with Figure 15. The difference simply reflects the innocuous fact that there are fewer people working in federal government business enterprises than directly for the federal government.

The second observation about Figure 20 is the remarkable decline in the payments. In the 1980s, the payments to people working in federal government enterprises in the province ranged between \$150 million and \$200 million annually. During the early 1990s there was a huge decline and since 1995, the annual payments have been less than \$50 million (expressed in 1992 dollars).

To some extent, however, Figure 20 overstates the loss of wages and salaries. Some of the jobs were transferred to the private sector within the province in those cases where federal government business enterprises were privatized.



Source: Statistics Canada, Cansim Table 183-0002

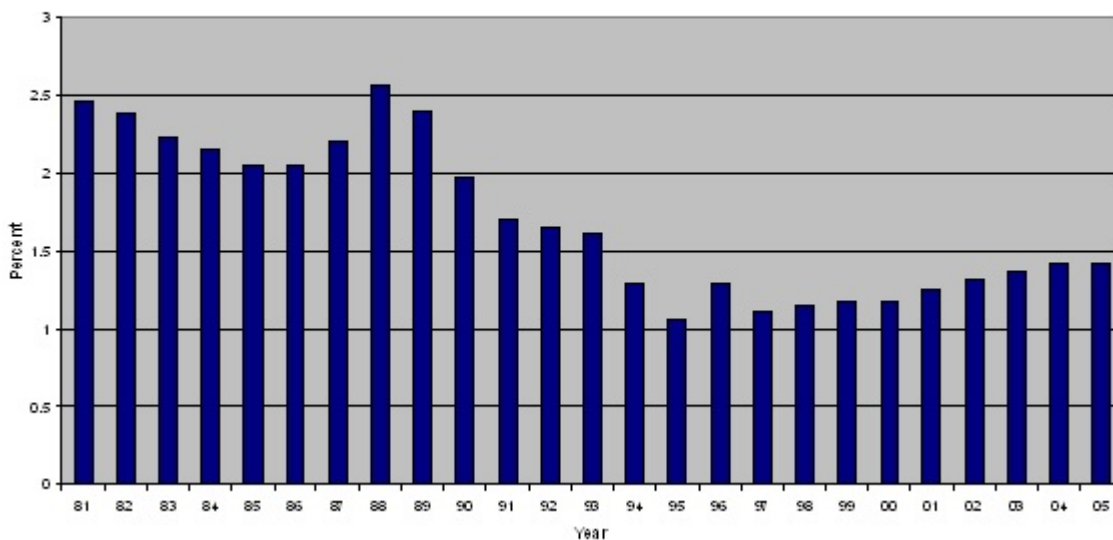
As previously discussed in Section III, during the late 1980s and in the 1990s there was a substantial decline in employment in federal government business enterprises, both within the province and nationally, as many such enterprises were either downsized or privatized. In other words, the pattern given in Figure 20 is somewhat similar to the national picture and is not unique for this province. Therefore, to place this in proper perspective a comparison with what happened at the national level is in order. That is done in Figure 21, which gives the proportion of the national total of wages and salaries paid by federal government business enterprises that was paid to such employees in Newfoundland and Labrador.

Figure 21 shows that during the 1980s, between 2% and 2.5% of the value of all wages and salaries paid to federal government business enterprise employees went to such employees in Newfoundland and Labrador. That share fell off significantly thereafter, reaching a low of not much more than 1% in 1995. In more recent years, it has recovered somewhat but as of 2005 was still less than 1.5%.

In short, even though federal business enterprises across the entire country were going through a similar downsizing during the 1990s, there was a disproportionate drop in Newfoundland and Labrador.⁴¹ Both Figure 21 and Figure 14 are illustrative of that disproportionate effect.

⁴¹ Also, as mentioned earlier, part of the explanation may have been the closure of the railway, for which there was a federal-provincial agreement through which the federal government provided compensation in the form of funds to improve the provincial highway system.

Figure 21
Wages and Salaries in Federal Government Business Enterprises:
Newfoundland and Labrador as a Percent of Total



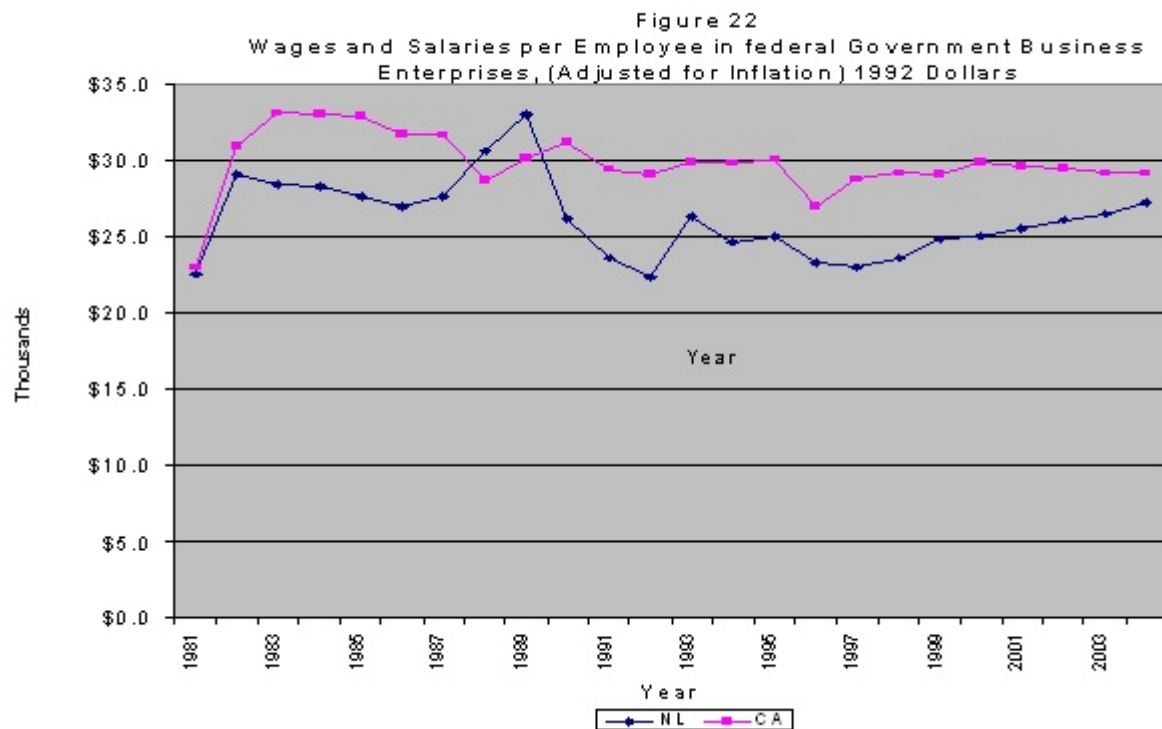
Source: Statistics Canada, Government Sector Revenue and Expenditure, Cansim Table 384-0004.

Additionally, the average amount paid per employee in federal government business enterprises is less in Newfoundland and Labrador than overall. Figure 22 compares the two since 1981.

In all years, except 1988 and 1989, the average payment in Newfoundland and Labrador was less than the average across all employees in these types of enterprises.⁴² The general pattern has been an annual gap of \$3,500 to \$5,000, in 1992 dollars. However, since the year 2000, that difference has been narrowing and by 2004 the average payment in Newfoundland and Labrador was about \$2,000 below the overall average.

Pay scales tend to be common across the country for these enterprises. Therefore the reasons for the gap likely are attributable to some combination of there being proportionately fewer full-time positions in Newfoundland and Labrador, fewer senior positions or positions requiring higher skills, or less of a presence of federal enterprises that have higher pay scales.

⁴² The reason for the exceptions for 1988 and 1989 might have to do with severance and related payments associated with the closure of the railway at that time. However, this speculation has not been confirmed.



Source: Statistics Canada, Cansim Tables 183-0002 and 326-0002.

V.c. Synopsis

The preceding examination of wages and salaries has established the following:

- the total annual payment of wages and salaries to federal government employees in Newfoundland and Labrador, in real terms, declined from 1992 until 1998 and then increased thereafter but by 2005 was still less than in 1995;
- there has been a substantial decline in wages and salaries paid by federal government business enterprise in the province, reflecting a national phenomenon of privatization, downsizing and contracting-out;
- wages and salaries, as paid to federal government employees and to employees of federal government business enterprises, have each declined as a proportion of the respective nationwide amounts; and
- the average payment per employee in this province is less than the national average.

VI. Spending on Goods and Services, Capital Expenditures, and Subsidies and Capital Transfers

In addition to wages and salaries, the federal government spends a great deal of money on purchases of various goods and services as well as on capital works and equipment. When such items are procured locally, such spending will have a positive impact on the provincial economy, especially to the extent they are also locally produced.⁴³

There is a sense, by some business leaders, as well as by others that local companies are disadvantaged by federal government procurement policies. There is a perception that they do not have as much access to opportunities to provide goods and services to the federal government vis-à-vis competitors in larger centres. In part, that may be due to the fact that standing offers for purchases of goods and services are arranged across the country and administered by regional offices. Halifax, Nova Scotia serves the Atlantic provinces.

However, the federal government is changing to an e-Bay style of acquisition of goods and services. In recent years, it has moved to an electronic tendering process. This system is known as MERX, which provides single listing point of all federal government public tenders on its website, www.merx.com.⁴⁴ In principle, this should allow all businesses to compete equally across the country for federal government contracts. Yet, there appears to be some serious concerns about whether this is happening in practice.

Specifically, two issues have been raised with respect to this system: a lack of projects here in the province, and difficulties for local contractors competing for any federal projects. Billions of dollars of federal government spending is appropriated through this system however, it has been suggested that few, if any, projects have been posted for this province in recent years.⁴⁵ While anyone in the NAFTA (North American Free Trade Agreement) area may bid on the projects posted through MERX, geographic location is a significant impediment to contractors outside of the areas of the contracts, most of which are in Ontario, Quebec and Manitoba. Proximity to the project is a significant advantage for contractors because transportation costs have to be absorbed by the bidder.

⁴³ Presumably, the public services that will follow from or be supported by the purchases will also be beneficial to the province. However, such public-service benefits would be realized whether the actual purchases were made locally or not.

⁴⁴ MERX itself is a subsidiary of Mediagrif Interactive Technologies Inc., a Quebec-based company.

⁴⁵ For instance, the Mayor of the City of St. John's has been critical of the outcomes of the MERX process. See letter of November 28, 2005 from Mayor Andy Wells to the Leslie Harris Centre.

For this study it was not practical to directly review the federal government's procurement policies.⁴⁶ However, it is possible to determine whether the level of federal government spending in Newfoundland and Labrador has been decreasing. That is done in this section. The federal government's level of spending on goods and services and its capital expenditures are reported and discussed.⁴⁷

Also, this section examines federal government spending on subsidies and on capital transfers to businesses. These are "transfer" payments as they do not entail the receipt of something in return for the payment. As mentioned in the Introduction, the substantial transfer payments from the federal government to persons in Newfoundland and Labrador as well as to the provincial government are not the subject matter of this report.⁴⁸ Nevertheless, these types of transfers to business are in a grey area in that they are specifically related to businesses, they may overlap with issues related to procurement, and in many cases the amount paid is tied to recipient businesses engaging in a specific business endeavour.

VI.a Current Expenditure on Goods and Services

First, consider current expenditure on goods and services by the federal government. This type of spending includes not only its spending on the wages and salaries of its employees but all the purchases of goods and services needed to operate on an on-going basis. It includes a great variety of things, from electricity for government buildings to paper clips. In general terms, any spending that is for something that is fully consumed at purchase, or shortly thereafter, is considered a current expenditure.

In Newfoundland and Labrador annual current expenditure by the federal government on goods and services is roughly equally divided between spending on wages and salaries for its employees and other current spending. Since wages and salaries have already been discussed in Section V, that amount has been subtracted from the total current expenditure to leave the amount of current spending on goods and services. It is that "other current spending" that is the subject matter of this subsection.

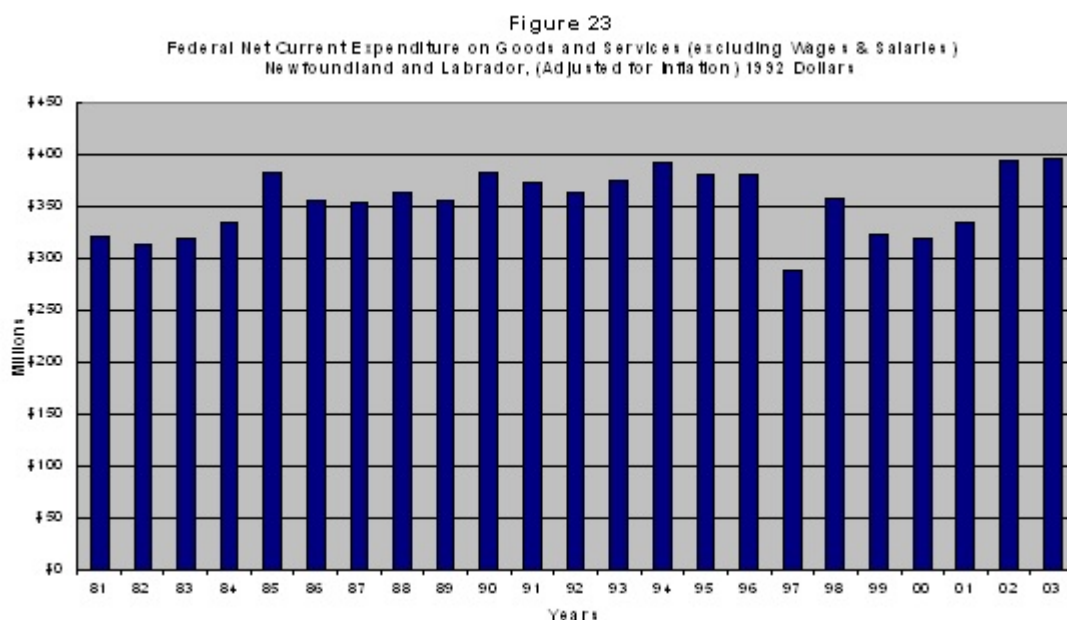
Figure 23 provides a picture of federal government current expenditures in the

⁴⁶ These concerns suggest that it may be worthwhile for the federal government to examine the outcomes of its procurement. If the concerns are found to have some basis then it should consider whether changes to policies could generate more participation by businesses outside the largest urban centres while not adversely affecting efficiency or cost effectiveness.

⁴⁷ A complete and consistent set of data on spending by federal government business enterprises in the province was not available and therefore is not included.

⁴⁸ For completeness, the Appendix provides a brief summary of the amount of transfer payments from the federal government to persons and to the provincial government.

province since 1981.⁴⁹ As can be seen, that amount of spending, when expressed in 1992 dollars to purge the effects of inflation, has ranged generally between \$300 million and \$400 million annually. Comparing 2003 with 1981, such spending was about 12% higher. However, the pattern between those two end-years is rather erratic, with little apparent direction but a notable decline in 1997.



Source: Statistics Canada, Government Sector Revenue and Expenditure, Cansim Table 384-0004.

To ascertain a clearer idea of any pattern and to compare with the national trends, one may turn to Figures 24 and 25.

Figure 24 provides the normalized patterns of federal current spending in Newfoundland and Labrador and nationally. An examination of the figure shows that spending within the province and nationally moved in a remarkably similar fashion from 1981 to 1996. Then for the next few years such spending in Newfoundland and Labrador fell below the national pattern. However, by 2003 there seems to have been some catching up. Thus, there appears to have been a temporary drop in relative terms in the province from 1996 to very recently.

⁴⁹ Figure 23 was obtained by using Statistics Canada's *Provincial Economic Accounts*. The wages and salaries of federal government employees were subtracted from "net current expenditure on goods and services" by the federal government and then adjusted by the Consumer Price Index.

Figure 24
Federal Net Current Expenditure on Goods and Services
Newfoundland & Labrador and Canada, Normalized, 1981-2003

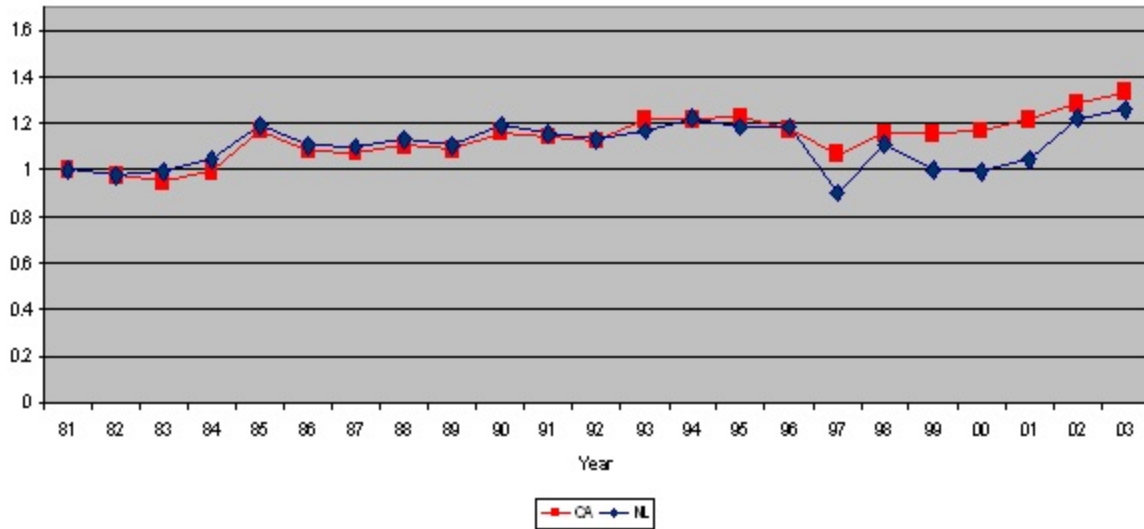
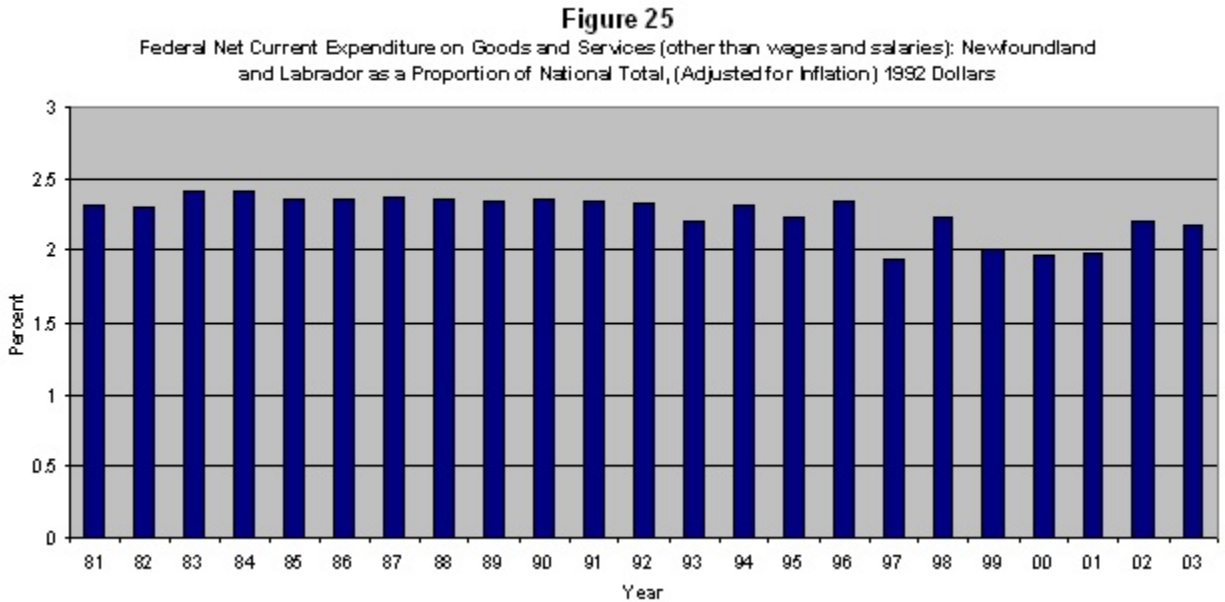


Figure 25 gives the ratio of federal government current spending in Newfoundland and Labrador to the national total. That ratio is quite stable from 1981 to 1996, ranging between 2.2% and 2.4%. That stability is consistent with the comparable patterns shown in Figure 24. However, in 1997 the provincial proportion fell to less than 2%. By 2002 and 2003, it has returned to a level almost equal to the pre-1997 period but was still slightly less. Again, these movements in the share are consistent with the patterns given in Figure 24, which show a drop-off for Newfoundland and Labrador from the mid 1990s until quite recently.⁵⁰

⁵⁰ There is a considerable lag in publication of this type of information. Data for 2004 and 2005 were not available so it was not possible to verify whether there has been a full return to the pre-1997 pattern.



Source: Statistics Canada, Provincial Economic Accounts, Cansim Table 384-0004.

VI.b. Capital Expenditures

Figure 26 presents data on federal government capital expenditure in the province since 1981.⁵¹ These expenditures are presented in real terms, i.e., they were adjusted for inflation and expressed in 1992 dollars. As with current spending, it should be noted that the purchases take place within the province but the commodities that are purchased are not necessarily produced here. As mentioned previously, capital expenditures largely consist of the purchase of machinery and equipment, e.g., vehicles, and computers and repair and construction of buildings and infrastructure, e.g., construction of a breakwater by the Department of Fisheries and Oceans.

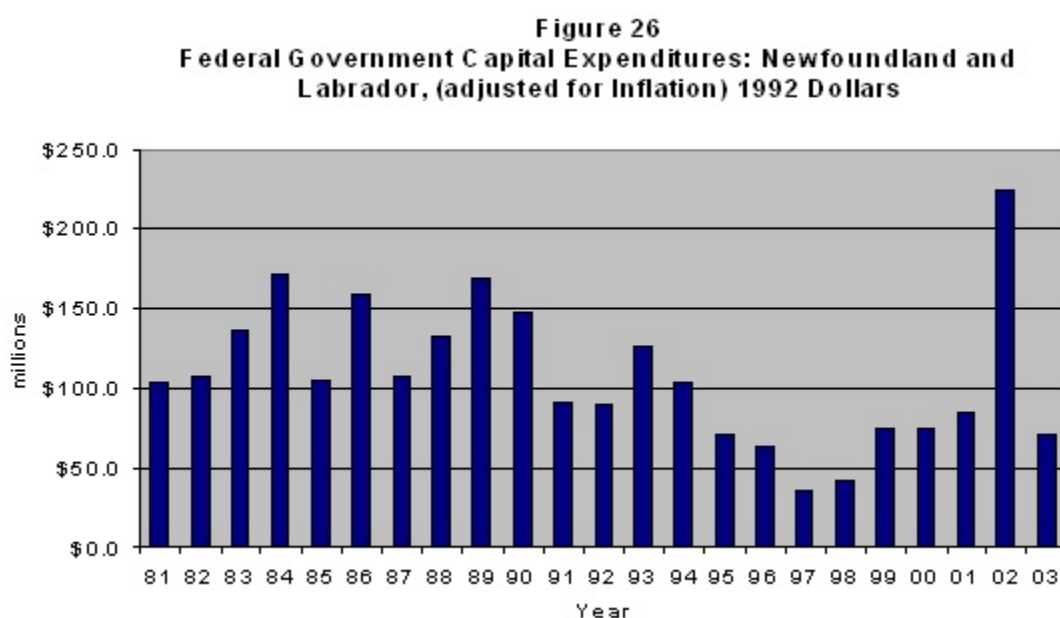
One may note that federal government capital spending is substantially less than its expenditure on goods and services. For instance, the highest amount of capital spending, as shown in Figure 26, was in 2002 at approximately \$225 million (in 1992 dollars).⁵² In the same year, expenditure on current goods and services was close to \$400 million, and its spending on wages and salaries for its employees was more than \$300 million. And for most other years, federal government capital expenditures were

⁵¹ In Statistics Canada's *Provincial Economic Accounts* this expenditure is referred to as "government investment in fixed capital and inventories."

⁵² The actual dollar amount for 2002 was \$267 million.

less than \$150 million.

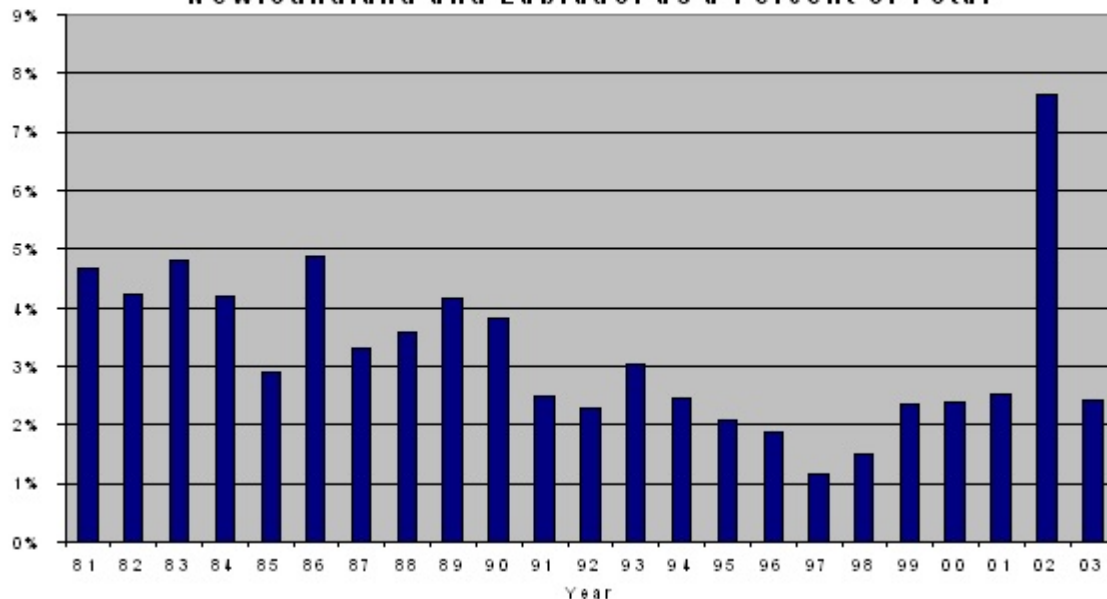
One outstanding feature of this figure is the large swings in capital expenditure, ranging from less than \$50 million to a high of around \$225 million. There is also a difference between the period 1981 to 1994 and the years thereafter. In the former period, capital expenditures fluctuated between about \$100 and somewhat more than \$150 million without an obvious upward or downward trend. Since 1995, however, spending in all years except 2002 has been less than \$100 million and was even below \$50 million in 1997 and 1998. (The high expenditure for 2002 is somewhat of an anomaly; apparently, the surge in spending that year was due to a one-time purchase of search and rescue helicopters.)



Source: Statistics Canada, Provincial Economics Accounts, Cansim Table 384-0004

As with other information, it is insightful to compare the amount of capital spending by the federal government in this province with the total of such spending across Canada. That is done in Figure 27, which shows that capital expenditures by the federal government in Newfoundland and Labrador have generally been higher than the province's share of the national population. During the 1980s, typically between 3% and 5% of all federal government capital spending took place in this province. That percentage fell off in the 1990s, going to a low of little more than 1% in 1997 but recovering to about 2.3% in 2003. The share for 2002, which was an exceptional year, was more than 7%. Otherwise, during the 1990s the share of federal government capital has fallen to less than it was in the 1980s but it remains slightly higher than the province's share of the national population.

Figure 27
Federal Government Capital Expenditure:
Newfoundland and Labrador as a Percent of Total



Source: Statistics Canada, Cansim Table 384-0010

VI.c. Subsidies and Capital Transfers to Business

As cautioned earlier, federal government subsidies and capital transfers to business are transfer payments. Thus, the issue of procurement does not apply. Still, there is a belief by some that such transfers tend to disproportionately benefit businesses in the larger provinces.⁵³ As such, it is a matter that merits consideration.

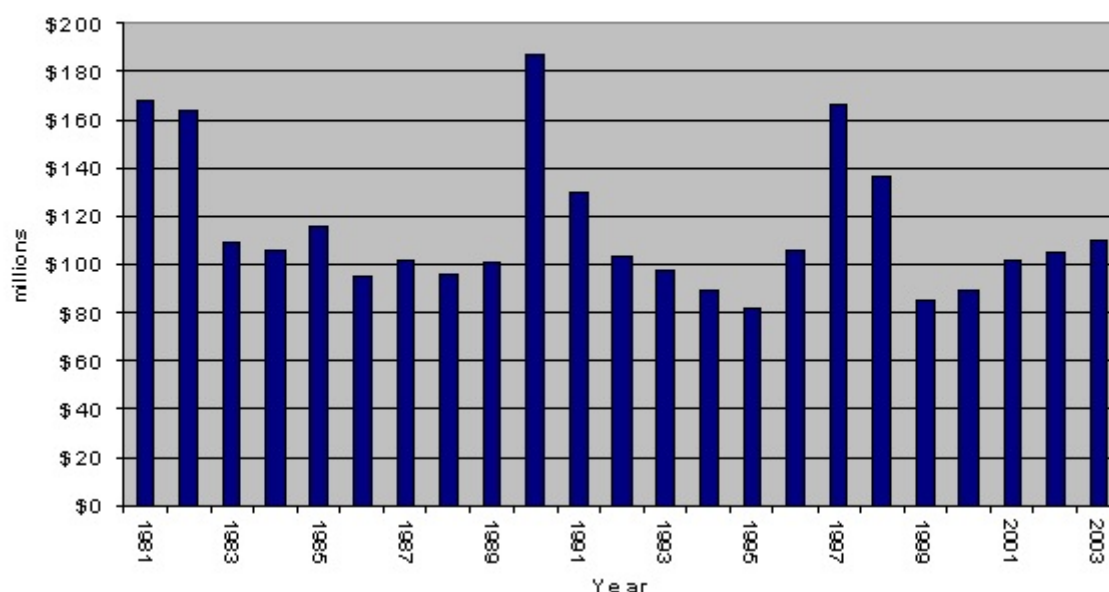
Figures 28 and 29 deal with federal government subsidies to businesses; these may be private businesses, including farms, or government (federal, provincial, or local) business enterprises. For instance the “gulf ferry subsidy” to Marine Atlantic would be included here. The subsidies are payments associated with or related to on-going production.⁵⁴

⁵³ The Halifax-based Atlantic Institute for Market Studies (AIMS) has recently attacked that proposition and argued that, when expressed on a per-private-sector-employee rather than a per capita basis, federal government subsidies are higher in Atlantic Canada than average across all provinces. See David Murrell (2001) “Following the Money Trail” as well as Brian Lee Crowley, “Following the Money Trail II,” Aims Commentary, June 2006. Both are available at www.aims.ca.

⁵⁴ These data are the same as “current transfers to business” in Statistics Canada Cansim table 384-0004.

As shown in Figure 28, the dollar value of such payments by the federal government to businesses in Newfoundland and Labrador has ranged from a low of about \$80 million in 1995 to a high of more than \$180 million in 1990; both expressed in 1992 dollars. These levels of spending are less than either the federal government's spending on wages and salaries or its other current expenditure on goods and services. Still the amounts are not insignificant. Since the year 2000, the annual amount has exceeded \$100 million, again in 1992 dollars.

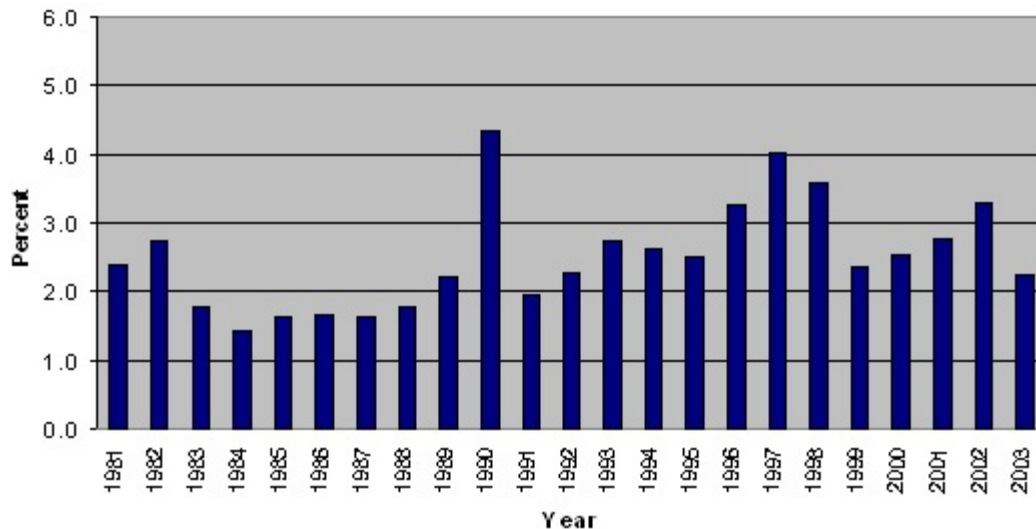
Figure 28
Federal Government Subsidies to Business: Newfoundland and
Labrador, (Adjusted for Inflation) 1992 Dollars



Source: Statistics Canada, Cansim Table 384-0010

The purpose of Figure 29 is to place these subsidy payments in some perspective. That is done by showing the percentage of all such federal government subsidy payments that go to businesses (government and private) in Newfoundland and Labrador. The figure shows that that proportion has typically been 2% and 3%, although it has been as high as 4.4% and as low as 1.4%. There is little in the way of a discernible trend but since 1992, the proportion has been over 2% and so been somewhat, but not greatly, more than the Newfoundland and Labrador's share of the national population.

Figure 29
Federal Government Subsidies to Business:
Newfoundland and Labrador as a Percent of the National Total



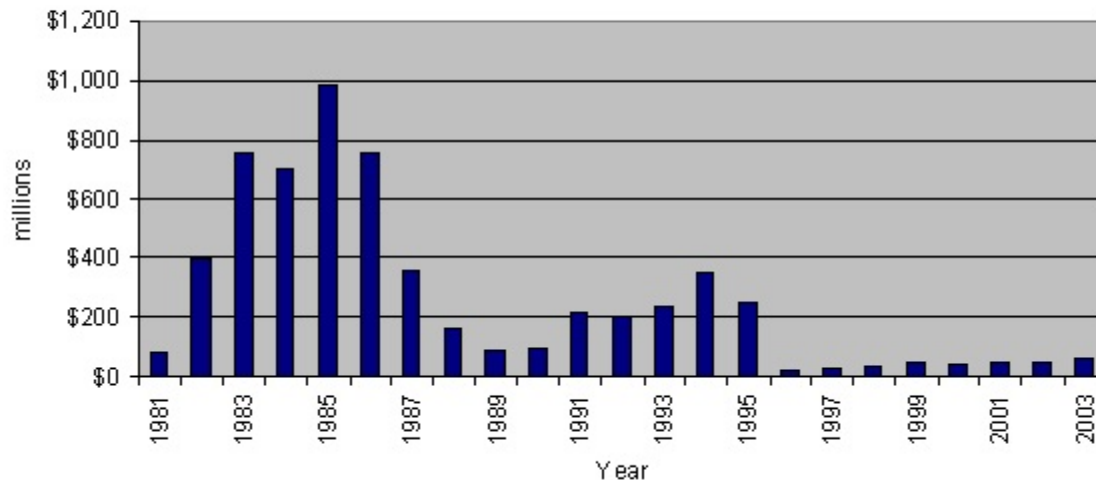
The information on capital transfers, as given in Figures 30 and 31, is far more interesting. Such transfers are distinct from subsidies in that they are given for the purpose of assisting with the acquisition of an asset, usually involving the purchase of machinery or equipment or the construction of a facility related to the recipient's business activities.

Figure 30 shows the net annual amounts of federal government capital transfers to corporations and government business enterprises. Based on that figure, there are two distinct periods of substantial transfers that can be identified. The first is the 1980s, when spending rose sharply and peaked in 1985 at nearly \$1 billion in 1992 dollars; the actual dollar amount in 1985 was \$738 million. The second period is the years 1990 to 1995, when there was a smaller, but still quite large, surge and decline in spending. The post-1995 years are characterized by much lower levels of spending, in the tens of millions, with little fluctuation.

The explanation for enormous magnitudes of capital transfers during the 1980s is the federal government's Petroleum Incentive Program (PIP) under which very substantial grants were made to oil corporations engaged in exploration. Since there was a great deal of such exploration off the coasts of Labrador and the island of Newfoundland, these payments were correspondingly large. Nevertheless, those capital transfers were largely to business corporations that were not located in the province.⁵⁵

⁵⁵ The recording of these capital transfers as involving Newfoundland and Labrador appears to be the result of statistical "book-keeping" in that they had to be associated with some geographic location.

Figure 30
Federal Government Capital Transfers to Corporations and
Government Business Enterprises: Newfoundland and
Labrador, (Adjusted for Inflation) 1992 Dollars

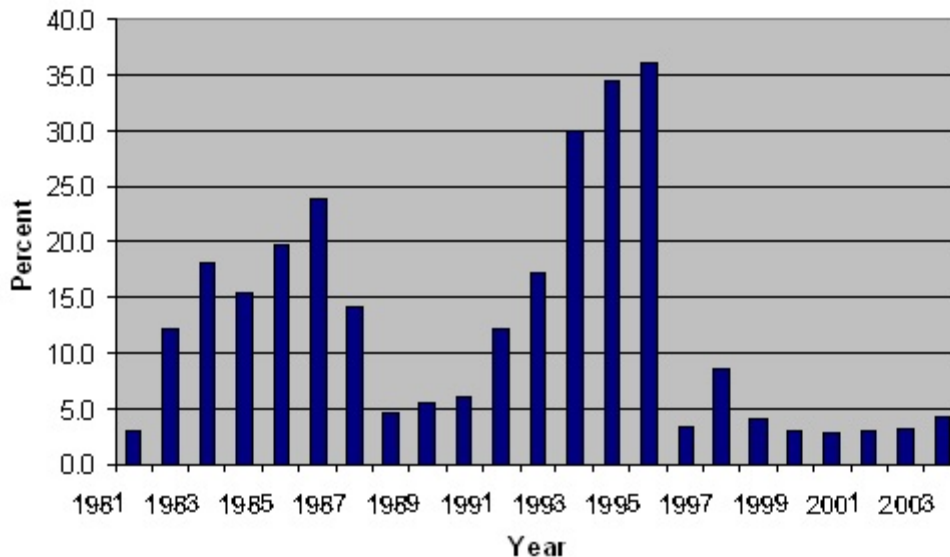


Source: Statistics Canada, Cansim Table 384-001

For the second period, the situation was quite different. Most of the high levels of capital transfers, more than \$200 million annually from 1991 to 1995, were related to the federal government's assistance provided to the development of the Hibernia offshore oil field. That assistance was for the capital costs of the field's development. While the capital transfers did go to the corporations involved in the development, a great deal of the development expenditures did take place locally with many people being employed.

To put the dollar values of Figure 30 in perspective, they should be related to the corresponding national totals. That is done in Figure 31. It shows that for the era of the PIP grants in the 1980s and for the Hibernia development of 1991 to 1995 large shares of federal government capital transfers were associated with Newfoundland and Labrador. Regarding the former, the share was between 10% and nearly 25% during the years 1982 to 1987. For the Hibernia development years of 1993 to 1995, more than 30% of federal government transfers went to projects in Newfoundland and Labrador. While the shares in the 1980s may overstate the actual impact on the provincial economy, the large shares, and magnitudes, of the capital transfers to corporations during the first half of the 1990s had substantial and tangible impacts on the provincial economy. Since 1999, the percentage of capital transfers in Newfoundland and Labrador has ranged between 2.8% and 4.9% of the national total.

Figure 31
Federal Government Capital Transfers to Corporations and
Government Business Enterprises: Newfoundland and Labrador
as a Percent of the National Total



VI.d. Synopsis

The main findings of this section are:

- federal government current spending on goods and services, exclusive of wages and salaries of its employees, is substantial;
- during the latter half of the 1990s the percentage share of total such spending in Newfoundland and Labrador declined, which may be related to local concerns over procurement practices;
- capital expenditures by the federal government in the province are smaller than current expenditures and the annual amounts of such spending have generally been lower since 1995, with severe reductions in 1996 and 1997 and an exceptionally high level of spending in 2002;
- for the most part, the share of federal government capital expenditures in the province has exceeded the province's share of the national population by a modest margin;

- the percentage of federal government subsidies to business, including government business enterprises, that go to businesses in this province is, for most years, somewhat higher than the province's share of the national population; and
- at times, capital transfers from the federal government to corporations with activities in this provinces have been quite large, notably with regard to the Hibernia development.

VII. Conclusion

This report has examined federal presence in a physical sense. That is to say, it has looked at the employees, the offices and the spending by the federal government in Newfoundland and Labrador. It has not dealt with “policy presence,” which one may take as referring to the policy decisions that affect this province’s social and economic well-being.

One major conclusion is that since the early 1990s there has been a substantial reduction in employment in the federal government directly and in its business enterprises. That decline has been relatively greater than for the federal public sector across the country. Unfortunately, the timing of the greatest reductions occurred shortly after the federal government’s closure of important groundfisheries, which exacerbated the already high levels of unemployment. That surely contributed to the severe out-migration of the 1990s and the consequent fall in population.

Associated with the job losses was the downgrading of and in some cases the complete closures of offices. The latter seem to reflect an “Atlantic region” conceptualization, which does not fully recognize the differences between the Maritime provinces and Newfoundland and Labrador, and which typically means relocation of offices to the Maritimes.

Two outstanding facts of the employment picture, beyond the magnitudes of the declines, were the very low numbers of federal government executive positions and the extremely meager military presence in Newfoundland and Labrador.

Regarding spending, the employment losses were naturally reflected in a reduction in the percentage of wages and salaries to employees in this province. There was also less pronounced declines in the percentages of federal government spending on goods and services and on capital works in the province during the latter few years of the 1990s and the first couple of years thereafter. In particular, spending, in real terms, from around 1996 to 2001 was generally lower than in the preceding years.

One area in which the share of federal government spending is significant involves subsidies and capital transfers. Payments of the former are modestly above the province’s share of the national population. As for capital transfers, they have been substantial with local benefits highly concentrated in the first half of 1990 through assistance for the development of the Hibernia offshore oil field.

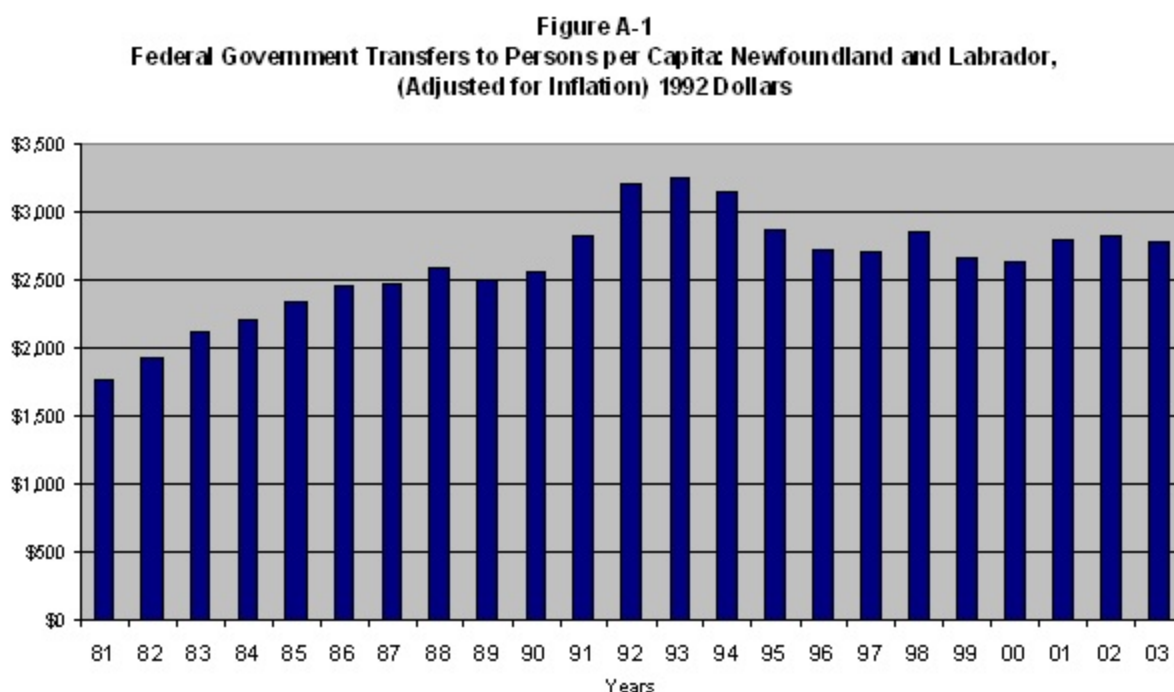
The overall conclusion is that the most significant decline in federal presence has been the disproportionate reduction in jobs and the associated office downgrades and closures. Not only do these have a negative effect on spending in the economy, but they contribute to a greater disconnect between, on the one hand, the people of the province and, on the other hand, the providers of federal public services and those federal policy-makers that make decisions affecting Newfoundland and Labrador’s future.

Appendix

**Transfer Payments (Intergovernmental and Personal)
from the Federal Government to Newfoundland and Labrador**

This appendix provides three figures that capture the basic facts regarding federal government transfer payments to persons and to the provincial and local governments in Newfoundland and Labrador. In each case those payments are expressed in 1992 dollars and are on a per-capita basis. Transfers to businesses are excluded because they are discussed in the main text.

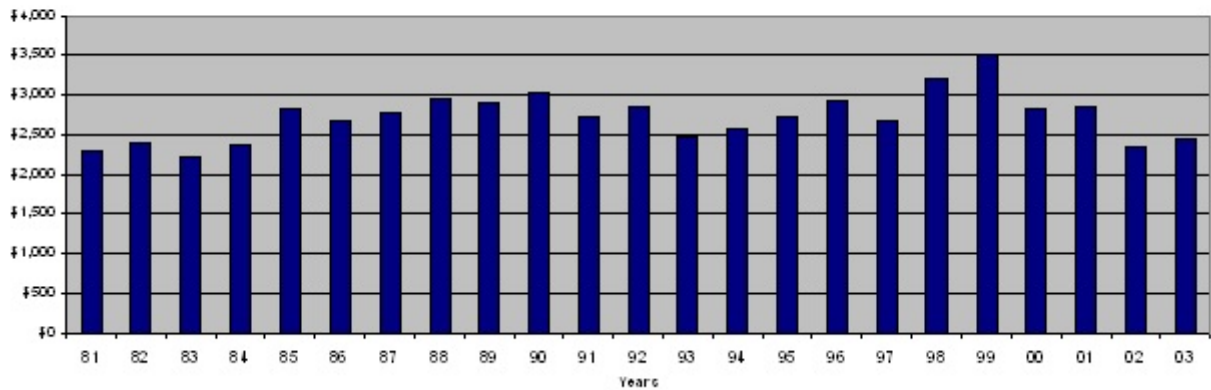
Figure A-1 shows the federal government transfer payments made to persons. It shows that such payments rose during the 1980s. Such payments were as high as about \$3,250 per capita in 1993. They declined somewhat thereafter but remained high at around \$2,700 per capita in terms of 1992 purchasing power.



Source: Statistics Canada, Cansim Table 384-0004

Figure A-2 provides corresponding information for federal government transfer payments to the provincial and local governments, the overwhelming portion, usually more than 99%, of which is to the provincial government. Again, the per-capita payments are large, ranging between from around \$2,300 and \$3,500 annually. During the time period shown, these payments peaked in the late 1990s and have declined since then but still remain large, at \$2,400 in 2003, the last year shown in the table.

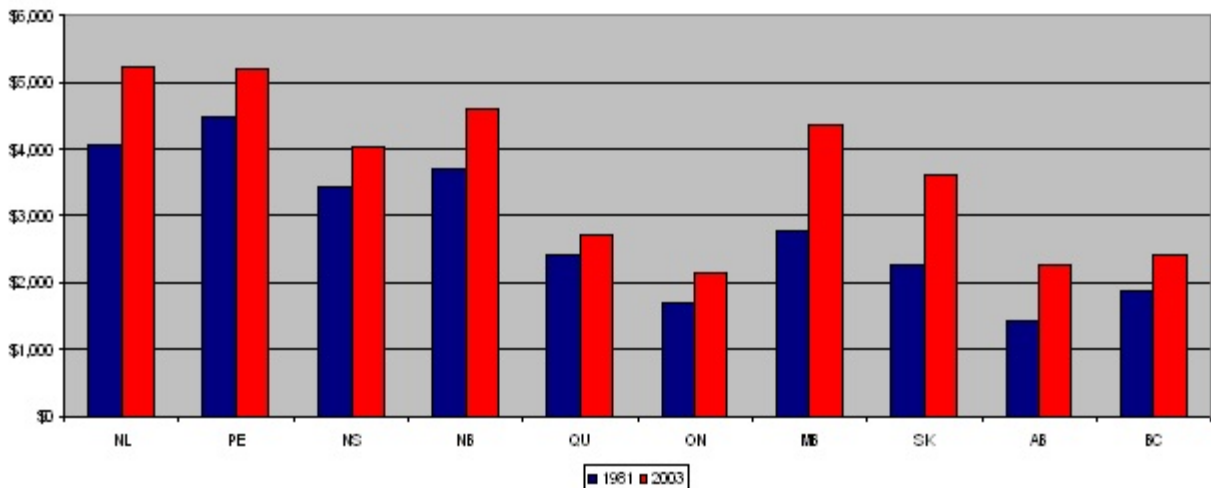
Figure A-2
Federal Government Transfers to Provincial & Local Government per Capita:
Newfoundland and Labrador, (Adjusted for Inflation) 1992 Dollars



Source: Statistics Canada, Cansim Table 384-0004

To put the magnitudes of personal and intergovernmental transfer payments in perspective, Figure A-3 compares the sum of these two types of transfers across all provinces. The comparison is for the years 1981 and 2003. It shows that Newfoundland and Labrador has been one of the largest per-capita recipients.

Figure A-3
Federal Government Transfer Payments to Persons and Provincial & Local Governments, per
Capita, 1981 & 2003 (Adjusted for Inflation) 1992 Dollars



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