

The Right Honourable



Le très honorable

**PAUL MARTIN**

Prime Minister of Canada

Premier ministre du Canada

Leader, Liberal Party of Canada

Chef, Parti libéral du Canada

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January 16, 2006

The Honourable Danny Williams  
Premier  
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Dear Premier Williams:

Thank you for the opportunity to outline the Liberal government's positions on issues important to the people of Newfoundland and Labrador. Since taking government in December 2003 our governments have enjoyed a constructive working relationship, together accomplishing many shared priorities.

Our governments signed the Atlantic Accord, a historic arrangement that gives Newfoundland and Labrador an up-front payment of \$2 billion, protected from equalization clawbacks. This agreement goes a long way to recognize and address the financial state of the province and recognizes the will of the Liberal government to give residents of your province the benefits of resources off of the shores.

Newfoundland and Labrador was one of the first provinces to sign the Early Learning and Child Care agreement. The \$75 million agreement we signed in Gander your recent announcement confirming funding to this important endeavour, underscores your government's continued support for an Early Learning and Child Care program that meets with our shared QUAD principles. We are proud of this investment, and our subsequent commitment for funding through 10 years, thereby establishing early learning as a fundamental Canadian social program.

Other important investments we have signed include a new Health Accord to provide \$629 million in new funding to strengthen the province's health care system, a \$5 million housing arrangement to increase the supply of affordable housing as well as an \$82.3 million investment in our cities and communities through the Gas Tax funding which the Liberal government will make permanent through legislation. We have worked to ensure the income of individual residents is taxed less through a decrease in income tax for middle and modest-income Canadians and thereby removing thousands of low-income Canadians from the tax rolls. Finally, we have committed that our seniors will receive more income through increases to the Guaranteed Income Supplement (GIS).

We have accomplished much together over the past two years and the economy of Newfoundland and Labrador is responding to these important investments. While the Liberal government is proud of the work we have done, we recognize there is more to do, which brings me to your specific questions.

## **FISHERIES**

**Does your party support providing an early retirement program on a 70/30 Federal/Provincial cost-shared basis for workers impacted by changes to the industry?**

The Liberal government recognizes the need to diversify rural economies and to take care of workers who are impacted by individual industry downturns.

Older workers are particularly vulnerable to industrial adjustments due to international competitive pressures. Recognizing this, the Liberal government invested \$55 million through to 2006, along with provinces and territories, in pilot projects that help older workers adjust financially, to find a new job in their field, or to receive training for new kinds of work. Based on the lessons from those projects, a Liberal government will develop a strategy for older workers that incorporates skills upgrading, flexible work environment, and community level partnerships that combine training with job placement services.

In the meantime, the Liberal government will work with your government, and with business and labour partners to ensure that all Newfoundlanders and Labradorians have the opportunity to develop their skills so that they can obtain meaningful and enduring employment. We will negotiate new *Labour Market Partnership Agreements*, worth about \$131 million to Newfoundland and Labrador, which will include clear objectives, performance measures and public reporting.

It is worthy to note that The Canada Social Transfer, of which Newfoundland and Labrador's share is about \$140 million next year, contributes to provincial social assistance, post-secondary education and is also relevant to helping adjustment of displaced workers.

We are also committed to investing in communities to find ways for them to diversify. Although dedicated to providing a competitive corporate tax regime, the Liberal government believes that government needs to invest in communities to help them adapt to changing economies and attract new businesses. That is why in Budget 2005 we renewed funding of \$708 million dollars for regional economic development in Atlantic Canada. With this investment we are funding community infrastructure, research and development, tourism initiatives, skills development and attracting venture capital in order to stimulate diversification and reduce our communities' reliance on single industries.

While looking forward to future opportunities, the Liberal government recognizes the important role Canada's fishers play in the economy of our coastal communities. We have announced an amendment to the Income Tax Act to make transfers of a fishing enterprise, from one qualified fisher to another, eligible for the lifetime capital gains exemption for small business and that exemption has been increased to \$750,000 from \$500,000. Furthermore, we will allow the tax-exempt transfer of a fishing enterprise from one generation to another, with no maximum limit, as is currently the case with farms and small businesses.

**Does your party support this request for a Northern shrimp allocation?**

The Northern shrimp quota has increased by approximately 9000 tonnes; however, no decision has been taken as to allocation of the amounts. The communities you mention in your letter, as well as others in Newfoundland and Labrador that have made application are being considered fairly and objectively.

We are committed to continue working with communities like Harbour Breton, the Conne River Miawpukek First Nations and the whole of the Connaigre Peninsula to diversify their economies and ensure there is an economic foundation upon which to build.

**Will your party support imposing custodial management on the continental shelf immediately outside Canada's 200-mile exclusive economic zone to preserve fish stocks from unsustainable harvesting practices?**

This is fundamentally a question of defending Canada's interests. This issue is also a question of principles of sovereignty, of environmental management and of the global conscience. It is about the pillaging of fish stocks around the world. We have made this a major issue for Canadian foreign policy.

Since becoming Prime Minister I have taken every possible opportunity to raise the issue of overfishing, custodial management of the Nose and Tail and what is happening to the global commons in every part of the world. I have raised it with Presidents and Prime Ministers and I have raised this at important international meetings including the Summit of the Americas, APEC and at the United Nations. More than talk, we have taken action. We invested \$30 million to increase enforcement and surveillance. We held the United Nations Governance of the High Seas Fisheries conference in St. John's, and Canada led a meeting in Indonesia on Pacific overfishing.

The result is that we have boarded more ships, fined them and sent them back with empty holds to their home ports. Prior to this Liberal government taking strong action there were 42 vessels in the NAFO Regulatory Area while in November, 2005 there were 14 vessels. This represents significant progress, but Canada will follow the rule of law established with our international partners. If these efforts do not work, the Liberal government will take over custodial management of the Nose and Tail off the Grand Banks.

**Does your party support the provinces view that the recovery of cod stocks is best achieved through the Implementation of the Canada-Newfoundland and Labrador Cod Recovery Strategy, and not through the listing of cod as a species at risk of extinction under the federal Species at Risk Act?**

Yes, the Liberal government will implement the Canada-Newfoundland and Labrador Cod Recovery Strategy and as such, in November, 2005 the Liberal government made public the decision that three populations of Atlantic cod (Newfoundland & Labrador, Laurentian North and Maritimes) will not be added to the list of species protected under the Species at Risk Act (SARA).

**Does your party support the development of a comprehensive Aquaculture Framework Agreement, including the provision of financial support for the establishment of a cod aquaculture demonstration farm?**

Aquaculture has tremendous potential in Newfoundland and Labrador with total production increasing by almost 30% in one year. As you know, our Minister of Fisheries and Oceans very recently met with ministers from all 4 Atlantic Provinces to discuss a proposal for the promotion of aquaculture. This provided Minister Regan and his colleague ministers an occasion to discuss the Liberal government's position that aquaculture is a viable option and could be a tool to diversify the economies and provide opportunities in rural and coastal communities. We need to take time to identify the best method of funding for aquaculture but increases in the budget of the Department of Fisheries and Oceans allows for future investments in aquaculture.

In particular, we know cod is a species that has proven difficult to farm but the traditional expertise in Newfoundland and Labrador presents a particular opportunity for development. There is work to be done to establish the right conditions but we are certainly excited by the prospect of continued investment in aquaculture in Newfoundland and Labrador.

## **ENERGY**

**Does your party support efforts to develop the hydro-power resources of the Lower Churchill River System for the primary benefit of Newfoundland and Labrador, including the provision of a Federal Government guarantee to proceed with the project?**

Our government is committed to the exploration of clean power sources that move Canada toward a clean energy future. The development of the Lower Churchill River is an exciting opportunity for our shared goals of Newfoundland and Labrador's economic future and for the necessary investments in clean energy. We have funding in place to assist in the development of hydro power projects such as this and upon the province giving this project a high priority, we want to ensure Labradorians, and in particular, Aboriginal, Métis, Innu and Inuit communities, are central to consultations that will be undertaken.

**Does your party support the transfer or sale of the Federal Government's share in Hibernia to the province of Newfoundland and Labrador provided the Federal Government is kept whole on their expected return at the time of their initial investment?**

The sale of the Hibernia shares is not a priority for our government at this time.

#### **FEDERAL PRESENCE**

**Does your party support immediate efforts to significantly increase the Federal Government's presence in the province, commencing with the immediate restoration of forecasting services at the Gander Weather Office?**

Our government is strongly of the view that above all, Canadians should have equal access to federal government services no matter where they live. Service Canada, an initiative in its early stages, will allow Canadians in more of our rural communities improved access to federal programs and information.

In terms of direct federal employment in Newfoundland and Labrador, we have undertaken a number of important new initiatives, the result of which will increase federal presence, especially in rural Newfoundland and Labrador. We have announced approximately 70 new government positions and about 50 indirect jobs in Labrador to support the investments in the Northern Access Initiative and increased Canadian Coast Guard presence to be based in Goose Bay. Also, the movement of the Canadian Ice Service national headquarters to Gander will result in 75 new federal jobs.

Forecasting services from Gander will be significantly improved through an investment of \$3 million in new data collection tools and reinstituting a public forecast desk to improve the accuracy of public, aviation and marine forecasting. Coupled with the partnership created by headquartering the Canadian Ice Service in Gander, we feel this investment goes much farther than simply reopening the Gander Weather Station.

#### **EQUALIZATION**

**Does your party support these reforms to the equalization program?**

The Equalization program is one of the Government of Canada's most important programs for reducing disparities among provinces. That is precisely why we have taken important steps to strengthen the Equalization Program.

For example, we have increased the level of support to the provinces and territories by \$33 billion over the next ten years. In addition, we have made more money available to equalization-receiving provinces than ever before in any one given year – a total of \$11.3 billion in 2006-07. We have also guaranteed that total funding will continue to grow by 3.5 per cent per year, every year going forward.



These measures, undertaken by this Liberal Government, go a long way in addressing the concerns raised by the provinces about the adequacy, stability and predictability of the Equalization program.

For Newfoundland and Labrador, Equalization will amount to \$687 million in 2006-07. Although this is less than 2005-06, Newfoundland and Labrador has benefited from substantially increased revenues from high oil and gas prices. Newfoundland and Labrador will also receive \$109 million from the Government of Canada under the 1985 Accord. In addition, Newfoundland and Labrador has benefited from an advance payment of \$2 billion as a result of the Liberal Government's 2005 agreement with your province to deal with offshore resources, to address the Debt to GDP ratio, and to ensure that the people of your province continue to be the primary beneficiaries of offshore resource revenues. The turnaround in your province's fiscal position – from a previously announced deficit to a now forecasted surplus for 2005-06 – is very good news for all.

Finally, you will know that the Liberal Government has launched an independent Expert Panel of distinguished Canadians to consult with provincial and territorial governments, and others to provide advice on how best to allocate the increasing pool of federal funds among the provinces and territories. The Panel is now reviewing the many complex components of the Equalization program – including issues mentioned in your correspondence – and it will be reporting to the Government of Canada this spring. I would not want to pre-empt the Panel's good work. I have heard nothing but the highest praise for their competence and diligence in discharging their important mandate. Once we have the Panel's views, all governments will have ample opportunity to consider their advice. The Liberal Government is committed to working with the provinces and territories to ensure that any new allocation formulae in the future is both fair and acceptable.

#### **LABRADOR**

**Does your party support a Federal-Provincial cost-shared agreement to complete the TLH?**

The Liberal government has taken the important step of listing the Trans Labrador Highway (TLH) as a Northern and Remote Route as part of the National Highway System, thereby giving the TLH the proper designation to access national infrastructure investments.

We have further announced the Liberal government will commit \$5 billion to the Canada Strategic Infrastructure Fund designed to fund cost-shared agreements for priority infrastructure investments across the country. In consultation with municipalities and provinces, we will determine applicable categories for funding, and should the National Highway System be identified as an applicable category, the TLH will be fundable as a shared priority of your government and the Liberal government.

**Is your party committed to both maintaining a foreign military training program at 5 Wing Goose Bay and utilizing the base for regular Canadian Forces training activity by designing an operational requirement for it? Further, is your party committed to building a substantive and meaningful federal presence in Goose Bay, as part of a broader economic diversification effort, to compensate for an expected decrease in military activity?**

Without a doubt we are committed to Goose Bay. The Minister of National Defence Bill Graham in cooperation with the Minister of the Atlantic Canada Opportunities Agency Joe McGuire, and Minister of Fisheries and Oceans Geoff Regan, announced commitments to on-going foreign military training equipment and marketing investments at CFB Goose Bay, to create a Goose Bay Diversification Fund (GBDF) and to allow for a new civilian terminal at Goose Bay. As well, the Government plans to increase aerial surveillance to support Canadian sovereignty and security, and enhance the presence of the Canadian Coast Guard in the waters off Labrador.

Together with commitments to on-going foreign military training equipment and marketing investments at CFB Goose Bay over 5 years, additional measures we have committed to are:

- Investment of \$30 million, including \$25 million for two portable, truck-mounted threat emitters and up to 40 Air Combat Manoeuvring Instrumented (ACMI) pods, and \$5 million over five years for marketing initiatives for the base. These investments will give the Canadian Forces the training equipment and technology, and resources to continue marketing Goose Bay as a training center to our Allies
- In light of an acknowledged declining demand for Foreign Military Training, other investments are being made to help the town of Happy Valley-Goose Bay diversify its economy and develop new enterprises. The Atlantic Canada Opportunities Agency (ACOA) will administer a Goose Bay Diversification Fund (GBDF) of \$20 million over five years.
- ACOA will also administer a \$9 million Government of Canada investment that would allow for a new Goose Bay civilian airport terminal. The airport modernization will enhance access to essential services and reinforce the community's ability to serve as a gateway to the North.
- The Department of Fisheries and Oceans will invest \$96 million over the next five years in a Northern Access Initiative. The investment will increase aerial surveillance over Labrador coastal waters to enhance Canadian sovereignty, contribute to security efforts and to fisheries enforcement.
- A Coast Guard ship will be redeployed for search and rescue operations, ice breaking, aids to navigation, environmental response, fisheries enforcement and to provide a platform for the department's hydrographers to develop up to date navigational charts of Labrador coastal waters and to map the sea floor.

The long-term future and prosperity of Happy Valley-Goose Bay will need to focus on efforts to attract and develop new enterprises in Happy Valley-Goose Bay. There are considerable assets at CFB Goose Bay, which could help generate such alternative activity. We want to ensure there is a responsible mix of current projects and future planning for economic diversification.

**Does your party support establishing a reserve at Sheshatshiu by June 30, 2006?**

The Liberal government has committed to the establishment of the reserve at Sheshatshiu. There have already been extensive consultations and given their outcome, and with the cooperation of your government, we expect to complete the necessary steps to establish Sheshatshiu as a reserve by June, 2006.

Upon establishment as a reserve, Sheshatshiu will benefit from the investment of \$5 billion to close the gap between Aboriginal peoples and other Canadians in education, health, housing and economic opportunities that was agreed upon at the historic First Ministers Meeting on Aboriginal Issues held in Kelowna, BC.

**MARINE ATLANTIC**

**Does your party support these actions (with respect to Marine Atlantic)?**

The Deputy Prime Minister will respond to this question under separate cover.

**ECONOMIC DEVELOPMENT AND INFRASTRUCTURE**

**Does your party support the federal Government entering into bilateral, cost-sharing agreements to address economic development and infrastructure priorities in Newfoundland and Labrador?**

The Liberal government is unquestionably committed to regional economic development and investments in infrastructure priorities. We have consistently increased funding to the Atlantic Canada Opportunities Agency (ACOA), announcing an additional \$708 million in Budget 2005 for the *"Atlantic Investment Partnership – the Second Wave"*, and have been insistent that investment opportunities be shared priorities of both governments. This increase in funding allows Newfoundland and Labrador communities to access the Atlantic innovation Fund and the Innovative Communities Fund. As well, the reinvestment in the Canada Strategic Infrastructure Fund, and a renewal of MRIF are coupled with gas tax transfers and municipal GST exemption to provide communities with stable, predictable funding for real investments in infrastructure.

As you know, in November of last year, ACOA Minister Joe McGuire held discussions with representatives from all four provincial Atlantic Provinces to further identify common priority areas for regional economic development. A key area of discussion was a population strategy that will not only encourage immigrants to come settle in Atlantic Canada but will also provide for our youth to either stay in the region or return home. This initiative builds on collaborative efforts between ACOA and the provinces through the Atlantic Tourism Partnership, the Atlantic Trade and Investment Partnership which has provided for the successful Team Canada Atlantic trade missions and through the various Infrastructure agreements initiated by our government.



Our two governments have clearly demonstrated a strong commitment to similar economic development goals. Federal programs such as the Strategic Community Investment Fund and the Atlantic Innovation Fund have consistently leveraged \$1.17 and \$1.14 respectively from stakeholders in the region, including the provincial governments. In Newfoundland and Labrador, initiatives of your government, such as the Small and Medium Enterprise Fund and the Regional \ Sectoral Diversification Fund, suggest that this trend will only intensify.

**Does your party support ensuring provincial facilities, such as the Marystown Shipyard and Bull Arm Fabrication Site, benefit from federal shipbuilding and repair contract to help transform this sector's capacity to the mutual advantage of Canada and Newfoundland and Labrador?**

The Deputy Prime Minister will respond to this question under separate cover.

**Does your party support the Federal Government cost-sharing the above project (with respect to a Waste Management Strategy)?**

The Liberal government is committed to Project Green, a comprehensive series of initiatives to address Canada's environmental challenges including climate change, natural capital, clean air, clean water, contaminated sites and many others. We have made significant investments and progress on many fronts including hosting the United National Climate Change conference in Montreal, a 10-year clean air plan, the recently announced \$1 billion plan for the Great Lakes/St. Lawrence great eco-systems clean-up plan. We have also been working with municipalities through both the Green Municipal Funds and the New Deal for Cities and Communities to undertake, among other things, waste management projects. The New Deal is worth \$82.3 million to Newfoundland and Labrador and the Green Municipal Funds are funded at \$550 million, both may be accessible sources of funds for waste management projects.

Once again, thank you for the opportunity to outline our positions on the issues you highlight are important to Newfoundlanders and Labradorians.

Sincerely,

A handwritten signature in black ink, appearing to read 'Paul Martin', written in a cursive style.

Right Honourable Paul Martin  
Leader of the Liberal Party of Canada