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Summary:

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Tuesday, August 14, 2012 09:22AM Item # 08

VOCM - St. John's

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RANDY SIMMS: We are going to start the program this morning by speaking with – what line is he on...all right, he's number 8 – the Minister of Finance for the Government of Newfoundland & Labrador, the Honorable Member for Humber East, Tom Marshall, good morning.

TOM MARSHALL: Good morning Randy.

RANDY SIMMS: Why did I have this feeling? You know, I had this feeling that I read this story...

TOM MARSHALL: Yes.

RANDY SIMMS: Listened to it on the news and I said, hmm, I bet you I'm going to get to speak with the minister this morning.

TOM MARSHALL: What was the story?

RANDY SIMMS: The Dominion Bond Rating Service – I said good news, we've got this A credit rating, we're wealthy like the Arabs in the Middle East.

TOM MARSHALL: Well I don't know if we're that wealthy, but we're doing well.

RANDY SIMMS: We're doing well. The Bond Rating Service says Muskrat Falls presents what it calls a balanced risk...I'm sure you heard me...did I explain that correctly?

TOM MARSHALL: I hadn't been listening to the show.

RANDY SIMMS: Oh, well see boy, you should be listening because I could be talking about you. I explained it this way – they said, the Bond Rating Service says Muskrat Falls represents what it calls a balanced risk since cost overruns could increase debt. I explained the balanced risk this way – like if you have a mortgage, you got a \$400,000 house and a \$300,000 mortgage, there's a risk you might not be able to pay the mortgage but what balances it, is that you still have the \$400,000 asset. (inaudible) Muskrat Falls worth say \$8 billion, \$4 billion borrowed against it, that's what balanced risk means. Did I interpret it correctly?

TOM MARSHALL: Well you know, I don't know if that's what they're referring to, but I mean you're down on what you're saying. You know, Muskrat Falls will be an asset to offset the debt, but it's also an asset that will trigger cash flow and that cash flow will be used to pay the operating expenses of the project and also to pay the interest and principal of the project. So the asset will generate revenues to pay down the debt so the debt will be done eventually.

RANDY SIMMS: The challenge on cash flow is that there is an impression that 20 percent or whatever is actually going to be given away and there's going to be about another 20 percent of it to 40 percent of it that we're going to sell below production cost and so on. You know, these are things that are going to be...I have no doubt, debated at nausiumin the month's to come.

TOM MARSHALL: Sure. I don't understand this bit about giving it away. I mean, you know the people of Nova Scotia are going to build and pay for a \$1.2 billion maritime link that we're going to give 1 kilowatt hour of power a year for 35 years to own, so I can't see how anyone can say that's giving it away. Plus that fact that during the 35 years, we're going to be able to get our surplus power on that line for free over to Nova Scotia. So we're not giving anything away, we're making a great deal. I mean, Muskrat Falls, you know, it meets so many of our strategic objectives and let me talk about that briefly Randy. You know, it's going to meet our needs on the island of Newfoundland and the people of the province. It's going to get us off Holyrood and get us off burning oil and paying all that money out to you know, Venezuela and Iraq and Iran and instead we're going to put it in a project that's going to be built in Labrador. It's also going to meet our needs for the mining industry that's going to...we think is going to develop in Labrador through, you know, the Labrador trough, the iron ore. So it will give us energy to do that as well. Until that happens, the maritime link which the Nova Scotians are going to build and pay for initially, we're going to be able to send our surplus, their surplus power down into spot markets in New York or New England or Nova Scotia or New Brunswick or PEI, and monitor it, you know, instead of having the water going down the river, we're going to get cash for it. You know, it's like a fisherman who's got some fish – you know, you got a choice, he can dump it if he doesn't have a market for it, he'd either dump it or he can export it somewhere where there is a market. So those two points are extremely important, but in addition to that, environmentally, you know, by shutting down Holyrood, it's like taking 330,000

cars off the road. That means something to a lot of people. It will help us meet 60 percent of our greenhouse gas emission reduction targets. That means something to a lot of people in this province. Also of course there's going to be jobs and whatnot in...

RANDY SIMMS: ...the construction phase and....

TOM MARSHALL: ...through the five years, but the biggest thing of all, and getting back to the Dominion Bond Rating Agency, they talk about one of our challenges is our economic diversification. And everybody says well we got to diversify the economy, we're got to diversify the economy. The Board of Trade say it...I hear it all the time, but nobody says how we can do it. It's easy to say that, but how do you do it? I mean we've been trying things like aquaculture, we've been trying things in the forestry industry you know, with the pellet plants and whatnot, but it's not an easy thing to do. Muskrat Falls though is the answer. It's something that Danny wanted to develop, it's something that Premier Dunderdale has a vision for, but this will enable us to export our surplus. Now initially the surplus (inaudible) is coming from Muskrat Falls, but that's going to be clawed back if you were. It's going to be used eventually in Labrador for the mining industry there. And then that will free up the line for the things, the energy that we have on the island and the energy we have in Labrador that's not being used right now – the wind and the small hydro projects. So they can be developed then and they can put on that line and export it down into Nova Scotia, New Brunswick and there'll be a market for it then. So that's the economic diversification and that means we'll have revenue coming in. You know, as long as the wind blows and as long as the rivers run to the sea, we'll be generating this energy and being able to export it to bring cash back into the province of Newfoundland & Labrador.

RANDY SIMMS: Isn't there a challenge to this debate though, when we talk about economic diversification with an awful lot of people saying okay, we're all caught up in all of this energy stuff, we're all caught up in oil and gas, but we aren't really diversifying parts of our economy that are, like you say about Muskrat Falls, that are forever. We don't seem to be as actively engaged, right or wrong, with fisheries matters as we should be, that maybe we're not doing enough in these areas, we're not doing enough to diversify the rural economy. We see rural Newfoundland & Labrador on a longer term basis Minister, kind of emptying out, is how some people feel about it, everybody is clustering in the four or five different major urban areas and....

TOM MARSHALL: And that's happening all over the world.

RANDY SIMMS: And that's not just a trend unique to us, it's happening all over the world, but there's a....

TOM MARSHALL: (both talking at once) they want to go where the jobs are, they

want to go where there's excitement and there's stores and...

RANDY SIMMS: But there's a section of the population out there, because of our unique demographics and everything else, that can't be left, necessarily left behind. We see things going on with our fishery, with fisheries production, fisheries processing, etc, where I think an awful lot of people look to your government and say, sometimes diversification means the re-establishment if you would, of what once had...what once sustained us. And I think people feel that government is not occupied in those matters. I know you're going to say that is an unfair criticism, but why do people feel that way because they certainly do?

TOM MARSHALL: Let me tell you this, the district I represent is not a fishing district, but I can tell you that we spend more time in government in cabinet talking about fisheries more than any other issue. I can assure the people of the province about that. Fisheries is constantly on the agenda, it's constantly having our attention as to what we can do. I certainly don't know the answers, I'll let the fisheries minister, he knows a lot more about it than I do, talk to you more about it in detail, but you know, there are some good signs. I mean, lately I've been reading this information about the cod coming back, but you know, we know, we have the cod and the cod went and now we got the shellfish and now the shellfish could be going down and the cod coming back. So you know, there's obviously a lot of things that we can do to help modernize the fishery, but I'll let the fisheries minister talk about that. But in the meantime...

RANDY SIMMS: Well I guess what...I'm just using it in terms of the argument we're making vis a vis, diversification of the economy.

TOM MARSHALL: Yes, see we're so reliant – this is the other thing the Dominion Bond Rating Service says. If you were overly reliant on you know....

RANDY SIMMS: Oil money.

TOM MARSHALL: ...abled resources, they talked about the oil and they talked about the minerals and everybody says that because these things are (inaudible) resources – once they're sucked out of the ground they're going to be gone. Now, you know, I'm optimistic that we're going to have many years of that, I mean there's some you know, the mizzen project that Statoil has, the field called Ballicaters(sp?), you know a significant mizzen discovery was there. I'm still optimistic about what could happen on the west coast and I know there'll be new minerals discovered. But theoretically at some point once it comes out of the ground its gone, so we have to have something to replace the revenue we're getting and we're getting an awful lot of revenue from minerals, we're getting an awful lot of revenue in terms of royalties from the oil – energy can give it to us. Energy is the one thing the world needs and energy is the one thing the world will continue to need. I'm reading a book right now about China going around the world and

buying up commodities, buying up land and buying up water, buying up oil and buying up commodities and we're fortunate enough to have those and we have to do what Premier Dunderdale has talked about over and over and over again. We've got to use those non renewable resources and convert it into industries that provide us with original renewable revenues. And that's why Muskrat Falls is so important to us because not only does it meet our needs, our needs on the island and our needs in Labrador, but it's the basis for the exportation of the rest of the energy we're going to have in Labrador and on the island and then be able to sell that and turn it into money and to bring that new money into the province to help support everyone.

RANDY SIMMS: I said the debate...

TOM MARSHALL: In rural and urban Newfoundland.

RANDY SIMMS: I said that the debate in the House of Assembly which was something I thought was, in my world, a waste of time, I've re-thought it a little bit only from the perspective of, I think there's an education to come with it. The outcome is obvious, but I said the real debate is going to be the question of do we as Newfoundlanders really need the power. You're arguing it's bigger than 'do we need the power', you're arguing this is the future economy.

TOM MARSHALL: Well first of all we need the power. First of all we need the power to stable rates because we got people on fixed incomes and if we don't do Muskrat Falls, you know the power is going to go up because we burn so much of it at Holyrood, that's based on oil, oil prices we think are going up. And look, right now the world economy is pretty slow, yet what's oil prices? Brent is about \$113 a barrel, West Texas Intermediate is what, about \$93 a barrel. That's high. So when Holyrood was commissioned and we first started burning oil to make electricity in Holyrood it was \$3 a barrel, you know, now it's \$93 a barrel. It's been \$100, it's not going to go down I don't think, it's going to go higher. So we've got to stop that and we've got to have stable rates for people on fixed incomes. If we don't do anything peoples rates are going up you know, I remember what Shawn Skinner and Jerome Kennedy said about what – 7 percent a year. At least if we build Muskrat Falls it will only go up 1 percent a year. So we'll have stable rates for our people and our seniors and people on fixed incomes -that's number one. Number two, we need it in Labrador because there's going to be this mining explosion there, but number three, we're going to have some surplus. We'll be able to convert the surplus into cash then we have you know, there's hydro sites on the island, there's wind sites on the island. There's a tremendous amount of wind in Labrador and we'll be able to shoot down the maritime link into New England and get cash for it and bring our cash into the economy to give us royalties to provide the services that the people of Newfoundland & Labrador deserve.

RANDY SIMMS: All right. So any final thoughts before we go?

TOM MARSHALL: Well I read in the paper, you said that I had said that the you know the opposition has its say and the government gets its way, and I remember telling you that, but what you've forgotten is that it was Roger Grimes that said that, not me.

RANDY SIMMS: Well I quoted you....

TOM MARSHALL: ...I just passed it on, so I can't take credit for it.

RANDY SIMMS: All right.

TOM MARSHALL: But it's only meant to be in terms of when there's a majority government.

RANDY SIMMS: Yes.

TOM MARSHALL: Right. And you're voting on a resolution or something in the House. I mean if you have a majority government, obviously in the end the government will win the vote, but in the meantime the opposition get to have its say and the people pay attention to that and the opposition will go on shows like yours and have their say again. So governments can't be arbitrary. When the vote comes, they will win in the end and that's democracy right and that's why people vote for you.

RANDY SIMMS: Minister Tom Marshall, always a pleasure.

TOM MARSHALL: Always great to talk to you Randy.

RANDY SIMMS: Have a great day.

TOM MARSHALL: Bye bye.

RANDY SIMMS: Take care. Bye bye. All right, Minister Tom Marshall, the Minister of Finance, the MHA for Humber East. What do you think of what he had to say this morning?