

Premier Danny Williams  
Premier of Newfoundland and Labrador  
8<sup>th</sup> Floor, East Block  
Confederation Building  
St. John's, NL  
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Dear Premier Williams:

I have been provided with a copy of your letter addressed to the Prime Minister regarding issues of importance to residents of Newfoundland and Labrador. I have been asked to respond on behalf of the Liberal government to a portion of the letter, namely two of the questions from which the Prime Minister is recused.

**QUESTION:**

**Economic Development & Infrastructure**

A strong and competitive shipbuilding and marine fabrication sector is essential to maintaining Canada's sovereignty and offers tremendous economic opportunities. Work related to the construction of navy support vessels and repairs to submarines provide not only a strategic opportunity to strengthen this sector but also a mechanism to help increase Canada's global competitiveness in this industry. In essence, the industry needs federal procurement to drive technology and innovation.

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

**ANSWER:**

The Liberal government supports, and will continue to support, the Shipbuilding and repair industry of Canada. The Liberal Party recognizes the strategic importance of having a vibrant and strong shipbuilding industry in Canada, and also recognizes the challenges our industry faces in a competitive global marketplace. In the fall of 2005, Liberal caucus members, responding to requests of support from the industry, formed a Liberal "Marine" caucus, similar to already established Auto, Steel and Forestry caucuses, to ensure the needs of the Shipbuilding industry were adequately met.

In 2001, the Government of Canada produced and adopted *"Focusing on Opportunities: A New Policy Framework for the Canadian Shipbuilding and Industrial Marine Industry"*. This 5 year policy framework and sector strategy was to assist the shipbuilding and repair industry in Canada to become more productive and competitive in a global marketplace. The main pillars of the program were financing, innovation and a commitment to procure, repair and refit vessels in Canada subject to operations requirements and the continued existence of a competitive domestic marketplace. The Structured Financing Facility (SFF) was the cornerstone of the policy framework, this 5 year, \$150 million program was to assist in the construction of new Canadian-built vessels.

The Liberal government had been in discussions with Shipbuilding Industrial Marine Advisory Council (SIMAC) throughout 2004-2005 regarding a renewed sector strategy on the Shipbuilding and repair sector in Canada. The strategy was to be proposed to cabinet in the fall of 2005, but was postponed due to the fall of the house and the call of the election. One of the main pillars of the proposed strategy was the use of government procurement as a valuable tool to increase productivity in the sector and help transform the industry.

It would be the intention of a Liberal government to continue discussions with SIMAC through the Minister of Industry and propose a new sector strategy which will help transform the shipbuilding industry in Canada.

The upcoming DND contract for the Joint Support Ships is the first major federal government build since the Frigate program in the 1990's. While serving the needs of the armed forces, it also provides an opportunity not only for Newfoundland yards, such as Marystown, but for all Canadian shipyards to benefit from this major build and transform the industry as a whole.

#### **QUESTION:**

##### **Marine Atlantic**

The Government of Newfoundland and Labrador has advocated for years that the Government of Canada live up to its clear constitutional responsibility to provide an affordable, cost-efficient and quality ferry service connecting Newfoundland and Labrador with the mainland of Canada. The ferry links between Newfoundland and Labrador and Nova Scotia are effectively an extension of the Trans-Canada Highway and are clearly the responsibility of the Federal Government through the Marine Atlantic Incorporated (MAI) service provider.

The periodic threats from labour disruptions and the cost of the service have proven to be serious impediments to the economy, as these factors affect commerce, tourism and the traveling public.

Immediate action is required of the Federal Government to:

1. Take the appropriate legislative action to ensure that there is no cessation to the MAI service to Newfoundland and Labrador, in conformity with Term 32(1) of the Terms of Union of Newfoundland and Labrador with Canada.

2. Require MAI to implement a one - time rate reduction of 15% in 2006.

Both of these actions are consistent with recommendations of the Minister of Transport's Advisory Committee on Marine Atlantic contained in the Committee's Strategy for the Future of MAI.

*Does your party support these actions?*

**ANSWER:**

The Liberal government recognizes the importance of Marine Atlantic Incorporated (MAI) and has commissioned an all-encompassing and historic review of the service with a view to improving and ensuring the financial health of MAI so that residents of Newfoundland and Labrador can be assured that it will provide reliable service at affordable and stable rates for the next generation of Newfoundlanders and Labradorians.

The Liberal government is committed to bringing forward a long-term strategy that would include long-term funding, proposals for a rate structure, improved governance and recommendations for a long-term fleet plan. The recommendations of the Advisory Committee will be considered in the development of this strategy and my colleague, the Minister of Transport Canada, committed that further consultations would be undertaken by Transport Canada officials with the provinces and stakeholders prior to making any decision as to the implementation of the recommendations. We are at the mid-point of the review so we look forward to working with your government to determine the best plan going forward.

In the interim, there was a high level of uncertainty within the trucking industry as to the future of the drop-trailer service. The Liberal government has announced that MAI's drop-trailer service will continue, provided that cost recovery levels are acceptable and there is an increase in efficiency on the part of MIA and the trucking industry. Finally, the construction of a second dock in Port aux Basques will improve turnaround time and promote the efficient and reliable operation of the ferry service.

Thank you for taking the time to inquire of the Liberal government's positions on these important issues.

Sincerely,



Anne McLellan  
Deputy Prime Minister of Canada