

MEETINGS WITH THE PRIME MINISTER AND THE FEDERAL CABINET
August 21-22, 2018

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**Meeting between Premier John Horgan and Prime Minister Justin Trudeau
August 21, 2018**

Review of Recent Developments

- **First Ministers' Meeting on the Economy/ Federal Fiscal Update:** Premiers called for a First Ministers' Meeting (FMM) on the Economy at the Council of the Federation. The Prime Minister announced that he will host an FMM in the fall to discuss ways to build on Canada's economic growth through trade diversification and improving internal trade.

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It should be noted that Finance Minister Morneau announced a 15 day-consultation ending August 29 on "safeguards" on the import of several steel products, Ottawa is seeking input from producers, users and the public. Provisional safeguards may take the form of a surtax that applies to all subject imports or a surtax that only applies to subject imports that exceed a specified quantity threshold (i.e., tariff-rate quota).

Minister Morneau indicated in media interviews that his Fall fiscal update will seek to address competitiveness challenges faced by the business sector given the U.S. tax reforms that have been announced, and the impact of the NAFTA negotiations. A June report from the Canadian Manufacturers & Exporters recommended the combined federal and provincial corporate tax rate should be cut to 20 per cent from about 28 per cent, and Canada should match U.S. accelerated capital cost allowance provisions to offer "an immediate 100 per cent tax write-off on qualifying capital asset purchases."

- **Federal Cabinet:** The Prime Minister shuffled his Cabinet on July 18. s.13,s.16
s.13,s.16

Ministers with new or changed duties include:

- Jonathan Wilkinson at DFO and Coast Guard;
- Jim Carr who moved from Natural Resources to International Trade Diversification;
- Amarjeet Sohi moves from Infrastructure to Natural Resources;
- Dominic LeBlanc moves from Fisheries and Oceans to Intergovernmental Affairs, Northern Affairs and Internal Trade;
- François-Philippe Champagne moves from International Trade to Infrastructure and Communities.
- Bill Blair was appointed minister of border security and organized crime reduction.

s.16 , including Foreign Affairs Minister Chrystia Freeland, Finance Minister Bill Morneau, Public Safety Minister Ralph Goodale, Defence Minister Harjit Singh Sajjan, and Justice Minister Jody Wilson-Raybould remained in their portfolios.

- **Gun Violence:** The cities of Toronto and Montréal are asking the federal government to enact measures that would prohibit civilians from possessing assault rifles and handguns.

The motion that will be considered by Montréal city council on August 20th calls on the federal government to ramp up the restrictions in its Bill C-71, *An Act to Amend Certain Acts and Regulations in Relations to Firearms*. The bill is waiting third and final reading in House of Commons (expected in September 2018). It also asks that the federal government enhance its regulations surrounding all firearms so that "individuals who are clearly at risk" aren't able to own them.

The Prime Minister has indicated that the federal government will look at best practices in other parts of the world for ideas on how to tackle gun violence in Canada.

- **NAFTA:** s.16
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- **Ridley Terminals:** On August 9th, the federal government announced its intent to sell Ridley Terminals to private sector owners. The federal government indicated that in advance of the sale and in the spirit of reconciliation, it will engage with six First Nations in the Prince Rupert area to discuss the potential divestiture. The terminal will be sold 'as is' to a private buyer, with all the assets for rail car unloading and loading onto vessels at the marine terminal included. However, the land, which is leased by the Prince Rupert Port Authority to RTI, will not change ownership after the sale.

Federal Ministers' Activities in B.C.

- August 17: Minister Sajjan visited to the Provincial Emergency Coordination Centre;
- August 20-24: (note: preliminary information; some events may change; no details available)
 - s.13,s.16
 - Families, Children and Social Development Minister Jean-Yves Duclos in Vancouver for a launch related to the Canadian Poverty Reduction Strategy;
 - Health Minister Petipas Taylor signs a bilateral agreement on health services with Minister Dix and Minister Judy Darcy (August 21st);
 - s.16

- Employment, Workforce Development and Labour Minister Hajdu in Duncan for an announcement re. Skills Partnership Funding (with First Nation); and in Ladysmith for an announcement re. New Horizons for Seniors project;
- Natural Resources Minister Sohi and Minister Heyman and B.C. Hydro reps event in Sidney re. completion of Vancouver Island Electric Vehicle charging network (August 21st);
- Indigenous Services Minister Jane Philpott and representative of Minister Scott Fraser on an Indigenous Services Canada funding initiative (August 21st);
- Treasury Board Minister Scott Brison and Minister Melanie Mark opening an Industrial Training and Technology Centre in Kamloops^{s.13}
- Minister Sohi, on behalf of Transport Minister Marc Garneau, re. funding announcement for the Prince George Airport (August 20th).

Visits but no announcements:

- Minister Sohi in Prince George: Qs and As session on market access at a luncheon event hosted by the PG Chamber of Commerce (August 20th);
- Minister Catherine McKenna to meet with Minister Heyman on climate issues (August 24th);
- s.13,s.16
- Minister Bains might host a roundtable on connectivity and digital transformation.

BACKGROUND INFORMATION

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CONFIDENTIAL ADVICE TO THE PREMIER

PREPARED FOR: Premier John Horgan
MEETING: Meeting with the Prime Minister
ISSUE: Housing Affordability

KEY POINTS:

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 - We appreciate your government's development of a National Housing Strategy with funding. British Columbia was one of the first provinces to sign a bilateral agreement under the National Housing Strategy.
 - In February, the B.C. government issued Home for B.C.: A 30-Point Plan for Housing Affordability. The 30 actions are broadly grouped into those addressing supply, demand and better housing security. We are working our way through implementing these actions and tracking the results.
 - Through this plan, the government of B.C. is making a historic investment in housing and will work with partners to build 114,000 new units of affordable housing. The funding under the National Housing Strategy will help us achieve this goal.
 - s.13,s.16
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 - Like Ontario, we have taken some steps to increase and expand the foreign buyers' tax, but we are also now working to better understand suspected problems with money laundering and tax avoidance. s.13,s.16
- s.13,s.16

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- I'm pleased that the federal government is developing National Indigenous Housing Strategies^{s.13,s.16}
s.13,s.16
- We are partnering with First Nations and Indigenous groups to provide affordable housing. The Building B.C.: Indigenous Housing Fund facilitates the construction and operation of 1,750 units of social housing for Indigenous people on- or off-reserve. Funding is application-based so can be used wherever the need is greatest.^{s.13,s.16}
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BACKGROUND:

The availability of rental housing remains a severe challenge around much of the province, with vacancy rates hovering around 1%, despite a recent increase in rental housing starts.

Lower demand as the result of higher mortgage rates and more stringent mortgage qualification rules are bringing most markets around the province back into more balanced conditions.

So far in 2018, the residential sales dollar volume for B.C. was down 19%, compared with the same period in 2017, and this trend continued in July. While the number of sales and properties listed has declined, sales prices have started to level off, but not decline. Affordability remains a major challenge for both renters and aspiring home owners.

Homeless encampments or tent cities are the most visible symptom of the housing affordability crisis here, with several active tent cities including in Nanaimo, Victoria and Maple Ridge.

National Housing Strategy Funding

The federal funding for British Columbia under the National Housing Strategy is about \$754 million over 10 years, a welcome addition to newly committed provincial spending on housing of more than \$7 billion over 10 years.

Human Rights Based Approach to Housing

- During the consultations on the National Housing Strategy, some stakeholders urged the federal government to do more to advance its international commitments related to the progressive realization of the right to adequate housing in Canada.
- Canada is a signatory to the International Covenant on Economic, Social and Cultural Rights, which recognizes a right to adequate housing as a component of an adequate standard of living. A wide range of federal, provincial, territorial and municipal laws, policies

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and programs for housing and homelessness contribute to the achievement of Canada's commitment.

- A National Housing Strategy for Canada is itself an important step toward the progressive realization of the right to adequate housing and meeting Canada's international commitments.

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CONFIDENTIAL ADVICE TO THE PREMIER

PREPARED FOR: Premier John Horgan
MEETING: Meeting with the Prime Minister
ISSUE: LNG Canada

KEY POINTS:

- s.13

BACKGROUND:

- LNG Canada would be the cleanest large liquefied natural gas (LNG) project in the world if it proceeds, and would establish Canada as a leading supplier of low emissions natural gas to world markets.
- LNG Canada plans to construct its facility from a number of large complex modules that would be manufactured overseas and imported into Canada. These modules would contain a number of fabricated industrial steel components (FISC). Canada has imposed duties on imported FISC in response to dumping by steel producers in certain countries. The modules that LNG Canada intends to use to construct its project are of a size that no steel fabrication facility in Canada has the capacity to build.
- LNG Canada has sought a judicial review at the Federal Court of Appeal of the decision to impose duties on FISC and seeking clarity on whether the complex modules the company intends to use to construct its project would be subject to the duties. A decision on this is expected from the court in **September** s.16

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- If the LNG Canada project proceeds, Canada stands to benefit significantly through direct tax revenues and the sizeable economic activity that would be associated with the project.
- LNG Canada is in the process of making its final investment decision. Each of the five project partners (Shell, Petronas, Mitsubishi, PetroChina and Kogas) must individually reach a positive decision if the project is to move forward.
- The Province appreciates the actions that Canada has taken to support the LNG industry in the past, and the federal government's involvement in the recent competitiveness review for the sector.

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CONFIDENTIAL ADVICE TO THE PREMIER

PREPARED FOR: Premier John Horgan

MEETING: Meeting with the Prime Minister

ISSUE: Status of Pacific Salmon Issues

KEY POINTS:

General

- B.C. recognizes the values of wild salmon stocks and the commercial, recreational and First Nations fisheries.
- B.C. has a long history of funding programs that support or benefit salmon and their habitat and is actively working towards new initiatives to assist salmon recovery.
- s.16

Salmon Initiatives

- B.C. has launched a Wild Salmon Advisory Council that is assisting in the development of a strategy to support restoring healthy and abundant wild salmon stocks in B.C. Public consultations will begin this fall on options put forward by the Council and the Wild Salmon Secretariat, and it is expected these recommendations will come forward to Fisheries and Oceans Canada (DFO) for consideration.
- B.C. is excited to participate in the International Year of the Salmon and recognizes it is an opportunity for both the Federal and Provincial Governments to collaborate and fund initiatives that support wild salmon stocks.

Canada-U.S. Pacific Salmon Treaty

- B.C. is thankful for the work of the Canadian delegation in negotiating the renewal of the Pacific Salmon Treaty.
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Salmon Aquaculture

- B.C. is developing new policies on salmon aquaculture tenures underpinned by principles of reconciliation and wild salmon health.
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Southern Resident Killer Whales/Recreational Salmon Fishing

- B.C. acknowledges the threats to the Southern Resident Killer Whale (SRKW) populations, and recognizes the outpouring of concern from not only British Columbians, but the international community that followed the tragic display of grief from J pod with the death of the calf this month.

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BACKGROUND:

Wild Pacific salmon are of great social and economic importance to B.C., sustaining communities coast-wide, and generating a wholesale value of \$207 million in 2016. New data indicate salmon generated \$4.8B for the economy of Canada and the U.S. over the 2012 to 2015 period (over \$1B to B.C.). Many Pacific salmon stocks have suffered disastrous declines leading to equivalent declines in the ecosystems and economies that rely on them. B.C. recognizes the values of wild salmon stocks and commercial and recreational fisheries and has a long history of funding programs that support or benefit salmon and their habitat. Provincial ministries work together and with DFO to minimize the impact of development projects on fish habitat and to promote the conservation and enhancement of wild fish populations and reduce impacts of commercial fisheries on other values. B.C. is engaged in a number of salmon initiatives:

Wild Salmon Advisory Council

- B.C. has launched a multi-stakeholder advisory council that is assisting in the development of a strategy to restore healthy and abundant wild salmon stocks in B.C. Public consultations are to begin this fall on strategy options which will focus on:
 - restoration and enhancement of wild salmon populations;
 - sustainable fisheries management and stewardship opportunities for communities; and
 - new economic development opportunities to assist viable and sustainable community-based fisheries.
- It is expected that many of these recommendations will come forward to DFO for consideration.

Canada-U.S. Pacific Salmon Treaty

- B.C. has been actively participating on the Canadian negotiating team at staff and commissioner levels to reach a new agreement with the U.S. on expiring conservation and sharing arrangements under the Treaty.

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Salmon Aquaculture

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- B.C. has developed a new policy on the issuance of salmon farms that requires First Nations agreement and assurance by DFO that the risk to wild salmon is minimal.

International Year of the Salmon – funding for fisheries

- The North Pacific Anadromous Fish Commission (NPAFC) is coordinating The International Year of the Salmon (IYS), which will be announced in Fall 2018, with a focus on 2019, and projects and activities continuing into 2020.

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- BC recognizes the significant recent federal investments in fisheries science and habitat protection.

Southern Resident Killer Whales (SRKW)

- The SRKW population has been declining in recent years and is considered to be at serious risk of extinction.
- One of the major factors contributing to the decline is a lack of prey, with chinook salmon being their major food source.
- Chinook salmon stocks have declined or disappeared in many of the rivers and tributaries feeding the Salish Sea.

Funding

- In 2017, the Government of Canada announced a \$325M Atlantic Fisheries Fund aimed at supporting the seafood (wild fisheries and aquaculture) sector in Atlantic Canada.
- This fund provides opportunities that are otherwise limited or not available to the seafood sector through other avenues (e.g. Agriculture and Agri-food Canada).

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PREPARED FOR: Premier John Horgan
MEETING: Meeting with the Prime Minister
ISSUE: Oceans Protection Plan

KEY POINTS:

The federal government announced the \$1.5 billion Oceans Protection Plan (OPP) in fall, 2016, focusing on five areas (Figure 1) over the next five years. B.C.'s 'share' of the OPP is approximately \$412M or 36%.

While the OPP is a national initiative, it was based on recommendations from a series of reports commissioned by the B.C. government starting in 2013. Nuka Research undertook the following three reports:

- A gap analysis of the existing marine spill prevention and response regime in place for B.C.
- A vessel traffic study assessing the current and potential levels of shipping on the west coast of Canada
- An analysis to identify international best practices and elements required for establishing a world class marine spill preparedness and response regime.

Note that Nuka research was also contracted by the City of Vancouver and Tsleil-Waututh Nation to support their submissions to the NEB process and that Nuka's work is widely regarded as objective and thoughtful by all stakeholders.

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s.16 Key B.C. initiatives to be funded under the OPP to date include:

- Two offshore emergency towing vessels (rescue tugs: \$67M investment over three years in place fall 2018);
- Six new marine radars;
- 25 towing kits that can be dropped from helicopters onto vessels of opportunity;
- Four new Coast Guard stations (Victoria, Hartley Bay, Port Renfrew and Nootka Sound);
- New 24/7 emergency operations centre;
- Dedicated Primary Environmental Response Team near Port Hardy (a Senior Response Manager and three Response Specialists);
- New Indigenous Community Response Teams including formal training for search and rescue, environmental response and incident command;
- Funding for regional response planning; and,
- Research into southern resident killer whales, etc.

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In B.C., the federal government is working very closely with coastal Indigenous communities and has announced \$11.9M of joint initiatives planned or underway to date.

A key opportunity for B.C. with respect to wild salmon is the \$75M Coastal Restoration Fund that supports Indigenous and coastal communities undertaking projects in ecosystems vulnerable to marine shipping and development. s.13,s.16

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Eleven projects from

Indigenous and community groups were funded in the first round.

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PREPARED FOR: Premier John Horgan

MEETING: Meeting with the Prime Minister

ISSUE: Trans Mountain Project (TMP):
s.13

- Permitting
- Oceans Protection Plan

KEY POINTS:

Kinder Morgan is recommending that its shareholders accept the federal government's offer to buy the Trans Mountain pipeline at a special meeting in Calgary on August 30.

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Specific to the Oceans Protection Plan:

- The federal government announced on August 9, 2018 a \$67M contract over three years to provide two emergency offshore towing vessels.^{s.16}
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- s.13,s.16

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Specific to provincial permitting:

- The B.C. portions of the TMP project currently require a total of 1175 permits. Provincial permitting agencies have issued 243 permits. A further 327 permit applications are still under technical review, while 605 permit applications have not yet been submitted.
- The province remains committed to timely processing of permits;^{s.16}

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BACKGROUND:

TMP Construction and Permitting

On August 16, the NEB approved Trans Mountain extension work between Edmonton and north of Kamloops.

On July 3, 2018 the TMP filed a six-month outlook summary schedule with the NEB, as required under NEB Condition 62. The schedule outlines proposed construction activities in Alberta and B.C. from July 2018 to January 2019. Work in B.C. is to include continued construction at Westridge Marine Terminal, pre-construction and clearing activities in Spread 3 in B.C.'s North Thompson region, and the development of temporary infrastructure (construction yards and work camps) in Valemont, Blue River, Clearwater, Merritt and Hope.

As of August 14, 2018, 243 permit application decisions (permits) have been issued:

Permitting Agency	Permits Not Yet Submitted	Permits in Technical Review	Approved Permits	Total
Ministry of Transportation and Infrastructure	548	254	126	928
Ministry of Forests, Lands, Natural Resource Operations, and Rural Development	8	48	60	116
B.C. Oil and Gas Commission	42	16	54	112
Ministry of Environment and Climate Change Strategy (excluding B.C. Parks)	5	2	1	8
Agricultural Land Commission	2	4	1	7
B.C. Parks	0	3	1	4
TOTAL	605	327	243	1175

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TMX Issues to Discuss with the Federal Government – July 18, 2018

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TMX Issues to Discuss with the Federal Government – July 18, 2018

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¹ Excludes benefits agreement costs.

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CONFIDENTIAL ADVICE TO THE PREMIER

PREPARED FOR: Premier John Horgan

MEETING: Meeting with the Prime Minister

ISSUE: Internal Trade / Canadian Free Trade Agreement

SCENARIO: s.16
s.16

EXPECTED OUTCOMES: s.13,s.16
s.13,s.16

KEY POINTS:

- B.C. has fewer exceptions in the Canadian Free Trade Agreement (CFTA) than any other Party to the agreement, *including the federal government*.
- The federal government has an important role to play in removing barriers to trade and investment in Canada – s.13,s.16
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BACKGROUND:

The CFTA entered into force on July 1, 2017. All provinces, territories, and the federal government are signatories to the Agreement. The Agreement is designed to help ensure that Canadian businesses, workers and investors have the same or similar rights as foreigners in Canada under international trade agreements.

The CFTA includes broad coverage of the Canadian economy, reduces regulatory burdens, and enhances procurement opportunities. The CFTA uses a comprehensive “negative list approach” meaning that it covers all sectors of the economy and trade in all goods, services and investments, with any exceptions being clearly identified.

Several items pursuant to the CFTA remain works in progress:

- Regulatory Reconciliation and Cooperation: The CFTA establishes a regulatory reconciliation process designed to help eliminate unnecessary differences among jurisdictions in regulations that create barriers to trade. ^{s.16}
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At last month’s Council of the Federation meeting, Premiers agreed to direct Ministers to take immediate and meaningful action to address regulatory barriers in four areas: occupational health and safety, transport regulations, agriculture, and business registration. In addition, Premiers agreed to direct the responsible ministers to undertake immediate work to make progress on the other measures identified by the Regulatory Reconciliation and Cooperation Table in its annual work plan.

- Trade in Alcoholic Beverages: The CFTA’s coverage of trade in alcoholic beverages is limited by many exceptions negotiated by Parties to the agreement (including B.C.). Recognizing that the CFTA did not enhance trade in this area, Parties established a working group to discuss and make recommendations on measures in this area.

At last month’s Council of the Federation meeting, Premiers agreed in principle to significantly increase personal use exemption limits for transportation of alcoholic beverages across provincial boundaries. It was recognized that some provinces may remove them entirely. ^{s.16}
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- Financial Services and Non-Medicinal Cannabis: The CFTA does not yet cover financial services ^{s.16}
s.16 or non-medicinal cannabis. Parties have initiated discussions on financial

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services, and have agreed to hold discussions to assess incorporating provisions on non-medicinal cannabis once it is legalized by the federal government.

At last month's Council of the Federation meeting, Premiers agreed to direct provincial and territorial trade Ministers to continue exploratory discussions towards bringing the financial services sector under the CFTA in a manner that offers each Province and Territory the same or better treatment than Canada offers its international trading partners.

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MEETING NOTE

Intergovernmental Relations Secretariat - Office of the Premier

CONFIDENTIAL ADVICE TO THE PREMIER

PREPARED FOR: Premier John Horgan

MEETING: Conference call between the Prime Minister and Premiers
Thursday, August 30, 2018 at 11:30am

ISSUE: Update from the Prime Minister on NAFTA Negotiations

SCENARIO:

The Prime Minister has requested a call with all Premiers to provide an update on the North American Free Trade Agreement (NAFTA) negotiations. Negotiations entered a critical phase when the U.S. and Mexico announced they had reached a preliminary Agreement in Principle (AIP).

KEY POINTS:

Many key details of the preliminary AIP between the U.S. and Mexico are unknown at this point.

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BACKGROUND:

The U.S. and Mexico announced they had reached a preliminary Agreement in Principle (AIP) on Monday, August 27th. The U.S. has stated that Canada has until Friday to join on to the deal or it will impose duties on Canadian autos. s.16

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Dispute Settlement / Chapter 19

Chapter 19 was not mentioned in the preliminary U.S.-Mexico AIP , s.16,s.17
s.16,s.17

Supply Management

The U.S. President has repeatedly expressed concern about B.C.'s supply-managed agricultural sectors. The Prime Minister has long-defended the system in Canada but media is reporting that Canada may be willing to make concessions here to reach a deal. s.13,s.16
s.13,s.16

You and Minister Popham issued a joint statement on June 13, 2018 which included: "The Government of British Columbia expects the federal government will negotiate trade deals that benefit all Canadians, and supports efforts that include agricultural producers in the supply-managed commodities being given the due consideration and representation they deserve."

B.C. farms accounted for Canada's third highest supply-managed receipts, valued at nearly \$1.2 billion in 2017 (11.2 per cent of Canada's total supply managed farm cash receipts). There are 484 milk producers in B.C. All Canadian dairy producers in all 10 provinces operate under the same supply management system. Canada has about 12,000 dairy farms with about 950,000 cows. In comparison, the U.S. has about 49,000 dairy farms with approximately 9.3 million cows.

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Approval (or withdrawal) procedure

The President has stated that Canada has until Friday to sign on to the deal or else he will terminate NAFTA and proceed with a bi-lateral deal with Mexico. ^{s.16}

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The Friday deadline is based on U.S. law requiring the Administration to give Congress 90 days notice, therefore allowing President Enrique Peña Nieto to sign the deal before he leaves office on December 1st.

Autos

Minister Freeland has expressed support for concessions made by Mexico in the AIP on autos. Under the AIP, 40-45 per cent of a North America car's content would need to come from plants where workers earn at least \$16 per hour. Mexican auto workers make \$4 per hour on average. In addition, 75 per cent of North American car content must come from Canada, the U.S. or Mexico (up from 62.5 per cent).

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