The Ottawa-Newfoundland Relationship: Lessons from History

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Newfoundland and Labrador is Liberal province. In the 21 elections since it joined Canada in 1949, it has sent 99 Liberals to Ottawa compared to 42 Conservatives and 4 New Democrats. Only four times have Conservatives from Newfoundland and Labrador outnumbered Liberals in the House of Commons (1968, 1972, 1984, and 2006), and in five elections, including the most recent on 19 October 2015, the Conservatives failed to win a single seat in the province; the Liberals have swept all seven seats five times.

The Liberal party has governed Canada for 41 of the 66 years Newfoundland and Labrador has been a part of Canada. Only in the 28th and 29th Parliaments (1968-1974), when Pierre Trudeau was prime minister, did Newfoundland and Labrador not have a majority of Liberals sitting with the governing party. In the 1968 federal election, six Newfoundland Conservatives were elected and in the minority Liberal Parliament (1972-74) four Conservatives were returned from Newfoundland to three for the Liberals. In 1980, when Trudeau was re-elected to a majority government,

Newfoundland and Labrador once again elected a majority of Liberal members.

Newfoundland and Labrador has rarely participated in Conservative victories nationally. In the Diefenbaker sweep of 1958, only two Conservatives MPs came from Newfoundland, though four Conservatives participated in the Mulroney sweep in 1984. That number dropped to two in Mulroney's 1988 victory. Stephen Harper's Conservatives won four seats in 2006, none in 2008, and the single victory in 2011 was subsequently loss when Peter Penashue resigned for election fraud.

In the Canadian political tradition where the spoils often go to the victor, Newfoundland and Labrador, one would think, should have been well-served by voting so strategically in federal elections and being so often on the government side in the House of Commons. One would think that Newfoundland would have benefited enormously from regularly sending Liberal MPs to sit on the government side in Ottawa. In fact, that is often the perceived interpretation of the past. Yvonne Jones, re-elected Liberal MP for Labrador and rumoured for a while to be a potential minister in Justin Trudeau's cabinet, said after the 2015 Liberal sweep in Newfoundland and Labrador that bright days are ahead for relations between the province and Ottawa.

What does the past, what does history, tell us? The evidence that I gathered for my recent book, *Lions and Jellyfish. Newfoundland-Ottawa Relations*

Since 1957, Newfoundland and Labrador have fared better when the Conservatives held power in Ottawa. The province has not fared particularly well when Liberals formed the government in Ottawa.

I do not suggest that the relationship between Newfoundland and Labrador and Ottawa was determined by political allegiances. It did not matter if provincial and federal governments were of the same political stripe. Provincial premiers have at times worked with Ottawa and at other times have been in conflict with it. All of Newfoundland's premiers have working within the federal framework and even though the province voted narrowly to join Canada in 1949, the battles between Ottawa and Newfoundland were led not by the progeny of the anti-confederates who lost the two referenda in 1948. Many of those who supported Responsible Government in 1948 found their way into the Progressive Conservative Party but I would not consider those among the handful of pseudo nationalists who wistfully longed for a past that existed only in their imaginations. Both Liberal and Progressive Conservative premiers have at times worked with Ottawa and at other times confronted it, but all of them have been driven by the legacy of the early Confederates, determined to make Confederation work better for Newfoundland. They maintained that Confederation would provide Newfoundland and Labrador with a standard of living and full equality of citizenship that had been promised at the time of union -- if only certain conditions were met. But they quarrelled with Ottawa because they

had different views of the country, of Canadian federalism, and of Newfoundland's place in Canada.

Canada's federal system has had a difficult time, historically, in addressing economic disparity and providing fairness and equality to all citizens. For evidence of this just looked to Canada's indigenous peoples. Newfoundland premiers have believed since 1949 that redressing the economic imbalances of Confederation was a problem to be fixed, but because the two orders of government often disagreed over how to best deliver on the promise of Confederation, relations between the federal and provincial governments were often stormy. Prime ministers have had to defend what they saw as the national interest, while premiers have routinely argued that Newfoundland and Labrador was in many ways exceptional, so different from the other provinces that it requires special treatment if the dream of Confederation is ever to be realized.

What I consider here today are major policy matters – those that had the potential to radically transform Newfoundland and Labrador. I do not review the smaller projects such as the paving of a section of highway, the building of a breakwater or wharf, the creation of a municipal park, or the installation of a boardwalk. I focus on several major policy initiatives, including Term 29, the ownership, development and control of offshore oil and gas, the development of Churchill Falls, radical constitutional change

and a few other pivotal and seminal policies, to ask how Newfoundland and Labrador has fared in the workings of intergovernmental relations in Canada.

The first bitter and acrimonious battle in Canada-Newfoundland relations occurred in 1959 between Conservative PM John Diefenbaker and Joseph R. Smallwood over Term 29, the article of the 1949 Terms of Union that called for an examination of Newfoundland's financial position after eight years of union. Smallwood insisted on Newfoundland's special status within Canada and demanded $15 million payment in perpetuity from Ottawa. Diefenbaker, however, believed Newfoundland should participate with all other provinces in new federal-provincial financial arrangements to deal with regional inequalities rather than through special side deals.

Moreover – and I think this is a critical point to remember about Term 29 -- Diefenbaker followed the advice of the same federal bureaucrats who had earlier warned Liberal PM Louis St. Laurent that Smallwood would demand more under Term 29 than Ottawa could justify to the other provinces. Liberal Prime Minister St. Laurent lamented to his cabinet that Newfoundland "would be disappointed eventually" with the outcome of Term 29. It was for that reason that St. Laurent delayed so long on the Term 29 file even though all 7 Newfoundland MPs sat in the Liberal caucus.

When Diefenbaker refused to grant Newfoundland the amounts it demanded, Smallwood declared it an "unspeakable betrayal of Newfoundland", turned his fury on Diefenbaker for not understanding

Newfoundland's peculiar predicament and its difficult struggle for full Canadian citizenship. He unleashed his considerable demagogic rhetoric against the Conservatives. He vowed to unseat the Conservatives and restore the Liberals to power in Ottawa.

Diefenbaker and Smallwood never much trusted each other after their fight over Term 29, a situation made worse over the federal-provincial quarrel over the International Woodworkers Association in 1959 when Diefenbaker refused to despatch as Newfoundland requested additional RCMP officers as aid to civil authorities. Yet, the Conservative federal government never turned its back on Liberal Newfoundland during those years. It funded major harbour developments in St. John's, provided much of the cost for building the province's trade and technical colleges, funded major initiatives in public housing, and provided millions of dollars in capital spending.

Intergovernmental relations continued to work even though the First Ministers truly disliked and distrusted each other. Smallwood held firm to his commitment to destroy Diefenbaker, nonetheless. He threw himself into the 1962 federal campaign which elected six Liberals and helped to reduced Diefenbaker's massive 1958 victory to a minority. A year later, the Liberals won a minority on the strength of seven Newfoundland constituencies. So delighted was Smallwood, he attended the opening of Parliament as

Diefenbaker returned to the Opposition benches and Pearson became Prime Minister.

Smallwood's political friends were back in power. Like him, they believed in the social service state and active, positivist government. They both embraced cooperative federalism and the power of both the federal and provincial state to modernize Newfoundland and Labrador and improve the lives of citizens. Both Pearson and his successor, Pierre Trudeau, believed in the virtues of state-planning, and the federal and provincial governments became engaged in a variety of complex programs to modernize and remake the province both economically and socially. The best known of these programs, of course, was the federal-provincial household resettlement program.

Ironically, the injustice inflicted upon Newfoundland and Labrador during the time of the Pearson Liberal government, I would contend, was greater than at any time in Newfoundland's post-confederation history.

Pearson became prime minister in 1963 after Newfoundland had been trying to develop for ages the huge hydro-electric project at Churchill Falls in Labrador but because the power generated there had no substantial local market, it had to be shipped out. The most economical and practical way of transport was across Quebec to markets in southern Canada and the United States. Quebec refused to allow the transmission of Newfoundland's power across its borders.

The situation was complicated because Pearson had to deal in the 1960s with one of the greatest threats to national unity that Canada had ever faced. Nationalist and terrorist groups such as the paramilitary Front de liberations du Québec (FLQ) became increasingly militant and bold in their condemnation of Canada and in their demands for an independent Quebec. Even the Quebec government began acting as a sovereign state.

What was happening in Quebec terrified Pearson, and he was determined to find accommodate not simply through the promotion of biculturalism and bilingualism but by any means possible. Above all, he chose not to provoke Quebec or fuel the forces of separatism there. That included ignoring the constitutional right of Newfoundland to transmit electricity across provincial borders.

While the history of the Churchill Fall hydroelectric project is riddled with mistakes – many of which Professors Jim Feehan and Melvin Baker have documented so admirably, there is no denying that Pearson and the Liberal government failed to defend Newfoundland's right to engage in interprovincial trade through Quebec in the same manner as Western Canada oil and gas, for example, moved, at the time, so seamlessly across provincial borders to markets in the East and to the West Coast.

During the negotiations between the developers and promotors of Churchill Falls and Québec Hydro (and the provincial government of Quebec), public opinion, media commentators, opposition politicians,

government officials, business leaders across Canada and even some of Pearson's own Cabinet colleagues all condemned Quebec's treatment of Newfoundland and called repeatedly upon Pearson and the Liberal government to intervene and uphold Newfoundland's constitutional right to interprovincial trade.

The failure to demand that Ottawa protect Newfoundland's constitutional right to export power across interprovincial borders was Smallwood's greatest failing as premier, and Pearson's failure to protect Newfoundland's constitutional interest shows that Canadian federalism works best for determined provinces – or what I call bullies in my book. As prime minister, Pearson and his Liberal government failed to protect the interest of Newfoundland and Labrador, one of the weakest members of the Canadian federation even though the province had given the Liberal party its total support.

It might have been the anger over Churchill Falls that in the 1968 Liberal leadership convention Smallwood and the Newfoundland Liberal delegates supported an outsider – Pierre Trudeau – as the new leader rather than Robert Winters or Paul Martin that were closest to Pearson. Many Canadians, including Smallwood, hoped that Trudeau was the leader to put Quebec in its place. In the 1968 federal election that followed, Pierre Trudeau cemented his grasp on power, but six Conservatives were elected in Newfoundland.

There was a new quarrel brewing with Ottawa by then. This time it was over the control of the offshore oil and gas reserves. Ottawa had insisted since the early 1960s that it, not the provinces, controlled the offshore. Smallwood never accepted that notion, not even after the Supreme Court ruled that Ottawa owned the oil and gas reserves on the West Coast. Trudeau immediately interpreted the Court's decision to apply to the East Coast as well but Smallwood never accepted the ruling. Although he would change his policy on revenue-sharing over the decade that followed, he, Trudeau, had insisted from the time he became prime minister that Ottawa alone would determine how and when the resource was developed. He had initially insisted that Ottawa take 50 percent of all revenues from the offshore resource and the other 50 percent would be divided between all ten provinces. Those provinces adjacent to the resource Trudeau had initially maintained had no more claim to the resource than those provinces that were landlocked.

Smallwood vehemently opposed the federal government on this issue, claiming as Conservative premiers Frank D. Moores and A. Brian Peckford would later, that Ottawa would have had no claim over the offshore if Newfoundland had remained outside Canada in 1949. Although Trudeau relented on sharing the revenues from the offshore, he refused to move from his original position that the resource was a national, not a provincial, one. After waging bitter crusades during the 1970s against Alberta's Peter

Lougheed over oil pricing and what he considered insular and chauvinistic nationalists in Quebec, Trudeau was determined that never again would the nation be held hostage by what he considered greedy provincial premiers and selfish provincial nationalists. Trudeau believed that premiers such as Brian Peckford where sundering the national community; if Canada were to survive he as prime minister, had to protect the national interest.

Peckford, on the other hand, believed that a strong national community was only possible if Canadian federalism provided a fair measure of equality among the provinces. Only the provincial government could foster a sustainable economic and vibrant social community in Newfoundland and bridge the fiscal and financial gaps with the rest of the provinces. The offshore oil and gas reserves were Newfoundland's best change to overcome the ravages of imperialism, federalism, and geography to become a self-sufficient place of real opportunity and self-determination that would lift it out of the throes of underdevelopment and overwhelming underemployment.

Trudeau and Peckford fought like scorpions trapped in a bottle, not only over the offshore but fisheries, the transmission of Churchill Falls power and patriation of the constitution. Trudeau and the Liberal government opposed Peckford on each policy issue.

In the 1980 federal election which re-elected Trudeau and the Liberals to a majority, Newfoundland and Labrador elected 5 Liberals to serve on the government side in Ottawa.

The period following the 1980 election was a low dishonest decade in the annals of Canadian federalism. Intergovernmental relations between Newfoundland and Ottawa became virtually unworkable. The *Globe and Mail* wrote that federal ministers regard Peckford with "the kind of disdain usually reserved for yipping mongrels." Liberal Ottawa refused, for instance, to provide financial support for upgrades to the Newfoundland dockyard as it prepared for the offshore development although similar work at all other shipyards in the Maritime Provinces and Quebec was funded by Ottawa. Agreements that had been negotiated between provincial and federal officials went unsigned for months.

Trudeau and Peckford never agreed on the offshore even though the Supreme Court ruled in 1984 that Ottawa had jurisdiction. Peckford refused to concede to Ottawa. Trudeau frequently said that the 5 MPs from Newfoundland and Labrador were as representative a voice of the province as was Peckford's.

Only when Conservative Brian Mulroney became prime minister was the impasse broken. He believed in a decentralized federation and agreed that the province be the principal beneficiary of the wealth generated from offshore oil and gas. The Atlantic Accord was the result, and it made the

province and Ottawa equal partners in the management of the offshore. Eventually, the Atlantic Accord brought considerable prosperity to the province but it was far from the panacea that many had hoped. Even so, a Conservative prime minister had ventured where a Liberal one had refused to go.

Mulroney later encountered in Premier Clyde Wells a formidable foe very much opposed to the Meech Lake constitutional accord to have Quebec sign on to the 1982 constitutional package that it had rejected at the time. In meeting the five demands of Quebec, all first ministers, including Peckford, had agreed to a fundamental re-conception of Canadian federalism that conferred special status on Quebec and reduced the powers of Ottawa in substantial ways. Wells refused to support Meech because he believed it prevented Canada from forging ahead with the constitutional changes that were necessary to create a national community of prosperous and vibrant provinces in an equal and fair country.

Mulroney blamed Wells for the collapse of Meech Lake; it might be fair to say the he came to despise the Newfoundland premier. But, unlike the dispute between Trudeau and Peckford, when federal-provincial relations between St. John's and Ottawa became truly dysfunctional, Mulroney's Conservative government did not harbour the same animosity toward Newfoundland as Trudeau's had. Perhaps, John Crosbie made the difference in Ottawa during Mulroney's tenure but Crosbie was only one of two

Conservatives members from Newfoundland and Labrador in the Conservative caucus – five Liberals had been elected in the 1988 general election. Mulroney told an angry PC caucus demanding retribution for the collapse of Meech Lake that "Clyde Wells is not Newfoundland." Mulroney's government invested heavily in Hibernia, even taking an 8.5 percent share when one of the major partners pulled out. Just before Mulroney retired in 1993, Premier Wells wrote him, "I am not aware of any Prime Minister in the forty-three years since Newfoundland has been a province of Canada who had given a stronger commitment to the economic needs of Newfoundland, and for that I express to you my personal appreciation." They were both politicians and statesmen.

The most recent disagreement between Newfoundland and Ottawa also emerged over offshore oil revenues. The Atlantic Accord had permitted Newfoundland to keep a portion of its equalization payments even as revenues from the offshore increased, but Premier Danny Williams believed – as Smallwood had with the Term 29 settlement – that Newfoundland has special needs and should be allowed to keep equalization transfers and the new oil revenue until it reached a standard of living and a level of public services that at least equalled the national average.

Prime Minister Paul Martin never paid much attention to William's demands until he faced possible defeat in the June 2004 federal election. In

the 2000 election, the province had sent five Liberals and two Conservatives to Ottawa, including John Efford who was close with Martin.

With polls showing the Conservatives surging across the country and three weeks left in the 2004 campaign, Martin telephoned Williams, promising that if re-elected the Liberals would accept Williams' demand for 100 percent of equalization payments even as oil revenues grew.

The Liberals won a minority government – including 5 of Newfoundland's 7 seats -- but Martin soon learned the perils of making policy on the fly. With his minister of finance and senior officials in the Department of Finance opposed to the side deal on equalization, Martin dragged his feet on his promise to Williams. Williams turned his fury on Martin and the Liberal government, and refused to fly the Maple Leaf until Martin honoured his commitment. With support for the Liberal party fading quickly, Martin capitulated and guaranteed to Newfoundland and Labrador 100 percent of the revenue from offshore resources without it being clawed back from equalization payments. Williams also exacted from Ottawa a $2 billion advance payment against future royalties.

In the 2006 federal election, Martin won only 3 seats in Newfoundland while the Conservatives, led by Stephen Harper, captured four.

But when Harper changed the equalization formula, he also found himself at loggerheads with fellow-Conservative Williams. So angry was Williams with the new equalization formula that he termed it "the most

shameful, dishonourable things I have ever witnessed in politics". Williams launched his ABC – Anything But Conservative – campaign and convinced the province not to vote Conservative. Not a single Conservative was elected in the province in 2008 and only one in 2011.

Despite William's efforts to deny Harper his majority, in 2012, a year after their third election victory, Harper and the Conservative Government provided the loan guarantee necessary to develop the Muskrat Fall hydroelectric project that would see power from Labrador routed through Newfoundland, across the Gulf of St. Lawrence, to markets in the Maritimes and New England. A Conservative prime minister had allowed Newfoundland to develop its hydroelectric potential in Labrador and finally escape the "clutches of Quebec" that Smallwood had so keenly desired in the 1960s but could not because his Liberal friends in Ottawa refused to help.

Since 1949, then, Newfoundland and Labrador have voted overwhelmingly Liberal in federal elections. It is not clear though that the province has gained significantly by placing their vote with the federal Liberals. On the really important policy issues of the past six decades, successive Liberal governments in Ottawa have left the province disappointed. For instance, in the 1963 federal campaign Pearson committed that if elected he would provide a national strategy for fisheries as Ottawa had for agriculture in the West, but Smallwood later dismissed Pearson's

initiatives in the sector as a complete failure even though all seven constituencies in Newfoundland and Labrador were Liberal at the time.

On two of the most important policy areas – hydro development and offshore oil and gas – in recent decades, successive Liberal governments in Ottawa have largely turned their backs on the province. Pearson refused to help Newfoundland in its fight with Quebec over the transmission of power across provincial boundaries and the Liberals under both Pearson and Trudeau steadfastly refused to allow Newfoundland and Labrador an equal voice in the development of offshore oil and gas. It was a Conservative government that accepted an equal voice for the province in the offshore and it was also a Conservative government, much vilified in Newfoundland and Labrador and, indeed, across Canada, that provided the support necessary to develop Muskrat Falls.

With the "sunny ways" of Liberal Prime Minister Justin Trudeau things might be different this time. Only time will tell.