

FEDERAL BAILOUT ON MUSKRAT FALLS INEVITABLE: The Muskrat Falls Inquiry begins today in Labrador. "Ron Penney" has been a voice of descent since the very beginning, he for one is surprised it has come to this, to a doubling of the projects cost for Muskrat Falls and the possibility of doubling electricity rates for residents.

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FRED HUTTON: The Muskrat Falls inquiry begins today in Labrador. Ron Penney has been a voice of dissent since the very beginning. He, for one, is not surprised it's come to this – to a doubling of the projected cost for Muskrat Falls. And the possibility of doubling electricity rates for residents. Ron Penney is a lawyer and a former deputy minister. He's also a member of the Muskrat Falls Concerned Citizens Coalition and has standing at the inquiry. As he told the CBC's Chris O'Neill Yates, he believes a federal bailout of the project is inevitable.

RON PENNEY: Well, the Federal Government has given a loan guarantee for the - for the debt for the Muskrat Falls project, which is close to eight billion dollars. So if the rate payer or the taxpayer of Newfoundland can't afford to pay it, then it's going to be an obligation of – of all taxpayers, which is the likely outcome of all of this because we - our view is that we can't afford the ratepayer - the consumer of electricity can't afford doubling electricity costs. And we're in a very poor fiscal position. The Parliamentary Budget Office - Office has looked at the comparison of the fiscal situations of all the province and we are by far the worst. So we can't transfer that burden to the provincial taxpayers. We just can't do it. So, my unfortunate guess and bet is that the obligation is going to go on the federal taxpayers. So, that's why the – the people of Canada should care about this. And, at the time, when the Federal Government did this, I, along with a number of others, warned the Federal Minister of Finance, the late Jim Flaherty, about the project and suggested to him that what the Federal Government should insist upon is a full regulatory review by our Public Utilities Board. We got an acknowledgement, but that was it. They - they never insisted. So, we are where we are.

CHRIS O'NEILL YATES: What do you think of the rationale behind this? That Premier Williams at the time said here we are, we've got a project - multi-generational project that's going to produce clean energy. There is no downside to this. And – and to this day, you know, says the same thing. What – what do you make of that - that reasoning?

RON PENNEY: Yeah, I was thinking about this this morning and I was thinking about the – about what they say about Boeing. So, when Boeing builds a newer size, it's going build a totally new aircraft, they bet the company. So, every time, they risk the company when they make that choice, and that's okay for them because that's – it's - it's – it's private - private industry. What Danny Williams did on this project is

he bet the future of the province on this project, and it's a bet that's gone very very wrong. And I think what motivated - there's two things that motivated him to do this project, in my view. One was that he wanted to have a legacy, he wanted to be - have something in the history books that said this is my project, so then - and it's going to be in the history books, but the legacy is going to be very poor in terms of his ultimate reputation and history. That's what I predict. The – the second motivation - the policy motivation is unfortunately, we're - we're - we're crippled by geography and we have hydro resources in Labrador and we can't get them to market unless we go through Quebec. And Quebec has stymied our efforts to get transmission through - through - through their province. So, the policy motivation is to say to Quebec - we don't need you; We can transmit power through the island of Newfoundland and through Nova Scotia and to the American markets.

CHRIS O'NEILL YATES: So, was Danny Williams, in this attempt to stick it to Quebec by saying “we can get around you” really doing it on the back of the taxpayer of this province and the taxpayers of Canada?

RON PENNEY: Yeah, well, they - the taxpayers – it – it – it's a fact. The taxpayers of Newfoundland are not going be able to afford to pay for this. So, it's going to be on the backs of the taxpayers of Canada. No question about that, in my mind.

CHRIS O'NEILL YATES: How, in your estimation, did we get from a project that was going to cost \$6+ billion to now the price tag which is double?

RON PENNEY: I think the problem is that we - and this is really former Premier Williams's doing - is that we put a group of people to manage this project who have no experience in managing mega-projects. So, I don't think they knew what they were doing. And so that's - they didn't know what they were managing. We'll find out on the inquiry what they knew in terms of – of the estimates and so on. We do know that there were warnings given by their consultants SNC Lavalin about cost risks.

CHRIS O'NEILL YATES: At the time, the public was behind this. A CRA poll at the time said -

RON PENNEY: Yes.

CHRIS O'NEILL YATES: - something like 65%, unions were behind it, the business community was behind it. You people were some of the few that were, at the time, raising alarms. We have a lot of the public now who's against the project. What do you say to the fact, though, that at the time, overwhelmingly this project was not viewed in a negative light?

RON PENNEY: Well, I think, like most places, we – we – we like the strong leader, and perhaps it's more the case here in Newfoundland. And Premier Williams was a – a strong, a very forceful personality. And he would – he'd been successful in his own businesses and people trusted him that if he thought this was a good project, this had to be a good project. The other thing is we're a small place. And dissent is frowned upon, and a lot of people have, you know, friends and family who are connected with the

government. And there was a lot of - a lot of concern that if people spoke out, that they would somehow be harmed or their family would be harmed. So, a lot of our friends, and, you know, a lot of people in the former public servants - former senior people in Hydro, and - who would privately tell to us, say – say to us that this thing is absolutely crazy. We shouldn't be doing this. If we're going to do a project, it should be the Gull Island project which is much larger and more economic. But they wouldn't stand up. So, we were very – yes, we were very lonely.

CHRIS O'NEILL YATES: How do you rate the chances of having the government - Federal Government for a bailout here?

RON PENNEY: 100 percent. There's no other choice. And it's – it's unfortunate, but that's - it's – it's – it's the truth. If we don't have the Federal Government step in and take over this debt, we just can't manage.

FRED HUTTON: That's Ron Penney, a lawyer and former deputy minister - former St. John's city manager, as well. He's a member of the Muskrat Falls Concerned Citizens Coalition. He also has standing on the inquiry which gets underway in Labrador this morning. Our reporter on the ground up there, the CBC's Terry Roberts, is going to be checking in with us in about 15 minutes from now, Krissy, to tell us what we can expect in the coming months.

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