



Government of Newfoundland and Labrador
Finance
Treasury Board
Office of the Secretary

October 25, 2012

CONFIDENTIAL

TBM2012-202

Honourable J. Kennedy
Minister of Natural Resources

Your proposal (NR2012-016) dated October 17, 2012, relating to Start Date and Authorization to Incur Costs to Launch Provincial Public Information Campaign – Lower Churchill Project, was considered at the One Thousand Seven Hundredth and Fifteenth Meeting of the Treasury Board.

The Board recommended the following to Executive Council:

- 1) The Department of Natural Resources be authorized to launch the Provincial Public Information Campaign – Lower Churchill Project in October 2012;
- 2) The Department continue to work with M5 Communications under the existing contract to a maximum of \$200,000 for the completion of this work, for an amended contract amount of up to \$323,728.97;
- 3) Approval of the following transfer of funds to facilitate this expenditure:

TO: Subdivision 5.1.05.05 Energy Initiatives –
(Professional Services) \$200,000

FROM: Subdivision 5.1.05.10 Energy Initiatives –
(Grants and Subsidies) \$200,000

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- 4) The Communications and Consultation Branch, Executive Council be directed to support the Department and M5 on the campaign; and
- 5) The Department of Justice be directed to review the information material prepared prior to its release.

Joan Menzies
for **SECRETARY**
Treasury Board

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NR 2012 [REDACTED]
[REDACTED]
[REDACTED]

**Title: Start Date and Authorization to Incur Required Costs to Launch
Provincial Public Information Campaign – Lower Churchill Project**

ISSUE:

Whether to commence the Provincial Public Information Campaign – Lower Churchill Project, pursuant to MC2011-0316.

RECOMMENDATION:

Pursuant to MC 2011-0316, the Department of Natural Resources recommends that Cabinet:

- 1) Authorize NR to launch the Provincial Public Information Campaign – Lower Churchill project in October 2012;
- 2) Direct NR to engage M5 Marketing Communications to support creative work on the campaign with assistance from Executive Council's communications branding division; and,
- 3) Authorize NR to pay M5 Marketing Communications for work completed in accordance with the terms of the contract between M5 Marketing Communications and NR, to a maximum of \$200,000.

BACKGROUND:

In January 2011, the Department of Natural Resources (DNR) issued a Limited Request for Proposals seeking interested parties to develop a Newfoundland and Labrador public information campaign regarding the Lower Churchill Project, specific to the proposed development of Muskrat Falls. M5 Marketing Communications was the sole agency who submitted a proposal, and following evaluation of the submission was awarded the contract in March 2011. M5 was

requested to develop a campaign which informed residents about the important aspects of the Muskrat Falls project and in particular, the benefits residents of Newfoundland and Labrador will receive from the project.

The campaign was developed and included a TV ad, print ads, website, digital ads and direct mail. High level key messages included the need for power and the identification of Muskrat Falls as the lowest cost option, rate stability, economic impacts, green energy, and benefits to Labrador. The public relations campaign was not launched immediately upon its development in 2011 for a number of reasons including the impending provincial election and ongoing negotiations to convert the term sheet agreement into formal commercial arrangements between Nalcor and Emera had not been completed. At this time, the Nalcor – Emera agreements have been completed and the special House of Assembly debate on the project prior to the anticipated fall sanction decision is pending. For these reasons, timing for the launch of a public information campaign would support an informed public debate about the project with consistent and accurate information.

The Department of Natural Resources has previously briefed cabinet on the retention of M5 Marketing Communications and the nature of the media campaign. At that time, cabinet gave approval for NR to pay M5 Marketing Communications for work completed to that date (MC2011-0316 refers). M5 Marketing Communications has been paid approximately \$124,000 to date for a campaign which was put on hold. Cabinet also reserved to itself the decision as to when the campaign would launch. Discussions on proceeding with a public information campaign have occurred numerous times during the past year with the decision to proceed delayed for various reasons.

This cabinet submission recommends that the campaign should be launched in October in advance of the special House of Assembly debate and the project sanction decision expected later in the fall. The proposed campaign will include tv spots, a householder for every resident in the province, and possible print ads, and will focus on why Muskrat Falls is the least-cost option to meet the province's energy needs and secure stable rates, and the economic and environmental benefits of the project for Newfoundland and Labrador.

ALTERNATIVES:

1. Pursuant to MC 2011-0316, the Department of Natural Resources recommends that Cabinet:
 - 1) Authorize NR to launch the Provincial Public Information Campaign – Lower Churchill project in October 2012;
 - 2) Direct NR to engage M5 Marketing Communications and Executive Council's communications branding division to continue work on the campaign; and,
 - 3) Authorize NR to pay M5 Marketing Communications for work completed in accordance with the terms of the contract between M5 Marketing Communications and NR, to a maximum of \$200,000. RECOMMENDED

Advantages:

- Will provide the public with clear and simple messages with respect to Muskrat Falls.
- Supports government's position of providing information to the public.
- Is consistent with MC2011-0316 issued previously by cabinet.
- Timing of the campaign coincides with the House of Assembly debate on the project and the pending project sanction decision.

Disadvantages:

- The public may perceive Government as using public funds to "sell" the Muskrat Falls.
- Timing may be questioned if details of the loan guarantee are not in place.

2. Cabinet direct NR to launch the Public Information Campaign – Muskrat Falls at a later date (post-House debate) (NOT RECOMMENDED)

Advantages:

- Could time the launch of the campaign more closely with a project sanction decision later in the fall of 2012.

Disadvantages:

- With respect to the House debate, would miss the opportunity to present accurate information in proper context to the public.

3. Cabinet not launch the Public Information Campaign – Muskrat Falls. (NOT RECOMMENDED)

Advantages:

- Would avoid accusations that government is using public funds to “sell” the Muskrat Falls project.

Disadvantages:

- Would leave government in the position of responding to politically-charged public discourse about the project rather than leading the messaging with accurate information placed in its proper context.

LEGISLATIVE / REGULATORY CONSIDERATIONS:

N/A.

FINANCIAL CONSIDERATIONS:

The total cost of the campaign was originally anticipated to be a maximum of \$300,000 (plus HST) including agency fees and media buy. This is the figure contemplated in M5's contract. Pursuant to MC2011-0316, \$123,728.97 (plus HST) was paid to M5 in May 2011 for work already completed and thus, a maximum of approximately \$200,000 (plus HST) will be required now to launch and complete the campaign.

INTERDEPARTMENTAL CONSIDERATIONS:

The Department of Labrador and Aboriginal Affairs was consulted on campaign objectives specific to Labrador when the campaign was originally created.

LABRADOR OR ABORIGINAL CONSIDERATIONS:

While the project itself has considerable Labrador and Aboriginal impacts and benefits, these have been addressed through negotiation with affected parties. This submission merely

contemplates the public communication of information about project development and, as such, does not raise any new Labrador and/or Aboriginal considerations.

INTERGOVERNMENTAL CONSIDERATIONS:

N/A

OTHER JURISDICTIONS:

N/A

CONSULTATIONS:

Nalcor has been consulted and has engaged with the Department of Natural Resources in development of the campaign.

ENVIRONMENTAL CONSIDERATIONS:

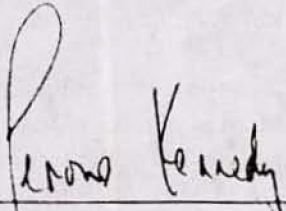
While the project itself has considerable environmental impacts and benefits, these are being addressed through Environmental Assessment processes. This submission merely contemplates the public communication of information about project development and, as such, does not raise any environmental considerations.

COMMUNICATIONS AND CONSULTATION SYNOPSIS:

Attached as *Annex A*.

ANNEXES:

Annex A: Communications Synopsis



Jerome P. Kennedy, Q.C.
Minister of Natural Resources

OCT 17 2012

Annex A

COMMUNICATIONS STRATEGY
Public Information Campaign - Muskrat Falls

Issue: To build confidence in the Muskrat Falls project with simple, easy to understand information through a provincial public information campaign.

<p>Consulted With: Charles Bown, Associate Deputy Minister, Energy</p> <p>Paul Scott, Assistant Deputy Minister, Energy Policy</p> <p>Dawn Dalley, Communications, Nalcor Energy</p>	<p>Date Drafted: January 4, 2012</p> <p>Revised: September 20, 2012</p>	<p>Anticipated Launch: October 2012</p>
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A. COMMUNICATIONS ANALYSIS**Public Environment**

Twenty two months have passed since the November 2010 announcement on the development of Muskrat Falls. A final decision on sanction is expected in the fall of 2012. The time between the announcement and decision has provided opportunity for those opposed to the project to present critical views and questions on whether or not the proposed development of Muskrat Falls is too costly, necessary, and in the best interests of the province. While the critics are small in numbers, media and commentary shows like Open Line and Back Talk have provided a forum for this group to express opinions and doubt on the merits of the project.

There is a limited understanding, and sometimes interest, among the general public about the energy needs of the province; electricity demand; and the need to develop a new source of electricity for the province. The main concern by households is how the development of Muskrat Falls would affect me and my electricity rates.

Misinformation by various sources, combined with the existing challenge of explaining and understanding such a complex initiative, has left many Newfoundlanders and Labradorians uncertain, as well as disinterested in the facts and benefits surrounding the development of Muskrat Falls. Supporters of Muskrat Falls have been hesitant to become publicly engaged in the discussion. The proposed development of Muskrat Falls has become political with a loss of focus on why the project is needed to respond to the province's energy needs.

Political opposition members are stating that a decision on the project is being rushed without proper due diligence. One focus expressed publicly has become about options considered, and if

government has taken the right amount of time to consider all alternatives. Electricity rates and how they will be affected by the development of Muskrat Falls has also been a public concern.

The next few months are a critical time for the project. Discussions on the loan guarantee are ongoing. The Provincial Government has committed to a special debate and vote on Muskrat Falls in the House of Assembly during the fall once the DG3 information becomes available. The debate is welcomed, but has been criticized as government back-tracking and linked by critics to the indecisive PUB Report. Many have suggested that the decision to proceed with Muskrat Falls has been made, and the debate is merely a useless exercise.

The province's residents must feel confident they have access to accurate information as they continue to form opinions and express their views on the project. The decision to sanction (or not) is expected to be made in the fall.

Strategic Considerations

The project was announced in November 2010. The significant amount of time that has passed between the announcement and now before final project sanction has provided opportunity for critics to be vocal for a long period of time.

M5 has been paid approximately \$124,000 to date for a campaign which was put on hold. Discussions on proceeding with a public information campaign have occurred numerous times during the past year with the decision to proceed delayed for various reasons.

Funding identified in this cabinet submission is for moderate changes to work previously completed by M5 and to support the media buy.

Priority campaign proponents include tv spots, householder, and website. It is suggested that the householder and print ads be completed in-house with the assistance of Executive Council's communications branding division. This would lower the costs of production. The tv spots, however, requires agency work.

The launch of the public information campaign is expected to bring a request for campaign costs through the Access to Information and Protection of Privacy Act (ATIPPA). The original \$124,000 cost provided to M5 could be made public at that time, and bring questions as to why the campaign was delayed.

The public information campaign could be viewed by the public and opposition as a waste of taxpayers' money, and an attempt to "sell" the Muskrat Falls project by government.

The Joint Federal-Provincial panel released its environmental assessment report of the project which included 83 recommendations for consideration by both levels of government. The report was critical of Nalcor's work to date on the project, and was seized upon by opponents David Vardy and Ron Penney who provided commentary and discussion in the media on project alternatives and financial returns.

A legal challenge has been filed on grounds that the review panel was unlawful and incomplete. This may go before the courts as early as the summer.

On March 15, 2012, the Provincial and Federal Governments released the project from environmental assessment with certain terms and conditions that will provide environmental protection measures, monitoring regimes to measure impacts, and measures to enhance the socioeconomic benefits of the project.

Nalcor has begun work on preparatory activities and advance site preparation to support project construction as soon as final approval is received. The optics of work beginning prior to sanction is challenging for government, and critics could suggest that the decision to proceed with Muskrat Falls has already been made. Government will need to reiterate that this is a common practice for large-scale resource projects, and will help reduce the prospect of the project being delayed up to a full year.

The commercial agreements have been reached between Nalcor and Emera for the development and transmission of power from Muskrat Falls to Nova Scotia. Through this strategic partnership with Emera, the province is leveraging a knowledgeable partner to facilitate getting power to market and will facilitate financial returns for the province from export sales.

Work is continuing on finalizing details of the loan guarantee with the Government of Canada, and conclusion of the Environmental Assessment Process.

There has been recent criticism that Nalcor is spending too much money in advance of the project being sanctioned. Between the 1970s and up to the end of December 2011, total expenditures on both Muskrat Falls and Gull Island phases of the Lower Churchill Project is \$447.5 million. The breakdown of this spending is \$178.9 million for Muskrat Falls, \$149.9 million for Gull Island and also \$118.7 million spent on the Lower Churchill Project by prior administrations between the 1970s up to 2003. At present, Nalcor has forecast to spend between \$12 to \$15 million per month on work associated with the Muskrat Falls development.

A rate increase for residential customers has been announced by Nalcor. This will result in an increase of approximately 8 per cent wholesale and 5.4 per cent retail effective July 1.

A number of legislative amendments to advance the implementation of Muskrat Falls will be discussed in the fall session of the House of Assembly, or during the special debate on Muskrat Falls.

B. GOALS, OBJECTIVES AND AUDIENCES

Communication Goals

- The campaign will provide simple, clear messages about the province's energy picture.
- The campaign will be themed to identify we are in control of our destiny, and committed to make decisions to secure our energy future.
- The campaign will focus on why we need power; why Muskrat Falls is the least-cost option to secure stable electricity rates; and the economic and environmental benefits associated with the development.

- The campaign will include tv spots, a householder to put in the hands of every resident of the province, and a website.

Objectives

- To communicate clear, simple messages on the development of Muskrat Falls specifically the need for power, project benefits, and electricity rates.
- To be strategic and pro-active in messaging Muskrat Falls benefits.
- To reinforce that the province needs power, and that Muskrat Falls has been determined to be the least cost option.
- To demonstrate government's commitment to provide information on the project and participate in a transparent process and meaningful discussion on the project.

Audiences

External

- Leaders/influencers who have the potential to vocally support Muskrat Falls
- Seniors representatives/groups
- Media
- Key Stakeholder Groups
 - Municipalities (MNL)
 - Business Organizations (NOIA, NEIA, BOT, Chambers, Rotaries, Economic Dev. Assoc.)
 - Labour organizations
 - Memorial University – faculty and students
 - Key business owners/influencers
- Innu Nation
- NunatuKavut Community Council
- Nunatsiavut Government
- Mining Industry NL
- Nalcor
- Emera
- Federal Government
- Government of Nova Scotia

Internal

- MHA's
- Department of Environment and Conservation
- Department of Intergovernmental and Aboriginal Affairs and responsible for Labrador Affairs
- Department of Finance

C. COMMUNICATIONS ACTIVITIES**Actions and Targets**

Action	Description		Timeframe
Householder	Provide householder to every resident of the province.		October
TV Spot		Under discussion	October
Update Muskrat Falls information on departmental website	Update with supporting information from print campaign.		On-going
Target call in shows / media	Identify opportunities to be proactive and focused in messaging.		On-going
Speaking Opportunities	Target stakeholder groups to clarify facts about the project and impacts and benefits for specific sectors.		On-going
Connect with potential influencers who can advocate the project's benefits:	<p>Connect with major stakeholder groups such as seniors, municipalities, and economic development groups to share information on the specific impacts Muskrat Falls' power may have on their members and constituents. Connect with media .</p> <p>Seek out speaking opportunities with major business organizations, labour groups, and economic development groups to share information on the specific impacts Muskrat Falls' will have on their members and constituents.</p> <p>To engage MHA's to be proactive and provide information publicly of merits of the project.</p>		On-going
Preparation for Debate in the HOA	Prepare / organize supporting documents to table in the HOA including natural gas,		Rollout TBD

	wind, mining opportunities for Labrador, electricity rates, 92A, and export from other markets.		
	Prepare themed messages for speaking points for MHA's		

KEY MESSAGES

- Newfoundland and Labrador requires more energy due to economic growth as a result of industry expansion, commercial and industrial growth, and significant growth in residential homes and the use of electric heat. This translates into increased electricity demand in the province.
- With the increasing demand for power, our current sources of energy will soon not provide enough electricity for our province. Muskrat Falls will deliver the lowest-cost power for homes and businesses, and respond to our growing energy needs.
- Our Energy Plan was clear that we would seek long-term stability for the ratepayers of Newfoundland and Labrador and acquire a secure and environmentally friendly source of power.
- Muskrat Falls will produce long-term stability and avoid the volatility of oil-reliant power used at Holyrood with fuel prices forecast to increase.
- Muskrat Falls will provide a more reliable service and stable electricity rates for rate payers.
- Muskrat Falls will provide a secure and environmentally friendly source of power.
- Muskrat Falls provides the least cost and most environmentally friendly solution to meet the domestic needs of the Island.
- Muskrat Falls will provide significant social, economic, and environmental benefits to the province.
- Peak direct employment in Newfoundland and Labrador will be approximately 2,700 people in 2013.
- More than 75 per cent of the direct labour for the Muskrat Falls generating station will occur in Labrador with first opportunity for employment provided to Aborigines and residents of Labrador.
- Total income to labour and businesses in Labrador will be \$450 million.
- Total income to labour and businesses in Newfoundland and Labrador will be \$1.4 billion.

- During construction, \$737 million in taxes will accrue to the Government of Newfoundland and Labrador, and the Government of Canada.
- Muskrat Falls will create significant employment, income and taxation benefits for Newfoundland and Labrador.
- The Muskrat Falls development will meet the energy requirements of the province and also provide sufficient capacity for future industrial development in Labrador and throughout the province.
- Development will meet the energy requirements for Labrador and the Island, and provide sufficient capacity for future industrial developments in Labrador and throughout the province.
- When Muskrat Falls is on stream and delivering clean, renewable hydro power – some of the cleanest and most economical power available – to the province, rates will stabilize and will remain so long into the future.
- Newfoundland and Labrador will have an electricity system that will be greater than 98% carbon free which far exceeds any national or international standard and is supplied by a secure and reliable source.
- This project will produce long-term stability and avoid the volatility of oil-reliant power, in Holyrood, which was facing increased rates for the long-term.
- The Muskrat Falls development will lead to the retirement of the Holyrood generation station which will result in the reduction of green house gas emissions by over one million tonnes annually, eliminate the province's dependence on the supply of imported fuel, and remove future volatility in electricity prices.
- Muskrat Falls will establish a secure future for our children, and position our province for the future. It will make us an energy leader.

Interdepartmental Coordination

A communications strategy has been developed and updated regularly, and activities and messages will continue to be communicated between parties. Coordination is ongoing between the Premier's Office, Department of Natural Resources, the Communications Branch, and Nalcor.

Briefing of Members of the House of Assembly

Themed key messages will be distributed to MHA's.

Follow-up Activities

Media and public commentary will continue to be monitored and responded to accordingly.



Agenda # 2.0

Attach to: NR2012 [REDACTED]

TREASURY BOARD ANALYSIS

Department	Natural Resources	Cleared for the Agenda	"A" or "B" Item
Submission Date	October 17, 2012	Amm	A
Requested By	Honourable Jerome Kennedy, Minister		

Title Start Date and Authorization to Incur Costs to Launch Provincial Public Information Campaign – Lower Churchill Project

Summary of Proposal Pursuant to MC2011-0316, the Department of Natural Resources recommends that Cabinet:

- 1) Authorize NR to launch the Provincial Public Information Campaign – Lower Churchill Project in October 2012;
- 2) Direct NR to engage M5 Marketing Communications to support creative work on the campaign with assistance from Executive Council's communications branding division; and,
- 3) Authorize NR to pay M5 Marketing Communications for work completed in accordance with the terms of the contract between M5 Marketing Communications and NR, to a maximum of \$200,000.

Background and Analysis

1. In January 2011, the Department of Natural Resources (NR) issued a limited RFP to M5 Marketing, Idea Factory and Target Marketing to develop a public information campaign regarding the Lower Churchill Project, specific to the development of Muskrat Falls. M5 Marketing Communications was the sole agency that submitted a proposal, and following evaluation of the submission was awarded the contract in March 2011.
2. M5 was requested to develop a campaign which informed residents about the important aspects of the Muskrat Falls project and in particular, the benefits residents of Newfoundland and Labrador will receive from the project. The campaign was developed and included a TV ad, print ads, website, digital ads and direct mail. High level key messages included the need for power and the identification of Muskrat Falls as the lowest cost option, rate stability, economic impacts, green energy, and benefits to Labrador.
3. The campaign was not launched immediately upon its development in 2011 for a number of reasons including the impending provincial election and the ongoing negotiations between Nalcor and Emera had not been completed. Nalcor – Emera agreements have now been completed and the special House of Assembly debate on the project prior to the anticipated fall sanction decision is pending. For these reasons, timing for the launch of a public information campaign would support an informed public debate about the project with consistent and accurate information.
4. Cabinet was previously briefed on the retention of M5 Marketing Communications and the nature of the media campaign and gave approval for NR to pay M5 Marketing Communications for work completed to that date (MC2011-0316 refers). M5 Marketing Communications has been paid approximately \$124,000 to date for a campaign which was put on hold. Cabinet also reserved to itself the decision as to when the campaign would launch. Discussions on proceeding with a public information campaign have occurred

numerous times during the past year with the decision to proceed delayed for various reasons.

5. The total cost of the campaign was originally anticipated to be a maximum of \$300,000 (plus HST) including agency fees and media buy. A maximum of approximately \$200,000 (plus HST) will be required now to launch and complete the campaign. This expenditure will put the total value of the contract at approximately \$324,000, an amount slightly larger than originally contemplated, but within the 10% overrun limit.
6. The initial payment to M5 was made in 2011-12. No funds have been budgeted for the balance of this contract and therefore a transfer of funds will be required from 5.1.05.10 Energy Initiatives – Grant and Subsidies to 5.1.05.05 Energy Initiatives – Professional Services.

Consultations The Rural Secretariat, Regulatory Reform, Cabinet Secretariat were consulted and no concerns were raised. The Communications Branch agreed with the approach indicated however they noted key messages and QAs specific to the cost of the campaign, the RFP (limited call) process and the delay in implementation are required and that they will work with NR on their development. Justice notes that they had not been asked to review, and has not reviewed, the information campaign material prepared by M5.

Recommendation It is recommended that the Board issue the following Minute:

The Board recommended the following to Executive Council:

- 1) The Department of Natural Resources be authorized to launch the Provincial Public Information Campaign – Lower Churchill Project in October 2012;
- 2) The Department continue to work with M5 Communications under the existing contract to a maximum of \$200,000 for the completion of this work, for an amended contract amount of up to \$323,728.97;
- 3) Approval of the following transfer of funds to facilitate this expenditure:

To:	5.1.05.05 Energy Initiatives - Professional Services	\$200,000
From:	5.1.05.05 Energy Initiatives – Grants and Subsidies	\$200,000
- 4) The Communications and Consultation Branch, Executive Council be directed to support the Department and M5 on the campaign; and
- 5) The Department of Justice be directed to review the information material prepared prior to release.

Prepared By: Garfield Dart
Director: Joan Morris
Date: October 18, 2012