

March 20, 2020

The Right Honourable Justin Trudeau
Prime Minister of Canada
Office of the Prime Minister
80 Wellington Street
Ottawa, ON K1A 0A2

Dear Prime Minister Trudeau:

Thank you for your March 9, 2020 letter regarding Canada's readiness for COVID-19. I appreciate you, and the Deputy Prime Minister, reaching out and continuing to show national leadership on this critical public health issue. The Government of Newfoundland and Labrador agrees that the health, safety, and wellbeing of all Canadians is a top priority. I appreciate the federal government's proactive engagement on this rapidly evolving global pandemic.

The Government of Newfoundland and Labrador has taken the COVID-19 pandemic very seriously and we have acted quickly to implement a comprehensive response to this escalating situation. We continue to follow the advice of medical experts and are responding in real time to the crisis. Most recently, the Government of Newfoundland and Labrador declared a public health emergency and announced some of Canada's strictest measures aimed at slowing the spread COVID-19.

With more than 21% of our population aged 65 or older, and 84% of these having at least one chronic disease, it is critically important that we focus on containing the spread of COVID-19 in this Province. We are even more severely impacted as this is the time of year we have a rebound in influenza cases, thus placing additional challenges on our health care sector. We will continue to work closely with medical experts, the provincial emergency operation centre, and the joint public health response committee to ensure the health and safety of all Newfoundlanders and Labradorians.

As discussed during our recent teleconferences, Newfoundland and Labrador had already entered 2020 in a difficult situation. As highlighted in discussions regarding changes to the Fiscal Stabilization Program, the Province has never fully recovered from the 2015-16 downturn in the economy when royalty revenues declined by over \$1 billion. As the following chart illustrates, the net debt to GDP ratio, which is the highest in the country, has been trending upwards.

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	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20*
Net debt to GDP	30%	40%	43%	45%	46%	41%

*reflects accounting treatment of the Hibernia backed dividend agreement

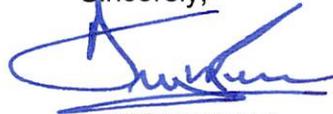
The anticipated impact of COVID-19, the January snowstorm and resulting State of Emergency, and the collapse of oil prices on the Newfoundland and Labrador economy in 2020 will be unprecedented. Newfoundland and Labrador is a small, resource-based economy with exports accounting for 60% of its GDP. A global recession will lower demand for the province's key exports of fish, oil, newsprint, and minerals, and will significantly impact production, employment, and income levels in those industries. Oil prices have plummeted to historic lows and construction activity on Muskrat Falls and the Vale underground mine has been suspended. The fishery, which is the backbone of our rural employment, faces a very uncertain season. The immediate impacts on air transportation, accommodations, food and beverage establishments, and recreation facilities as a result of social distancing measures being implemented are also unprecedented.

Prime Minister, while you have indicated that Canada has the fiscal capacity to respond to this crisis, Newfoundland and Labrador is not in the same situation. Like all provinces and territories, we are cognizant of the short term and long term economic and fiscal impacts. We acknowledge the benefit of the federal response to date. However, I must bring to your attention the immediate and urgent financial crisis that Newfoundland and Labrador is facing. To put it bluntly, our recent attempts to finalize our borrowing program, both short term and long term, have been unsuccessful. We have no other recourse to raise the necessary funds to maintain the operations of government, including our health care system, especially at this critical time.

While all provinces are having challenges, our particular situation is driven by our lack of fiscal capacity before the crisis and is now compounded by the collapse of oil prices and the COVID-19 pandemic.

As expressed to Minister Morneau and to Deputy Prime Minister Freeland, our Province has run out of time. Your attention is urgently required.

Sincerely,



DWIGHT BALL

Premier