

September 9, 2008

The Right Honourable Stephen Harper, P.C.
Leader, Conservative Party of Canada
#1204 - 130 Albert Street
Ottawa, Ontario
K1P 5G4

Dear Prime Minister Harper:

This letter seeks the Conservative Party of Canada's views on issues important to Newfoundlanders and Labradorians. I have sent similar letters to the leaders of the Liberal and New Democratic parties. The relationship between our two governments since January 2006 has been marred by your failure to keep your election promise surrounding Equalization and the treatment of offshore oil revenues and other promises of importance to the people of Newfoundland and Labrador. I have presented you with a number of options to address the value gap created by these broken promises; to date you have yet to respond favourably to any of my proposed options. In any event, in order to help inform the voters of our province, we would appreciate your response on the following issues by Tuesday, September 16, 2008.

Fisheries and Aquaculture

There is an urgent need for the Provincial and Federal Governments to take a proactive and cooperative approach to assist the fishing industry and individuals affected by resource declines, exchange rate pressures and increasing global competition. Your government's industry rationalization scheme for the harvesting sector is displacing crew members and plant workers and precluding the renewal of the workforce with younger workers. Structural industry change must not ignore these key stakeholders. We have repeatedly committed to participating in an early retirement and license buyout program that would be cost shared on a 70/30 federal-provincial basis.

Is your party willing to accept the province's offer to participate in an early retirement and license buyback program for workers impacted by changes to the fishing industry, on a 70/30 federal/provincial cost-shared basis?

In 2006, you committed to protecting Canada's fish stocks from unsustainable harvesting practices on the nose and tail of the Grand Banks and the Flemish Cap. At that time you stated "A Conservative government would support extending custodial management of the Continental Shelf beyond the 200 mile limit, to the nose and tail of the Grand Banks and the Flemish Cap in the North Atlantic... It is both a matter of environmental stewardship and of protecting Canada's economic interests. A Conservative government would commit to protecting these resources."

Will your party finally deliver on this promise and implement Canadian Custodial Management over fish stocks on the continental shelf outside Canada's 200-mile exclusive economic zone?

The Government of Newfoundland and Labrador supports tariff-free access for seafood exports to international markets. Unlike the ship-building sector, the fishery is not subsidized. Seafood products destined for key markets such as the European Union (EU) face high tariffs. Most of our competitors, however, have preferential or duty free market access.

Will your party actively work to eliminate tariffs in international markets, and what actions are you willing to take to improve Newfoundland and Labrador's access to international markets for seafood?

The European Commission has recently taken steps towards banning the import or transshipment of seal products in EU member states. The seal fishery is a sustainable, humane activity that is vital to rural economies. We have asked your government to defend the seal fishery through immediate and forceful action through all available World Trade Organization (WTO) channels.

Will your party take WTO action to fight the ban on seal products?

Conservation must be the primary consideration in TAC decisions. With respect to access and allocation, and, in keeping with international law and convention, fishers' adjacency to the fishery and fishers' historical participation in the fishery must be priority considerations above all others. The recently tabled Bill C-32 trivializes the rights of adjacent users. Furthermore operational decisions are often made that result in fish being transferred to non-adjacent users.

Will your party introduce a revised and modern *Fisheries Act* which ensures that the Minister must take into account fishers' adjacency and historical participation in the fishery as the highest priorities in making licensing and allocation decisions?

Will your party ensure that trade and transfer decisions related to fish resources give adjacent users, and those from historically dependent areas, priority access?

Aquaculture is an economically viable and environmentally sustainable industry for coastal and rural communities. The funding announced in federal Budget 2008 fell far short of what is required, and the unilateral delivery mechanism is not what provincial and territorial Ministers proposed.

If returned to government, will your party sign a comprehensive framework agreement for the aquaculture industry in Canada?

How will your party support infrastructure development to ensure industry expansion?

In 1999, 850 fishers from this province participated in the Atlantic Groundfish Licence Retirement Program. Participants in the 1999 licence retirement program paid a disproportionate and unfair share of income tax on their licence retirement payout as compared to those participants in the 1996 and 2002 Atlantic Groundfish Retirement Program, causing those who participated in the 1999 program undue financial hardship. On May 21, 2008, Members of the House of

Assembly unanimously passed a resolution calling on the Federal Government to compel the Canada Revenue Agency to review and correct this unfair financial income tax burden.

How and when will your party correct the additional and unfair income tax burden placed on these fish harvesters?

Equalization

According to independent economists, the decision made in federal Budget 2007 to break your written promise to remove non-renewable natural resource revenues from the equalization formula, and the imposition of a fiscal capacity cap, has resulted in an estimated \$10 billion value gap for the province of Newfoundland and Labrador. We are waiting for your government to close the gap you have created.

If your party is returned to government, will it repair the damage it has done by breaking its commitment on Equalization by finally excluding non-renewable natural resources from the Equalization formula and removing the fiscal capacity cap on Equalization revenues?

If your party will not reopen the equalization formula, what targeted measures will your party adopt to close the \$10 billion value gap created by your broken promise?

Energy

The transfer of the Federal Government's 8.5% equity share in the Hibernia project to Newfoundland and Labrador is one measure I have proposed that would help close the value gap your government has created. In light of the fact the Federal Government has more than recouped its initial investment, and recognizing that the recoverable reserve estimates have increased by greater than 100%, the Government of Newfoundland and Labrador expects the Federal Government to transfer the shares of Canada-Hibernia Holding Corporation (CHHC) to the province of Newfoundland and Labrador in keeping with the principle enshrined in the Atlantic Accord that the province will be the principal beneficiary of our offshore resources.

If returned to government, will your party transfer the shares of CHHC to the province of Newfoundland and Labrador?

If returned to government, will your party commit to transfer the Federal Government's Net Profits Interest (NPI) to Newfoundland and Labrador in line with the principle, enshrined in the Atlantic Accord, that the province should be the principal beneficiary of its offshore resources?

If your party holds the balance of power after the next election, would your party make the transfer of CHHC shares and NPI to Newfoundland and Labrador, and the exclusion of non-renewable resources from the equalization formula, conditions of your party's support for the next federal budget?

Currently, Significant Development Licences granted by the Canada-Newfoundland and Labrador Offshore Petroleum Board do not expire. Neither governments nor other interested parties have effective means to force development or to have the property released to be available for

acquisition by other interested parties, as the current process to do so is unworkable. There is no other jurisdiction that we are aware of in which equivalent licenses can be held indefinitely.

If returned to government, will your party commit to amending the Atlantic Accord legislation to require offshore lease holders to proceed to development within an established time frame or relinquish the holding so other developers may bid?

The Lower Churchill is recognized as the most attractive undeveloped hydroelectric project in North America. The project's 2800 MW will be enough to power 1.5 million homes, potentially displacing between 13 and 16 million tonnes of greenhouse gas emissions annually, accomplished without significant reservoir flooding. The project could significantly strengthen the national electricity network while greatly adding to security of supply in eastern Canada. During the 2006 election you stated that you were prepared to play a role in this development by way of a loan guarantee.

If returned to government, will 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:

- **committing to the provision of a Federal Government loan guarantee to proceed with the project; and**
- **commitment of funds and legislative and regulatory measures to develop a truly national electricity transmission system, in particular funding for transmission in Labrador, to Newfoundland, and, if necessary, to the Maritimes?**

Defence

During the last election, you promised the people of Newfoundland and Labrador that your government would establish new Canadian Forces operational requirements to protect Canadian sovereignty and security at 5 Wing Goose Bay. This would comprise a new rapid reaction army battalion, composed of 650 regular force personnel and a new long-range uninhabited aerial vehicle squadron, with an accompanying 100 regular force personnel. Your government has also committed to maintain a foreign military training program and encourage increased Allied training operations. We continue to wait for your government to meet these commitments. Lastly, your government has been considering a new permanent location for the Canadian Forces Joint Task Force 2 (JTF2), as this unit has outgrown its current location.

If returned to government, will your party work immediately to fulfill these commitments?

Is your party committed to building on these commitments by further increasing the federal presence in Happy Valley – Goose Bay through initiatives that take advantage of its strategic location for security and surveillance activities in the North?

Will your party station JTF2 at 5 Wing Goose Bay?

During the last election, you committed to stationing a new territorial defence battalion at CFS St. John's to counter security threats and assist in emergency response, comprising 100 regular and at least 400 reserve force personnel.

If returned to government, will your party work to immediately deliver on this commitment?

Health

In 2004, First Ministers committed to a 10-Year Plan to Strengthen Health Care. Numerous commitments, such as Wait Time reductions, were made and have been implemented. However, no processes have been established with respect to the long-term funding of these initiatives, post the 2004 Accord.

If returned to government, will your party commit to engage with the provinces and territories to establish a sustainable health fund so that we can continue the important reforms to the health system and thereby improve the health status of all Canadians?

As part of the 10-Year Plan to Strengthen Health Care, First Ministers committed to create a National Pharmaceuticals Strategy to ensure that no Canadian suffers undue financial hardship in accessing needed drug therapies. Since that time, your government has failed to respond to recommendations regarding next steps and requests for a financial contribution to implement the strategy.

Will your party acknowledge its role and responsibility and act immediately as an equal partner (50/50) in funding catastrophic drug coverage that would ensure a minimal standard of coverage for all Canadians?

All governments and National Aboriginal Organizations have recognized the need to close the gap in the health status of Canada's Aboriginal peoples.

In keeping with the principles of universality and accessibility, will your party recognize the unique challenges in providing health care to the remote Aboriginal and Labrador communities and commit dedicated funding to reimburse the medical travel costs of the residents of those communities?

Following a special meeting between First Ministers and National Aboriginal Leaders in 2004, federal Budget 2005 allocated new funding for Aboriginal health initiatives. The Aboriginal Health Transition Fund expires March 31, 2010. Provincial and Territorial Ministers of Health have expressed concern that one-time project funding will not address complex long term issues.

Will your party commit to long term funding arrangements designed to improve the delivery and accessibility of health programs and services to Aboriginal peoples?

Equality for Women

During your term, your government dismissed women's equality and unless unchecked your government will continue to roll back women's rights. Your government's actions were an insult to women in this Province who are well aware that they have not achieved full equality, and that they continue to face systemic barriers in Canadian society. Your lack of commitment to women in Canada was also demonstrated by the decision of your government to cancel the Court Challenges Program, leaving women with little to no access to bring their injustices to the legal and political

forefront. Further, your government also demonstrated lack of support for women by renegeing on a previous Federal Government commitment for substantive funding for Early Learning and Child Care, instead replacing it with a \$100 per month child care allowance which does not adequately address the needs of women and their children in Newfoundland and Labrador.

If returned to government, will your party demonstrate equality for women as an important federal responsibility?

Will your party reinstate the Court Challenges Program, advance better child care benefits and support research into the systemic barriers for women in our society?

Forestry

The forestry sector in Newfoundland and Labrador has faced numerous challenges due to the high Canadian dollar and a changing competitive environment, resulting in job cuts and a mill closure.

How will your party address the challenges being faced by Newfoundland and Labrador's forestry sector?

Climate Change

Climate change is a major concern for all Newfoundlanders and Labradorians. We recognize the importance of reducing greenhouse gas emissions without imposing undue burdens on our citizens or businesses.

What will be the positive impacts of your plan for Newfoundland and Labrador, and how will they help further our province's green energy initiatives?

Marine Atlantic Inc.

The Government of Newfoundland and Labrador has advocated for years that the Federal Government should meet its clear constitutional responsibility to provide an affordable, cost-efficient and quality ferry service connecting Newfoundland and Labrador with the mainland of Canada. Periodic threats of service disruptions and the cost of the service, including the recent addition of annual CPI adjustments and quarterly fuel surcharges, have proven to be serious impediments to the economy, as these factors affect commerce, tourism and the traveling public.

Will your party agree to remove the requirement for CPI adjustments and fuel surcharges and reduce the rates to 15% below the 2006 level?

Will your party take appropriate legislative action to designate the Gulf ferry service, which is constitutionally guaranteed under Term 32(1) of the Terms of Union of Newfoundland and Labrador with Canada, as an essential service?

Will your party immediately commit to the construction in Canada of new vessels to replace the aging gulf ferry fleet?

Mining

The Federal Government is currently engaged in amending the Metal Mining Effluent Regulations (MMER) of the *Fisheries Act* to incorporate hydrometallurgical processing plants in addition to existing mines. To a large extent, this is being driven by the nickel processing plant being planned by Vale Inco for Long Harbour in Newfoundland and Labrador. The amendment process, including the permitting process, is protracted, open-ended and presents considerable risk of delay for a project that will create an estimated 33,810 person years of direct and indirect employment during its life. The company must be in a position to start construction by early 2009.

If returned to government, will your party commit to expediting the MMER amendment to facilitate the start of construction at Long Harbour by early 2009?

Penitentiary

The centre block of Her Majesty's Penitentiary in Newfoundland and Labrador dates to 1859 and houses both provincial and federal inmates as well as federal inmates awaiting transfer to federal prisons. On average the province typically houses 50-70 such federal prisoners. The age and condition of this facility significantly impact on our abilities to serve the challenging needs of the inmate population. The province initially raised this issue in 2006 and we have been waiting since then without meaningful progress.

If returned to government, will your party commit to federal/provincial cost-sharing on a 70/30 basis to replace Her Majesty's Penitentiary?

Culture

Your government has eliminated numerous sources of funding and programs for arts and cultural organizations, such as the Exhibition Transportation Service and the Museum Assistance Program. In August 2008, your government eliminated an additional \$50 million of arts and culture programs including Trade Routes, PromArt, and the Canadian Independent Film and Video Fund. Funding cutbacks such as these not only hurt our artists directly, but also hurt efforts being made to bring our cultural product to the international marketplace.

Will your party immediately restore funding to these cultural programs and enhance funding for the arts?

Air Access

The Government of Newfoundland and Labrador requires adequate inbound capacity from our priority national and international tourism markets. To facilitate this, and without unduly undermining competition in the airline sector, the Federal Government needs to limit excessive airline/airport fees and rents, expand the Airport Capital Assistance Program for small and regional airports, and negotiate more Blue Skies Agreements and support inter-lining by airlines.

How will your party address the urgent need to improve international air access to Newfoundland and Labrador?

Housing

Provinces and territories are confronting the challenge of maintaining existing social housing while responding to new demands and are concerned about the lack of federal engagement on these matters. In addition, three cost-shared funding agreements and federal housing trusts will expire March 31, 2009. These programs are a central component to providing affordable social housing for citizens in need.

If returned to government, will your party commit to renew these programs before March 31, 2009 and will your party support the meaningful engagement of the Federal Government with provinces and territories to further address the broad range of housing issues facing the country?

Water Bomber Funding

The Government of Newfoundland and Labrador maintains a fleet of six water bombers for forest fire protection purposes. As climate change becomes more pronounced, it is likely there will be an increase in the intensity and number of wild fires. In the past, the Federal Government has contributed to the replacement and additions to water bomber fleets.

Does your party support federal-provincial cost-sharing on a 70/30 basis to complete the replacement of the province's water bomber fleet?

Joint Support Ships

On August 22, 2008, your government announced the cancellation of the tender process for the Joint Support Ships project. This project offered the potential of bringing significant investment and employment to the province's Marystown Shipyard and Burin Peninsula.

If returned to government, how and when will your party fulfill your commitment to address the need for new joint support ships and will your party commit to a "made in Canada" solution?

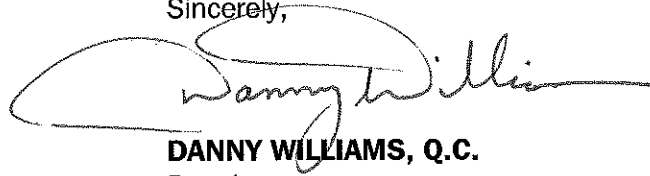
Federal Presence

Newfoundland and Labrador has a lower share of Federal Government executive positions than our share of the national population dictates. Executive employees have high-level input into national policy and decision-making that significantly affects Newfoundland and Labrador. The number of executive positions has been well below 1% of the total number of positions in Canada and these positions have declined since 1997. During the 2006 election campaign, you stated "I think the secret will be to identify particular functions and operations that should be here, as opposed to putting a few jobs here and a few jobs there. There should be some specific things that are headquartered here."

What will your party do immediately to significantly increase the number of federal decision making executive positions and/or national or regional headquarters based in Newfoundland and Labrador?

I thank you in advance for providing the information requested in this letter.

Sincerely,

A handwritten signature in black ink, appearing to read "Danny Williams". The signature is fluid and cursive, with a large loop at the beginning and a long horizontal stroke at the end.

DANNY WILLIAMS, Q.C.
Premier