

ENERGY

TRANS MOUNTAIN PIPELINE STRONGLY BACKED BY LENDERS

COMMENT

China not a trade ally



DIANE FRANCIS

Ottawa signed the takeover by the People's Republic of China of a tech company called Norsat International Inc. in Vancouver. The company sells satellite-communication systems to the U.S. military and agencies and now a Washington D.C. commission has red-flagged this deal as a threat to U.S. national security.

This permission should never have been granted to China-based Hytera Communications Co. There is a strategic reason why the Chinese would buy this company and Canada must, on behalf of our trading partner, not allow itself to become a backdoor entry into the U.S. Pentagon or other sensitive sectors and entities.

This displays the same naivete as afflicted former Prime Minister Stephen Harper who pursued a "free trade" deal with unfair trader China.

(Hytera, which has been competing with U.S. fund manager Privet to buy the company, raised its offer Friday to US\$11.50 per share and amended the break fees, but Norsat says there's no assurance that the transaction will get all necessary approvals and be completed.)

CHINA WILL NEVER GRANT RECIPROCITY IN MARKET ACCESS.

This week, Prime Minister Justin Trudeau answered critics by stating that the deal was run by American authorities. But, given China's avowed goal of snapping up important technology, a full detailed analysis with the Americans of what this company does — and why the Chinese want to buy it — should have been undertaken.

Now there's a U.S. political backlash.

This is not a matter of sovereignty, but alliance. Ottawa cannot ignore or bypass military, and national security concerns, and certainly never to please China.

What would Canada think if the U.S. signed a bilateral with a country whose corporations threatened Canada's national security?

Besides scrapping this deal, Ottawa must stop pursuing a bilateral "free trade" deal with China, given its past negotiations, behaviour, and continuing damage to the west, through cyber-attacks and counterfeiting.

We are the two most symbiotic and synergistic economies in the world, good friends, cultural cousins, and inter-dependent in terms of security and business.

U.S. President Donald Trump doesn't make the relationship any easier, but it's never been totally smooth sailing.

Canada's best course in

trade policy is to double down on its biggest asset which is this economic relationship with the United States. A replacement for NAFTA should be a bilateral deal that is more far-reaching and includes free movement of workers across the border.

This makes sense — whoever is president — because the United States is where the capital, expertise, and opportunities are and will be for Canadians, individually and corporately.

Except for this China misstep, the Trudeau government has handled the volatile U.S. situation quite well. Ottawa announced more spending on military and defence. This has been a request that was not only Trump's but Obama's too, who said elegantly that the "world needs more Canada and NATO needs more Canada" in his address to Parliament before leaving office. Finally, this month Ottawa announced increases of \$70 billion over a decade.

But Ottawa must drop the myth, once and for all, that China is a desirable bilateral trade partner. Here's why:

China's corporations are state-owned enterprises, or client corporations, and accede to the wishes of the Politburo.

China will never grant reciprocity in terms of market access or the rule of law.

China is a known trade cheat that conducts cyber warfare against governments and corporations, and indulges in large-scale counterfeiting by ignoring copyright and patents.

Deborah Wince-Smith, President of the United States Council on Competitiveness in Washington D.C., said at a tech conference last month in Boston: "China is the epicentre of digital theft. If nothing had been stolen by China, the U.S. would have another US\$17 trillion in GDP."

China's track record in Canada is abysmal and includes a request to the Supreme Court of Canada, by a Chinese engineering giant a handful of years ago, to exempt it from our laws after it breached safety violations and ignored our courts following workers' deaths. The Court refused to hear the case. Fines were never paid.

China is on a tear to snap up strategic assets — telecom, satellite, defence, aerospace, artificial intelligence — around the world. It's also snapping up farmland, resources and infrastructure deals (through its Silk Road initiative) wherever it can.

Norsat is small potatoes, but obviously of importance or it wouldn't be sought. If it's for sale, an American or European bidder would be acceptable because we have trade deals which grant Canadians market access and legal rights in those jurisdictions.

China wants one-way trade — its way — and nobody will ever be able to buy their technology or resource companies or be granted reciprocal access privileges.

The Canada and the U.S. economic union is the envy of the world and must be safeguarded and enhanced.

The best advice, when navigating among superpowers, is that Canada must remember that the enemy of my friend does not have to be my enemy, but it certainly cannot be my friend.

Financial Post

Kinder Morgan Canada Ltd. has raised \$5.5 billion for its Trans Mountain pipeline expansion and was strongly backed by lenders, the company said on Friday, even as banks face pressure to back away from the project. "The syndication of the credit facilities was oversubscribed," company President Ian Anderson said in the statement. "We are gratified by the outstanding level of support for this project within the financial community." Energy infrastructure projects have faced fierce opposition from environmental groups

and aboriginal communities whose land they touch. Opposition to Trans Mountain is set to mount after the effective rise of an unfriendly government last month in Canada's British Columbia province that the pipeline passes. According to the company's statement, Kinder Morgan Canada, majority owned by Houston-based Kinder Morgan Inc, has entered into agreements for \$4 billion in revolving credit, \$1 billion in contingent credit and \$500 million in revolving working capital. Reuters



MARK VAN MANEN/PNG STAFF

Amiee Chan, president-CEO of Norsat International, which has recently been sold to Chinese interests.

COMMENT

Oilsands burden getting heavier

CLAUDIA CATTANEO
Western Business Columnist

A panel representing environmentalists, oil companies, aboriginal communities and municipalities has managed to achieve consensus on a set of recommendations to the Alberta government on how to ration greenhouse gas emissions from the oilsands so the sector doesn't exceed a now legislated 100-megatonne a year limit.

Expectations for the effort were low given the group's diverse views, with some advocating growth of the sector, others to shut it down.

Yet it's hard to see how the punishing carbon diet proposed will motivate growth in an industry already beset by so many challenges that some operators are cashing out and flocking to competing jurisdictions with more attractive political, regulatory and economic conditions. If the investment flight continues, it's a good indication it's unrealistic to expect one sector of Canada's economy to bear such a big burden for the right to earn passage for its product.

A year after being appointed by the province's NDP government, the Oil Sands Advisory Group announced its recommendations Friday to divvy up the remaining carbon budget of about 30 megatonnes a year, expected to be used up in the next decade.

One set of recommendations targets the period before the budget starts getting scarce. It includes encouraging new technologies, being more transparent about emissions management plans, changing regulations.

A second set targets the period when the budget is running out. That's when measures would get heavy handed. Construction of new projects would be stopped and existing projects with higher intensity would be constrained.

"Success is to never have to worry about reaching the limit," by growing production with lower emissions intensity, said Dave Collyer, the former president of the Canadian Association of Petroleum Producers who co-chaired the group with Tze-

porah Berman, the former Greenpeace and ForestEthics leader and Melody Lepine, a member of Alberta's Mikisew Cree First Nation.

But the squeeze wouldn't end there. Under the recommendations, the 100 megatonne limit would be the peak amount of emissions allowed. It would then be ratcheted back so Canada can "begin the rapid decarbonization necessary after that to reach 80 per cent emission reduction by 2050," according to the group's 34-page report.

Collyer estimated oilsands production would max out at around 4 million barrels a day, up from 2.5 million barrels today.

"I think that in the world that we are in ... it's going to be more and more important that we are environmentally competitive, and the best way to not leave oil in the ground is to always be improving our performance and innovating," Collyer said to reporters.

Shannon Phillips, Alberta's climate change minister, said the government would review the recommendations, consult broadly, and develop regulations. Implementation is expected in early in 2018.

Already, some have expressed concerns that the approach will pit company against company and favour the four largest oilsands companies — Sunoco Energy Inc., Cenovus Energy Inc., Canadian Natural Resources Ltd., and Royal Dutch Shell PLC — that proposed the emissions cap in the first place and backed Premier Rachel Notley's climate change plan. Shell has since sold its vast oilsands business to Canadian Natural.

"We are very, very pleased that a diverse group of people, diverse voices on the oilsands advisory group, were able to provide us consensus advice around a very difficult topic," said Phillips.

"Our approach is one of partnership ... of not shouting anyone out of the room who had concerns about climate policies. Our approach is working," she said. "We now have secured two pipeline approvals, which are key to diversifying our markets for energy products."

Still, some shouting may have been too much. Berman and Karen Mahon, national director of Stand Earth, will not be involved in the next phases of the group's work. Both advocated against the Trans Mountain pipeline expansion while getting paid to be members of the group. Phillips said their work, which involved providing external perspectives, was finished.

Financial Post

COMMENT

Dissidents hold sway at Granite

BARRY CRITCHLEY
Off the Record

The bruising proxy battle at Granite REIT ended rather meekly Wednesday with a release indicating three incumbent trustees and directors would not be standing for re-election. Instead, those three are being replaced by nominees of the dissidents, FrontFour Capital and Sandpiper Group.

But getting to the stage where the dissidents were elected required a myriad of behind the scenes activities that, in total, represent shareholder democracy in action.

And just as in politics where the will of the people must prevail, the will of the shareholders must also be determined in a contested proxy battle, a process that involves financial advisers, proxy advisory firms and transfer agents.

But it's a bit of a jungle. "Service providers are doing the best job they can in a system that doesn't work very well," said a report by Davis Ward Phillips Vineberg in 2010. It's not clear how much improvement has been made since then.

On the Granite battle, Trimaven Capital Advisors, Norton Rose Fulbright and Kingsdale Advisors acted for the dissidents, while BMO Capital Markets, Blake Casels & Graydon, and D.F. King acted for Granite. Computershare was the transfer agent and Broadridge Financial Solutions managed the voting process.

With great simplification, here's the plumbing at work. It starts when management issues a circular and a proxy form; the dissidents then release their documents. Granite issued its material in mid-May. The proxy forms come in different colours: those supporting management complete the white form; those supporting the dissidents complete a blue form. And the information on the two is different — management only listed its eight nominees; while the dissidents used a four-page universal proxy to list its three nominees plus the

eight put forward by Granite. For each of the 11 nominees the choice was either for or withhold. Shareholders can vote for up to eight directors and trustees.

In making their decision, shareholders can use email, fax or mail. And there were two cut-off dates: June 12 for the dissidents and June 13 for the management slate. (One reason for that is the dissidents are required to deliver their proxies to the transfer agent on June 13.)

It's understood about 60 per cent of the outstanding units were voted on the blue dissident form — though not all would have been cast in favour of the dissidents. Hence, it couldn't be said, at that time, that the dissidents were winning as only Granite has perfect information.

"But we felt highly confident of our three given the support we had received and the historical voting at past annual meetings," noted Amy Freedman chief executive at Kingsdale Advisors. At its 2016 annual meeting, about 80 per cent of the 47 million units outstanding were voted.

Freedman termed the fight "an epic battle," based on the perceived quality of the directors, and the performance of the company. "We had a well thought-out strategy, we didn't ask for control but a significant presence and made a very nuanced argument," she said noting support from advisory firms, ISS and Glass Lewis was "significant," given the link between their recommendations and institutional voting. "But we question some of the shareholder advice that Granite was given along the way."

But before victory could be declared, management unveiled its support. It is allowed to try and convince those who didn't vote for its slate to change their mind. Presumably support for three of its eight wasn't enough to make that effort worthwhile.

After the meeting Granite said the eight were elected by show of hands but didn't disclose the actual votes for the elected directors.

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