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Summary:

EXCERPT-CONVERSATION WITH THE PREMIER: Premier Danny Williams is never one to shy away from controversy or a public dispute.

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ERIN SULLEY: He's never one to shy away from controversy or a public dispute. Premier Danny Williams has been in the spotlight again. He's been the recent subject of personal attacks and he's gone on the offensive as well. From the tone of public debate to the recent doctors' resignations to the promise of a new deal on Lower Churchill there's plenty for Premier Danny Williams to talk about with Peter.

PETER WALSH: Thank you very much, Erin. And of course, Premier, welcome to the show.

PREMIER DANNY WILLIAMS: Pleasure to be here, Peter. . . [discusses irrelevant topics] . .

PETER WALSH: We are in conversation for Premier Danny Williams. We're going take a short break and when we come back we'll talk about another important policy issue in the province right now, the Lower Churchill. We'll be right back. [Commercial Break] Welcome back. Well continuing our conversation with Premier Danny Williams. A former premier Roger Grimes was on the show last week and he doesn't always say things publicly but he did say something about this recent comments you've made about the Lower Churchill and the decision in your government and Nalcor that you're going develop Muskrat Falls first. Roger Grimes says that is economically not viable, that there's just not enough power there to justify the billions that it would take to develop it. I'd just like to give you the opportunity to respond to that point of view that's out there.

PREMIER DANNY WILLIAMS: Well, you know, I'm glad he has because he's heightened the debate, and that's a good thing. And I got to tell you from our perspective as a government we welcome the debate. We want people to scrutinize

it, to look at it. We would submit to independent economists. We've already had our position reviewed from a peer review perspective, from experts in the industry. And eventually there'll be an open debate in the Legislature. So this is, this is a good process. From Premier Grimes' perspective, you know, his statement that this is not economic or economically viable is simply wrong and, you know, he may be working from numbers in the past, he may be using old oil prices. I don't know what he's working from. I do know, if I remember correctly I think an economist, I think one of the economists at the university have already said that this is viable. I think it was . .

PETER WALSH: Jim Feehan.

PREMIER DANNY WILLIAMS: Jim Feehan.

PETER WALSH: Yes, yeah.

PREMIER DANNY WILLIAMS: So that, you know, that's already been stated. But, you know, when you go back and look at Premier Grimes' deal for want of a better term it was all Quebec. It was, you know, Quebec was going to be the financier. Quebec was going to be the buyer of the power. Quebec was going to market our power. Quebec was going to fabricate all the equipment that, basically the turbines and the major equipment that is going to be used in the process. If Quebec hadn't given us recall rights, which were very limited, and we had to give them five years notice, we would have actually had to recall our own power at a greater price than we actually even sold it to them in the first place. You know, he's indicating that we're going to get New York prices but that's not exactly the way the formula worked. The formula was an average price which took into consideration the Quebec domestic price, the heritage rate which took it down. So when you analyze basically what his arguments are, he has a completely Quebec deal. There was no power coming to the island. There wasn't an opportunity to protect rates for residential customers. There wasn't an opportunity for industrial development on the island. There were limited rights of recall. There was no way for us to get our power to market. We had to go completely through Quebec and Quebec were in the driver's seat. And, you know, so, you know, once bitten twice shy. And I think the comment I made I think at the time was that, you know, the Liberal government sold the Upper Churchill and now they're going to sell us down the Lower Churchill. But I'll tell you what statement was really telling during that time, and I remember it vividly. Premier Landry, Bernard Landry of Quebec said that this deal, with the Grimes' government, was a blessing from heaven for Quebec. That just kind of says it all, Peter.

PETER WALSH: Very interesting. So it was to the point of not, of leaving the Gull Island portion, which is, as I understand it's the larger portion, more than 2000 megawatts there. The Muskrat Falls is about 800, 880.

PREMIER DANNY WILLIAMS: That's right 800.

PETER WALSH: Okay so that's the smaller power, just a simple, from a simple economic point of view, it's the, it's the smaller resource from which to generate money from. So if you still have to do all this building, this infrastructure and put in billion dollar lines and billion dollar dams and you're only developing this smaller portion, how is that economically viable?

PREMIER DANNY WILLIAMS: You know, it is smaller than the Gull. But the whole Lower Churchill is a massive project. An 800 megawatt project, project which is Muskrat is a huge, huge power project by North American standards. So let's put it in that perspective first. Then there's three major things. What we're doing by doing Muskrat first is we're saying that the people of NL are going be first in this province. And we have to make sure that we protect their rates on a go forward basis because we quite simply have to do Muskrat in order to keep the lights on long term in the province and also to stabilize rates. If we're not tied to water, which the Muskrat is, and we're just tied to Holyrood and Bunker C, then we're tied to the price of oil. And rates are just going continue, you know, over the course of the next four or five years even when the Churchill's being built rates, rates will go up because they're tied to oil. After that they will continue to go up and continue to climb and continue to climb. Once we put the people of the province on water power, electric, you know, electrical generation, then those rates level off forever.

PETER WALSH: Now Roger Grimes says that rates will go up immediately to pay for this major . .

PREMIER DANNY WILLIAMS: Rates, rates are, rates are going climb anyway while we're still on Bunker C. But once we get the Muskrat done and once we get past the critical point, rates will level off.

PETER WALSH: So you're saying developing Muskrat Falls will not in and of itself raise our power rates on the island or could they?

PREMIER DANNY WILLIAMS: No, you know, the rates are going up, that's what I'm saying to you. What this is is a protection for the people on the island so that rates don't continue to go through the roof. It will stabilize rates for the people on the island. So that's the first piece. The second piece, important piece of this, is that we're finally clear of Quebec. We stay away from Quebec. We are going a different route, we're taking the power down to the island, so we're going use it for ourselves first, for residential and/or industrial use and in Labrador, if we need to have it in Labrador. And then the third piece, so we've got protect the residential customers. Second piece is we stay away from Quebec and we finally are able to say to Quebec sorry we don't need you, you can't hold us for ransom like you did on the last two deals. The third piece is that we get a strategic alliance with a partner

in the Maritimes. So now all of a sudden we have a route and a pipeline for want of a better term, transmission that will take us right into New England if we need it.

PETER WALSH: With the intention of eventually developing Gull Island in the long term.

PREMIER DANNY WILLIAMS: The beauty of, the beauty of it then is the other 75 percent of this project is then waiting to happen. What we've done once we do Muskrat is we've said we're going develop this. People out there are going say well, you know, they're talking about the Lower Churchill, they haven't really done it. Once we do that, we're in, we're in the market because now we've done it. You know, we've taken the power and we've used it and we've opened up the channel to get us into, into Atlantic Canada and also ultimately to New England. Gull then is just waiting. Gull is the cream, Gull is the gravy. The ideal use for Gull would be that it all gets used in Labrador and we have industrial development, whether it happens to be aluminum or iron ore or the many mining projects that are happening in Labrador. If not, then you, you can, you know, create the route down through Newfoundland and Labrador.

PETER WALSH: And that route exists. No need, if this Muskrat happens as you see it, as we're talking about now the development of the Gull Island would not require going through Quebec, wielding the power through Quebec.

PREMIER DANNY WILLIAMS: No, no.

PETER WALSH: It would, you would use the existing.

PREMIER DANNY WILLIAMS: Absolutely, you could use, now you would have to upgrade in order to . .

PETER WALSH: Okay.

PREMIER DANNY WILLIAMS: . . . put the increased capacity. But you have the route and you have the right of way. Then the other alternative though is that eventually if the regime or some appeal or a [inaudible] decided that, you know, Ontario or the United States, you know, needed to get that power and that force Quebec to open up, then some of that Gull power could be, could be transmitted through Quebec or another separate line could be built. There are other developers who are interested in building a completely separate line. So there's, there's three or four different alternatives that we can be used then. But we're in the driver seat. We have the leverage. Before we were being held ransom by the Province of Quebec and they took us to the cleaners.

PETER WALSH: There's always the risk when we discuss things like this that it

hasn't, it's not signed, sealed and delivered. I just want to get your most recent comments on, on where it stands and is this happening or not happening.

PREMIER DANNY WILLIAMS: Well, you know, I've said it's very close. I've probably used the term imminent. I think I have. If I haven't, I'm using it now. You know, it's very, very close. But it isn't done until it's done. And you know, unless we get the terms and conditions that we're quite happy with on behalf of the people of NL, then we would never sign off. We just won't do a deal for the sake of doing a deal.

PETER WALSH: The head of Nalcor, Ed Martin, when asked about it he said what's going happen, who can tell. You know, and what I can tell you is that the wheel is there. I mean that's not as direct and confident a statement. Is there a disconnect there with Nalcor and what you're saying

PREMIER DANNY WILLIAMS: No, not at all. You know, I, Ed is at the negotiating table and we're working in tandem and you know, so I think Ed is taking a, you know, a good cautious approach from a public perspective. But, you know, I want the people to know that this is close. This is not a deal that's being done behind closed doors. You know, I, at our annual meeting there a few weeks ago I came out and laid out the basic tenants[?] of the deal. I talked about it again at a public address just last week. I'm talking to you about it now and I'm saying to you this is a very, very open process. Open completely for public scrutiny and, like I said, we welcome, you know, any comments or any criticism that'll make it a better deal.

PETER WALSH: One of the interesting things that I read in the last few days when researching this is the idea if the matter is about a market for the power and is that an issue, is that a stumbling block in developing Gull Island, that maybe all that power, that 2200 megawatts that's up there, that currently right now there's no buyer for that? I always thought the issue was getting it through Quebec, that, you know, once we got it through that then it's a needle through a river.

PREMIER DANNY WILLIAMS: Well, you know, if the Gull Island, if the regime hadn't blocked us in Quebec, you know, Ontario could really use that power tomorrow. You know, Ontario has huge power issues right now and paying, you know, some very high rates for power. So, you know, the province of Ontario could use that power or it could be pushed down, you know, basically into the Maritimes or into New England. The beauty of doing Muskrat is that, you know, we then have that power being first of all primarily utilized in the province. Secondly then being utilized in Nova Scotia. Power available for New Brunswick and PEI if they want it. And a route so that that surplus power could then get onto into Maine and down into New England. So, you know, that's, that's a project whereby we can see markets for pretty well all the power at this particular point in time. And we have the ability then to be able to deal directly in the market. In the Grimes deal and in

the Upper Churchill deal both of those deals the power was transferred to Quebec at the border and then they went off and sold it and whatever they made they made. And as you know, they've made billions and billions over the years on our backs.

PETER WALSH: Michael Ignatieff is in town, we just have about a minute or so left and I know you'll be attending a hockey game with him and spending some time with him and he could be the next prime minister. What do you look for when you have some one on one time with the leader of the opposition? Do you try and get some commitments from him?

PREMIER DANNY WILLIAMS: Well I'm meeting with him tomorrow. I don't even know if I'm going see him at the game tonight. I am dropping the puck and I mean I'll be watching the game. So whether I'll actually see Michael there tonight is a good question. If I do, it would be wonderful. If not, I'll be meeting him tomorrow and going through the normal issues that I would go through at any meeting that I had with the prime or with Jack Layton when he comes to town or Elizabeth May, from that perspective. You know I'll be talking to him about the 8.5 percent, as people know right now we have an offer into the federal government that I guess probably now is outstanding . .

PETER WALSH: For Hibernia.

PREMIER DANNY WILLIAMS: For Hibernia.

PETER WALSH: Yeah.

PREMIER DANNY WILLIAMS: . . . a couple of months. That's a very, very good offer. And you know, we're expecting a response from them any time to be quite honest with you. They're obviously wrestling with it and getting their teeth into it. But I think, you know, they obviously realize that we're got a very, very good offer in. So that's something we'd like to acquire. You know, and also discuss with him the Lower Churchill Project. I'll certainly bring him up to speed as to where we are and discuss, you know, his appetite for a guarantee on the Lower Churchill which is something from a federal government perspective would be helpful because it will reduce our costs overall. Marine Atlantic, always a big topic, employment in NL.

PETER WALSH: So there's not one, there's not one issue that you're going get him signed to . .

PREMIER DANNY WILLIAMS: Goose Bay, you know, all of these issues.

PETER WALSH: Premier, out of time. Goes by too quickly.

PREMIER DANNY WILLIAMS: I've enjoyed it.

PETER WALSH: Yes, thank you so much.

PREMIER DANNY WILLIAMS: Great to see, Peter.

PETER WALSH: Pleasure to speak with you. If you have any comments of course, about, on anything the premier has spoken about on the show tonight, we'd like to hear what you have to say.