Preface - What Is This Place That Holds Fast Our Hearts?

1. Title taken from the song “What Is This Place?” Gerard Blackmore, 1999. Used with permission of the author.


3. Much of the historical detail in this chapter is to be found on the Web site entitled *Newfoundland and Labrador Heritage*, developed by Memorial University of Newfoundland and the C.R.B. Foundation, 1997, see: http://www.heritage.nf.ca.


10. Written submission to the Royal Commission on Renewing and Strengthening Our Place in Canada from an individual.


Introduction


Chapter 1 - A New Partnership


Chapter 2 - Expectations As We Joined Canada


3. Both Newfoundland and Canada were described as Dominions in the Balfour Declaration of 1926 and in the Statute of Westminster of 1931.


10. The election of a Labradorian to the National Convention marked the first time Labrador had its own representative in a local elected body.


15. A summary of this cost-benefit analysis is provided in Melvin Baker, *Falling into the Canadian Lap*, 2003.


17. Term 2, as amended, says: “The Province of Newfoundland and Labrador shall comprise the same territory as at the date of Union, that is to say, the island of Newfoundland and the islands adjacent thereto, the Coast of Labrador as delimited in the report delivered by the Judicial Committee of His Majesty’s Privy Council on the first day of March, 1927, and approved by His Majesty in His Privy Council on the twenty-second day of March, 1927, and the islands adjacent to the said Coast of Labrador.”

18. Term 32(1) says: “Canada will maintain in accordance with the traffic offering a freight and passenger steamship service between North Sydney and Port aux Basques, which, on completion of a motor highway between Corner Brook and Port aux Basques, will include suitable provision for the carriage of motor vehicles.”
19. Terms 46, as amended, says: “(1) Oleomargarine or margarine may be manufactured or sold in the Province of Newfoundland and Labrador after the date of the Union and the Parliament of Canada shall not prohibit or restrict such manufacture or sale except at the request of the Legislature of the Province of Newfoundland and Labrador, but nothing in this Term shall affect the power of the Parliament of Canada to require compliance with standards of quality applicable throughout Canada. (2) Unless the Parliament of Canada otherwise provides or unless the sale and manufacture in, and the interprovincial movement between, all provinces of Canada other than Newfoundland and Labrador, of oleomargarine and margarine, is lawful under the laws of Canada, oleomargarine or margarine shall not be sent, shipped, brought, or carried from the Province of Newfoundland and Labrador into any other province of Canada.”

20. For example, Prince Edward Island’s Terms of Union obligated the Government of Canada to operate a ferry service between P.E.I. and the mainland.


22. The grants assured by Term 28 were transitional for a period of 12 years.

**Chapter 3 - Experiences Within Canada**


2. The number of people employed in the province did increase somewhat, rising from 211.3 thousand in 2001 to 213.9 thousand in 2002. However, that increase in employment is only a little over 1 per cent. The unemployment rate increased because that modest employment growth was smaller than the increase in the size of the labour force.


7. For the most recent data, see the results reported by Ryan Research and Communications, *Provincial Opinion Survey*. Prepared for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003.


13. The Commission is aware that there is a considerable range for this estimate, and the paper by The Centre for Spatial Economics does incorporate lower-end and higher-end estimates. Nevertheless, this estimate is reasonable, and it is consistent with the findings of other independent studies that also conclude that the windfall resource revenues are several hundred millions of dollars annually. Jean-Thomas Bernard (Hydroelectricity, Royalties and Industrial Competitiveness. Discussion Paper No.93-04, School of Policy Studies: Queen’s University, 1993), reports on the results of two such studies; one by Zuker and Jenkins (Blue Gold: HydroElectric Rent in Canada. Ottawa: Economic Council of Canada, 1984), and the other by Bernard, Bridges and Scott (Our Evaluation of Potential Canadian HydroElectric Rents. Resource Paper No. 78, Department of Economics, University of British Columbia, 1982).


Chapter 4 - Population Loss, Out-Migration and Rural Newfoundland and Labrador

1. Economic Council of Canada, Newfoundland: From Dependency to Self-Reliance. Hull, Quebec: Ministry of Supply and Services Canada, 1980, p. 5. This report points out that in 1942 there was full employment, which was sustained by a revival of export markets after 1945.

2. John N. Cardoulis, in his book entitled A Friendly Invasion II: A Personal Touch (Creative Publishers: St John’s, 1993, p. 67), places this number at 25,000 women, while Joey Smallwood (The Book of Newfoundland, Volume IV. Newfoundland Publishers: St. John’s, 1967, p. 534) places this number much higher, at 31,000 by the year 1958.

3. Since 1949, only one other province has had a significant decline in population. From 1968 until 1974, Saskatchewan’s population fell. It also fell again from 1987 to 1991. The proportional declines were in each case less than Newfoundland and Labrador’s. In addition, the declines were reversed after a few years, whereas this province’s population is projected to decline modestly for the next 15 years (Government of Newfoundland and Labrador, Demographic Change: Newfoundland and Labrador Issues and Implications. St. John’s: Economic and Statistics Branch, Department of Finance, April 2002).

4. Craig Brett, Demographic Trends and Implications for Public Policy. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003. A striking statistic about the loss of our educated young involves those who attend university outside the province. According to Brett (2003), only 11.5 per cent of the 1986 cohort of those graduates were residing in Newfoundland and Labrador five years after graduation, and the figures for the 1982 and 1990 cohorts were not much better at just over 20 per cent.


15. For more information on these projects see: Coasts Under Stress: http://www.coastsunderstress.ca; the Natural Resource Depletion and Health Project: http://www.mun.ca/cin/Depletion.html; and The Rural Economy: http://www.swgc.mun.ca/research/faculty-research.html.

Chapter 5 - Social Inclusion In Newfoundland and Labrador


15. Labrador Inuit Association, written submission to the Royal Commission on Renewing and Strengthening Our Place in Canada, 2002.


Chapter 6 - Financial Position

1. These realities and our subsequent discussion of them in this chapter are based on the report of an independent fiscal advisor, David Norris, entitled *The Fiscal Position of Newfoundland and Labrador: An Independent Assessment of the Current State of and Prospects for the Province’s Fiscal Position*. Research Paper for the Royal Commission on Renewing and Strengthening Our Place in Canada, 2003. All charts and tables in this chapter are based on this report.

2. “Taxpayer-Supported Debt” is a concept used by various credit-rating agencies and financial analysts in assessing public-sector debt.

3. These comparisons exclude the debt of self-supporting Crown agencies, such as hydroelectric corporations. Newfoundland and Labrador’s public-sector debt before this exclusion totaled $7.9 billion as of March 31, 2003, which, combined with the unfunded pension liabilities, yields overall debt of $11.3 billion, or more than $21,000 per capita.

4. Fiscal capacity is a key determinant of a province’s entitlement for transfers from the federal government under the equalization program, which will be discussed more extensively in Chapter 9.

5. This consolidated deficit of $286.6 million does not include borrowing for the purpose of funding pension liabilities. The 2003 Budget estimates additional, off-budget borrowing of $163.5 million for this purpose – see Statement II of the Budget. Some may argue that borrowing this $163.5 million is not a true increase in debt, but a conversion of an existing unfunded liability into a funded liability; nonetheless, the 2003 Budget is projected to result in an increase in the province’s funded debt of some $450 million.
6. This assumption reflects the fact that the offshore projects are not “ring-fenced.” That is, projects do not operate in isolation from a corporation’s other operations throughout Canada. Corporate profits are determined on a Canada-wide basis, and these profits are then allocated to a province based on a formula. Corporate revenues, regardless of where earned in Canada, are offset against expenses, regardless of where incurred in Canada. Profit is determined on a corporate-wide basis, not on a project basis. Exploration or development expenses incurred elsewhere in Canada may reduce profit earned from a Newfoundland and Labrador project, reducing overall corporate profit levels. In addition, the formula used to allocate Canada-wide profits to individual provinces is an attempt to approximate where profits are earned, but is not precise. Against this background of external factors, it is difficult to assess whether or not the 25 per cent assumption will be indicative of the actual outcome.

Chapter 7 - Terms of Union

1. Since renamed the Newfoundland Act, 12 & 13, Geo. IV, c. 22, 1949 (UK).
10. R. (Prince Edward Island) v. R. (Canada), [1978] 1 F.C. 533 (C.A.). The term in question stated that the Dominion government was to assume and defray all the charges for a number of services, including an “Efficient Steam Service for the conveyance of mails and passengers, to be established and maintained between the Island and the mainland of the Dominion, Winter and Summer, thus placing the Island in continuous communication with the Intercolonial Railway and the railway system of the Dominion....”
11. For a more detailed discussion of Term 17, see Stephen May, 2003.

Chapter 8 - The Evolving Nature of The Federation


3. This analysis has been most fully developed by Canadian political scientist Alan C. Cairns. For example, see D. Williams, ed., *Reconfigurations: Canadian Citizenship and Constitutional Change*. Toronto: McClelland and Stewart, 1995.


11. This lack of federal presence outside Ottawa, compared with its concentration in the national capital, was recently stressed by federal Deputy Prime Minister John Manley in comments to the media in St. John’s. VOCM “Open Line” program, Prime Communications Inc., “Electronic Media Transcripts,” April 16, 2003.


14. For a similar perspective, see the speech by New Brunswick Premier Bernard Lord to the 16th Annual Public Policy Forum, Toronto, April 10, 2003; and comments by Alberta Premier Ralph Klein to the same group on May 5, 2003.


16. For more on this issue see Denis Stairs, 2003. In addition, the Institute of Intergovernmental Relations, Queen’s University, has undertaken research on the implications of global and regional integration for Canadian federalism and mechanisms for collaborative federal/provincial relations. See: [http://www.iigr.ca](http://www.iigr.ca).

17. The newly elected Premier of Québec, Jean Charest, has recently repeated his party’s position to formalize First Ministers’ and other intergovernmental relations through a Council of the Federation, and to provide substantial support to these mechanisms through strengthened intergovernmental secretariats.

18. This is known in European law as the principle of “subsidiarity.”
Chapter 9 - Fiscal Federalism


5. The national average tax rate incorporates all ten provinces, and each national average tax rate is a weighted average, where the weights reflect each province’s revenue from the corresponding tax. Also, note that the revenue sources are “standardized,” so they do not exactly coincide with each province’s tax bases.


8. Another federal institution that was supportive of this view was the Economic Council of Canada. See: Economic Council of Canada, *Financing Confederation: Today and Tomorrow*, 1982.

9. Australia’s Commonwealth Grants Commission is an arm’s length body that advises the central government on issues related to fiscal transfers.


Chapter 10 - Fisheries


9. Based on communication with a member of the Canadian delegation to the Law of the Sea negotiations in the 1970s.


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Chapter 11 - The Regulation of Natural Resources,
Atlantic Accord and Churchill River

1. Individual oil projects are not stand alone operations for tax purposes. Given the broad base of activities of most oil companies, the varying levels of profitability of their operations, as well as the numerous and diverse investment activities of the oil companies, it is extremely difficult to project the extent to which the taxes applicable to the income on any one project will be reflected in government’s tax revenue receipts in any year. Accordingly, for the purpose of the analysis, a revenue stream based on 50 per cent of the full federal corporate income tax rate has been assumed.


3. John C. Crosbie, 2003. This paper suggests that, taking account of corporate income that may be attributed through the federal/provincial tax collection system to other provinces, the provincial government’s share of overall government revenues would be 12 per cent.


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Chapter 12 - Strategic Location and Infrastructure


16. It is worth noting that governments in other remote North Atlantic locations, such as Iceland, Greenland and the Faroes, have been proactive in ensuring that they are well served by air transport, including state ownership in the airline sector. See: Lawrence Felt, 2003.


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**Appendix B**

1. CPRN is a national think tank whose mission is to help make Canada a more just, prosperous and caring society. The dialogues were an adaptation of Viewpoint Learning’s propriety Choice Work Dialogue methodology. This adapted methodology was used with permission.
Acknowledgements

Many people provided assistance, support and advice to the Commissioners as we prepared this Report. We owe our deepest gratitude to the men, women, youth and children who attended our 25 public hearings, our meetings with women’s groups and our school visits; the businesses who welcomed us to their premises; the participants in the three dialogues and the eight roundtables; the individuals and organizations who forwarded written submissions; the individuals and groups who met with us informally; the many people who sent e-mails or visited us at the office to give their support; the researchers who worked in such short time frames and produced such fine work; the individuals who gave us analysis and insight on our draft report; the many people who helped us prepare, organize and record our public hearings, dialogues and meetings in the Province, Ottawa, Toronto and Fort McMurray; the many friends who hosted us in their communities and their homes; the Sisters of Mercy, who generously gave us the ongoing use of their conference room; the RCMP, who provided transportation for us from Nain to Happy Valley-Goose Bay; the translators, proofreaders, editors and printers whose skill and attention to detail enhanced our work; the Provincial Archives and the Art Gallery of Newfoundland and Labrador who provided the imagery used in the Report; the writers and artists who gave us permission to use their works to reflect the messages of the Report; and the many officials from the public service who provided us with needed data and so graciously gave us the wisdom of their experiences.

Through the generous giving of your time, hard work and commitment to our province’s future, you have played an important role in the completion of our task. While we take full responsibility for any inadequacies in the quality of the analysis and conclusions in the Report, we want to acknowledge our indebtedness to you for the insights, energy and encouragement you have provided to us.

We want to say a very special word of thanks to the people who worked most closely with us on a daily basis: Barbara Knight, Doug Brown, Jacquie Brown, Rhonda Burke, Jim Feehan, Mabel Macpherson, Brent Meade, Jodi Oliver and Adam Sparkes. We express gratitude to Ged Blackmore, Tim Madden, Dave Norris, Roger Samson and Ronalda Steele. Thank you for being such an incredible team who gave well beyond the call of duty, created an enjoyable and sometimes hilarious work atmosphere and lived a collaborative effort every day.

We express appreciation to the Premier and the Government of Newfoundland and Labrador for placing their confidence in us, and for giving us the privilege of learning so much more about this wonderful place in Canada that we call home.
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Text: University of Toronto, E. J. Pratt |
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| 8        | Photo: Newfoundland and Labrador Tourism  
Text: Le Devoir |
| 13       | Associated Press/Canadian Press |
| 14       | Under Confederation, Pay No Tax - Reproduced from The Confederate, 21 April 1948  
Come Into My Parlour - Reproduced from The Independent, 31 May 1948  
Don’t Throw Away the Golden Opportunity - Reproduced from The Independent, 29 March 1948  
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| 23       | Far left and far right: K. Bruce Lane/Capital Coast Development Alliance  
Middle: Strategic Social Plan, Labrador Region |
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| 59       | Left: Marcia Porter  
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| 60       | © Newfoundland and Labrador House of Assembly |
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*Voices of the People collage* (end of chapters): Northern Pen, Newfoundland and Labrador Tourism, Memorial University