November 20, 2018

Re: Your request for access to information under Part II of the Access to Information and Protection of Privacy Act [Our File #: FIN-92-2018]

On October 22, 2018, the Department of Finance received your access to information request for the following:

“Any messaging prepared for the fall sitting of the house of assembly during the month of October 2018.”

The Department of Finance is pleased to advise that access to the above requested information has been granted in full and is attached.

Please be advised that you may ask the Information and Privacy Commissioner to review the processing of your access request, as set out in section 42 of the Access to Information and Protection of Privacy Act (the Act). A request to the Commissioner must be made in writing within 15 business days of the date of this letter or within a longer period that may be allowed by the Commissioner.

The address and contact information of the Information and Privacy Commissioner is as follows:

Office of the Information and Privacy Commissioner
2 Canada Drive
P. O. Box 13004, Stn. A
St. John’s, NL. A1B 3V8

Telephone: (709) 729-6309
Toll-Free: 1-877-729-6309
Facsimile: (709) 729-6500
You may also appeal directly to the Supreme Court Trial Division within 15 business days after you receive the decision of the public body, pursuant to section 52 of the Act.

The response will be published following a 72-hour period after the response is sent electronically to you or five business days in the case where the response is mailed to you. It is the goal to have the response posted to the Completed Access to Information Requests website within one business day following the applicable period of time. Please note that requests for personal information will not be posted online.

If you have any further questions, please feel free to contact the undersigned by telephone at 709-729-2082, or by email at BethBartlett@gov.nl.ca.

Sincerely,

Beth Bartlett, CIAPP-C
ATIPP Coordinator

Attachment
KEY MESSAGES

Municipal Affairs and Environment/Finance
Submission of Carbon Pricing Plan to Federal Government
October 15, 2018

Summary:
• The Federal Government has indicated that it will apply its carbon pricing backstop in jurisdictions that do not have their own system in place or in jurisdictions whose system does not meet minimum Federal requirements.
• The Provincial Government has submitted its plan on September 14 and is waiting as the Federal Government reviews the approach.

Anticipated Questions:
• Have you submitted your plan? Why or why not?
• When will you announce your plans for carbon pricing?

Key Messages:
• Our government fully appreciates the importance of a low carbon economy. We have committed to help tackle climate change, but this must be done in a manner that takes into account the economic, social and fiscal realities that Newfoundlanders and Labradorians face.
• We have worked very hard to develop a Made-in-Newfoundland and Labrador approach that ensures that we minimize the impact on residents and businesses while doing our part to reduce greenhouse gas emissions.
• We have advised the Federal Government of our proposed carbon pricing system, and our approach will be shared with Newfoundlanders and Labradorians as soon as our work with the Federal Government is concluded.

Secondary Messages (Provinces/Territories Approach to Carbon Pricing):
• The Premier has been clear – if another province is excluded from the national carbon pricing plan that Newfoundlanders and Labradorians will not be subject to a carbon tax.
• While we are prepared to move forward with our own “Made-in-NL” carbon pricing system as part of a national carbon pricing system, we will not support or deliver any policy that harms our competitiveness relative to the rest of Canada.
• We know that other provinces have expressed concerns about the federal strategy to impose a carbon pricing system. The implementation of our system is contingent on all other provinces and territories implementing their own systems and/or being subject to the federal backstop.
Prepared by: Erin Shea, Director of Communications
Approved by: Jamie Chippett, Deputy Minister
Factsheet:

NL's Circumstances:
- In line with the Pan Canadian Framework, NL’s particular circumstances include: impacts on remote and isolated communities, vulnerable populations, consumers, and trade-exposed industries, as well as taking into account the province’s reliance on marine transportation and the absence of lower carbon alternatives.

- As a result, NL’s carbon pricing system will be based on the following principles:
  - maintaining competitiveness from both a taxation and trade perspective;
  - minimizing the impact on consumers and vulnerable groups;
  - recognizing the very large ongoing investment to decarbonize electricity; and
  - delivering meaningful reductions in greenhouse gas emissions.

Other Provinces’ Carbon Pricing Systems:
- The following provinces have announced a carbon pricing plan: Nova Scotia, New Brunswick, PEI, Manitoba, Alberta, the Northwest Territories, Yukon, and Saskatchewan (for large industry only). Please note: GNL does not know which PTs will submit their plan to the federal government by September 1, 2018.

- Ontario, Quebec and British Columbia already have carbon pricing systems in place.

- Ontario and Saskatchewan have launched a legal suit against the federal government that questions the constitutionality of the federal government’s right to place the carbon pricing system on provinces and territories.

- Alberta has publically indicated that though it will continue to implement its current carbon pricing system, it will not revise or amend it to comply with any additional requirements under the federal climate change plan which Alberta is withdrawing from.
KEY MESSAGES

Finance
Public Accounts 2017-18
October 17, 2018

Summary:
On October 11, 2018, government will issue its annual release on the audited financial statements of the province for the fiscal year 2017-18. This year’s audit revealed that the deficit was increased by $98.9 million from the revised Budget 2018 projection. This represents a change of just over one per cent on the overall budget.

Anticipated Questions:
• What caused a worse than expected annual deficit?
• Is government still on track to return to surplus by 2022-23?

Key Messages:
• We have a solid plan that is stabilizing our province’s finances, reduced long-term liabilities through the elimination of severance, creating jobs, and delivering services to communities and families. It is a plan that has been supported by credit rating agencies who maintained our rating.
• Public accounts captures the full year of financial reporting – at budget time, financial officials use projections based on revenue and expenditures that are still trickling in.
• The variance between budget day and today is a little more than one percent from the overall budget of $8.2 billion. We are 99 per cent on track – a positive outcome for any budget projection.
• Variances between what is announced on Budget day versus public accounts are totally normal. In fact:
  a. Last year, it was $67.5 million;
  . In 2014-15, it was $81.8 million; and,
  a. In 2012-13, it was $235 million.
• Our government has been able to reduce the annual deficit by $2 billion. That marks considerable improvement from the mess and heavy tax burden that the previous administration placed on Newfoundlanders and Labradorians.
• Our financial position continues to improve and within the next few weeks, I will be able to provide a mid-year fiscal update.

Secondary Messages:
• Our government has worked very hard to improve our fiscal situation. The fiscal path the previous government put us on was not sustainable, which is why our team has worked to keep our province on track to return to surplus.
• We remain committed to creating the conditions necessary for economic growth in this province. Some examples of job creating initiatives announced this year include:
  a. Husky Energy (West White Rose Extension)
o Upwards of 5,000 person years of employment
o Economic benefits exceeding $3 billion over the life of this 25-year project

b. Equinor (Bay du Nord)

o 10 per cent equity stake
o In-province employment of 22.3 million person hours over the life of the project (approximately 11,000 person years).

c. Vale/Voisey’s Bay Underground Mine

o 16,000 person years of employment during the five-year construction period, peaking at 4,800 in 2020
o Once operational, 1,700 in jobs at the underground mine and Long Harbour processing plant and 2,135 person years in indirect and induced employment annually

Background – Differences for Last Five Years

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Prepared by: Marc Budgell, Director of Communications, Finance
Approved by: Department Executive, Finance
Summary:
On September 27, the federal Parliamentary Budget Office (PBO), released its report which indicated that the province’s increasing net debt, aging population, high outmigration, and large debt could present future difficulties for province. The report produces projections using basic assumptions that go out 75 years.

Anticipated Questions:
• What are you doing to address the rising net debt?
• What is the government doing to alleviate the outcomes this report?

Key Messages:
• Our government has worked very hard to improve our fiscal situation. The fiscal path the previous government put us on was not sustainable, which is why our team has worked to keep our province on track to return to surplus.
• Since 2015-16 we have reduced the annual deficit from a projected $2.7 billion to a projected $683 million in 2018-19, and are on track to return to surplus by 2022-23.
• Our balanced approach involves more responsible use of our provinces finances, to deliver government programs and economic development.
• Our approach has been recognized by rating agencies S&P, Moody’s and DBRS, all of whom have maintained our credit ratings this year.

Secondary Messages:
• The Parliamentary Budget Officer’s report highlights our efforts to get the province on more sustainable fiscal footing. For example, the fiscal gap of 2.6 per cent identified in this report is down from a fiscal gap of 6.5 per cent in last year’s PBO report.
• The fiscal gap represents the change in revenues, program spending, or combination of both, expressed as a share of GDP, that is required to stabilize a government’s net debt-to-GDP ratio at its current level over the long term.
• There are some positive indicators in the report for our province, including Newfoundland and Labrador and Saskatchewan projected to have the fastest productivity growth long-term (p.10) and NL, Alberta, Saskatchewan and the Territories projected to enjoy the highest living standards over the long-term (p.12).
• We do not agree with the PBO’s assumption that our current deficits will continue unchanged for the next several decades. We have changed course considerably in the past three years alone.

• Our plans to balance the budget are not fully reflected in the PBO’s projections, and the revenue and spending assumptions used in this analysis do not accurately capture the impacts of these plans. If our plans were captured properly we believe the long term fiscal deficit projections would be very different.

• There are numerous future developments such as rising oil prices, more offshore oil discoveries, expiry of the Upper Churchill contract in 2041, etc. that could dramatically change the province future fiscal sustainability. None of these potential developments have been factored into the PBO’s projections.

Prepared by: Marc Budgell, Director of Communications, Finance
Approved by: Department Executive, Finance
KEY MESSAGES

Finance

Cannabis Revenues
October 17, 2018

Summary:

- On October 17, 2018, recreational cannabis sales became legal in Canada.
- Media have asked how much revenue we anticipate receiving as a province from this new market.

Anticipated Questions:

- How much revenue do you expect from legal cannabis?

Key Messages:

- We have been cautious in our forecasting for cannabis revenue. This is a brand new market with many unknowns, and it would be fiscally irresponsible to be overly optimistic with our forecasts.
- Our revenue estimates are based on HST, dividend from the NLC and the Federal Excise Tax:
  - For year one, our revenue estimate is $5.8 million, as it is not a complete year.
  - In year two we have estimated $17 million in revenues.
- These estimates are based on Federal Government estimates for sales compared with our population, as well as a gradual take-over from the illicit market. We don’t expect an immediate take-over, but rather a long-term process.

Secondary Messages:

- Under the agreement with the Federal Government, provinces will receive a 75 per cent share of revenues from the federal excise tax.
- The Federal Government will receive 25 per cent of the excise tax, and has agreed to a cap on their portion of $100 million for the first two years, with additional funds redistributed to the provinces.
- We advanced this concept proposal on behalf of all provinces in the country and the Federal Government accepted our proposal. This agreement means that should revenues for cannabis outpace expectations, all provinces will benefit.

Prepared by: Marc Budgell, Director of Communications, FIN
Approved by: Department Executive, FIN
KEY MESSAGES

Finance
Cannabis Regulations
October 17, 2018

Summary:
• On October 16, 2018, government released its cannabis regulations.
• These regulations deal with rules for retail sales, consumption and personal cultivation, and answer many of the questions that arose during debate on cannabis legislation in May 2018.

Anticipated Questions:
• What are the rules for cannabis retailers?
• Where can I smoke, vape or consume cannabis?
• Where can I grow cannabis?
• How much cannabis can I grow?

Key Messages:
• Through regulations, the Provincial Government is providing guidance on how retailers must operate in this newly legalized industry, as well as the parameters for citizens around legal and responsible consumption and cultivation of recreational cannabis.
• These regulations are consistent with the aims and requirements of the Federal Cannabis Act, and are in line with government’s stated goals since day one:
  o Protect public health by providing access to a safe supply of legal cannabis and encouraging low-risk use by those adults who choose to use it, while keeping it out of the hands of children;
  o Promote safety on our roads, in public places and in our workplaces;
  o Reduce the burden on our criminal justice system;
  o Keep profits from the sale of cannabis out of the hands of criminals; and
  o Support new business opportunities.
• A safe industry is a well regulated one. We have heard concerns from the public around restricting access to minors and maintaining safe communities. These regulations keep these goals in mind.

Secondary Messages:
Sale of cannabis
• As a newly legal and regulated industry, cannabis retailers face many of the same restrictions as establishments selling liquor or tobacco, including store set up, storage, checking of identification and advertising.
• While tier one and two retailers are currently unable to sell food, as the Federal Government moves to legalize cannabis edibles in 2019 this regulation will be revisited.
• In addition to cannabis, retailers (tiers one and two) are permitted to sell cannabis accessories, non-alcoholic beverages and promotional items. Sale of food is not permitted.
• A licensed lounge is prohibited from applying for a cannabis retail licence. Any establishment that is currently a licensed lounge that wishes to gain a license to sell cannabis must give up its lounge licence.
• Retailers cannot provide samples, as cannabis cannot be provided for free by retailers, nor can cannabis be consumed in a public place.

Place of use
• Owners and operators of multi-unit residential buildings can make decisions around whether or not cannabis can be consumed in their buildings (except in common areas which is prohibited).
• People have a responsibility to consume cannabis responsibly, and to limit exposure to young people living in their homes.

Home cultivation
• As we previously stated, homeowners are limited to growing four plants in their household.
• Regulations add specificity to these regulations, including that individuals can only grow cannabis in the dwelling at which they normally reside in the event they have multiple homes, and that in the event there is more than one adult in a home the limit stays at four.
• In multi-unit residential buildings (apartment buildings) it will be at the discretion of the landlord on whether cannabis can be grown on site. It is not a new practice that landlords can set rules for a building by which tenants must abide, and this is no different.
• Cannabis cultivated by an individual may only be cultivated in a place such that the plant is not visible from any public place. Plants may only be grown in secure enclosed buildings or structures, not outside.

Not addressed by regulations
• While regulations do not address the proximity of retailers to schools or playgrounds, the NLC included that as a factor in their RFP for selecting retailers. In addition, regulations around how cannabis is displayed and sold in retail stores and cultivated in homes minimizes access by children.
• Indigenous communities will be able to regulate cannabis consumption in their communities as they do with all intoxicants under the Federal Indian Act.
• For any company to receive a license to sell cannabis, the NLC requires approval from the municipality (or applicable local government) before the license can be
finalized. This is one way that municipalities can have their say about cannabis in their communities.

**Prepared by:** Marc Budgell, Director of Communications  
**Approved by:** Department Executive, FIN
Multiple Departments
Job Creation
October 17, 2018

Key Messages
• Newfoundland and Labrador is open for business.
• Guided by The Way Forward, our approach is delivering results.
• We are working with industry to create new opportunities across our economy – agriculture, aquaculture, oil and gas, advanced technology, tourism are just some of sectors where companies are expanding and new jobs are being created.
• Industry sees the quality of our workforce, wealth of natural resources, world-class post-secondary system, and well-developed infrastructure as strengths. They want to work with us to set-up or expand their presence in the province.
• We are competing globally for private sector investment. It is an extremely competitive environment – if there is an opportunity for us to make it easier for businesses to come to our province, we are open to it.

Examples
• Infrastructure Plan
  o $2.5 billion investment
  o 5,300 person years of employment annually

• Health care infrastructure (LTC facilities, New West Coast Hospital)
  o More than 4,600 person years of employment; more than half a billion dollars in economic activity.

• Husky Energy (West White Rose Extension)
  o Upwards of 5,000 person years of employment
  o Economic benefits exceeding $3 billion over the life of this 25-year project

• Equinor (Bay du Nord)
  o 10 per cent equity stake
  o In-province employment of 22.3 million person hours over the life of the project (approximately 11,000 person years).

• Vale/Voisey’s Bay Underground Mine
  o 16,000 person years of employment during the five-year construction period, peaking at 4,800 in 2020
  o Once operational, 1,700 in jobs at the underground mine and Long Harbour processing plant
  o 2,135 person years in indirect and induced employment annually

• PAL Aerospace
  o $2.25 million forgivable loan
150 person years of employment over five years.

- Canada Fluorspar
  - $17 million repayable loan
  - 3,000 person years of employment in mining and milling will be created in the first 12 years of the mine’s operations.
  - 525 spinoff jobs are anticipated to be created as a result of the mine reopening.

- S&P Data
  - $1.2 million ($975K repayable loan; $250K for training)
  - Up to 500 jobs

- Quorum
  - $750k of which $500,000 is a forgivable loan.
  - Minimum of 24 new jobs in the province by the year 2019.

- Grieg
  - $30 million repayable loan over seven years
  - Approx. 800 new jobs (approximately 440 direct jobs at Grieg NL and processing facilities, and approximately 380 other jobs in affiliated sectors)

- Wabush 3
  - Sustaining employment for more than 1,800 employees

- Tourism
  - Our support for the tourism is a catalyst for economic development
  - This industry supports 2,600 businesses, nearly 20,000 jobs and generates almost $1.13 billion in spending.

- Advance 2030
  - Working work with industry to position the province globally as a preferred location for oil and gas development.
  - Direct employment of more than 7,500 people in operation.
  - A robust, innovative global supply and service sector.

- Traditional Rural Industries
  - We have formed partnerships with the aquaculture and agriculture industries to support their growth and help create new jobs.
  - Aquaculture: Double the number of year-round jobs from 1,000-2,100.
  - Agriculture: Double the province’s food self-sufficiency, which will generate an additional 500 person years of employment.
KEY MESSAGES

Finance
Tax Relief
October 20, 2018

Summary:

- On August 12, 2018, VOCM published an article entitled “Province Hopes To Provide Tax Relief In Next Budget,” based on comments made during an interview for VOCM Your Money.

Anticipated Questions:

- How are you able to provide tax relief given the current fiscal situation?
- What sort of tax relief are you planning to provide?
- What impact will this have on plans to return to surplus?

Key Messages:

1. Over the past two years, in the wake of the serious fiscal situation facing Newfoundland and Labrador, our government had to make difficult but responsible decisions for the long-term benefit of our province.
2. Our government’s dual focus is on returning to surplus by 2022-23 and reducing the tax burden on the people of this province. However, we will not jeopardize one of these goals to satisfy the other.
3. I have committed on many occasions that as we are able to provide tax relief to the people of this province we will do so.

Secondary Messages:

- In recent years we have put in place measures to begin the process of tax relief, including:
  - Putting in place legislation that will remove the levy by December 31, 2019.
  - Reducing the temporary gasoline tax by 12.5 cents per litre. As a carbon tax is phased in, the remaining 4 cents per litre of the temporary gas tax will be phased out.
  - Reducing the RST on auto insurance by a minimum of five per cent over four years.
  - Increased the exemption threshold for the provincial payroll tax in Budget 2018 by $100,000, from $1.2 million to $1.3 million. With this change, a further 50 companies are exempted, and the remaining 1,200 companies will pay up to $2,000 less in tax.
The price of oil and the exchange rate have both outperformed expectations thus far this fiscal year, however we are only in the second quarter and there are still seven months remaining. Given the inherent volatility of oil prices, we will remain cautious in our approach to forecasting.

Prepared by: Marc Budgell, Director of Communications, Finance
Approved by: Executive Branch, FIN
KEY MESSAGES

Natural Resources/Finance
Electricity Rate Management
October 20, 2018

Summary:
• As the Muskrat Falls project moves toward reality, many in the public have raised questions around how government will manage electricity rates when the hydro dam comes online.

Anticipated Question:
• What is government doing to manage electricity rates?

Key messages:
• This government is very concerned about the rate increases as a result of the Muskrat Falls Project; a project that should never have been started.
• We will use all opportunities to ensure that the impact of the Muskrat Falls Project is minimized on the people of the province.
• Despite the harsh realities of Muskrat Falls, this government is determined to keep rates competitive with Atlantic Canada.

Secondary Messages:
• In Budget 2018, government allocated up to $200 million annually in the return to surplus plan for rate management once Muskrat Falls comes online.
• Government has directed Nalcor to find ways to address rising rates. We expect their report this fall.
• In addition, government has established a committee tasked with finding additional ways to address the impacts to consumers of the Muskrat Falls Project.
• First power for the Muskrat Falls Project is expected by the end of 2019; full power by 2020.
Finance
Independent Tax Review Committee
October 21, 2018

Summary:

- In August 2017, the Minister of Finance announced an Independent Tax Review Committee who would provide suggestions to the province on changes to the tax system.

Anticipated Questions:

- When will the tax review committee deliver their report?

Key Messages:

- The main objectives of the Independent Tax Review are to:
  - ensure the tax system is competitive and fair;
  - identify ways to simplify the tax system; and,
  - reduce costs for both government and taxpayers.

- The committee is considering the tax capacity of the province, taking into account issues such as competitiveness and economic impacts. Ensuring the province’s tax system is competitive and less cumbersome will help attract investment to our province and provide an incentive for young families and businesses to put down roots throughout the province.

- The report from the committee is due in November 2018, and will be part of the department’s preparations for Budget 2019.

Secondary Messages:

- The five-person committee includes members with backgrounds in economics, taxation and public policy, with representation from the business, social and labour sectors. The committee is composed of: Chairperson Steve Jerrett, Peter Woodward, Brian Bonnell, Carol Furlong and Reverend Marion Pardy.

- Both personal and business taxes will be evaluated during the review, including:
  - Personal Income Tax
  - Gasoline Tax
  - Tobacco Tax
  - Retail Sales Tax on Insurance Premiums
  - Retail Sales Tax on Used Vehicles
  - Harmonized Sales Tax
  - Corporate Income Tax
• Health and Post-Secondary Education Tax (known as Payroll Tax)
• Insurance Companies Tax
• Financial Corporations Capital Tax

They are also considering the province’s sources of tax revenue and new tax incentives including labour-based tax incentives for emerging industries and tax incentives for employers in the skilled trades who increase the number of apprentices they take on.

Prepared by: Marc Budgell, Director of Communications, Finance
Approved by: Executive Branch, FIN
KEY MESSAGES
Finance
Credit Ratings
October 21, 2018

Summary:
• Since Budget 2018, all three credit rating agencies have maintained their credit ratings for the province.
• S&P Global Ratings affirmed its ‘A’ long-term issuer credit and senior unsecured debt ratings and its ‘A-1’ short-term issuer credit and commercial paper ratings on the province.
• Moody’s Investors Service has affirmed the Provincial Government’s credit rating (long-term ‘Aa3’) and maintained a negative outlook.
• DBRS confirmed the Issuer Rating of the province “at A (low), as well as its Long-Term Debt and Short-Term Debt ratings at A (low) and R-1 (low), respectively.

Anticipated Questions:
• What do these ratings mean for the province’s fiscal outlook?
• Why did Moody’s retain a negative outlook?

Key Messages:
• We are pleased that all three credit rating agencies have maintained our ratings and have recognized that we have a solid plan. Our focus is on stability and discipline in fiscal management, and our fair and responsible approach will keep us on track.
• We have exercised caution in our fiscal forecasting, something the credit agencies have consistently recognized. So, while this news may come as a surprise to some, I have never wavered in my faith for our fiscal approach.
• Moody’s have indicated that although they are maintaining a negative outlook, that could be changed to stable if the province continues to successfully follow its budget plan and maintain debt and interest expense in line with current forecasts.

Secondary Messages:
• S&P recognized our progress over the past year with our negotiated wage freeze and the elimination of severance benefits, and have stated that our persistent fiscal efforts will keep us on track to return to fiscal balance by 2022-23.
• DBRS has recognized our progress over the past year with our negotiated wage freeze and the elimination of severance benefits, and have stated that our persistent fiscal efforts will keep us on track to return to fiscal balance by 2022-23.
• We have the utmost respect for the input of these agencies in our fiscal plans, but our focus as a government has always been returning to surplus while finding ways to invest in communities and services. While they are not our main focus, these votes of confidence in our plan are appreciated.
Background Information – Key quotes for each rating agency

S&P

• “The Province of Newfoundland and Labrador continues to make slow-but-steady progress toward its target of balancing its books in fiscal year 2022-2023.”

• “We expect the government will remain committed to returning to fiscal sustainability, although it will take some modest measures to reduce taxes and ease some of the increased burden on taxpayers that followed the slump in oil prices and the government’s initial policy response in fiscal 2017. We believe the government will not relent in its efforts to lower its operating costs, however. It has made good progress in the past year with a negotiated wage freeze with one of its biggest unions and the elimination of severance benefits.”

• “The government has already acted decisively, in our opinion, in implementing a two-pronged fiscal policy response, through the tax increases and expenditure reductions.”

• “Budget assumptions are generally what we consider conservative. We believe debt management and related policies are prudent and risk averse.”

Moody’s

• “The high debt level of Nalcor, which accounts for 35.6% of the province’s total direct and indirect debt, is a significant contingent liability of the province and puts downward pressure on the rating.”

• “The outlook could be changed to stable if the province continues to successfully follow its budget plan and maintain debt and interest expense in line with current forecasts.”

DBRS

• “All trends remain Stable. While fiscal and economic conditions remain challenging for Newfoundland, the fiscal recovery plan remains on track which is helping to contain debt growth and has contributed to a modest improvement in financial risk metrics.”

• “The economic outlook has improved modestly relative to last year’s plan as stronger commodity prices remain supportive of production and the decline in capital investment has been less significant than previously expected.”
KEY MESSAGES

Finance
Atlantic Accord Negotiations
October 22, 2018

Summary:

- On February 13, 2018, Premier Ball signaled his intention to renegotiate the Atlantic Accord. The Accord was last negotiated in 2005, and must be reviewed before April 2019.

Anticipated Questions:

- What is the status of negotiations on the Atlantic Accord?

Key Messages:

1. Discussions on the Atlantic Accord are ongoing with the Federal Government, and are expected to be completed by April 2019.

2. To date, both the Premier and I have had discussions with the Prime Minister and Minister Morneau respectively. Also, Federal and Provincial officials are engaged in ongoing discussions, and Deputy Ministers from IGA and Finance have held several meetings with their counterparts in Ottawa.

3. Unlike the equalization program, which is not responsive to the needs of a resource-based economy like our province, the Atlantic Accord only affects Newfoundland and Labrador and Nova Scotia. This should mean less competing interests to manage during negotiations.

Secondary Messages:

- We have been successful in securing additional financial support for our province from our federal colleagues. This includes tariff relief on our two new ferries, the suspension of the repayments on equalization and commitment of additional loan guarantee support for the Muskrat Falls Project, up to an additional $2.9 billion and relief for the escrow account obligations.

Prepared by: Marc Budgell, Director of Communications, Finance
Approved by: Executive Branch, Finance
Key Messages
Finance
The Way Forward – Economic Growth Strategy
October 22, 2018

Summary
• Government awarded a contract to McKinsey & Company as part of its RFP for an Economic Growth Strategy. McKinsey will assist the Provincial Government in the development of their strategy. The contract is worth $1 million, and work is anticipated to conclude in winter 2018-19.

Questions
• Why was McKinsey & Company chosen for this RFP?
• Is $1 million too much to pay for this kind of strategy?
• How does this relate to The Way Forward?

Key Messages
• Through The Way Forward, we are building for our province’s future. To help achieve our goals, our work with McKinsey will help identify opportunities to spur greater economic activity and help create new jobs.

• Our actions reflect our commitment to business development and job growth. We have partnered successful with large industry and small businesses to create new opportunities for Newfoundlanders and Labradorians.

• Our province has tremendous natural resources, a highly-skilled workforce and an innovative business community. McKinsey will help us capitalize on these strengths and build on the progress that we are making as a province.

• We engaged McKinsey & Company through an open and transparent process. We sought a company with world-class credentials and experience and McKinsey & Company checks these boxes and has proven results in Canada and the United States.

• This $1 million investment will help our government identify and action opportunities at a local and global level to grow our economy.

Secondary messages
• It is our understanding that Dominic Barton, who sits on the Federal Advisory Council on Economic Growth, is no longer with McKinsey. However, the inclusion of McKinsey in the original project speaks to how highly they are regarded in this country and abroad.

• This project builds on the work completed to date under The Way Forward. As a government, we saw untapped potential in numerous industries that we know are primed to grow. Since 2017 we have released and begun implementing work plans to grow the agriculture, aquaculture, technology and oil and gas sectors.
• With those opportunities moving forward, we now need to take a closer look at further economic opportunities in our province and how to best pursue them.

• Our primary objectives for this project are:
  o To establish a clear and comprehensive evidence base of economic opportunity, including ability to create jobs and foster regional development;
  o To identify priority focus areas to encourage real economic potential; and
  o To review internal structures and processes, and to identify improvement opportunities that advance economic growth.

Examples of initiatives that are helping create new jobs include:

• Husky Energy (West White Rose Extension)
  o Approximately 5,000 person years of employment through the construction period.
  • In excess of $3 billion in provincial royalties, equity, and taxes over the life of this 25-year project

• Equinor (Bay du Nord)
  o 10 per cent equity stake
  o In-province employment of 22.3 million person hours over the life of the project (approximately 11,000 person years).

• Vale/Voisey’s Bay Underground Mine
  o 16,000 person years of employment during the five-year construction period, peaking at 4,800 in 2020
  o Once operational, 1,700 in direct jobs at the underground mine and Long Harbour processing plant and approximately 2,100 person years in indirect and induced employment annually

• PAL Aerospace
  o $2.25 million forgivable loan
  o 150 person years of employment over five years.

• Canada Fluorspar
  o $17 million repayable loan
  o 3,000 person years of employment (direct, indirect and induced) in mining and milling will be created in the first 12 years of the mine’s operations.

• S&P Data
  o $1.2 million ($975K repayable loan; $250K for training); Up to 500 direct jobs

• Quorum
  o $750k of which $500,000 is a forgivable loan; Minimum of 24 new direct jobs in the province by the year 2019.
Summary:

- On October 20, 2018, the New York Times released a report alleging that Saudi Arabia may have used a report prepared by McKinsey — in which McKinsey identified influencers who were driving the conversation around the country’s economic austerity measures in a negative direction — to arrest three dissidents.
- McKinsey have publicly stated that they are “horrified by the possibility, however remote, that [the report] could have been misused.”

Anticipated Questions:

- Will you be severing ties with McKinsey, given this revelation?

Key Messages:

- These are very serious and troubling reports that are coming out of Saudi Arabia
- We engaged McKinsey in a thorough and transparent process to help us build on the significant steps we have made to support business development and create new jobs. We have a contract in place and work has already started.
- The Departments of Finance and Intergovernmental Affairs are connecting with the company and Global Affairs to get their assessment on the situation.
- McKinsey is a well-established business that works globally with governments and businesses. They came highly recommended.
- To date, nothing has been paid to McKinsey. They have to date submitted one invoice for just over $375,000 plus HST.

Secondary

- My understanding is that McKinsey themselves have come out and said that they are horrified that their report may have been used for a purpose other than its initial intent.
- I do not want to understate the egregious nature of these actions, and government has encountered similar issues before. Specifically, SNC-Lavalin was engaged by the former administration and is now before the courts on alleged wrong doing in Africa at times could have clients who may misuse their work.
KEY MESSAGES

Finance
Oil revenue forecasting
October 22, 2018

Summary:
• At Budget 2018, the Provincial Government set the oil price forecast at $63 US per barrel.
• Since Budget Day, the price of Brent Crude has remained above this forecast, and the monthly averages has been above $72 US per barrel since April. In fact, the average for September month was almost $79 US.

Anticipated Questions:
• Was your oil price forecast too conservative?
• Will you change your oil price forecast, based on recent trends?

Key Messages:
1. Government continues to take a risk-based approach to estimating oil price forecasts, relying on independent industry analysts and including an oil revenue risk adjustment.

2. In Budget 2018, oil price is forecast at $63.00 US per barrel in both 2018-19 and 2019-20. The US-Canada exchange rate is forecast at $0.79. Since Budget Day, both have outperformed expectations.

3. We remain prudent with our forecasts, in contrast with the former administration. We recognize that oil prices have inherent volatility, and we do not make decisions regarding our forecast based on short-term results. We will, however, re-evaluate our forecast at the mid-year update.

Secondary Messages:
• Every dollar increase to the average annual US price of oil above $63 per barrel, represents an increase of approximately $23 million in revenue. Since this is based on the average overall, we will not know the full implications of current levels until the end of the fiscal year.
• While it is great to see that both the price of oil and the exchange rate are better than projected so far, there are other factors that impact how oil revenues contribute to the provincial treasury, including production levels.
• The production forecast prepared for Budget was based on extensive analysis undertaken by the Canada-NL Offshore Petroleum Board, Natural Resources, and Nalcor. The production estimates take into account any risks that are known at the time, however, actuals may vary.
• We will provide an update on our production forecast at the mid-year update, along with our other forecasts.
OIL PRICE AND EXCHANGE RATE SENSITIVITIES

Fiscal Year 2018-19

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<thead>
<tr>
<th></th>
<th>Budget 2017</th>
<th>Budget 2018</th>
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<tr>
<td>Oil Royalties (accrual)</td>
<td>$1,208 Million</td>
<td>$999.9 Million</td>
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<tr>
<td>Average Oil Price ($US/bbl)</td>
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<tr>
<td>Exchange Rate ($US/SCA)</td>
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Sensitivities

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<td>($US/bbl):</td>
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<td>Plus 1 Cent Impact (M):</td>
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Note: these changes are based on change from the yearly average, not on a day-by-day basis. So if the yearly average price of oil ends up at $65 (for example), this would represent an increase of approximately $45 million in revenues. If the exchange rate average for the year ended up at $0.78, it would mean an increase of $18.5 million in revenues.

Prepared by: Marc Budgell, Director of Communications
Approved by: Executive Branch, Finance