

**Speaking Notes**  
**Premier Kathy Dunderdale**  
**St. John's Board of Trade**  
**May 27, 2013**

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**DELIVERING RESULTS**

For quite some time, I have been looking forward to this opportunity to address members and guests of the St. John's Board of Trade. It has been a tough winter, but I remain focused on what is important and am working diligently to deliver results for the people of Newfoundland and Labrador.

And we are indeed delivering.

On May 8, BMO released its Blue Book, commenting on the consistent strength of our economy and our prospects for the year ahead. No spin – just facts. And what does BMO have to say about our performance? In their analysis, prudent fiscal management by our government and the investments we chose to make in equity shares in projects such as Muskrat Falls and Hebron are benefitting our people. Construction and capital investment activity have been key economic drivers in the province in recent years, and growth is expected to remain solid this year. Investment in the oil and gas sector is expected to increase by 83 per cent as construction of the Hebron project ramps up. The jobless rate sits near a record low. Average weekly earnings growth is strong, supporting personal incomes and consumer spending. Projects such as Muskrat Falls and Hebron are creating jobs and opportunity, and our people are reaping the benefits.

On each of the measures BMO has identified, this province is the picture of health, strength and growth. We will continue to make smart decisions to sustain that success.

Today, we have more doctors and nurses delivering quality health care services throughout our province than ever before. Access to advanced medical equipment and services is greater, and the wait times for key health care procedures are lower. In our classrooms, the number of teachers per student is higher, meaning the sizes of classes are lower. The cost of a post-secondary education is lower. The quality of our student aid program is better. The number of post-secondary students studying here is greater. Access to apprenticeships and journey person certification is greater. Job prospects for skilled workers are greater. The number of child care spaces is higher. There are more people working in our province than ever before. Incomes are higher. Taxes are lower. People are earning more and keeping more of the money they earn than they did a decade ago.

On measure after measure, the evidence adds up to one undeniable conclusion. Newfoundlanders and Labradorians are much better off – and our economy is much better off – now than it was a decade ago when our work began. Our approach has proven to be sound. Our plan is working. Our people are working. Newfoundland and Labrador is in a stronger position today than ever before in our history, and we are moving forward boldly, with confidence, to grab hold of opportunities even greater than those we have already achieved.

## **DOING OUR DUE DILIGENCE**

I want to update you on some of the things we have been doing and the results we have been seeing since the last time I addressed the Board of Trade.

Much of the work our government is doing happens behind the scenes, in offices and meetings where due diligence is done, fine details are honed, weaknesses are caught, loopholes are closed, i's are dotted and t's are crossed to ensure we do not miss out on the benefits Newfoundlanders and Labradorians demand and deserve.

Far from the limelight – indeed often by the light of the midnight oil – we are continually searching for new opportunities to turn situations to our advantage.

One ideal example of this is the approach we took to strengthen the Voisey's Bay agreement. As many will recall, we expressed concern long ago about two weaknesses in the original agreement.

The first of these was an exceptionally-broad 'force majeure' clause that could easily have relieved the developer of its obligations to deliver key benefits to the people of Newfoundland and Labrador. When the developer missed a key legislated deadline, we seized the opportunity to close this major loophole with a reasonable 'force majeure' clause more in line with the industry norm.

Just recently, we got the opportunity to address a second concern we had with the initial agreement – namely, the absence of a commitment to mine the underground resources once the lucrative surface ovoid deposit was exhausted. Several months ago, when the developer missed another legislated deadline, we seized the opportunity to secure a commitment from the company to develop those underground resources, greatly extending the life of the mine and enhancing the benefits to our people.

Those are just two examples of the work we have been doing to secure greater benefits for the people we serve. This work doesn't always make the headlines, but it is making a difference where it counts, and that is what matters most to me.

We have an obligation to drill down into the details and spend all the time that is required to ensure we do not lose out. Due diligence demands that we scrutinize

every detail. While these efforts are not always visible, they are absolutely vital, and that is why we dedicate such time and effort to getting it right.

## **TAKING INNOVATIVE APPROACHES**

To maximize the returns we get from the development of our resources, we also take the time to examine the best practices of other jurisdictions and explore new approaches of our own that can lead to greater gains for our people. Like the most-successful private enterprises, governments too can achieve greater gains by challenging old ways of thinking and trying innovative approaches.

Nalcor is leading the development of the province's energy resources – including oil and gas. Through Nalcor we have equity stakes in offshore oil and gas developments – in the White Rose Extension we have five per cent, in the Hibernia Southern Extension our equity stake is 10 per cent and the latest, 4.9 per cent in Hebron – a project that was sanctioned in 2012. Through Nalcor's equity stake in the province's offshore developments, we have strategic insight into the oil industry's realities, challenges and opportunities. We are at the table to ensure Newfoundlanders and Labradorians benefit from these resources for generations to come.

Nalcor's interest, on behalf of the Province, not only resides with securing equity stakes in our offshore developments but it also revolves around attracting as many capable partners to invest in our offshore through the widespread dissemination of quality information. Nalcor – through its exploration strategy - is methodically undertaking activities that will allow us to assess Newfoundland and Labrador's potential for future projects.

Our investments in Nalcor Energy to fund its oil and gas activities are yielding significant results. I believe our best opportunities are ahead of us and thanks to our government's investment and support of Nalcor, we will reap the benefits like never before!

For example, since 2010 our government has funded nearly \$30 million towards Nalcor Energy's geoscience programs. It was invested in a three-year 2D seismic program that spanned from the Labrador Sea in the north to the Flemish Pass in the south. That acquisition of 2D seismic data is the largest program in the history of Newfoundland and Labrador and one of the largest programs ongoing in the world today – it is comparable to an area larger than the US Gulf of Mexico.

Approximately 70 per cent of the area covered has no previous seismic data and its revealing prospects never before seen. This investment is perhaps the most strategic ever made in our oil industry.

Our investment through Nalcor was able to leverage nearly \$65 million in additional investments from global leading seismic companies TGS and PGS. And we are already seeing results - earlier this year, Nalcor announced the discovery of three new large basins in offshore Labrador – doubling Labrador’s basin potential.

Early analysis suggests these new Labrador Sea basins have greater probability to be oil prone versus the gas prone basins on the Labrador Shelf. This discovery has turned upside down the industries historic view of offshore Labrador.

Because of our timely investment and strategic work to move towards scheduled licensing rounds in our offshore, exploration drilling off Labrador is poised to soar to levels not seen in over 20 years.

This fundamental shift in the way we manage our offshore puts us in the driver’s seat. We have the potential with this information to gain billions of dollars for Newfoundland and Labrador over the long term.

Anyone who still believes investing in Nalcor Energy was foolhardy would have a pretty tough time convincing anyone else in light of what you just heard. Because of the incredible expertise assembled at Nalcor and the strategic decisions they are making, Nalcor is projected to be fully self-sufficient in its oil and gas investments as early as 2015, two years before Hebron has first oil. Net revenue from production in its projects, such as White Rose Extension and Hibernia South, will be in excess of \$70 million in 2013 climbing to peak revenue of \$370 million nine years from now in 2022 with the addition of Hebron production post 2017.

We are taking bold and innovative steps to develop our natural resources for the benefit of the people of the province. These initiatives are forward looking and will return benefits for generations to come.

## **COLLABORATING TO CAPITALIZE ON OUR STRENGTHS**

Our investments in Nalcor have proven to be wise and sound, and Newfoundland and Labrador is far stronger today because of the exceptional work we have mandated them to do on our behalf.

Our growing stature as an energy sector leader is undisputed, not only here, but in fact internationally. We are no longer looking on from the sidelines. We are in the game.

It was thanks to the expertise we amassed at Nalcor that we were able to negotiate the agreement with Nova Scotia’s Emera that will see the development of hydropower resources at Muskrat Falls. Not only will it give domestic ratepayers and industries ample and perpetual access to power at the lowest-possible cost, but it also enables us to circumvent Quebec’s roadblock to energy development in this

province and market clean, green, renewable power into the Maritimes and beyond. No longer will we be held hostage by Quebec!

Today I am happy to announce our next step forward with this project as Nalcor has launched the Request for Financing process. The RFF will invite proposals for the purpose of raising debt financing for the project. The assignment of a Triple A Rating for the finance-raising process, and the federal loan guarantee are clear signals to prospective lenders that the Muskrat Falls Project is an excellent financing opportunity.

The Muskrat Falls development clearly demonstrates this province's capacity to lead in energy sector development, and that is what we are doing. As co-lead of the development of the Canadian Energy Strategy, just last month I met with Manitoba Premier Greg Selinger, Alberta Premier Alison Redford and provincial and territorial Energy Ministers to discuss the importance of an energy strategy. I delivered that same message to my Atlantic counterparts at the recent Council of Atlantic Premiers meeting, impressing upon them that this strategy will position our country as a leader in sustainable and secure energy production, supply and transportation including East-West and Northern energy transmission. Without an effective inter-provincial transmission and transportation system in Canada we may not be able to develop projects that will ultimately benefit all Canadians. The support I have received from across the country on this is incredibly encouraging.

Muskrat Falls is a concrete example how provinces, regions and Canada can benefit when we work towards common goals. My fellow premiers respect the fact that we are leading by example – not just talking about what we can achieve by working together, but demonstrating it.

This is true, not only for energy issues, but also for issues like apprenticeship certification and Employment Insurance reform.

During the Atlantic Premiers meeting, my colleagues and I worked to resolve a critical bottleneck that was blocking the paths of students with academic certification trying to qualify as apprentices. Barriers were preventing many students from accessing the jobs they needed and employers from accessing the labour they required. Through collaboration, we as premiers were able to achieve a breakthrough solution, the first of its kind anywhere in Canada. Through the Atlantic Workforce Partnership, we have agreed to harmonize apprenticeship programs across the region and deliver online training to small- and medium-sized businesses. This will make us a national leader in the delivery of critical skills training, benefiting all of us.

I also collaborated with my fellow Atlantic premiers to advocate for an Employment Insurance system designed to encourage work, not to discourage work or punish those who take it. Seasonal workers are being directly targeted in these new definitions of 'suitable employment' and 'reasonable job search.' We came together

in defence of seasonal industries, arguing that it is seasonal workers who have done so much to build this country, whether it is in resource industries like the fisheries or in service industries like tourism. They as workers and we as provinces need an EI system that properly reflects and responds to this reality.

## **FOCUSING ON PRIORITIES**

Making the right choices to strengthen our labour market could not be more critical to this province than it is at this juncture in our history. With megaprojects ramping up across multiple sectors, we are about to see some 70,000 skilled labour job opportunities open up across Newfoundland and Labrador. It is critical that we continue to work together to ensure that we can meet this demand and secure all the benefits these tremendous opportunities will bring.

This kind of thinking is critical to the effective functioning of governments, businesses and households alike. We need to focus on the goals we need to be achieving and find the most effective – and cost-effective – means of reaching those goals.

We are also determined to continue reducing the public debt, which we have already reduced by some 28 per cent since taking office a decade ago. To get this under control, we cannot avoid taking on the challenge of public sector pension reform. Fully 64 per cent of our remaining public debt consists of public sector pension plan liabilities. It is the elephant in the room, and we have to work together to do something about it.

This year's Budget has been an exercise in fiscal discipline. As the caretakers of the public treasury, we have an obligation to taxpayers to ensure public finances are administered properly. We have applied this approach across core government departments. We expect no less from our health care authorities and post-secondary institutions.

We cannot justify taxing Newfoundlanders and Labradorians to pay for services that are not delivering results. Similarly, we cannot justify taxing Newfoundlanders and Labradorians to pay more than we need to be paying to deliver those services effectively.

## **SECURING A SUSTAINABLE FUTURE**

Not everything we are doing is getting the attention I believe it warrants, but in forums like this, I am delighted to have the opportunity to tell the story directly.

Who can deny that the approaches we have taken have changed us! Most of us recall the days when young people, facing graduation, were looking west to find a career and a solid foundation. Now, they have the choice to build a sustainable

future for themselves right here. A new dynamic is at play in Newfoundland and Labrador – An exciting dynamic. We are dreaming bigger, reaching higher, daring to believe in ourselves and our capacity to thrive. As a province, we are paying our way. We have a spring in our step and confidence in our future. It is no longer wishful thinking to say tomorrow will be even brighter than today. The transformation is happening right before our eyes.

A couple of weeks ago at the Offshore Technology Conference in Houston, I had the opportunity to speak with companies from all over the world and listen to them talk about our young people – how capable they are, and how motivated. We have every reason to be proud. Our investments in their future are reaping dividends, not just for them personally, but also for our province's reputation as the go-to jurisdiction for quality and a work ethic second to none.

It is for the generations coming up behind us that we are working so hard to maximize our potential and make this growth sustainable. We are the stewards of their future. There is no doubt in my mind whatsoever that we can sustain the new growth we are experiencing. We have the resources, the insight, the ingenuity and the resolve to make this happen. I invite all of you to join with us – focusing on priorities, collaborating, innovating, doing our due diligence, and delivering results. Let a sustainable future be the primary focus that unites us, and let us resolve anew to do whatever it takes to make Newfoundland and Labrador everything we know it is capable of becoming.

Thank you.