

Interview Kathleen Dunderdale August 2, 2018

First off want to say how much I appreciate you making the time to take part in this interview. Your perspective is important to the story I am telling in the Background Paper for the Commission of Inquiry, so it might be best for me to provide you with more background than what was provided the emails.

My Story so far

First in terms of my background, I am from Hillview in Trinity Bay and did my undergraduate degree at Memorial University in History. I wrote an Honours Essay on the Loyal Orange Association in Newfoundland and their recruitment efforts during WWI. That eventually led to an article in the Newfoundland Quarterly, some work on a number of projects concerning Newfoundland and the Great War. That work included work for CBC, History Television, a Heritage Newfoundland website and co-preparing the background manuscript for the Beaumont Hamel Interpretation Centre in France when it re-opened in 2001.

After MUN I went to the University of Ottawa and did a Masters concerning Newfoundland's attempts to develop its hydroelectric resources in Labrador from 1952 to 1988. That work led to an article in *Newfoundland Studies*, a presentation at a Public History Conference on the impact that Churchill Falls had on political and popular culture in Newfoundland over the subsequent decades. The Master's paper also led to a research report prepared for the *Newfoundland Royal Commission* in 2003 which expanded the story to 1949 to 2002 – at the time it was not practice to have gone into the Grimes government approach and actions as it was still developing and we did not know how that story would end.

I went on to do a Doctorate from the University of Waterloo on how the Pierre Trudeau's transformation of approaches to policy development at the federal level was heavily influenced – if not predominantly shaped – through his interactions with the Club of Rome, and the emergence of systems analysis as a policy tool from 1968 to 1984. Trudeau was not, and could not be a member while he was elected in office nonetheless how public policy is developed at the federal level continues to show the legacy of that time persists.

Work wise I have also worked at the Centre for International Governance Innovations and the Conference Board of Canada's Energy Policy Unit. Projects at the Board involved a number of topics including a report on the need for a strategic energy framework for Canada, wind energy, adaptation and sustainable development. I also wrote sections of the Board's *Mission Possible* major report that argued for the reviving of Prime Minister Diefenbaker's idea of a National Power Grid.

I have provided the overview above to explain some of my interest and experience related to Newfoundland history and culture. More specifically I wanted to provide some information on my background related to the overall Churchill Falls story as well as to issues associated with public policy development, the need for strategic energy frameworks and the popular context in which governments maneuver when making resource development decisions.

The Project

I was contacted back in April to prepare a short background paper for the Commission providing a broad overview of negotiations to develop hydroelectric resources on the Churchill River from 1949 up to the publishing of the *Focusing Our Energy* document in 2007. With that broad general direction I set out to revise some earlier work and to expand the story a bit further than. The Master's thesis, the Royal Commission Report and the report for the Commission of Inquiry are significantly different in terms of purpose. The thesis captured as much of the story as I could assemble based on the sources available at the time. The Royal Commission report expanded the timeframe to the end of the Tobin government but also captured some lessons learned and made specific recommendations for the Royal Commission to consider. The current report being drafted does not do that.

My understanding of what the Commission needs is a basic un-opinionated paper that describes the major developments and contexts for decisions from Confederation up to the publishing of the Energy Strategy in 2007. The strategy document may have laid the foundation for subsequent resource development decisions but was published before any direct public decisions were taken concerning the Lower Churchill. So in short the paper provides a long overview and ends before anything directly impacts what the Commission was set up to study. With that understanding, I set off to revise some earlier work, research numerous sources that were not available 16 years ago and update the story to include the Grimes' government and the initial term of the Williams' government.

Does anyone have any questions about the context in which our conversation today is happening?

Question 1 – Fresh government and a need for a new approach

I know Ms Dunderdale that you were elected in 2003, but to put my first set of questions in context I would like to preface the questions with a short observation about the end of the Grimes' government. When Mr Danny Williams was the Leader of the Opposition he strongly opposed Premier Grimes efforts to reach a final agreement to develop the Lower Churchill. Mr Williams had a few key reasons including: a lack of sufficient scrutiny of the draft agreement and he claimed that the draft agreement was negotiated in the absence of "a coherent energy plan" for the province.

In addition to that in late 2003 the Royal Commission weighed in on negotiations to develop the Lower Churchill and said that the Grimes' government's approach was 'recipe for failure' as having Hydro-Quebec be lender and purchaser would put the province in a weak position.

What I thought was even more interesting was that the Commission's recommendations also rejected the traditional Progressive Conservative approach to negotiations. The Commission went against the stance taken by Premiers Frank Moores' and Brian Peckford's governments when it said that "issues related to Churchill Falls should not be directly linked with negotiations to develop Gull Island."

- With that in mind, my first question when William's new government were discussing how to approach hydroelectric development in Labrador was there a sense that a new approach was needed?
- [If so] were there any key failings observed with previous attempts to develop the Churchill River, beyond the obvious one of a consistent lack of final agreements? Not just with the immediate previous government but also with those who had gone before?

Response (addressed the question but also discussed matters up to and including her time as Minister and Premier)

- A multi-day Cabinet retreat it became clear that power the province was in dire financial straights.
 - Did Strengths Weaknesses Opportunities Threats (SWOT) analysis and there were few major potential sources of revenue beyond exploiting the natural resources of the province. Possibilities for large-scale manufacturing limited. Population was in decline, fishery was not recovered and would likely not be as large scale again.
 - Natural resource revenue seen as key to long-term financial stability and a high quality of life for the people of the Province – not just hydro, also oil and gas, minerals, wind etc.
- There was general agreement in Cabinet that a new approach was required and there was a need to understand what had transpired previously

- Newfoundland and Labrador (NL) had to have at least equal capabilities to those who were negotiating with from Hydro-Quebec or Exxon Mobile. If organizations like those used experts and the province did not then the province was put at a significant disadvantage
 - Senior Bureaucrats had been involved in previous years but they are hired due to their administrative abilities and not because of their negotiating skills
- Were not going to rush into action as first a comprehensive overview of what had gone on before, current circumstances and future possibilities was needed to chart the way forward
- Hours were spent inside and outside Cabinet discussing various options
- The initial focus was on 2014 – what could the government do to ensure the province was in the strongest possible position to not face the same obstacles faced by Joey
- Had to understand how circumstances had changed since the 1960s
 - Commercial arrangements in the US through FERC changes possibly gave Newfoundland stronger access and a stronger position to find a pathway to markets
 - Applied for open-access through Hydro-Quebec system –
 - Technology had also changes and there had been advances in the transmission of electricity since the 1960s - Smallwood worked with what he had – felt a bit of empathy for him but “did not want to sit in the same pew”
- Also examined what had transpired in other countries, especially in Scandinavia
- There was not to be any rush to action until a comprehensive picture of the current status was developed – had to settle the question of how to get to markets
 - Could not negotiate first – had had arrangements with New England States but had to have the means of getting power to market – NL applied for open-access but the application was rejected
 - Market access was “the nut that had to be cracked”

Question 2 – 2005 Requests for Proposals

In January 2005 the Williams’ government issued a *Request for Expressions of Interest* to develop the Lower Churchill. There were 25 proposals submitted and the one that captured the most attention was a joint submission from Ontario and Hydro-Quebec. National media and various business organisations were highly optimistic that the proposal would lead to Lower Churchill development in a short time frame. The *Globe and Mail* said the proposal was a “win-win-win” for the provinces involved. Meanwhile the TD Bank issued a publication that trumpeted that finally the Lower Churchill’s “Time has Come.”

In the end the William’s government decided not to accept the proposal.

- Without going forward on the requests for proposals did was the exercise still worthwhile?
- Was there a federal role discussed?

Response

- The Ontario-HQ proposal was rejected as it would not have returned the kinds of dividends expected and the Government thought that better terms were possible

- Process had shown substantial interest and there was definitely a market for the power – question remained about how to get the energy to markets
- Proposals did show that the Lower Churchill could and would be developed
- The potential role of the federal government was discussed and there were substantial discussion through the Council of the Federation examining the Agreement on Internal trade's Chapter 12, the Energy Chapter – at one point Williams' Chaired the committee but Chapter 12 was never finished
 - At federal meetings issues raised but there was little federal interest – “nothing in it for them” Quebec's 102 seats overwhelmed NL's 7
 - During Harper's time a great opportunity was lost due to his government's lack of interest in Climate Change. At one point Ms. Dunderdale, Premiers Jean Charest, and Dalton McGuinty a joint approach to developing the Lower Churchill. Premier Charest spoke to Prime Minister Harper on behalf of the group and said that if the federal government would provide infrastructure investment needed in the province that Quebec was willing to provide Nalcor with access to Ontario for fair market prices – Harper said no – did not need to (noted it might have been different of Trudeau had been PM)

Question 3 – Focussing Our Energy

I want to understand better if, and if so how, Newfoundland and Labrador's experience from the circumstances that led to the 1969 Churchill Falls Contract (and the contracts aftermath) coupled with the failed subsequent attempts to conclude further agreements informed discussions concerning the creation of the 2007 energy plan.

Response

- Decision was taken early that the people of the Province had to be involved in developing the strategy and so the Discussion paper was written and consulted on – ordinary people had to get informed and participate
- Paper and eventual plan brought together the previous years of studying the province's natural resources and potential developments including lessons learned from the past
 - Few were saying over the previous years to “get on with it” people seemed to understand that it was complex and would take time. However, there was pressure from Labrador which wanted an additional transmission line
- Cabinet spent hours on end in discussions talking about what needed to be done
- Development of Lower Churchill was viewed as key to the future – but development would not happen at any cost – had to be willing to walk away
 - Almost happened at the final moments of the Loan Guarantee when the federal government wanted NL to express support for CETA until the federal officials backed down

Question 4 – Legacy?

Building off the last question I am curious to know where you would rank *Focusing Our Energy* in terms of your many political accomplishments over your career, not necessarily 1,2,3, but in general. It seems odd that such a foundational document is never mentioned when your or the Williams' governments accomplishments are mentioned. The 2015 update to the plan certainly indicated that the Plan ended up being far more than a paper exercise, and yet it is rarely mentioned, even by yourself in your speech when you stepped down or in interviews I have found since.

- Do you consider *Focusing Our Energy* to be both foundational and an enduring legacy piece that you were involved with that has, and will continue to, benefit the people of Newfoundland and Labrador in the times ahead?

Response

- View the strategy as extremely important as it became part of what was done afterwards – talked about it everyday (sometimes implied) and it was the basis for all the decisions that were taken afterwards
- Acted as a guide that was revisited from time to time and established the key principles
- Report had a large number of people involved and the report “stood on the shoulders” of those who came before

Muskrat Falls Inquiry – Note questions were not asked about this but Ms. Dunderdale offered the following thoughts:

- Looking forward to the Inquiry where all the facts could be laid out and not just conjecture and opinions that were not based on a full appreciation of all the facts
- The government had been open and at one point had tabled 17 boxes of related materials in the House of Assembly
- Cannot avoid risk in making decisions – can minimise risk but ultimately decisions must be made