February 6, 2019

Re: Your request for access to information under Part II of the Access to Information and Protection of Privacy Act [Our File #: FIN-05-2019]

On January 9, 2019, the Department of Finance received your access to information request for the following:

“The Finance Minister has said that 35% of the province's net debt is due to borrowing related to the Muskrat Falls project. Please provide the analysis/calculations and any key messages which were used to inform this comment”

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

It is important to note the following in the attached:

- On July 23, 2018, Moody’s Investor Services released its report regarding the credit rating of the Province of Newfoundland and Labrador referencing the Provincial 35% net debt.
- Additionally, on October 21, 2018, Key Messages were prepared for the Department of Finance addressing the Province’s Credit Ratings. Within these key messages, there is reference to the Moody’s report and the 35% Provincial net debt.

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:

P.O. Box 8700, St. John’s, NL, Canada A1B 4J6 t 709.729.2082 f 709.729.2070
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.

Please be advised that this 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 records are 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

Attachments
Potential copyright material

If you wish to obtain a copy please contact the ATIPP Office at (709) 729-7072 or atippoffice@gov.nl.ca.
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.”