
The Lobby Monitor

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April 28, 1997

Ownership and growth

It has been an issue before, and will be once again. It's ownership, and it seems like most GR firms that grow go through the crisis at one time or another. GR firms do not have a standard practice of awarding partnership as found in law and accounting firms. Some feel they should. *See page 2*

Election not affecting pace

Usually, all GR activity slows down at election time while the practitioners work on earning some IOU's from their friends in politics. That doesn't seem to be the case this time. *See page 3*

Top Fifteen

LM looks at the top fifteen firms now, and compares this to the list developed just before the last federal election in 1993. *See page 3*

Around the town

Chatter on what's happening to GR firms and people. *See page 5*

Ontario ready to act

The Ontario government is ready to introduce new conflict of interest and lobbyist legislation. Will others follow suit? *See page 6*

Plus Registration Notes. *See page 4*

Registrations in this issue

Client Organizations

Alliance Equicap Corporation
Biosphere Sciences Corp
Cdn Automobile Dealers Assn
Cdn Coun of Financial Analysts
Consortradium Corporation
Domtar Inc.
Fournier Pharma Inc
Grosvenor Park
Hutterite Colonies, AB MB & SK

Mining Assoc of Canada
Monarch Entertainment Centre
Murray Bros Lumber Company Ltd
Shell Canada Limited
Wyeth-Ayerst Canada Inc

Lobby Organizations

A.W.W. Kyle Inc
Cassels, Brock & Blackwell
Conexus Research Gp

Continental Communications
Ernst & Young (Tor)
Goodfellow Agricola Con
GPC Govt Policy Cons (Ott)
Meyers, Norris, Penny (Bran)
Perley-Robertson Panet
Purden Communications
Ross Hendricks
SAMCI (Ott)

The Issue of Ownership

The recurrent problems surrounding ownership are at least part of the reason behind two recent departures from SAMCI this month. Consultants **Rick** (don't call me Fred) **Moorhead** and **Gordon Quaiattini** have left the firm and are looking for office space on their own.

Ownership: That simple word lies at the base of many a GR firm's success. It also is the source of many of the problems that plague firms, particularly if and when they become successful and grow. It was a constant thorn in the side of PAI Public Affairs International as former owners **Rod Bryden** and then **David McNaughton** steered it through many a corporate manoeuvre. Several people inside that firm worked to get a program that would allow employees to buy into PARG, but to little avail. Eventually, the ownership did become more broadly based, but mainly because of an aggressive acquisition strategy based on share swaps, with the owners of acquired companies receiving partial payment through PARG shares.

People move on

In part because of the inability to change things, many senior PAI people including **Jon Johnson**, **Michael Robinson**, **Pat Ross**, **Jamie Deacey**, **Bill Neville**, **Sean Moore** left to do their own thing.

The ownership issue was also a matter of speculation and consternation with PAI's main rival at the time, **GCI Government Consultants International**. Outsiders speculated who were the key shareholders besides **Frank Moores**, **Gary Ouellet** and **Gerald Doucet**. There were constant rumours that the Bourques or maybe even other

senior PC party members were included. Meanwhile, inside, the junior consultants fought for a piece of the GCI gravy train, lost, and eventually left.

Few partners

The model in all these cases was narrowly-held ownership supported by a much bigger group of — in most cases well-compensated — salaried consultants. The result was often the same — the salaried consultants, no matter how well-paid, left to start their own firm.

Unlike law or accounting firms, GR firms that operate in the same milieu (as far as government relations is concerned), do not have an established way whereby employees can become part owners of a firm. Partnerships are not an automatic mechanism, if fact, they are few and far between — particularly in firms that are seeking to grow.

The Earnscliffe Startegy Group, started by two key PAI defectors, **Harry Near** and **Michael Robinson** and **Bill Fox** is an example of the senior partners model. The working premise is the firm would be staffed predominantly by principals, and, except for administrative assistance and help in the polling area, it has stuck close to the model. It has brought in a couple of promising candidates, **David Hurley** and **Scott Reid** with the prospect of promoting them to full partners, (Hurley has been offered and accepted a partnership). However, Earnscliffe has not had a burning desire to grow and has not developed a process of recruiting promising juniors. When it does choose to move into an area, it acquires

“partner-level” people, as it did with communications and polling.

Jamie Deacey, head of **Association House**, was one of those at PAI who grappled with the issue of ownership. He says it all boils down to one thing, the owner has to be prepared to give some of the firm away. “It isn't easy, but you have to realize that the only assets in the firm go up and down the elevator every night.” That, however is not the most common model. Usually what happens is the firm grows large enough to become a takeover target, then the owner sells out and everyone becomes employees of the larger entity.

Need a model

The majority of GR firms are one and two person shops. Many chose to remain at that size. However, there are some who are seeking to grow, and are looking for a suitable corporate structure that goes beyond the all too common we're-unwilling-to-make-a-commitment-but-we'll-enter-into-a-strategic-alliance model which is prevalent in the industry (three or more consultants sharing office space and maybe jointly serving a couple of clients). Are there some options to be followed that will promote growth and provide rewards that reflect effort, risk and contribution?

Ownership structures of most GR firms remain behind a shroud, a fact which hampers those looking for successful models. Maybe some of our readers would share their ideas. Those with suggestions to share can send them to the Editor, The Lobby Monitor, 800 - 63 Sparks St, Ottawa K1P 5A6 fax (6613) 237-9617, email jchenier@arcpub.com

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Business As Usual

Election time usually brings a slowdown to the pace of government relations activity. When you consider that the GR community has much more than its fair share of political animals, and nothing attracts a political animal like an election, this should not come as a surprise. Most of them love the thrill of the campaign and see an election as a good way to collect some political IOU's. Coincidentally, or fortuitously, clients also saw it as a poor time to be pushing their issues, unless, of course these were electoral-type issues. Most lobby campaigns aren't.

This year, however, it seems different. Whether because few people expect a change in government, or the fact that the campaign will be two weeks shorter, or because the bureaucrats seem completely in charge, or the vacuum created by the absence of any political agenda or all of the above, most GR campaigns seem to be pausing hardly long enough to catch their breath.

This should not be taken to mean that business is booming for everyone. There are still a few firms with a very much diminished client base that remain teetering on the brink. However, for those with clients in industries such as pharmaceuticals or other health related areas, financial institutions, tele-

communications, broadcasting, resource industries, or just having wares to sell to the government, times continue to be good.

Speaking of good times and growth, two firms are moving into new quarters. **The Earncliffe Strategy**

Group is moving onto the 2nd and 3rd floors of the Chambers on the corner of Elgin and Queen Street. Another firm on the move into more spacious quarters is **Association House**. **Jamie Deacey** is moving the firm to 130 Albert Street.

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Top Fifteen Firms

Lobby Organization	Number of Registered Clients	
	April 1997	August 1993
The Capital Hill Group (Ott)	84	59
GPC Govt Policy Cons (Ott)	64	81
SAMCI (Ott)	50	48
Hill & Knowlton Canada (Ott)	46	81
Govt Business Cons Gp	38	63
Earncliffe Strategy Gp	35	25
IGRG-Industry Govt Reln	27	NA
Association House	25	NA
Osler, Hoskin & Harcourt (Tor)	23	68
Grey, Clark, Shih & Assoc	19	23
McMillan Binch (Tor)	17	32
Public Perspectives Inc	15	NA
Tactix Government Consulting Inc	14	NA
Gowling, Strathy (Ott)	14	NA
Borden & Elliot	14	13

Missing from the list

Govt Consultants Int'l (GCI)	0	43
ECL Executive Consultants	0	36
Corporation House	9	39
McInnes, Cooper Robertson	0	16
Tory, Tory	1	38
Fogler Rubinoff	0	11

Figures represent the number of registered clients as of the dates specified.

REGISTRATION NOTES

French recognition

The French pharmaceutical company, **Fournier Pharma Inc.** has come in with its second registration of the month. This time it is **Daniel Despins** of **Continental Communications** who is working alongside **Nancy Lum** on the Fournier file. Fournier wants to make sure that it is considered in all federal recommendations on treatment standards. The problem is, much of this is based on a drug's use and record compiled in Canada, something which Fournier is short of. In order to improve its chances, it wants **Health Canada** to take into account the track record of its products in France. That's where Despins and Lum come in to the picture.

Hutterites back

The Hutterite community has decided to expand its challenge of Revenue Canada's interpretation of taxes owing. In the past, there have been registrations for certain communities in Alberta, however, this time, three accountants, **Daryl Ritchie**, **Jerry Lupkowski**, and **Scott Dickson** of Manitoba accounting firm, **Meyers Norris Penny & Co** of Brandon, have launched a GST challenge on behalf of all the Hutterite communities in the three prairie provinces.

Wood worry

As noted in the last issue of LM, the softwood lumber quota allocations to the U.S. are in play at the moment. So to is a federal election, which means the possibility of playing to regional sentiments, notably BC. Senior GPC lobbyist, **Robert Carman** has weighed into the fray on behalf of **Domtar Inc.**

Financial Review

People in the automobile business continue to fret about the future of auto leasing with the threat of the intrusion of banks. In the last edition, a number of GPC lobbyists registered on behalf of the **Canadian Motor Vehicle Manufactures** who are the major players in auto leasing at the moment. This time, it is lawyer **Stephen Ledrew** of **Casels Brock & Blackwell** who has registered. His client is the **Canadian Automobile Dealers Association**. It would

appear that the striking of a task force to review possible changes to the Bank Act has done little to stem what former Minister of State for Financial Institution **Doug Peters** called a lobby slugfest that stymied analysis and paralyzed action.

Biotech

Paul Larocque of **Conexus Research Group** has registered on behalf of **Biosphere Sciences Inc.** of Edmonton. Biosphere is one of several small companies rushing to perfect "new environmental technology designed to convert organic waste and carcasses into animal feeds and fertilizers." While many might try, only a couple will succeed. One way to improve chances is to have government backing. That's why Larocque is approaching several government departments including Agriculture, Environment, Health, Industry, Trade, CIDA, National Research Council for product development money and export marketing support.

Tax Specialist

Former Finance official turned tax consultant, **Satya Poddar** continues to add to those seeking changes to the tax measures tabled in the House last November. Poddar, now an economist/management consultant with **Ernst & Young** in Toronto, has registered for two entertainment companies, **Monarch Entertainment Corporation** of Vancouver and **Grosvenor Park** of Toronto.

Watching Brief

So long as the drug costs are an issue and the Liberals are playing on the drug patent file, the insurance companies were on edge. One obvious way the government could defuse the cost-of-drugs issue would be to introduce some sort of pharmacare program. Since insurance companies have a hand in covering millions of Canadians through numerous drug insurance schemes already in place, they have a major interest in what the government might do. The industry has been very active, of late, making sure the government got the message that before it does anything, it should consult with, and plan to work through the insurance industry.

Around the Town

Trolling for polling

Out on the street the word was that, a major, one-polling-firm-short-of-full-service firm was said to be sniffing the wind and assessing the purchase of an independent Ottawa polling firm. Sources say that **COMPAS**, formerly associated with (now defunct) **ECL Executive Consultants** and, subsequently (no longer in Canada) **Burson Marsteller** was approached with a possible deal by **GPC**. COMPAS owner **Conrad Winn** would not confirm any specific approach or offer only to say that he does receive overtures from time to time and that, while he would listen to any suitor, he rather enjoys his independence at the moment.

Covering all the bases

The Anderson brothers really like to play baseball and have long had a team in one or another softball league around Ottawa. There aren't enough of them to fill all nine positions, but they have at least enough out in the field to cover nearly all the bases. **Bruce Anderson** who heads up **Anderson Strategic Research** and whose skills at interpreting results for the polling arm of the Earncliffe Strategy Group are well respected, will once again be interpreting the numbers for the Tories. Brother **Rick Anderson** a long time key player in the PARG cum H&K group, will not likely stray far from the side of Preston Manning over the next few weeks. Other brother **Jim Anderson** has headed out to the Okanagan to run the campaign of Liberal hopeful Bruce Murdock. That still leaves two unaccounted for, but it should not be as-

sumed that either is associated with the BQ or the NDP.

Continental man

Former Liberal communication director and Association House lobbyist **Daniel Despins** has returned to the lobbyist registry. Despins, who opted to move to Montreal with Continental Communications, said he was finding the competition in Montreal very tough, however, Continental was a fianlist in the running for major communication programs promoting the benefits of investing in Quebec and Montreal.

Doing it my way

Senior consultants **Gordon Quaittini** and **Rick Moorhead** have left the Ottawa office of SAMCI to set up shop on their own. They join the list of SAMCI alumni that have left to do business on their own or elsewhere, including **Pamela Jefferies**, **Jill Maase** and **Charles Coll**.

Left over from last edition of LM

Former Toronto Sun reporter **Jan Louder** has joined **Association**

House. Louder is working on the the drug patent protection file on behalf of CDMA companies. Her main task is to get her former colleagues in the media to pay more attention to the issues.

The **Canadian Bankers Association** have brought in its replacement for former VP **Richard Remillard**. The person is **Scott Mullin** who, like his boss, **Ray Protti** is leaving a career in the federal public service to work on the government relations file. Mullin's last job was senior trade commissioner in Hong Kong. His new duties will be broader than those of his predecessor. Mullin will be heading up a traditional public affairs shop for the CBA and will work out of Toronto.

Perry Martin, a former policy analysts for Ont Premier Mike Harris, **Chris Ward**, a Minister of Education in the Peterson government, and **Pamela Heneault**, owner of a small Ottawa GR firm, are the first people to register for **APCO Associates** in Toronto.

Nancy Lum Wilson, a pharmacist turned lobbyist who usually operates on the provincial level made the first of what she expects could be more appearances on the registration list.

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What do you get when you combine departmental programs with stakeholder priorities and environmental factors?

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Ontario Lobby Law

One of the hottest GR markets in Canada in the '90s has been the Ontario government. The threats of action under Bob Rae and the NDP spawned many a lobby campaign. The GR pace hasn't slackened under Mike Harris and the PCs. In the early days, lobbyists did have trouble keeping up with the government, but as the end of the mandate approaches, everyone expects the government to deliberate more before acting. Besides, moving to the top of the government's agenda is privatization.

Just the thought of getting a cut on everything from running prisons to delivering social services has firms lining up. It holds much promises of a good time for GR firms. It is also providing openings for many inside government to move outside.

The possibilities for what could go wrong if this is seen to be done right and above board is behind government thinking on the need for a lobbyist registry and some sort of revolving-door, cooling-off policy.

If such a registry is adopted — and it certainly seems likely that one will be put in place very soon as reported in LM (Vol 8 No 5) — it will enable the first glimpse of how many and which lobby campaigns enlist the help of provincial governments in their attempts to influence the federal government.

The next question is, "If Ontario acts, will B.C. and Alberta be far behind?"

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Phone (613) 230-3029 fax (613) 237-9617

e-mail: arc@arcpub.com

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Editor & Publisher: Dr. John A. Chenier: Contributing Editors: Tina Guthrie, Kady O'Malley

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