

PRESENTATION
to
COMMISSION OF INQUIRY RESPECTING
THE MUSKRAT FALLS PROJECT
by
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As someone who took part in the legislative debate on Muskrat Falls in 2012, I am honoured to have the opportunity to address the Commission in Phase 3 of the Inquiry. I know this part of the Inquiry is meant to look forward and not backwards and I shall do that. But to put what I am going to say today in context I want to make reference my final words in the Debate on Bill 61 as recorded in Hansard, the official record of the Legislature and I beg the Commissioner's indulgence in allowing me to do that. In this excerpt I am explaining my major concern about the project.

“ I needed to know if the project was environmentally sustainable. I needed to know if the project was economically viable, and I needed to know whether or not it was really going to benefit the people of Newfoundland and Labrador. ... That is what we have maintained throughout this process....

I stand here tonight and I can honestly say that after a year and a half or more, ... of looking at the project from all of those areas, especially from the perspective of the economic viability – and in talking about economic viability, I am not just talking about the project itself, and is enough money going to be able to be borrowed, et cetera, to make it happen.

The whole picture of economic viability in terms of who we are as a Province, in terms of what our own capabilities are, in terms of what the long-term benefits are going to be for people in the Province, for workers in the Province, for communities, am I convinced of the economic viability of the project? I have to honestly say tonight, no. I have all kinds of fears. I still have all kinds of questions.

...I said earlier in the last few days, I do not want this to fail. ... I really hope to God it is going to work for the people of the Province. I really hope to God it is going to work economically for this Province. Right now, I do not have the proof that it is going to.”

I also note that one of my final questions on Muskrat Falls on the same day I made these comments is recorded in Hansard as follows:

“Mr. Speaker, ... I am asking the Premier: What is this government planning to do to protect the ratepayer, the people of this Province?”

I think these brief extracts from Hansard demonstrate why I believe it is appropriate that I reference my concerns about MF going back to 2010. I always

wanted this project, if it were to go ahead, to work for the good of the people of the province and that good is what I shall be addressing this morning.

I will be discussing the financial impact on the province from the perspective of government's responsibility for the economic and social good of the people - the owners of the project who are responsible for it according to legislation and the Federal Loan Guarantee, yet who have no authority to decide where it goes.

I was a representative of people of the province in the legislature from November, 2006 - May 2019. The role of an MHA is one of privilege, the privilege of being a voice for people. It is also one of responsibility, the responsibility of ensuring that policy and practise of government work for the good of people, a responsibility that is very difficult for members sitting on the opposition side of the Legislature to carry out in a majority government.

By its very nature being an MHA means being in a position of trust. People come to their MHAs when they are in need, when the system is not working for them - when loved ones are not being taken care of in the health care system, when children and grandchildren are not having their needs met in the educational system, when government fiscal and budgetary policy dictates whether or not they can afford to meet their own and their families needs on a daily basis. MHAs hear the horror stories and people reveal these stories because they hope their MHA is going to be able to make things better for them. MHAs experience the tears of people whose lives are in desperate situations and I have seen many tears.

So, in speaking today I am going to be looking at the future from the perspective of what I know people are dealing with in the here and now in our province. I shall be focussing on specific populations whom I believe will be most adversely affected by the financial situation the province finds itself in because of Muskrat Falls.

We have an 8 Billion dollar budget in this province, but we have a serious problem. We are currently not meeting some basic needs of people that other provinces seem to be able to take care of.

In order to look at the financial impacts on the lives of people we need to look at the current realities of this province. As I do that I shall be presenting some facts

and figures that paint the picture. I have appended to my written presentation statistical information that gives greater detail rather than taking up too much time in reading all these facts. I shall only refer to some of the most basic.

The picture I am presenting is that of low income people, of seniors, of youth, of average families, basically of the majority of our population whom anyone with common sense knows are going to be negatively impacted by the burden that the province is carrying because of Muskrat Falls. I shall also be making a reference to the impact on indigenous people of Labrador.

Unemployment and Low Income

We have the highest annual unemployment rate in Canada which at 13.8% is more than twice the national average and which accounts for 36,000 people.

The number of people on EI in January 2019 was 33,900 and the maximum weekly EI payment is \$562.

6% of the workforce of 213,700 earn minimum wage which is just slightly above the low-income cut-off level

32.3 % of the workforce earn less than \$15 an hour which in many arenas in our country is considered the bare minimum that a worker should earn.

Latest available statistics show nearly two-thirds (65.5%) of people aged 20 to 24, the youth of the province, are earning \$15 or less. This age group makes up the largest share of these low-wage workers, at 18.4%.

Income Support

In May 2019 there were 35,850 adults and children on income support which is thousands of dollars below the Statistics Canada Low-Income Cut-Off figures whether talking about families or single people.

About half of the 107,925 seniors in the province have incomes so low that they qualify for the Guaranteed Income Supplement (GIS), yet only seniors on income support get dental care which in most provinces would be available for all low income seniors.

Neither is there pharmacare for seniors not on GIS or income support, again something that exists in most other provinces.

Income support doesn't come near meeting people's needs hence the presence and on-going growth of food banks in the province. As well, income support has not increased since 2014 during which time the Consumer Index has continued to rise.

A supplement to income support is a fuel supplement of \$71/mo which goes nowhere near what the real cost of heating an apartment costs - I have included details on heating costs in the Appendix.

I think all of us know just from our own experience that this amount of money would not cover most fuel needs. So people either go cold or use income support money for heat thereby cutting into other costs such as food. This unavoidable choice creates the need for food banks throughout the province.

Broader Issues

There are other needs in our province that affect broader groups of the population and I'll focus on those right now. The first is Child Care. We do not have an adequate child care program in this province. Not only is Child Care very expensive, neither do we have adequate spaces even if someone can afford it. There is a continual waiting list that cannot be met.

As an MHA I was beginning to hear more frequently from young couples that the lack of child care was one of their key reasons for choosing to leave the province. There are not hard figures on this one but it is becoming more consistently recognized as factual.

Just looking at figures for St. John's gives a pretty good picture. In 2018, the monthly average child care fees in St. John's, according to the Canadian Centre for Policy Alternatives, were \$726-\$977 depending on age, obviously a substantial bite out of the monthly budget for many families.

With the overall cost of living going up, including child care costs, middle-income families will find it difficult to meet their needs if new burdens are laid on them because of the financial situation of the province.

Another issue for middle income people is debt load. The Survey of Financial Security indicates that 29.6% of Canadian families are debt-free compared to 23.9% of NL families.

76.1% of economic families + persons not in an economic family in NL hold some form of debt. The Canadian average is 70.4%. NL has the highest % of all the provinces.

The young people of the province are also carrying major student debts. There is an attitude in the province because we have lower fees for our post-secondary institutions than some other places that we don't have a student debt problem. That is incorrect.

An IPSOS survey in 2017 found that graduates in Atlantic Canada had the highest debt load of any region in Canada at \$20,493 (national average \$14,763).

The Student Loan Corporation of Newfoundland and Labrador reports 27,342 outstanding loans in 2018, which means many young people are paying on these loans every month.

Everyone carrying debt lives in hope that the costs of borrowing will not go up.

And then there is the issue of lack of affordable housing. It is an issue throughout the province though the cost of housing is most drastic in St. John's. The average

rent for a 2-bedroom apartment in St. John's is \$950 and the average resale house price in St. John's is close to \$300,000. We also know from the Canada Mortgage and Housing Corporation (CMHC) that mortgage rates are going up.

I mention these broader issues because they are factors that particularly affect the middle class which will not be able to deal easily with any extra financial pressures. According to the Consumer Price Index from 2007 to 2017 in this province, the cost of food rose by 32.2%, shelter by 31.0%, transportation by 15.5% and energy by 18.3% (even with the drop in oil prices).

Something that could add a financial burden to the province is the potential loss of hunting and fishing rights for indigenous people in the Lake Melville area. Not being able to eat country food and fish because of methyl mercury would mean an extra financial burden because of more food having to be store bought. Who will carry that burden?

The reality is that we have high needs in our province that are not being met in our current fiscal situation - needs that other provinces, including a small province like PEI, do a much better job of meeting.

As we move forward we need to look at improving what is currently being offered, not reducing programs, or even just maintaining the status quo. The question facing the province is how to do that and I guess that's what Phase 3 of the Inquiry is all about.

Where to from here

We lost a great opportunity to better the life of the people of our province once we began to reap significant benefits from the production of oil. For the 40 years I have been involved in working for change I have been aware of how far behind other provinces we are in taking care of people. We have inadequate childcare, inadequate home care, inadequate care of seniors, inadequate dental care,

inadequate pharmacare; and, a lack of plans to increase employment opportunities and to maintain the young people and middle class in our province. We cannot afford to maintain rural communities and government's answer to that once again in our history seems to be passively encouraging resettlement.

The financial implication of Muskrat Falls is that not only might we not improve in all of these areas, but that we'll start falling backwards and in fact that has started to happen in areas where government has already begun to make cutbacks in services.

Government's easy way to go seems to be to cut the garment to fit the cloth, to accept that things are the way they are and we just have to accept it without looking at how the cloth may be increased to fit the garment.

I argue that the issue in our province is not that we spend too much money on health, education and infrastructure. I don't mean to imply that we don't need it to review how money is being spent. However, we do have to ensure that our number one priority is taking care of people and I don't believe we can do that without finding more revenue to deal with the demands that Muskrat Falls is making on our budget. I also believe the decisions about how to move forward have to be made not from a political perspective to meet views of political parties but from a solid non-partisan economic analysis based on people's needs and not on the directions from bond-rating agencies, though I do not deny we have a problem in that arena.

It is possible we might be pushing our luck with borrowing and deficits, but we need a solid objective analysis of how far on the cusp we are in that regard, something that is dealt with publicly.

I believe it is crucial that we accept we have a revenue problem when it comes to meeting the needs of paying for Muskrat Falls. We do not have a problem because government is spending recklessly. I also believe that keeping people in the forefront will mean being very cautious about how quickly we as a province move towards a balanced budget with a surplus. I believe looking for a balanced budget by 2022-2023 is problematic.

We seriously have to look at the revenue issue and I don't think it is a problem just for the province. The federal government cannot be allowed off the hook in this regard.

First of all the federal government along with the provincial government ignored the first and second recommendations of the Joint Review Panel Report, both of which recommend there are major pieces of work that would need to be done before approval and sanctioning of the project.

The first in brief says that before sanctioning of the project the Government of Newfoundland and Labrador undertake a separate and formal review of the projected cash flow of the Project component being considered for sanctioning (either Muskrat Falls or Gull Island) to confirm whether that component would in fact provide significant long-term financial returns to Government for the benefit of the people of the Province. Such financial returns must be over and above revenues required to cover operating costs, expenditures for monitoring, mitigation and adaptive management, and financial obligations to Innu Nation

The second recommends in brief that before governments, and I note they use the plural, make their decision on the Project, the Government of Newfoundland and Labrador and Nalcor commission an independent analysis to address the question "What would be the best way to meet domestic demand under the 'No Project' option?" Then the recommendation outlines all the details that such an independent analysis would involve.

I contend that neither level of government paid attention to these two crucial recommendations that deal with the economic viability of Muskrat Falls and that when they signed the loan guarantee both levels of government were irresponsible. They both now have a duty to work together to determine what needs to be done to ensure that the people of this province do not suffer unduly because of the costs of Muskrat Falls.

The Federal Loan Guarantee (FLG) squarely lays responsibility for the cost of Muskrat Falls on the backs of the people of the province.

However, as we know, the realities of the cost of Muskrat Falls have changed significantly since 2012 when the FLG for \$6.3 Billion was first agreed to and again

since 2016 when the federal government added an additional \$2.9 B of federal monies to the original guarantee. The terms of the Loan Guarantee still do not reflect the needs of the province since the costs are now reported to be billions of dollars above the 2016 figures - as reported to the Commissioner the estimated final cost of Muskrat Falls now is almost \$13 Billion when financing costs are included.

I obviously do not have the answers to how to deal with what I've presented. But I am convinced that the federal and provincial governments together have to accept responsibility and work together to make sure that the project works for the good of the people of the province which was a major concern of the JRP and which is the concern of the people themselves.

Thank you.

APPENDIX A

Statistical Information used in Presentation - July 16 2019

Low-Wage Workers

- In 2015, 12,800 people in NL worked for minimum wage (6% of the workforce of 213,700).
- In 2015, there were 69,600 low-wage workers (\$15 or less) - 32.3% of the workforce.
- A full-time minimum wage worker in NL (at \$11.40 an hour) earns \$23,712. The Stats Canada Low-Income Cut-Off for St. John's is \$20,952.

A full-time low-wage worker (\$15 or less) earns no more than \$31,200.

Youth in low-wage jobs

In 2015, nearly two-thirds (65.5%) of people aged 20 to 24 were earning \$15 or less in this province. People in this age group made up the largest share of these low-wage workers, at 18.4%.

Low-Income Seniors

- Low-income single seniors receiving the federal Guaranteed Income Supplement (GIS) have an income of \$17,997. They also receive the \$1,313 provincial Low-Income Seniors Benefit, for a total of \$19,310.
- About half of the province's 107,925 seniors (65+) fall into this category—having incomes are so low that they qualify for the GIS.

People Receiving Income Support

- Single adults on Income Support receive a maximum of \$11,724, plus the \$450 Low-Income Supplement, for a total of \$12,174.
- Couples without children on Income Support receive \$14,388, plus \$510 in Low-Income Supplement, for a total of \$14,898.
- Income Support has not increased since 2014.
- In May 2019, there were 35,850 adults and children living on Income Support.

Unemployed People

- In 2018, the unemployment rate in NL averaged 13.8% (36,000 people), compared to 5.8% in Canada.
- The number of people on EI in Jan. 2019 was 33,900 (seasonally adjusted)
- In May 2019, the seasonally adjusted unemployment rate was 12.4%-
-still more than twice the national rate of 5.4%.

Youth unemployment rate

- **Annual seasonally unadjusted unemployment rate for people aged 15 to 24 was 18.9% in 2018. [men 21.4%, females 16.1%].**
- Maximum EI rate is \$562 per week.

Living Expenses

Dental Care

- The Adult Dental Program covers basic dental work and dentures and used to include adults on the low-income prescription drug plans (Access and 65+).
- In 2016 they were removed, and now it only covers those receiving Income Support (as before 2012).

Child Care

- In 2018, average child care fees in St. John's, according to the Canadian Centre for Policy Alternatives, were \$726-\$977 depending on age.
- The parent subsidy income ceiling was raised in 2017 and 2018 to include more families, which was long overdue.
- But child care is still a substantial bite out of the monthly budget for many families.

Consumer Price Index

- From 2007 to 2017, the cost of food rose by 32.2%, shelter by 31.0%, transportation by 15.5% and energy by 18.3% (even with the drop in oil prices).

Housing

- The average rent for a 2-bedroom apartment in St. John's is \$950, the average resale house price in St. John's is close to \$300,000.
- Mortgage rates are going up (CMHC).

Student Debt

- An IPSOS survey in 2017 found that graduates in Atlantic Canada had the highest debt load of any region in Canada at \$20,493 (national average \$14,763).
- The Student Loan Corporation reports 27,342 outstanding loans in 2018, which means many young people are paying on these loans every month (Of course, some have moved away).

Household and Personal Debt

- An Ipsos poll in March 2019 found that 48% of Canadians are \$200 or less each month away from financial insolvency. In Atlantic Canada the figure was 55%. <https://www.ipsos.com/en-ca/news-polls/MNP-Debt-Index-Wave-8>

- The Survey of Financial Security indicates that 29.6% of Canadian families are debt-free compared to 23.9% of NL families.
- 76.1% of economic families + persons not in an economic family in NL hold some form of debt. The Canadian average is 70.4%. NL has the highest % of all the provinces, but the range is narrow and the lowest is 67.2%.
- The median value of this debt is \$49,600 in NL, compared to \$80,600 in Canada.

Survey of Expatriates

A survey of expatriates in 2004 conducted by the Rural Secretariat in the Cormack-Grenfell Region found that:

- The top three reasons expatriates left the province were: to obtain employment, lack of job opportunities, and low paying jobs;
- 75% said they would like to return to Newfoundland and Labrador to settle;
- A higher percentage of those under age 30 would return to this province compared to older age groups;

Expatriates who left the province between 1996 and 2003 [were] more likely to want to return than those who left earlier.

A survey of expatriates was announced as part of the Immigration Action Plan in 2017. Goss Gilroy was awarded the contract in February 22, 2018.

The survey is closed is closed and there does not seem to be public information as yet on the results of this more recent survey.