



Shipbuilding in Halifax

A Pillar of Nova Scotia's Economic Transformation

The Catalytic Impact of the National Shipbuilding
Procurement Strategy

Prepared by: Greater Halifax Partnership

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Workers at Halifax Shipyard. Source: Ships Start Here

Leveraging an Important Opportunity

The Province of Nova Scotia has a bold new agenda to revitalize its economy by building globally competitive industries, fostering a culture of innovation and investing in a highly skilled workforce. Halifax has a new economic strategy that shares these goals while placing heavy emphasis on seizing the day when opportunities come along. Once in a generation, an opportunity emerges that has the potential to be transformative—not only generating significant economic activity but also providing the foundation on which to achieve broader economic growth.

The \$30 billion [National Shipbuilding Procurement Strategy \(NSPS\)](#) and the potential for Halifax Shipyard to win the \$25 billion combat ships portion is one such opportunity. A successful bid would reward Halifax's expertise and track record with a generation's worth of business and make it the cornerstone of a world-leading ocean industry cluster. The stakes have never been higher for Nova Scotia; the size and scope of the NSPS is unprecedented in the post-World War II period.

Analysis by The Conference Board of Canada reveals a once-in-a-generation opportunity for Nova Scotia, with employment and economic impacts bigger than whole sectors of our current economy. The benefits to Nova Scotia are clear: 11,500 jobs at peak employment for the combat ships project; \$351 million in disposable income to be spent on homes, cars, trucks and in stores; and more than \$350 million in federal, provincial and local tax revenue. More importantly, this project will provide a generation of stability for workers and small businesses, pump up community and business confidence and turn Halifax into one of Canada's high-growth cities. We could even see a turnaround in provincial population and migration trends. While the benefits to Nova Scotia are significant, the benefits to the rest of Canada are also substantial.



Aerial view of Halifax Shipyard. Source: [Ships Start Here](#)

The NSPS will help create two centres of shipbuilding excellence in Canada, one hopefully in Halifax and another elsewhere. Building ships in Halifax would be good for Canada. Why? Because it will bring stability, efficiency and effective cost management to the long-term shipbuilding and in-service support requirements of Canada and the Canadian Navy, while at the same time building value for our nation through the enhancement of commercial opportunities and the development of a uniquely Canadian oceans cluster.

The timing could not be better, given the importance of this new frontier to our economy and Canadian sovereignty. Benefits include 16,000 jobs during peak production and superior distribution of industrial benefits to every region of the country.



The Atlantic Condor, built at Halifax Shipyard. Source: Ships Start Here

Halifax Shipyard will win any contest based on merit. It is uniquely positioned to be a prime contractor of the NSPS shipbuilding contracts because of the fiscal strength and commitment of Irving Shipbuilding Inc. (ISI) and the JDI Group of Companies; the deep supply chain and technology expertise already in place in the Halifax region; the excellent skill sets of the men and women who work at Halifax Shipyard; the substantial university and college

infrastructure in the region; and broad community and provincial support for the development of this industry.

The Greater Halifax Partnership has engaged in this opportunity like no other project in our 16-year history. Along with partner organizations, the Greater Halifax Partnership commissioned two reports to assess the scope and potential impact of the NSPS on Nova Scotia. The first report, from The Conference Board of Canada, is a broad assessment of the potential economic impact associated with ISI becoming the prime contractor of either the combat vessels package under the NSPS or the non-combat vessels package. The second report, from Jupia Consultants Inc., provides a wide-angle view of how the project's impact would ripple through the economy, strengthening Nova Scotia's marine/ocean cluster and its aerospace and defence industry. This document ties the two reports together and emphasizes key aspects of this opportunity.

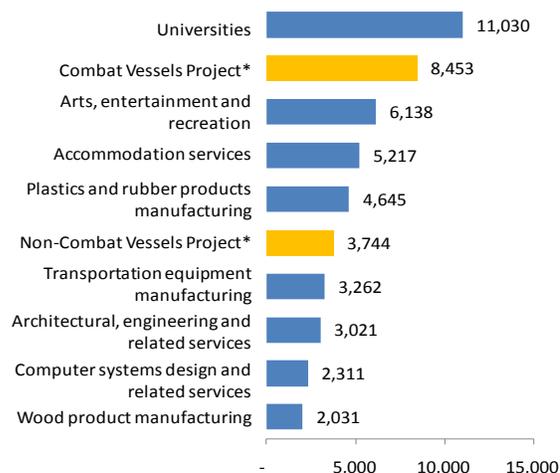
The Substantial Economic Impacts of the NSPS: How Big is Big?

The economic impact of either the combat or the non-combat fabrication project would have substantial economic impact on the provincial and national economies.

On an average annual basis, the combat vessels fabrication project would generate an estimated \$661 million in gross domestic product (GDP) and about 8,500 jobs. The combat portion would have a larger employment impact than the arts, entertainment and recreation sector, the accommodation sector and plastics and tire manufacturing sector. In peak years, it would be larger than the university sector (Figure 1).

The project will be a significant tax generator for all levels of government. The combat vessels fabrication project is expected to generate \$117 million in personal income tax, \$115 million in indirect taxes and \$34 million in corporate income tax in an average year during the life of the project. Given the aging population and the increased pressure on public spending for health care, this two-decade-long source of significant tax revenue will be very important. Local government is also a major beneficiary of a project of this size. The combat vessel project will generate almost \$13 million annually in local property taxes, which will help keep residential and commercial property tax rates stable. Over the life of the project, municipalities (most notably, the Halifax Regional Municipality) can expect to receive nearly \$250 million in property tax revenues.

Figure 1: Employment by Industry Comparison



*Average annual employment. Source: Conference Board of Canada (May 2011).
 Other annual industry employment: Statistics Canada CANSIM Table 281-0024.
 The Table shows only the direct employment in each industry compared to the full employment impact of either of the two shipbuilding projects.

Note: Chart is meant as an illustration of the magnitude of the shipbuilding projects and not actual industry to industry comparisons.

Table 1: Summary of Annual Economic Impact in Nova Scotia by NSPS Project

	Combat Vessels		Non-Combat Vessels		
	Average	Peak Year	Average	Peak Year	
Employment:*	8,453	11,495	3,744	9,931	
Real GDP (Basic Prices):	\$Millions	\$661.0	\$897.0	\$278.0	\$733.0
Federal Income Taxes:**	\$Millions	\$66.0	\$76.0	\$25.0	\$63.0
Provincial Income Taxes:	\$Millions	\$51.0	\$74.0	\$19.0	\$47.0
Corporate Income Taxes:	\$Millions	\$34.0	\$50.0	\$13.0	\$30.0
Indirect Taxes (HST, etc.):	\$Millions	\$115.0	\$169.0	\$44.0	\$107.0
Personal Income:	\$Millions	\$447.0	\$634.0	\$183.0	\$420.0
Personal Disposable Income:	\$Millions	\$293.0	\$412.0	\$125.0	\$273.0

*Direct, indirect and induced in Nova Scotia.

**All dollar values except real GDP are shown in current (non-inflation adjusted) dollars. Real GDP is shown in basic prices 2002 dollars).

Source: Conference Board of Canada (May 2011)

Personal income will average \$447 million a year over the life of the project. This significant increase in personal income across Nova Scotia will drive more economic activity in the province’s retail and service industries. (Table 2 estimates how the new personal income would be spent in the provincial economy based on the combat vessels fabrication project.)

Average demand for housing would jump by 420 new residential units per year over the 2012–2030 period. Homeowners’ insurance providers, local utilities and the maintenance and repair sector would see millions of dollars in new spending every year.

Table 2: Estimated Impact of Personal Income Spent in Nova Scotia Each Year

Construction/Housing Sector		Communications Sector	
New residential housing units	420	Telephone services (incl. cell phones)	\$8.5 million
Mortgage & rent payments	\$41 million	Cable and Satellite TV services	\$4.3 million
Homeowners' insurance	\$3 million	Computers, equipment and supplies	\$3.8 million
Utilities	\$20 million	Internet access services	\$2.3 million
Maintenance & repair	\$4 million		
Transportation Sector		Retail Sector	
Automobile sales	\$22 million	Furniture sales	\$3.9 million
Gasoline sales	\$17 million	Home entertainment equipment	\$3.2 million
Vehicle insurance premiums	\$7.5 million	Recreational vehicle sales	\$2.8 million
Public transportation (busses, air, etc.)	\$5 million	Sports and athletic equipment	\$1.1 million
Groceries and Restaurants Sector		Entertainment & Recreation Sector	
Grocery and related food stores	\$38.5 million	Recreational facilities	\$1.7 million
Full service /fast food restaurants	\$11 million	Movie theatres	\$660,000
		Live performing arts	\$541,000

Source: Estimation of how the annual disposable personal income derived in the Conference Board of Canada report would be spent in Nova Scotia based on Statistics Canada CANSIM Tables 203-0001 to 0010 - Survey of household spending (SHS).

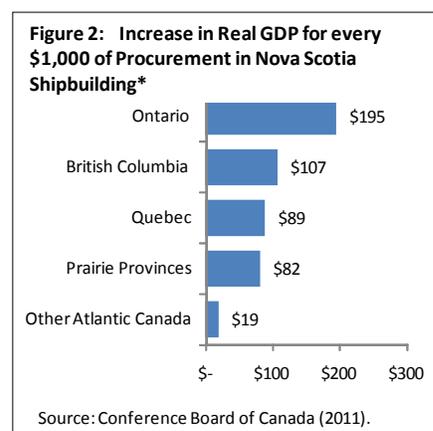
Automobile sales would jump by an average of 750 new units every year. There would be a corresponding increase of \$17 million in gasoline sales. Utilities would also benefit. Telecommunications, Internet-access providers and cable/satellite TV companies would also see a significant increase in spending. There would also be an increase of \$8.5 million per year in spending on telephone services, \$38.5 million spent on groceries and \$11 million spent on restaurants in Nova Scotia.

Small businesses would also be strong beneficiaries of the project. In addition to increased retail spending, this project would generate substantial new demand for professional and personal services. For example, new jobs and new income will drive demand for as many as 54 hairstylists and barbers across the province, 10 new dentists, 19.5 pharmacists, more than 30 new insurance brokers and agents, and so on.

If Halifax Wins, Everyone Wins

A Halifax location for the combat ships portion of the NSPS will provide superior national distribution of benefits. The supply chain and indirect economic benefits from a Nova Scotia location would generate significant benefits to the rest of Canada, including Ontario, Quebec and British Columbia. The Halifax Shipyard bid is the option that will drive superior benefits to all parts of Canada.

If either of the two large projects is sited elsewhere in Canada, it is likely the economic impacts will be highly concentrated in one or two provinces and significant economic benefits will not flow to Atlantic Canada.

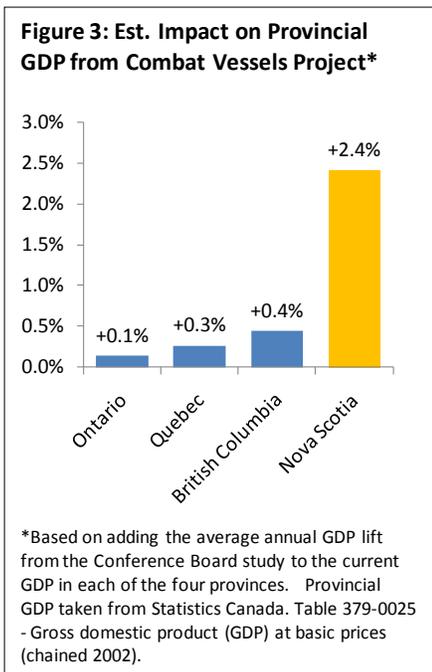


According to The Conference Board of Canada analysis, for every \$1,000 in real GDP from shipbuilding inside Nova Scotia¹, another \$491 will be spent in other regions across Canada (Figure 2). Ontario will be by far the largest beneficiary because of the depth of the supply chain in that province. British Columbia will accrue a significant amount of economic benefit, in large part due to the assumption that much of the West Coast in-service support activity will happen in that province.

Regardless of where in Canada the primary fabrication is done, it is clear that any large shipbuilding project would significantly benefit the Ontario economy. For every direct dollar of output in Ontario's shipbuilding

¹ Associated with the NSPS combat vessels construction.

industry, only 11 cents of economic activity accrues outside that province. If ships are built in Nova Scotia, by contrast, there are 31 cents worth of economic output in the rest of Canada.



While the shipbuilding industry in British Columbia and Quebec has similar leakage into the rest of Canada, most of that impact is also felt in Ontario. If the projects are awarded to either Quebec or British Columbia, there will be significant economic benefits both in those provinces and in Ontario but negligible impact in Atlantic Canada.

On the other hand, awarding one of the two large shipbuilding projects to ISI in Halifax will generate significant economic benefits across Canada and have the greatest national distribution of economic benefits. If Halifax wins the combat portion of the NSPS, everyone wins.

The Request for Proposals issued for the NSPS clearly specified that the winning shipyards are expected to “commit to sustaining a knowledge-based economy that, through the use of emerging technology and

improved efficiencies, will provide technical advancement in shipbuilding and other industries.” ISI is committed to building Halifax into a shipbuilding centre of excellence. The firm has made \$90 million worth of capital and related investments in the past five years. This can be viewed as a significant down payment on the development of a Halifax-based shipbuilding centre of excellence in Canada. It is clear that the NSPS would appreciably strengthen the value proposition for shipbuilding in Nova Scotia and support ISI and other industry players as they promote the region for commercial shipbuilding and repair projects.

Superior Community and Company Capability

Halifax Shipyard enjoys a powerful technical, talent and location advantage over the competition. ISI and Halifax Shipyard offer excellent infrastructure, a strong supply chain, talented people, fiscal strength, a competitive cost environment and a track record of success. Indeed, ISI has built 80 per cent of Canada’s current surface combat fleet. With the ISI head office in Halifax, decisions related to supply chain and partner relationships are made locally and have superior outcomes for both Nova Scotia and the rest of Canada. Halifax Shipyard is also strategically located metres away from Canada’s largest naval dockyard, and the two facilities enjoy a long-standing and positive relationship.

Halifax Shipyard draws on a deep talent pool. The company can add the technology expertise from some of the largest defence contractors in the world to its own. Companies such as Lockheed Martin Canada, L-3 Communications Electronic Systems, General Dynamics, MacDonald Dettwiler & Associates, Raytheon Canada, CAE and Ultra Electronics Maritime Systems already have a major presence in Halifax.

The 1,300 men and women working at Irving Shipbuilding have a broad and diverse skill set, while the substantial university and college pool of 35,000 students churns out new talent every year. In fact, 250 apprentices have been added to Halifax Shipyard workforce over the past couple of years. These post-secondary institutions, and Halifax itself, are magnets for attracting talent. Past experience suggests

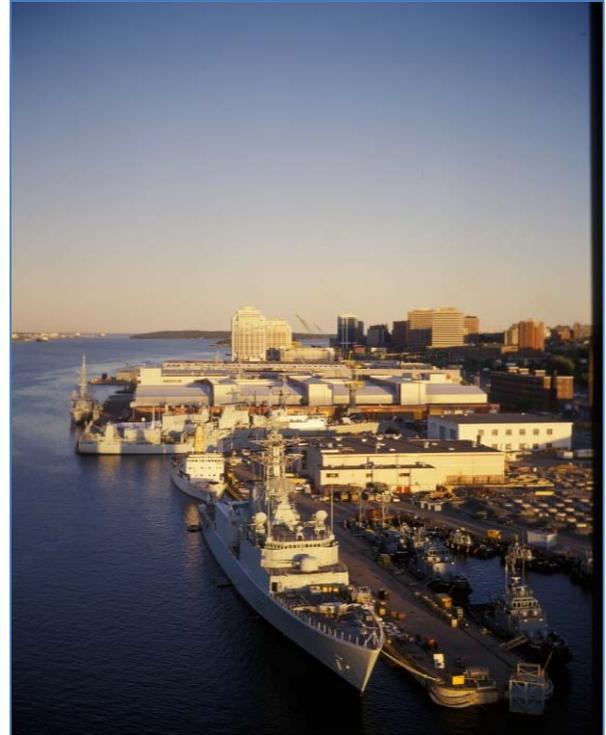
that when an enviable opportunity presents itself, people from across Canada and around the world will flock to Halifax. Expatriate Nova Scotians are already returning home in large numbers to work at Halifax Shipyard.

J.D. Irving, Limited's integrated nature and head office location in Atlantic Canada generally favour a higher level of local supply chain activity. In 2009 and 2010, the firm purchased products or services from more than 850 companies across the four provinces. Many of these companies could expect substantial new business if Halifax Shipyard wins the combat portion of the NSPS.

The Once-in-a-Generation Opportunity is Generating Unprecedented Support

There is unprecedented support for this project from all corners of society in Nova Scotia and across Atlantic Canada. Business groups, labour leaders, education stakeholders and community leaders are excited about the NSPS as a catalytic investment in the region.

This support spreads across Nova Scotia and across Atlantic Canada. In a province and a region sometimes known for infighting, there is full alignment on this project; support is seamless and solid; this hasn't happened much in Atlantic Canada in the past but it's happening now, around this project and this opportunity.



Sunset at Halifax Shipyard. Source: Ships Start Here

The Halifax Chamber of Commerce endorsed the project. The Nova Scotia Legislature issued an all-party resolution in support of the ISI bid. Labour leaders in Nova Scotia have expressed public support, and other community leaders are endorsing the concept.

At its meeting in May 2011, The Council of Atlantic Premiers endorsed the federal government’s approach to its shipbuilding needs under the NSPS, stating in a communiqué that this was a historic opportunity that “has the potential to revive and strengthen the shipbuilding industry in this region.”

A community-based website, www.shipsstarthere.ca, has had thousands of visitors, and social media posts are beginning to multiply. But support is reflected most clearly in the attitudes of the talented men and women who work at Halifax Shipyard. They are confident about their future because they know they are good at what they do. They know—and Nova Scotians know instinctively—that shipbuilding is in their blood and in their future.



<http://www.shipsstarthere.ca>