
The Lobby Monitor

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Nuclear Venture a Sensitive Subject

Ontario Hydro Technologies lobby campaign has Canada emerging as the international compromise location, but getting federal and provincial government attention has been a struggle. *See story page 2.*

FCC Decision Keeps Satellite Lobby Up In the Air

Washington observers say that lobby activity is really heating up in the American capital over the Telesat satellite deal. *See story page 2.*

Challenge to Pearson Likely

Lobbyists for proponents in the scuttled Pearson deal suggest that the Liberal government is far from making a safe landing on this one. *See story page 3.*

Tobacco Lobby Smoldering

Recent FDA action to classify nicotine as an addictive substance has tobacco interests and health groups considering the options. *See story page 8.*

Also in this issue: Registrations and Registration Notes, see page 6.

Registrations in this Issue

Client Firms

1169521 Ontario Inc.
Abbott Laboratories Ltd
Air Canada
Assn of Intl Auto Manf of Can
Astral Communications
Baxter Corporation
Bayshore Trust
BC Softwood Lumber Trade Coun
Bell Canada
Boeing Company
Boyd Group
Bradson Mercantile Inc
CARA Operations Ltd
Cdn Assoc of Toner Distributor
Cdn Bankers Assoc
Cdn Forest Industries Council
Cdn Gift & Tableware Assoc
Cdn Marine Manufacturers Assoc
Cdn Sugar Institute
Comm of Major Law Publishers
Conseil Cdn Fabric des Tabac
Credit Union Central of AB
Crop Protection Inst. of Can
Crown Investments Corp
Donohue Inc.

Ethyl Corporation
Folio-Montreal
Ford Motor Co. of Canada Ltd
Giovanni Models Management
Glaxo Wellcome Inc.
Glenview Corporation (The)
Green Tree Financial Corp
Greystone Properties Ltd.
Harris Corp RF Comm Grp
Harris ESS
Holland America Line-Westours
IMI-Tech Corporation
Malting Assoc of Canada
Maple Leaf Foods Inc.
Matthews Investments 1 Inc
Merck Frosst Canada Inc
Mobil Oil Canada
Mohawk Prawn Tech Enter Inc.
North West Cruise Ship Assoc
Ontario Hydro Technologies
Peerless Clothing Inc
Pharmaceutical Mfrs Assoc Can
Philippine Airlines
Primerica Financial Services
Produits Forestiers Alliance
Republique Haiti
Schuller International Inc.

Sealy Canada Ltd.
Simware inc.
Societe European des Satellite
Sybase Canada Limited
Tandem Computers Canada Ltd
Taseko Mines Ltd
Thomson Canada Ltd
Wescam Inc.

Lobby Firms

AlphaLINK
BCI Regulatory Policy
Brogan Consulting
Brooks, Gary
Burstyn-Jeffery Inc
CFN Consultants
Coopers & Lybrand (Tor)
Corporation House Ltd (Ott)
de Kemp & Associates
Donald Jarvis Consultants
Earncliffe Strategy Gp
ESP-Evans Strategic Polcy
Farris, Vaughan, Wills
Fasken Campbell Godfrey
Flavell Kubrick & Lalonde
Forum Communications
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Feds Slow to React to Nuclear Venture

Ontario Hydro's challenges in garnering federal and provincial government support for establishing Canada as the site of the **International Thermonuclear Experimental Reactor** (ITER) are many. "No one likes the idea of mega-projects and there is all the baggage associated with even the word thermonuclear," explains *Joan Woodrow* of Ontario Hydro. To make matters more difficult the file ended up on the desk of Natural Resources Minister *Anne McLellan* while the company wanted it to be handled by **DFAIT** because of the international dimensions or **Finance** to recognize the economic spin offs of any government investment.

"When the ITER Council announced that they expected expressions of interest by October," explains Woodrow, "we realized we needed a deep incision at the federal level."

Enter **Michael Wilson International** and **SAMCI**.

The Project

Billed as the next phase of thermonuclear reactor research, the project will span thirty years and require both the federal and provin-

cial governments to commit \$10 million in funding each year for the duration. "But that's offset by an increase in tax revenue of \$50 million for the province and \$60 million for the feds," says Woodrow.

The host country will provide the site (Bruce and Darlington have been identified as ideal), the infrastructure, environmental assessments, etc. Ontario Hydro is interested in the deal for various reasons, including the fact that it gets a major customer for the next three decades in both hydro energy and tritium.

Woodrow suggests that Canada is a compromise location for the many of the countries involved in the process and as such provides stiff competition to the other country expected to put forward an application – Japan.

The Difficulties

"At the community level we've had a big campaign and addressed any concerns that might have surfaced," explains Woodrow. "We were able to make inroads provincially but we were having trouble getting in to see the right people at the federal level."

Ontario Hydro had tried working through a broad-based network of organizations and associations that were in support of the ITER proposal. The timing issue, however, prompted more focused action.

Stepping In

Maurice Strong had approached *Michael Wilson* on the issue while he was still chairman. Wilson did not get immediately involved but did express interest.

"Through Wilson and SAMCI we were guided on where to put our emphasis. We were able to get an audience at the top level which really helps," says Woodrow. While Ontario Hydro's provincial access was greater than it enjoyed in Ottawa, SAMCI's Ottawa and Toronto offices helped to coordinate Ontario Hydro's efforts.

Woodrow says that the company has been pleased with the work of both its representatives, although facing an uphill climb she's confident of the chances of success.

A decision on government support for the ITER project is expected soon.

Confusion Reigns over Satellite Spots

The DTH satellite allotment case is looking to be even more complicated than first thought. The dominant issue is still reciprocity – or lack thereof – but sources in Washington suggest that you just have to scratch the surface on the lobby surrounding the **FCC** application of **TCI** and **Telquest** to uncover some big players and some real pressure.

What appears to be an obvious example of the futility of trying to gain FCC approval against the wishes of the administration just prior to an election campaign, may prove to be slightly more involved. There appear to be as many sides to the issue as promised channels on the new DTH television services – the source of all this battling.

The Lobby

"Telesat and TCI have obviously employed the services of the Canadian Embassy," says one Canadian telecommunications lobby-

ist, referring to the report in the *Financial Post* detailing Ambassador *Raymond Chrétien's* letter to the FCC supporting the Telesat/TCI/TelQuest proposal. Canada's support for a bid that would not require them to deal with the thorny issue of reciprocity, however, is certainly not news.

Another media report suggesting that Canada was close to a reciprocity deal along the lines of one signed between Mexico and the US has also been characterized as "wishful thinking" on the part of Telesat who is, of course, suspected of leaking the story. "There are ongoing talks but we're nowhere close to a deal," say department officials. "As we both know the Government of Canada is not known for its lighting speed on these types of things."

The large American companies against the application, including **MCI** and **AT&T** have in-house lobbying teams that handle most

regulatory work like that involving the FCC. Industry insiders, however, suggest that outside lobbying help has been brought in. "There are some serious players involved in this down here," says one US expert. "But they're not going public." Every effort is being made to keep this an "inside the beltway" issue.

On the other side of the battle, sources suggest that the relationship between TCI's *John Malone* and US Vice-President *Al Gore* complicates what seems to be a simple political equation. The **US Trade Office** has made no secret of its opposition to a deal without reciprocity. However, according to insiders, "there is still split opinion on whether the politics of the day will win out and the application will be rejected or if there is enough pressure the other way and some kind of delay is introduced and the issue is dealt with later on in the Fall."

Both US and Canadian lobbyists admit to being overwhelmed at times by the confusion surrounding the DTH satellite campaign. But also note that they might not be the only ones. "If [FCC Chairman] **Reed Hundt** wants to be re-appointed he better be aware of what all these forces are saying."

The Issues

The reciprocity agreement signed between Mexico and the US is suggested by some to be a model through which the DTH satellite allotment case could be resolved. The key to any Canadian version, however, is in how reciprocity is defined. The Mexcian version deals with facilities and content, while the Canadian negotiators cling to the hope of not sacrificing Canadian culture.

Some observers suggest that there are provisions in the Mexican deal that could translate into some measure of content control. Depart-

ment officials confirm that that is a possibility being examined. "We still don't understand aspects of the Mexcio-US agreement which is one of the things we will want to explore with the Americans," says **Larry Shaw**, the new DG of Telecommunications Policy at Industry Canada.

Canadian lobbyists say that the underlying objective of the Canadian officials centres around the **WTO/GATT** negotiations on satellite policy this January. "The larger issue is the Canadian position at GATT and WTO," says one lobbyist. "We've also heard that the department is trying to put together a memo on their position for submission to cabinet and will be feeling it out in their meetings in Washington."

The Political Landscape

Whatever the intentions of Canadian officials, Washington sources say that this decision, coming so close to an election, will be

overwhelmingly political. "Whatever the facts, it's as much political as anything else and that means it's tough to get around the reciprocity stuff," says one US lobbyist. "It'll be very difficult to cook a deal when you are eight weeks away from November elections."

Compounding the situation is the growing recognition in Washington and Ottawa that trade disputes between the two countries are changing in nature. "They're no longer resource based, the really nasty stuff is cultural and technology based."

September 15 is still suggested as a date for a decision by the FCC. The push is on by the American companies to launch their service by Christmas. The bottom is said to be falling out of the hardware for DTH television and the services are expected to be a major Christmas item.

Challenge to Pearson Legislation Looms

What might be considered the dominant lobby issue of the **Mulroney** era is set for what should be the final round. Will the government stick with the legislative route to deal with the **Pearson Airport Deals** or opt for some form of settlement? Despite the hopes of the government to put the matter behind it, the Pearson issue refuses to die.

The Lobbying Forces (Paid and Otherwise)

Lawyer **Gordon Baker**, formerly with **Weir and Foulds**, continues to represent **Mathews Investments Inc.** (1, 2 and 3). He leads the efforts, at least on the public policy side, of the Pearson Development Corporation players seeking compensation.

Forces against a settlement (widely thought to range anywhere from \$125 to \$225 million) are comprised of what might be best described as a political lobby. Toronto area MPs lead the push against any kind of a deal as they fear it might make the government look to be in the wrong. It should be noted, however, that these same MPs are anxious for a resolution to the situation due to the embarrassment that could result in an election year.

Lining up beside these MPs are those Liberal political advisors that believe Chrétien has tied a large measure of his personal credibility to the canceling of the deals. They too fear the fall out from a perceived capitulation.

Whether they like or not, mixed in with the battle over the old Pearson deals are the representatives of the new ones, namely, **Tony Stikeman** of **Tactix Government Consulting** who is registered for the **Greater Toronto Airport Authority**. The GTAA has struck a deal for the running of the Pearson Airport, to be finalized December 2. When it takes over, it will have to deal with the remnants of PDC who still own and operate Terminal 3.

What's Been Happening

Since the Senate defeated **C-28** (the reintroduced form of the original bill **C-22**) last Spring, the Pearson Airport case has not played prominently in the news. The court case that the legislation would have prevented, however, has been moving ahead.

Representatives for the plaintiffs suggest that the government has been delaying the court case. Lengthy examination of its own witnesses – including seven days of the lawyer who rep-

resented the government – is interpreted as stalling tactics.

Liberal MPs generally hold the assumption that the government is going ahead with new legislation early in the Fall session – just as they were told would be the case when the House rose for the Summer break.

The decision makers are holding their cards very close to their chest. The ministers' office says that nothing has been decided and those involved say they have yet to get any inside information to the contrary.

Contingency Plans

"If the legislation is reintroduced [and passed] we will be bringing forward a NAFTA challenge," warns Baker. **Locheed** is an American firm and **Mathews Investments Inc.** (1,2 and 3) was reorganized following the canceling of the deals in order to qualify as US companies. As such, NAFTA sets out three requirements for canceled contracts. There must be due process of evaluation, adequate compensation and timely settlement.

Baker will be watching the announced challenge for compensation under NAFTA of the government's legislation banning MMT.

Registration Notes

Tax Tango

Tax issues have surfaced again as a common thread between a number of varied registrations. **Harold Burke** of **Coopers and Lybrand** is registered for **CARA Operations Limited**, assisting with a proposed amendment to section VII of the Income Tax Act. This section deals with taxable preferred shares, which can be taxed up to two thirds of the dividend value payable by the issuer. In a subsequent section, 23(2), remission of the tax is possible by recommendation of the Minister of Finance. For CARA, Burke says the company believes that for its purposes the section should not apply to a transaction it has entered. Burke adds that because there is concern that CARA may end up being taxed, they are working to get clarification of the section from Finance.

In another tax issue, **Peter Kila** of **Price Waterhouse** has registered for **Baxter Corporation**. Kila is working with the department of Finance to ease a restriction introduced in the June 20, 1996 Ways and Means motion. Baxter Corporation is in the advanced stages of a butterfly transaction between its US company and two public corporations. While the deal fits into the 1993 rules, the new restrictions mean that unless the transaction is grandfathered it would be impossible to complete. Kila says the transaction is so far advanced it can't be changed to adopt to the new amendments, and says Finance is willing to accommodate the situation.

Steven D'Arcy of **Fasken Campbell Godfrey** is registered for **Air Canada** on a GST issue. He says he provides commodity tax advice on an ongoing basis which occasionally involves discussions with federal officials.

"My registration was a precautionary measure," says D'Arcy.

Model Perfect

Pamela Jeffrey and **Catherine McKellar** of **Burstyn Jeffrey Inc.** have been retained by **Folio-Montreal** and **Giovanni Models Management** to help them change their current tax situation with regard to payment of UI and CPP to models. In an earlier audit, the two agencies were deemed employers and as such, had to

pay UI/ CPP benefits to those in their employ. McKellar says that **Burstyn Jeffrey Inc** was able to work out an agreement for the Fair Tax Coalition (comprised of other modeling agencies) with the outcome that they did not have to pay these benefits. Folio and Giovanni are affected because of a court ruling on their case, but are hoping, in light of the recent decision in favour of the Fair Tax Coalition, to have their situation re-evaluated.

Take Two...

David Miller of **Hill and Knowlton Canada** is registered for **Glaxo Wellcome Inc** and **Merck Frosst Canada**. Much of his work has been non-registerable he says, but he is providing some assistance to the two pharmaceuticals in the lead up to the review of the patent legislation, including C-91.

Clean Money

Bayshore Trust has signed on with **John Evans** of **ESP - Evans Strategic Policy** to work with the Department of Finance on issues dealing with the Proceeds of Crime Act. Financial institutions involved in electronic banking and providing banking services over the internet are facing some possible problems when it comes to remotely originated deposit accounts. Evans says financial institutions must know who holds deposit accounts, and adds that it is not clear whether faxed copies of identification are acceptable under the Act.

"I am working with Finance to come up with a solution to allow electronic communication to proceed but also to give government some comfort," says Evans.

Pesky Problem

The **Crop Protection Institute** has retained **Tom Brogan** of **Brogan Consulting Inc**, and **Doug Blair** of **BCI Regulatory Policy** to help in its uphill battle with Health Canada over cost recovery. **Charlie Milne** of CPI says his beef is not about how the money is to be collected but in the size of the amount the government wishes to recover. In a lengthy history spanning 10 years, the Pest Management Regulatory Agency has increased its budget from \$14 million to over \$30 million

with a substantial part of those costs to be recovered from users by April, 1997.

"I have a problem with the services for which they want to collect," says Milne, who adds that these include communications and other non-commercial use linked costs. "This has been going on for over a year, and there have been many heated discussions."

PMRA seems anxious to get the discussions going as to how it will be collecting these fees, and has scheduled a meeting for the end of September. Milne says that a coalition, formed by the CPI and the Canadian Federation of Agriculture will meet prior to that to see if they can "get some sense of the numbers."

Playing Fair

Allan Gottlieb of **Stikeman, Elliot** has registered for **Peerless Clothing Inc.** to assist them in resolving a NAFTA trade issue. Gottlieb says that the provisions of the trade deal clearly give his client the right to export wool suits to the US. He notes that there is, of course, Congressional opposition in Washington to Peerless exporting its goods. Gottlieb says he is providing advice and helping to arrange meetings for his clients with the appropriate people in Washington, DC.

Foot in the Door

Dick Olford of **CFN Consultants** is registered for **Sybase Canada Limited**. As one of the leaders in the database world, Olford says Sybase is looking to increase its market-share in Canada and to the federal government. Olford is providing business development assistance to the company he says, and adds that as yet, he has no specific targets.

Another registration for Olford is for **Harris ESS**, also a large US company with considerable activities in Canada. Harris' interests are currently in airport management and navigation systems, and in the provision of radio and automation services. Olford says he is assisting with a business development plan, and in determining opportunities and determining which ones Harris ESS might pursue.

Olford is registered for **Harris Corporation RF Communications Group**, whose principle interest is in radio communications.

Again, Olford's primary role is in assisting in business development opportunities in airports and with the federal government.

Powerful Experiment

SAMCI lobbyists *Jill Maase, Gilles Verret, Jim Everson, and Susan Whitney*, along with *Michael Wilson* of **Michael Wilson International** are registered for **Ontario Hydro Technologies**, which is looking to gain federal government support for an international thermonuclear experimental reactor or "ITER". Canada is one of the countries that is in the running to host this project, with stiff competition coming from Japan, and possibly Europe. Verret says that SAMCI is involved in an education process right now, because of the lack of knowledge about the fission technology used in such a facility.

"This may not produce for 25-30 years, but a build up of technology is needed to make this commercially feasible," says Verret. Canada is seen to be an attractive site, and Verret adds that they hope to build on Canada's success internationally to bring this project to Canada. Deemed the "source of the future", siting of this facility is expected to be com-

pleted by 1998 by an international siting board. (See related story page ??)

Coming to Call

Eugene Kwan and *Mirco Bibic* of **Stikeman Elliott** are registered for **Phillipine Airlines**, which is working on forming a bi-lateral agreement with Canadian Airlines. This agreement would allow for Canadian to fly to the Phillipines, and give reciprocal privileges to Phillipine Airlines into Canada. Kwan says they are involved in ongoing negotiations with the government, and that both parties are confident an agreement will be reached.

Looking Ahead

The **Crown Investments Corporation** of Saskatchewan, the holding company which owns all Saskatchewan government crown corporations, has retained *David Miller* of **Hill and Knowlton Canada**. Miller will be providing assistance in identifying possible and potential projects and overseas ventures for Crown Saskatchewan Power among others, and for export financing opportunities.

"This is an extension of my work for the government of Saskatchewan," says Miller.

The Saskatchewan Business Development office, headed up by Cy Jennings, Director, Business Development, is also located in Ottawa to promote the interests of the province.

Concerned for Quota

Donohue Inc, the largest lumber producer East of the Rockies, has signed on with *Geoffrey Kubrick* of **Flavell Kubrick & Lalonde**. As a primary producer working all over Quebec, Kubrick says that Donohue wishes to highlight the concerns of the lumber industry over the allocation of the softwood quota. While the main submission to the government is being handled by the AMBSQ, the association for primary producers in Quebec, Donohue hopes to demonstrate the need for resolution of the situation, adds Kubrick.

"We intend to highlight the relevancy of the AMBSQ recommendations," says Kubrick. "These proposals equally apply to other products."

On another front, Kubrick has also registered for **Schuller International Inc**, which has concerns over proposed amendments to the Special Imports Measures Act. Schuller hopes to ensure normal values and undumped selling prices in instances of dumping. They also wish to protect the confidentiality of the numbers, says Kubrick, although Revenue Canada does not appear to feel the same way.

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SAMCI (Ott)
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Stikeman, Elliott (Tor)
Stikeman, Elliott (Van)
Stikeman, Elliott (Ott)
The Capital Hill Group (Ott)
Tory, Tory
Vinning

Canada's Tobacco Lobby Laying Low

The recent U.S. Federal Drug Administration action to classify nicotine as an addictive substance has shifted the leadership role in tobacco legislation in North America, say anti-smoking lobby groups.

"All of a sudden the US has vaulted ahead, and Canada has a legislative vacuum," says **Heather Selin** of the **Non-Smokers Rights Association**, adding that the US tobacco lobby is much stronger and better financed than its counterparts in Canada.

The key in Canada seems to be political will, and whether or not the Liberal government is prepared to tackle such an issue in the year prior to the expected election. But the Non-Smokers Rights Association says that this could be an election issue if linked to the saving of medicare and the lessening of burdens on Canada's health care system.

Marie-Josée Lapointe of the **Canadian Tobacco Manufacturers Association** says that the US initiative is nowhere near as strong

as the Health Canada Blueprint on Tobacco. She adds that the industry has made several attempts to gain feedback from the Minister of Health and the department on its voluntary code, but have been unsuccessful so far.

"This is only more fuel to the fire of the anti-tobacco lobby," says Lapointe, who observes that the Minister is on record as saying he's prepared to go ahead with the legislation.

However, **Eric Legresley** of NSRA says their efforts have been put aside by the department as well.

Having approached the Drugs Directorate more than a year ago, Legresley suggests that they'd be fools not to look at this opportunity very hard. While public opinion appears to be on the side of the non-smokers, to the tune of 80 per cent of the population, this is a silent majority, one which does not engage in grassroots activities like contacting MPs' offices.

"Part of our problem is finding bureaucrats with a broad vision of what can be accomplished," says Legresley. The association focuses its efforts on a select few politicians and senior bureaucrats. He adds that health groups lack links into the political scene that the tobacco industry has. Legresley reads from a list of who's who in Canadian politics, placing them on boards of directors of tobacco companies (past and present), and cites the placement of influential tobacco people on campaigns of senior liberal MPs.

"This is tough to break," admits Legresley. "The industry likes for the issues to be decided in a political forum instead of the bureaucracy. If the decision is made by regulations, the industry has less ability to influence."

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