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## Harper to provinces on Atlantic accords: sue me

at 17:44 on June 11, 2007, EDT.

OTTAWA (CP) - Prime Minister Stephen Harper promised the Atlantic provinces a battle in court over their accusations of broken resource deals, while facing a showdown of his own with another of his own MPs.

Gerald Keddy of Nova Scotia told The Canadian Press on Monday that he was heading directly from his riding to a meeting with Harper to discuss his concerns about how the dispute over the Atlantic Accords is being handled. His colleague, Bill Casey, was booted from caucus last week for voting against a budget bill over similar concerns.

"We're between a rock and a hard place," said Keddy, who just returned from a trip to Scotland.

Nova Scotia Premier Rodney MacDonald urged MPs from his province over the weekend to vote against the next budget bill, saying Harper is breaking the 2005 accords that exclude resource revenues from the equalization formula. That budget offers the provinces the choice between the accords and receiving a much fatter equalization payment with a clawback of resource revenues.

Harper said he took umbrage with the criticism that he is not respecting a binding contract.

"I don't think we can let that allegation stay out there forever," Harper told reporters. "At some point we'll consult tribunals ourselves to get a ruling on our respect for the contracts, because we will respect them."

A spokeswoman for Harper would not elaborate on how the federal government would consult, or which court it would refer the matter to. Carolyn Stewart Olsen said the Atlantic Accords themselves would be the document studied in court, not the contentious budget bill.

Nova Scotia had been negotiating with Ottawa to try to reach a compromise over the dispute, but MacDonald called off the talks on the weekend. He told reporters Monday in Toronto that the "straw that broke the camel's back" was a letter Finance Minister Jim Flaherty wrote to a Nova Scotia newspaper Saturday. Flaherty called the budget criticism an "urban myth," and said no "side deals" would be struck with any province.

"We may be a small province, but we will not be bullied by the federal government," MacDonald said.

He made no mention of taking the federal government to court, as Harper has suggested he should do, but said there is another tribunal the federal government should be concerned about.

"The court of public opinion is where I'm at now, and very clearly it's time for the politicians to open their eyes, open their ears and do the right thing."

Keddy said he was also "shocked" at Flaherty's letter published in the Halifax Chronicle-Herald on Saturday.

"I don't know if it's his comments honestly, or it's (Harper's director of communications) Sandra Buckler's comments, it doesn't matter who wrote them, his name's attached to them and I was shocked to hear them because we've been negotiating in good faith and it'll be interesting to see what happens," Keddy said.

"I'm not going to make any decisions until I get a chance to talk to the prime minister."

Keddy said it wasn't his understanding of the Atlantic Accords that Nova Scotia would be forced to choose between them and the new equalization formula.

Newfoundland Premier Danny Williams and Saskatchewan Premier Lorne Calvert have also publicly blasted Harper for allegedly breaking his promise to exclude resource revenues from the equalization formula which determines how much money the provinces get from Ottawa.

Harper said those three provinces benefited the most from the last budget.



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Some facts about the Atlantic accords:

**Original Deals:** The federal government first signed the original Atlantic accords with Newfoundland and Nova Scotia in 1985 and 1986, respectively. The accords spell out how Ottawa and the two provinces share revenue from the offshore energy sector.

**Updates:** The agreements were updated in 2005 to ensure the provinces become the "primary beneficiaries" of their offshore oil and gas industries.

**New protection:** The new deals gave each province 100 per cent protection from clawbacks of equalization payments.

**Result:** That means the provinces wouldn't be penalized with smaller equalization payments as their offshore revenue grew.

**Budget changes:** Both provinces now say the March 19 federal budget guts the two accords by reviving the equalization clawback and introducing a cap on equalization payments - changes that could cost both provinces billions of dollars.

**Ottawa's position:** The federal government argues that the revamped accords remain in place and both provinces have the option of sticking with them.

**Provincial anger:** Both provinces say Prime Minister Stephen Harper had promised a better equalization deal, so offering the status quo amounts to a broken promise.

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