

Chronology of Events 1986-1987

Darrel R. Reid and Christopher Kendall

A list of recurring entries begins page 250

1986

8 January

*Environment—Acid
Rain—Canada-U.S.
Relations*

Special Canadian envoy on acid rain, William Davis, and his U.S. counterpart Drew Lewis recommend in their Joint Report of the Special Envoys on Acid Rain, that the United States government spend \$5 billion over a five year period on pollution control technology. The report was commissioned in March of 1985 when Prime Minister Mulroney and U.S. President Ronald Reagan met in Quebec City for their "Shamrock Summit." Noting the 75-year history of environmental co-operation between Canada and the United States, the two leaders agreed each to appoint a personal Special Envoy to examine the acid rain issue and report back before the next summit in the spring of 1986.

The report, which places emphasis on U.S. action and voluntary development of technology rather than mandatory action by polluters, is criticized by the provinces for failing to set targets for actually reducing the environmentally destructive rains. The \$5 billion is to be provided equally by the U.S. government and U.S. manufacturers and spent on technology as recommended by industry. Responding to criticisms that the report is inadequate, Davis is quick

20 January
Elections—Quebec

to point out that it is the first declaration by any American envoy that acid rain is indeed a problem.

Quebec Premier Robert Bourassa returns to the Quebec National Assembly by winning a by-election in the Montreal-area riding of St.-Laurent. He easily defeats nine other candidates, capturing 83 per cent of the popular vote in the riding. Although his Liberal Party had swept to power in the 2 December provincial election, Bourassa had been defeated as the candidate for the riding of Bertrand.

31 January
Crown Corporations—Privatization

The Crown Corporation De Havilland Aircraft of Canada Ltd. is sold by the federal government to Boeing Co. of Seattle for \$90 million.

1 February
Regional Development—Canada-Alberta Subsidiary Agreement

Federal Transport Minister Donald Mazankowski and Alberta Agriculture Minister Leroy Fjordbotten sign, in Edmonton, a \$50-million, five-year agreement to provide financial assistance to Alberta firms that process agricultural equipment. The deal—the *Canada-Alberta Subsidiary Agreement*—is a continuation of a former ten year, \$145-million agreement and provides assistance in three areas: capital assistance, non-capital assistance, and public information and technical services.

7 February
Fisheries—Assistance

Federal Fisheries Minister Tom Siddon announces in Ottawa that the federal government will terminate the Fishing Vessel Assistance Program as of 31 March 1986. The programme, first introduced in 1942, was designed to aid fishermen in covering the costs of replacing fishing vessels. It provided up to 25 per cent of the costs of replacing the vessels. The federal subsidy has amounted to a yearly average of \$6 million during the past ten years. Siddon explains that the elimination of the subsidy will serve to weaken the case of American fisheries in their fight to impose countervail duties on Canadian fish sold in the United States. He points out as well that the programme has outlived its usefulness and has led to the building of too many boats.

14 February
*Federal-Provincial
Fiscal Relations—
Established
Programs Finance*

Despite strong opposition from the provinces, Finance Minister Michael Wilson tables *Bill C-96*, a measure to amend the *Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act, 1977*. It is designed to reduce the rate of growth in federal transfers to provincial governments. Under the legislation, which was first proposed in Mr. Wilson's 1985 budget, the growth of Established Programs Finance payments is to be reduced from seven per cent per year to five. The measure is expected to save Ottawa about \$2 billion annually by the 1990-91 fiscal year.

The provinces are upset because the legislation was imposed earlier than they had expected. In his May, 1985 budget Mr. Wilson had tabled a chart showing no changes in EPF payments during the fiscal year 1986/1987, which begins 1 April 1986. However, Anne Park, director of federal-provincial relations announced that the new measures will take effect as of 1 April 1986. The provinces argue that more consultation is needed to ease predicted revenue shortfalls—some provinces predict total reductions of as much as \$350 million—caused by the new legislation.

14 February
*Hydroelectricity—
Exports*

Manitoba Minister of Energy William Parasiuk announces that Manitoba has negotiated the largest hydro-power export deal in Canadian history. The record breaking deal with the Upper Mississippi Power Group will bring in revenue of \$4.3 billion to Manitoba Hydro. Revenue from the sale will be placed in a Manitoba Energy Foundation, which will receive 50 per cent of the profits from the sale. The money will be used to ensure that Manitoba power rates remain the lowest in Canada. The other 50 per cent will be allocated to Manitoba Hydro. Under the terms of the deal, the Upper Mississippi Power Group has agreed to purchase 550 megawatts of power annually over 16 years, beginning in 1996.

17-18 February
Francophone Summit

The first Francophone Summit opens in Versailles, France, with the Canadian delegation consisting of Prime Minister Brian Mulroney, Quebec Premier Robert Bourassa and New Brunswick Premier Richard Hatfield. Notwithstanding the presence of the two premiers representing provinces with large francophone populations, Mr. Mulroney asserts that, in international matters, he alone "speaks for the people of Canada, at all times and in all circumstances." Under an agreement reached in late 1985 between the provinces and the federal government, the premiers may speak on any subject providing they receive approval from the Prime Minister and their remarks are consistent with the federal position. This entente is soon broken, however, when on the first day Premier Bourassa proposes, on behalf of Quebec, the examination of a substantial plan for alleviating food shortages in the Third World—without the approval of Mr. Mulroney. Although the Prime Minister makes no mention of Mr. Bourassa's failure to secure prior federal approval for his initiative while in France, once back in Canada he makes it clear that such behaviour will not be tolerated in the future, stating of his Quebec counterpart's actions: "Blindside me once and you have a problem the next time we have a meeting."

Among other issues discussed at the summit is sanctions against South Africa, with the 40 summit delegations passing a resolution condemning that country's policy of apartheid. Also, the French-speaking nations agree to the creation of an energy institute to assist Third World countries to draw on the expertise of the developed countries in coping with energy problems.

26 February
Budgets, Federal

Finance Minister Michael Wilson presents his second budget, this one aimed primarily at deficit reduction. According to Mr. Wilson, the main vehicle for reducing the deficit will be the generation of increased tax revenues over the next five years. The measures contained in the budget are expected to cost

individual taxpayers \$5.2 billion over the next five years, consumers \$6 billion, and business \$1.5 billion.

Included in the budget is an increase in the federal sales tax/surtax. Effective 1 July, a three per cent surtax is added to individuals federal tax payable. For business, the three per cent surtax comes into effect 1 January 1987. In addition, federal sales taxes on goods and services rise 1 April by one percentage point.

With respect to income taxes, the budget provides families earning less than \$18,000 a year with a refundable sales tax credit of up to \$50 per adult and \$25 per child. Families receiving a child tax credit are to receive a \$300 pre-payment in November, the balance being payable when tax returns are filed the following spring. Corporate tax rates drop by two per cent and the seven per cent investment tax credit for business is to be phased out by 1989.

Announcing his government's determination to cut down on spending, Mr. Wilson reduces future rises in government spending to two per cent annually. This includes the placing of a 2.75 per cent cap on military spending increases for 1986-87 and a two per cent annual limit on the growth of future outlays. The deficit forecast for the fiscal year beginning 1 April is to drop to \$29.8 billion from \$32.7 billion.

6 March

Constitution— Charter of Rights and Freedoms— Quebec

Quebec Minister of Intergovernmental Affairs Gil Rémillard, announces that the province of Quebec will no longer systematically exempt its laws from the *Charter of Rights and Freedoms*. As Mr. Rémillard explains, "we want Quebecers to have the same protection of their fundamental rights as other Canadians." Further, since the Liberals were elected in Quebec in 1985, their government has quietly allowed the five-year "notwithstanding" clause, inserted into every law by the previous PQ government, to expire rather than renewing it for each law as required by the Constitution. The PQ

11 March
*Ministerial Task
Force on Program
Review*

government began inserting the clause in 1982 to mark Quebec's refusal to sign the 1981 constitutional agreement.

Deputy Prime Minister Eric Nielson tables his Ministerial Task Force on Program Review, an analysis of government spending. Comprising 21 volumes, the \$3.7-million report evaluates the purpose, delivery and record of a broad range of programmes, and proposes an equally broad range of legislative and regulatory reforms. The Task Force, established as part of the government's commitment to making the government expenditures process more efficient, involved the efforts of 221 people and studied a total of 1000 programmes during 1985. Among the Task Forces' substantive findings are the following:

- Ottawa spends billions each year on programmes that have outlived their purpose, that duplicate other programmes or that overlap services offered elsewhere;
- structural problems within government hinder efforts to improve the situation;
- there are few incentives for public service managers to accomplish new or difficult tasks, to try innovative approaches, to provide better services or to do more with less;
- the federal government would be able to wipe out its annual deficit, estimated at \$29.5 billion in the 1986-87 fiscal year, if it cancelled all "tax expenditures"—such as tax breaks for individuals and subsidies for business, which cost the government an estimated \$35 billion a year in lost revenue;
- Canada is over regulated;
- one of the few areas where government should not alter its approach is social assistance as, contrary to popular myth, there is little evidence of individual abuse of the system; and
- subsidies for agriculture should be eliminated or greatly reduced.

18-19 March

Canada-U.S. Relations—Summit; Environment—Acid Rain; NORAD

Prime Minister Mulroney and U.S. President Ronald Reagan meet for a two-day summit in Washington. Items on the agenda include acid rain, NORAD, Free Trade, and U.S. space initiatives.

With respect to acid rain, Mr. Reagan announces that he fully endorses the Davis-Lewis report released in January and that he will ask Congress to spend an extra \$100 million annually for the next five years to clean up factories that release acid rain-causing pollutants. He announces the appointment of U.S. Secretary of State George Schultz as his U.S. representative on a joint administrative body that will monitor progress on the acid rain programme. Mr. Mulroney names Minister of External Affairs Joe Clark as Canada's member on the board.

As expected, the Canadian government agrees to a five-year renewal of its North American Air Defence Command (NORAD) agreement with the U.S.

As well, Mr. Mulroney announces that Canada will spend \$800 million over the next 15 years to build a service centre for the manned space station planned by the United States. The programme is expected to generate over 10,000 jobs for Canada and \$15 million in revenues.

19 April

Health—Canada Health Act—Quebec

Federal Health Minister Jake Epp announces that Quebec is to be paid the \$14 million in penalties which has been imposed by Ottawa in a dispute over medical user fees. The money represents medical grants that have been withheld under the *Canada Health Act* during the last two years. The money is to be returned because Quebec medical fees are no different than the daily "room and board" fees for chronic patients which are charged by other provinces and which do not violate the *Canada Health Act*.

21 April

Elections—Prince Edward Island

Voters in Prince Edward Island bring to an end seven years of Progressive Conservative rule and sweep Tory Premier James Lee out of power by giving Joe

1 May

*Language Policy—
Bilingualism;
Supreme Court—
Language Policy*

Ghiz's Liberal party 21 seats in the 32-seat legislature. The Conservatives retain 11 seats.

In a ruling expected to have broad implications for language policy in Canada, the Supreme Court of Canada rules that courts in Quebec and Manitoba can issue unilingual summons.

In one case, the Court dismisses an appeal by businessman Duncan Macdonald of Montreal to overturn a 1981 unilingual traffic summons from a Montreal Municipal Court because it was written in French, ruling that the *Constitution Act, 1867* allows a Quebec Court to issue a document in "either of the official languages."

In a second case the Court rules that Roger Bilodeau, a Manitoba francophone, had no right to a speeding summons in French, with the Court dismissing the argument that the *Manitoba Summary Convictions Act* and the *Highway Traffic Act* are invalid because they were not published in French.

8 May

Elections—Alberta

Don Getty and his Progressive Conservatives are returned to power in Alberta, but with a significantly reduced majority as the NDP and the Liberals make a strong challenge to win seats from the Tories. Final standings in the legislature after the election are as follows: Progressive Conservatives 83, NDP 16, Liberal 4.

9 May

*Constitution—
Quebec*

At a symposium at Mont Gabriel, sponsored by the Institute of Intergovernmental Relations, Quebec Minister of Intergovernmental Relations Gil Rémillard makes explicit for the first time his province's five conditions for signing the *Constitution Act, 1982*. They are as follows:

- recognition of Quebec as a distinct society;
- a greater provincial role in selecting immigrants;
- a role for Quebec in appointments to the Supreme Court of Canada; limitations on the federal spending power; and

- a veto for Quebec on future constitutional amendments.

21 May
*Aboriginal
 Peoples—Claims*

Bill C-110, the Grassy Narrows and Islington Indian Bands Mercury Pollution Claims Settlement Act, is passed in the Commons. The legislation provides a \$16.6-million settlement for two northern Ontario Indian bands affected by mercury pollution. The settlement was reached between the federal government and the two bands in November, 1985 to compensate their members for mercury contamination band members received through eating fish from the Wabigan-English River system. The contamination was discovered in the early 1970s and the source traced to a Dryden Ontario paper mill owned by Reed Inc. Under the provisions of the bill, the Grassy Narrows band will receive \$8.6 million and the Islington band \$8 million. Ottawa is to contribute \$2.75 million, the Ontario government \$2.176 million, Reed Inc. \$5.75 million, and Great Lakes Forest Products Ltd., who bought the Mill in 1979, \$6 million.

22 May
*Canada-U.S. Trade
 Relations—Ex-
 ports; Forestry—Ex-
 ports*

United States President Ronald Reagan announces a stiff five-year tariff against Canadian imports of cedar shakes and shingles on grounds that they are hurting the U.S. industry. The new tariff—set at 35 per cent for the first 30 months—is expected to be a crippling blow to the British Columbia lumber industry.

23 May
*Canada-U.S. Trade
 Relations—Ex-
 ports; Forestry—Ex-
 ports*

The federal government demands that the United States immediately lift the newly-proposed tariffs on British Columbia cedar shakes and shingles. Prime Minister Mulroney states in the Commons that the tariffs run counter to joint commitments he and President Reagan made at the Quebec City and Washington summits to fight protectionism, adding that "actions like these make it extremely difficult for anyone, including Canadians, to be friends with the Americans from time to time." The Canadian government sends a diplomatic note to Washington registering its "profound disappointment" over the incident.

29 May
*Western Premiers'
Conference;
Canada-U.S. Trade
Relations—Exports;
Agriculture—Sub-
sidies*

The four western premiers meet in Swan River, Manitoba, where international trade—particularly Canada's trade with the United States—dominates discussions. The premiers express their concern about the United States' imposition of trade barriers while the two countries are discussing lifting such restrictions. In a communiqué issued at the end of the talks, the premiers request the rollback of tariffs imposed by the U.S. on shakes and shingles and a freeze on any similar measures while the free trade talks continued. The premiers also urge the federal government to take action to counteract the massive subsidies given by the European Economic Community and the U.S. to their agricultural sectors to the detriment of Canadian farmers.

2 June
*First Ministers'
Meetings—Free
Trade*

The ten premiers meet with Prime Minister Mulroney to discuss free trade and, following their meeting, give him their approval to open negotiations with the United States without direct provincial participation. They win from Mr. Mulroney an agreement that meetings will be held every three months to review the process and keep the provinces up to date on events of relevance to them. Many of the premiers had been demanding that they have representatives participating in the trade talks, but Mr. Mulroney had previously announced his position that the federal government would be alone at the table. He allows, though, that "a great deal of provincial involvement" will be required to ratify any agreement with the United States.

*Canada-U.S. Trade
Relations—Imports*

Finance Minister Michael Wilson announces that Canada will impose duties of about \$80 million against U.S. products in retaliation for the American tariff on Canadian shakes and shingles. The duties are announced on U.S. books, periodicals, computer parts and semiconductors; in addition, already existing tariffs are increased on a number of other imports.

4 June
*Interprovincial
Trade Barriers*

Federal and provincial Regional and Economic Development ministers meet in Belleville, Ontario for a two day meeting and pledge to reduce trade bar-

riers between the provinces. To aid in reducing inter-provincial trade barriers, the provincial and territorial representatives agree to a three point plan that includes:

- a moratorium on new barriers;
- the establishment of a permanent mechanism for reducing barriers; and
- the establishment of a process to take an inventory of all existing barriers.

12-13 June
*Eastern Canadian
Premiers and New
England Governors*

The five Eastern Canadian premiers and six New England governors meet for their yearly conference, this one in Lowell, Massachusetts. Although free trade is not formally on the agenda, which includes such issues as housing and economic development, the premiers and governors give a vote of support to the Canada-U.S. negotiations, although not without some disagreement. The conference participants record their concern over the recent U.S. tariffs on Canadian lumber products and the retaliatory measures taken by Canada. Both premiers Buchanan of Nova Scotia and Bourassa of Quebec put forth plans to sell energy to their New England counterparts—Buchanan through sales of natural gas and the building of coal-fired plants, and Bourassa through the joint funding of new Quebec power plants.

17 June
*Aboriginal
Peoples—Self-
Government*

Bill C-93, which allows for self-government on the part of the Sechelt Native Community of British Columbia, is given final reading in the House of Commons. The purpose of the bill is to allow the Sechelt Indian Band to assume a municipal-style control over its land, resources, health, social services, education and local taxation. Much of the bill was drafted by the Indian band itself and is seen as a model for future initiatives in this field. It is the first of its kind in Canada.

*International
Trade—Wine and
Liquor—GATT*

Following a federal-provincial meeting of ministers of trade in Winnipeg, federal Trade Minister James Kelleher announces that the provinces have agreed to reduce markups on imported wine and liquor as

they had promised in 1979. The original agreement had been reached after complaints by the United States and European Economic Community to the General Agreement on Tariffs and Trade about discriminatory markups by some provinces on imported beverages. According to Mr. Kelleher, it had been agreed in 1979 that such markups should be no more than five per cent by 1988; some provinces, though, have been slow to implement the new pricing policies.

19 June

*Federal-Provincial
Fiscal Relations—
Equalization*

Finance Minister Michael Wilson tells his provincial counterparts after a one-day federal-provincial meeting of finance ministers in Victoria that they should not expect much in the way of increases in equalization payments. The meeting marks the tenth time the ministers have met since January in an attempt to reach a consensus on a mutually-acceptable equalization formula by 31 March 1987, the date the federal government's new formula is to go into effect.

*Health—Canada
Health Act—Ontario*

After 43 days of often-heated debate, extra-billing by doctors becomes illegal in Ontario as *Bill 94* is given final reading and passed. Passed by a vote of 69 to 47, the law prohibits physicians from charging more for their services than the Ontario Health Insurance Plan provides and prescribes a penalty of \$250 for a first offence. Ontario's incentive to end the practice came from the federal *Canada Health Act* which withheld the amount extra-billed by any province's doctors from federal health grants to a given province. Ottawa had been withholding \$100 million in such funds from Ontario.

20 June

*Federal-Provincial
Fiscal Relations—
Equalization*

Federal Finance Minister Wilson meets with his provincial counterparts in Victoria to discuss their concerns over the federal government's proposed tax transfer guidelines. The provinces—especially Quebec and Newfoundland—contended that Ottawa had already been chipping away at money for the provinces and that those losses should be made up when the new equalization plan is put forward in nine

months. Mr. Wilson tells the ministers not to expect much in the way of an increase in transfers—already reaching \$5.5 billion, although he announces his willingness to consider new ways of dividing up existing funds among the provinces.

24 June
*Transportation—
Railways—
Newfoundland*

Transport Minister Don Mazankowski announces \$36.4 million for Newfoundland's troubled railway industry. The money is to be spent over the next four years to convert fully the railway's boxcars to containers and to upgrade the Island's narrow gauge track system.

26 June
*Canada-U.S. Trade
Relations—Ex-
ports; Forestry—Ex-
ports*

The United States International Trade Commission votes 5-0 in Washington that imports of pine and other softwood lumber from Canada are injuring the U.S. lumber industry, and that the low stumpage fees that lumber companies pay for their trees constitute an unfair subsidy.

4 July
*Deregulation—
Quebec*

Quebec's Task Force on Deregulation releases *Regulate less: regulate better* (*Réglementer moins et mieux*), its report on deregulation in the province. In it, the Task Force proposes major changes to Quebec's labour and occupational health laws, together with the deregulation of the construction, trucking and inter-city bus travel industries. Task force chairman Reed Scowan asserts that if the report's recommendations are implemented it would create tens of thousands of jobs and reduce the costs to consumers of numerous items from houses to auto repairs to inter-city bus tickets.

21 July
*Constitution—
Quebec*

A spokesman for Prime Minister Mulroney announces that a letter has been sent to nine premiers urging them to be sympathetic to renewed attempts to bring Quebec into the Constitution. In it, he asks the premiers to "keep a very open mind" on the issue and to be "sympathetic to the new process" the Prime Minister wants to get underway.

10-12 August
Annual Premiers' Conferences; Constitution—Quebec; Free Trade

The ten premiers meet in Edmonton for the 27th Annual Premiers' Conference. First on the agenda is a discussion of Quebec's constitutional situation and, in response, they release the "Edmonton Declaration," affirming that their first constitutional priority is to commence constitutional negotiations based upon the five conditions put forth by Quebec (see entry for 9 May). The importance of bringing Quebec back into the Constitution is to take precedence over the specific constitutional concerns of other provinces on such issues as Senate reform, fisheries and property rights, which are to be discussed in future conferences.

The premiers also draft a communiqué on free trade with eight of the ten urging the federal government to go "full speed ahead" on the free trade talks. Premiers Pawley of Manitoba and Peterson of Ontario refuse to support the deal.

On trade-related matters, premier Grant Devine of Saskatchewan fails to secure the backing of the other provinces for his request for a \$5-billion federal assistance package for western farmers.

20 August
Western Separatism

Alberta premier Donald Getty warns that support for western separatism is increasing because of frustration over the federal government's regional policies. Prime Minister Mulroney replies: "I don't know that you will find a government that has responded so quickly and so completely to the needs of western Canada."

26 August
Energy Policy—Canada-Nova Scotia Offshore Petroleum Resources Accord

Prime Minister Brian Mulroney, Nova Scotia Premier John Buchanan and their respective energy ministers sign the Canada-Nova Scotia Offshore Petroleum Resources Accord, a long-term agreement on joint management of offshore oil and gas exploration. In essence, the deal gives Nova Scotia two federal grants worth a total of \$225 million, equal jurisdiction with Ottawa over offshore developments and the permanent right to set its own oil and gas royalties. The agreement also contains a clause

which states that Ottawa will compensate Nova Scotia for taking away its back-in rights in 1985. Back-in rights, as set out in the National Energy Program, allowed both governments to buy into offshore wells at pre-discovery prices after oil and gas had been found. Under the new pact, if offshore oil or gas goes into production, Ottawa will repay the province for the profits it would have enjoyed from the back-in.

7 September
Canada-U.S. Trade Relations—Exports; Forestry—British Columbia

British Columbia Forest Minister Jack Kempf announces that his province might be prepared to give in to certain U.S. demands in order to forestall the imposition of countervailing duties on Canadian exports of softwood lumber. This position is opposed by other provinces, most notably Ontario.

10 September
Council of Maritime Premiers; Deregulation—Transportation

The Council of Maritime Premiers meets in Mill River, Prince Edward Island. Foremost among the Council's deliberations is the operations of the Council itself, with the premiers agreeing to examine carefully how the 15-year-old organization spends its time and its budget of \$11 million per year. The premiers also express their concern about the federal government's proposed deregulation of the transportation industry, maintaining that the legislation does not take regional disparities into account. They request a meeting with federal Transportation Minister John Crosbie to express their concerns.

1 October
Energy Policy—National Energy Program

The federal government's Petroleum and Gas Revenue Tax (PGRT) is officially taken off the books. The tax was first implemented as a tax on excessive profits in 1980 as part of the National Energy Program. In 1984, it was agreed that the tax would be scrapped as part of the Western Accord signed on 28 March 1985. Provincial governments had wanted the tax removed immediately thereafter, but the federal government was not prepared to forego such a large source of revenue at one time. Its abolition will marginally improve the cash flow of the larger oil companies.

Health—Canada
Health Act—Alberta

Extra-billing ends in Alberta. The province was the last holdout against the provision of the *Canada Health Act, 1982*, which banned extra-billing by doctors and authorized the federal government to withhold federal payments to provinces in the amount extra-billed by doctors. Unlike Ontario (see entry for 19 June), doctors who extra-bill will not be fined. Those found guilty of extra-billing will be given an initial warning and if they persist will be forced out of the Alberta Health Care Insurance Plan. A total of \$29.03 million in federal funds withheld from the province is to be returned by early December.

16 October
Canada-U.S. Trade
Relations—Ex-
ports—Softwood
Lumber; Forestry—
Exports

The United States Commerce Department (USCD) rules that imports of Canadian softwood lumber are to be penalized because they are unfairly subsidized. The ruling finds that timber pricing practices in British Columbia, Alberta, Ontario and Quebec constitute subsidies because they are provided "at preferential prices to a specific industry or group". The USCD imposes a 15 per cent import duty on most of the \$4 billion of annual Canadian lumber exports to the United States. Under U.S. trade laws, the Commerce Department has until 30 December to make a final ruling on the decision. Until the issue is resolved, Canada must pay post bonds in anticipation of the 15 per cent duty.

In Ottawa, Minister of International Trade Pat Carney responds, charging that the ruling infringes on Canada's right as a sovereign nation to set its own resource policies, and fires off a strongly-worded diplomatic note attacking the duty.

20 October
Elections—
Saskatchewan

Premier Grant Devine leads his Progressive Conservative party back to power—albeit with a reduced majority—in Saskatchewan, capturing 38 of 64 legislative seats. The New Democratic Party will form the official opposition with 25 seats, and the Liberals capture one.

22 October
*Elections—British
Columbia*

Premier Bill Vander Zalm leads his Social Credit Party to victory in British Columbia, winning 49 seats in the 69-seat provincial legislature. The New Democrats form the official opposition with twenty seats.

31 October
*Government
Procurement*

The federal government awards Canadair Ltd. of Montreal a \$103-million contract to maintain Canada's fleet of front-line CF-18 jet fighters, despite the fact that the runner up, Bristol Aerospace of Winnipeg submitted the lower bid and had more evaluation points on technical competence from a team of 75 civil servants. Amid the outcry in Manitoba and western Canada generally, Manitoba Premier Howard Pawley demands an immediate explanation from the Prime Minister.

*Crown Corpora-
tions—Privatization*

Canadair Ltd. is sold by the federal government to Bombardier Inc. for \$120 million plus a possible \$120 million in royalties.

3 November
*Government
Procurement*

Manitoba Premier Pawley leads a delegation of Manitoba's political, business and labour leaders to a meeting with the Prime Minister to express their anger over the awarding of the CF-18 contract to Canadair of Montreal. In addition to the premier are Winnipeg Mayor Bill Norrie and John Doole of the Winnipeg Chamber of Commerce. Ninety minutes of discussion fail to bring about any significant results, with Mr. Mulroney emerging to insist that he had acted in the best interests of the country as a whole.

18 November
*Canada-U.S. Trade
Relations—
Softwood Lumber;
Forestry—Exports*

At a federal-provincial meeting on the Canada-U.S. lumber dispute in Ottawa, International Trade Minister Pat Carney fails to settle an interprovincial dispute between British Columbia and Ontario over the means by which Canada should respond to the U.S. Commerce Department ruling on softwood lumber. British Columbia wants to negotiate a compromise with the U.S. before the legal deadline of 30 November, while Ontario takes the position that the tariff should be fought through legal means. No consensus is reached. The next day, over the objections of the

21 November
*Canada-U.S. Trade
Relations—
Softwood Lumber;
Forestry—Exports*

British Columbia government, Ontario mounts a legal challenge in the United States to the ruling, filing a notice of objection in the U.S. Trade Court.

Ottawa and the provinces meet in Ottawa to discuss the U.S. lumber ruling. The federal government and those of the major lumber-producing provinces agree that, pending U.S. approval, a 15 per cent export tax will be placed on all lumber exports in return for the dropping of the import duty by the U.S. Ottawa and governments of Quebec and British Columbia endorse the plan, while those of Ontario, Nova Scotia and New Brunswick object. Details of the plan are delivered to the U.S. Department of Commerce on 26 November.

2-3 December
*Council of
Maritime Premiers;
Deregulation—
Transportation*

The Council of Maritime Premiers meets in Fredericton, N.B. Foremost on the agenda is the federal government's transportation deregulation plans, which they criticize as being detrimental to the interests of Atlantic Canadians. Once more, the premiers seek a meeting with federal Transportation Minister John Crosbie to seek changes to the proposed legislation, including the insertion of a clause ensuring that regional development would take precedence over a profitable transportation service when the two conflict. Regarding the Atlantic Canada Opportunities Agency, the details of which had not yet been released, the premiers express their skepticism that the programme would produce lasting benefits to the region, citing a long history of failed regional development initiatives in Atlantic Canada.

4 December
*Deregulation—
Financial
Institutions—
Ontario*

Ontario Financial Institutions Minister Monte Quinter announces in the Ontario Legislature the province's plans to relax its ownership restrictions on the securities industry effective Spring 1987 to allow unlimited competition in the capital market. Under the new rules foreigners, banks and trust companies will be permitted to take over stock brokerages in the province in moves that the government hopes will give the financial services industry the capital it

needs to compete in the highly-competitive international market. The new legislation will permit banks, trust companies and other non-financial firms to buy 100 per cent of stock brokers as of 30 June 1987; foreign interests will be able to buy 50 per cent of investment dealers, and 100 per cent a year later.

9 December
Agriculture—Assistance

Prime Minister Mulroney announces at the end of the annual Agricultural Outlook Conference in Ottawa that Canadian farmers will get a preliminary payment of \$300 million from the \$1-billion federal farm assistance programme. Under the Special Canadian Grains Program, the maximum payment per farmer will be \$25,000 with growers of spring and durham wheat, barley and oats, rye, mixed grains, grain corn, soybeans, canola, flax and sunflower seeds eligible. The remaining \$700 million is to be paid in the spring.

18 December
Supreme Court—Sunday Shopping—Ontario

The Supreme Court of Ontario rules that an Ontario law restricting Sunday shopping is valid, although it infringes upon constitutional guarantees of freedom of religion to some extent. The Court rules that, although the law infringes upon the rights of those for whom Saturday is the Sabbath—most notably Jews and Seventh-Day Adventists—this infringement is reasonable and, under Section 1 of the Charter of Rights and Freedoms, "demonstrably justified in a free and democratic society". The Justices rule that the Ontario law is essentially a secular one aimed at establishing a common pause day. The ruling draws particular attention since the Supreme Court of Canada earlier struck down the Lord's Day Act used to restrict Sunday shopping in Alberta as unconstitutional because it had a religious purpose.

18 December
Deregulation—Financial Institutions

Minister of State for Finance Tom Hockin outlines the federal government's new rules governing financial institutions. The regulations mean that consumers will be able to deposit and withdraw money, buy stocks and bonds, arrange loans and mortgages and obtain investment advice and portfolio management all within the walls of one branch of a financial

institution. The new rules require large trust, loan and insurance companies with non-financial owners to have at least 35 per cent of their voting shares publicly traded on stock exchanges and widely held by investors. Only the sale of insurance will remain out of the services offered under one roof. Ottawa will also consolidate its regulation of federally registered financial institutions under the control of a new super-agency to be called the Superintendent of Financial Institutions.

22 December
Language Policy—
Quebec; Quebec
Bill 101

The Quebec Court of appeal rules that the Quebec government went too far in enacting legislation in 1977 which required French-only commercial signs. The ruling invalidates four sections of *Bill 101* on the grounds that they contravene clauses in the Canadian and Quebec *Charters of Rights and Freedoms* guaranteeing freedom of expression. *Bill 101* had ordered that all commercial signs in Quebec be in French only.

The Quebec government requests time to study the ruling before deciding whether to amend the Quebec Language law to allow bilingual signs, or to appeal the case to the Supreme Court of Canada.

30 December
Canada-U.S. Trade
Relations—
Softwood Lumber;
Forestry—Exports

A deal is reached between the United States and Canada averting the imposition of countervailing duties of 15 per cent on the \$4 billion worth of Canadian softwood lumber exports. The deal calls for the federal Government to impose a new 15 per cent export tax on Canadian softwood exports to the United States, which means that the revenues generated from such a tax will remain in Canada. Under the pact, the tax will eventually be replaced by higher fees charged by the provinces to lumber companies, although U.S. approval is needed for the calculation of the value of measures Canada uses to replace the tax. The pact may be cancelled by either side with 30 days notice.

1987**15 January**
*Northwest
Territories—
Division*

After lengthy negotiations, a tentative agreement for the division of the Northwest Territories is reached by native groups at Iqaluit—formerly Frobisher Bay—Northwest Territories. The agreement is between the Dene Indians and Métis Association of the Northwest Territories on the one hand, and the Inuit, represented by the Nunavut Constitutional Forum, on the other. The new proposed territories are Denendeh, covering the western N.W.T. and Mackenzie Valley; and Nunavut in the East. The agreement has three main components: a consensus on the boundary between the two territories, principles for the development of their constitutions and the inclusion of the oil and gas-rich Beaufort Sea in the western territory. The agreement also contains a commitment to develop resource revenue-sharing mechanisms between the two territories.

21 January
Free Trade

United States Vice-President George Bush and Secretary of State James Baker arrive in Ottawa for a half-day meeting with Prime Minister Mulroney and Finance Minister Michael Wilson on free trade. Mr. Mulroney conveys his concern that the free trade talks have to be given a higher priority by the U.S. administration.

23 January
*Canada-France
Relations—
Fisheries*

France and Canada sign an "interim agreement" in Paris undertaking both to resolve their long-simmering dispute over boundaries and northern cod quotas and to send the dispute to international arbitration. Under the agreement, nine French factory trawlers from continental France are assigned quotas and given access both to the disputed waters off the French islands of St. Pierre and Miquelon and the Gulf of Saint Lawrence; ships from the French islands are allowed to take a quota of 3,500 tonnes from the Gulf. Newfoundland Premier Brian Peckford, furious that the federal government had not involved Newfoundland in the final negotiations, condemns the agreement, labelling it a sellout by the

5 February
*Federal-Provincial-
Municipal Rela-
tions—Water
Delivery*

federal government of Canadian fishermen, and calls for a meeting of the premiers.

Federal Environment Minister Tom McMillan announces to Canada's municipal governments that there will be no federal money for a proposed \$12-billion federal-provincial-municipal project to rebuild the country's aging water-delivery infrastructure. Instead, he suggests that Canada's municipalities increase the price of water they sell to finance the massive expenditures required. Most of the provinces had supported the Federation of Canadian Municipalities plan.

9 February
*Premiers' Meet-
ings—Fisheries*

Eight provincial premiers meet in Toronto at the request of Newfoundland Premier Brian Peckford to discuss the implications for the provinces of the controversial Canada-France fisheries deal. Provincial delegates to the Canada-France negotiations were absent when the interim agreement was put in final form and signed. The premiers agreed that, although Ottawa has exclusive rights in concluding treaties, provinces have exclusive rights over natural resources. Since fish is a Newfoundland resource, they argue, the province should have been involved.

18 February
Budgets, Federal

Federal Finance Minister Michael Wilson delivers his 1987 budget, projecting a \$29-billion deficit. In what is considered by most to be a "stand pat" budget designed to set the stage for his comprehensive tax reform proposals later in the year, Mr. Wilson announces tax increases on a variety of items including gasoline, cigarettes and snack foods. He projects a deficit for the 1987-1988 fiscal year of \$29.3 billion, down from \$32 billion in the current fiscal year.

*Language Policy—
Education—
Saskatchewan*

In a ruling hailed by the francophone groups of the province as a great step towards reviving Saskatchewan's French culture, a Saskatchewan Court of Queen's Bench ruling gives the province's francophones the right to "management and control" of French-language schools in the province. In 1986 twelve "fransaskois" groups had asked the court to

decide if the province was complying with a Charter of Rights provision guaranteeing French language minorities schools and instruction where numbers warrant; the Court decided it was not. In his ruling, Justice Charles Wimmer holds that French education is essential to the development of French culture in the province, and that "Given management and control of their own schools, francophones will slowly start to assert their own rights." Justice Wimmer, however, leaves it up to the provincial government to decide how the new control given to francophones will be exercised. Wimmer's ruling also states:

- French language schools must match the quality of anglophone schools;
- anglophones who want French instruction must receive it in anglophone schools;
- the education minister cannot refuse to provide communities with French-language instruction on the grounds it will no longer be required in three years; and
- francophones applying for French language instruction do not have to live in the same school division.

26 February
Language Policy—
Quebec

Quebec Justice Minister Herbert Marx announces that Quebec will appeal the Quebec Court of Appeal ruling that struck down *Bill 101*'s French-only sign provision to the Supreme Court. According to Marx, the appeal will have no impact on the government's forthcoming decision about how to handle the thorny question of language on signs. Rather, the government is appealing the case for "technical reasons", namely, to test the scope of freedom of expression guarantees in commercial messages.

9 March
Environment—Acid
Rain—Federal-
Provincial Relations

The governments of Canada and Prince Edward Island sign an accord aimed at reducing sulphur dioxide emissions. Although the federal government and the seven provinces east of Saskatchewan had reached an oral agreement to reduce acidic emissions in 1985, this agreement, according to federal En-

vironment Minister Tom McMillan, is the first between the federal Government and a province to follow it up. It calls for the province to reduce acidic emissions by 17 per cent by 1994.

The same day a similar pact is signed between the governments of Canada and Newfoundland and, the next day, with the government of Ontario. The agreements collectively require the three provinces to reduce acidic emissions by more than 1.3 million tonnes by 1994, and are part of Canada's commitment to reduce national sulphur dioxide levels from the 1980 level of 4.6 million tonnes per year to 2.3 million tonnes by 1994. The federal government was concerned that the 1985 agreement be honoured in writing before the Mulroney-Reagan meetings on 5-6 April.

11 March
*Federal-Provincial
Fiscal Relations—
Equalization*

Federal Finance Minister Michael Wilson tables the equalization figures for the upcoming fiscal year (31 March 1987 to 31 March 1988). The bill provides for \$5.6 billion in payments to the seven poorest provinces—Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, Quebec, Manitoba and Saskatchewan; this represents a 5.7 per cent increase over the previous year. In 1988-89, payments are to increase by 6.2 per cent over this year.

*Free Trade—
Federal-Provincial
Relations*

Prime Minister Mulroney and the ten premiers meet with International Trade Minister Pat Carney and free trade negotiators to discuss progress in the Canada-U.S. free trade negotiations. The premiers are promised that the issue of provincial ratification of a free trade agreement would be addressed in June.

17 March
*Canada-France
Relations—
Fisheries*

Canada closes all its ports to French fishing vessels in response to alleged overfishing by the French in disputed waters off Newfoundland.

26-27 March
*First Ministers'
Conference on
Aboriginal Constitu-
tional Matters*

The First Ministers' Conference on Aboriginal Constitutional Matters convenes in Ottawa to attempt to reach an agreement on aboriginal self-government. This is the third and final meeting provided for in a 1983 constitutional agreement through which a decision by the federal and provincial governments on aboriginal self-government was to be reached. The conference had been preceded by lengthy discussions between both levels of government and native organizations seeking agreement on the wording of a constitutional amendment that would entrench aboriginal self-government in the Constitution.

Throughout the conference, argument centred upon the circumstances under which aboriginal self-government could be included in the Constitution. The provinces argued that self-government, like any other aboriginal right, can be entrenched in the Constitution only after its substance has been negotiated in advance, making it a contingent rather than an inherent right. Native groups, on the other hand, argued the opposite: that self-government, as an inherent right, should be included first, with the substance to be negotiated later.

The participants were unable to reach agreement on any of the substantive issues and the conference failed when four provinces—British Columbia, Alberta, Saskatchewan and Newfoundland—and native leaders rejected a compromise proposal by Prime Minister Mulroney.

2-3 April
*Telecommunica-
tions—Federal-
Provincial Relations*

Canada's federal and provincial communication ministers meet in Edmonton to discuss ways to develop a national telecommunications policy. Federal Communications Minister Flora MacDonald announces that she and her provincial counterparts had made some progress in that regard by agreeing to six principles which they hoped would form the basis of a new policy. The six are:

- a Canadian approach to the country's telecommunications problems and policies;

- there should be universal access to basic phone services at affordable prices;
- the international competitiveness of Canadian industry is to be maintained;
- technological progress in the field should benefit all Canadians;
- the goal of telecommunications policy should be fair and balanced regional development; and
- the need for government to assume responsibility for policy development.

She also announces the formation of a federal-provincial committee to determine how to put those principles into action.

3 April

Regional Development—Prince Edward Island

The governments of Canada and Prince Edward Island sign a five-year, \$23.5 million agreement to attract new investment and strengthen the province's industrial base. The agreement is the thirteenth to be signed under the Prince Edward Island Economic and Regional Development Agreement (ERDA) since its inception in 1984.

5-6 April

Canada-U.S. Relations—Summits; Acid Rain; Arctic Sovereignty

United States President Ronald Reagan and Prime Minister Mulroney hold their third annual summit meeting in Ottawa. High on the agenda is acid rain; Mr. Mulroney makes a proposal for a binding, non-partisan treaty to deal with the problem, in which the Canadian government, the Reagan administration and the U.S. Congress would agree to targets and schedules for emission reduction in both countries. Mr. Reagan agrees to consider the proposal but makes no commitments.

In private session, Mr. Mulroney reiterates Canada's position on Arctic sovereignty: that the waters around the Canadian Arctic archipelago should be considered internal Canadian waters. Mr. Reagan, in his 6 April address to Parliament, states that he and Mr. Mulroney are "determined to find a solution based on mutual respect for sovereignty and our common security and other interests". In addition, the

two leaders discuss Canada's proposal to license film and video imports, with Mr. Reagan questioning whether the proposed policy would impede the flow of American films into Canada.

In conjunction with the leaders' two-day summit, External Affairs Minister Joe Clark holds talks with U.S. Secretary of State George Shultz on matters of mutual interest.

6 April

Supreme Court— Charter of Rights and Freedoms

In a series of judgments widely interpreted as major blows to Canada's labour movement, the Supreme Court of Canada rules that the Constitution's guarantee of freedom of association does not include the right to strike or to bargain collectively. The court, in three separate 4-2 judgments, upholds federal, Alberta and Saskatchewan laws that limited workers' right to strike, arbitrarily set their wages and called for compulsory arbitration in certain cases. The unions had argued that Section 2(d) of the Charter of Rights and Freedoms, which guarantees "freedom of association", also includes the right to strike. The Court, however, rules that because those who drafted the Constitution make no reference to the right to strike, it cannot be deemed a right that requires constitutional protection. The judgment dealt with the following appeals: more than 50,000 Alberta workers, including hospital workers, municipal police and firefighters, had challenged a law that prohibited them from striking and forced them to submit to binding arbitration; the Public Service Alliance of Canada had asked the court to declare the federal wage restraint law of 1982, which imposed ceilings of six and five per cent, unconstitutional; the Saskatchewan government had asked the Supreme Court to overturn a lower-court ruling that declared unconstitutional a provincial law making it illegal for provincial dairy workers to walk off the job.

7 April*Interprovincial
Relations—Quebec-
Ontario*

The Ontario Government officially opens an office in Quebec City in what is described as a bid to strengthen relations between the two provinces (Quebec set up an office in Ontario in 1971). The government office is to promote the image of Ontario and provide information on the province's laws, business contracts, income tax and French-language services.

10 April*Environment—Acid
Rain—Federal-
Provincial Relations*

Manitoba becomes the fifth province to sign an agreement with the federal Government for the reduction of sulphur dioxide emissions. In the agreement, Manitoba agrees to reduce its acidic emissions by about 25 per cent over the next seven years—from 738,000 tonnes to 550,000 tonnes by 31 December 1994.

11 April*Crown Corpora-
tions—Privatization*

The federal crown corporation Teleglobe Canada, which handles Canada's overseas telephone and Telex traffic, is sold to Memotec Data Inc. for \$483 million, plus a \$106-million special dividend.

15 April*Supreme Court—
Appointments*

Prime Minister Mulroney appoints Madame Justice Claire L'Heureux-Dubé of Quebec City to the Supreme Court. She joins Madame Justice Bertha Wilson as the Supreme Court's second woman justice.

19 April*Environment—
Provincial-Interna-
tional Relations*

Ontario Premier David Peterson and Michigan Governor James Blanchard sign a series of general co-operation agreements in the areas of transportation, agriculture, trade and investment, science and technology, environment, education and natural resources. The major section of the pact is the establishment of a joint Maritime Advisory Committee, under the auspices of state and provincial transportation departments, which will look at issues concerning the Great Lakes and St. Lawrence Seaway.

27 April*Regulation—
Securities In-
dustry—Ontario*

The federal government and the government of Ontario reach an agreement respecting the regulation of the province's securities industry. For months, Ottawa and the provinces had been holding discussions over who has jurisdiction over what aspects of

the financial industry. Ontario's regulations concerned ownership of securities firms, and required any firm participating in the securities market to register with provincial authorities. Ottawa was concerned because banks, which also deal in securities, are regulated solely by the federal government. Provincial initiatives by Ontario and British Columbia to regulate more closely the securities industries in their provinces were interpreted by the federal government as a threat to federal jurisdiction over financial institutions.

Under the terms of the agreement, Ontario will regulate securities and affiliates of federally chartered banks as well as those of trust and insurance companies operating in the province. It will also have control over such stock activities as share-trading, mutual funds and underwriting corporate securities. For its part, Ottawa is to regulate the securities activities that federally-chartered institutions carry on in-house. The deal will also enable banks, insurance and trust companies—"three pillars" of the Canadian financial system—to buy into the fourth: brokerage houses.

The Ottawa-Ontario deal is denounced by the other provinces—particularly Quebec—as a sellout of provincial jurisdiction over securities.

30 April
*Constitution—
Meech Lake Accord*

Meeting at Meech Lake, Quebec, Prime Minister Mulroney and the ten provincial premiers reach an agreement-in-principle, thereafter known as the Meech Lake accord, resolving Quebec's constitutional grievances. There are essentially five main points to the agreement:

- Constitutional recognition of Quebec as constituting a distinct society;
- newly-defined roles for all provinces in appointments to the Senate and the Supreme Court of Canada;

- provision for federal-provincial agreements relating to immigration policy;
- the right for all provinces to opt out of future shared-cost programmes with full financial compensation; and
- a promise from Mr. Mulroney to discuss further constitutional changes, including Senate reform, by the end of 1988.

3 May

Mining and Gas Industries—Tax Incentives

Federal Energy Minister Marcel Masse announces the \$200 million-a-year Canadian Exploration Incentive Program (CEIP), which is to encourage activity in the mining and gas exploration sectors. The programme, which was developed by Finance Minister Michael Wilson to replace the much criticized removal of incentives like flow-through shares, is to begin as these cuts take effect on 1 October.

7 May

Deregulation—Financial Institutions

Federal Minister of State for Financial Institutions Tom Hockin tables legislation in the Commons to permit federally-regulated financial institutions, including banks, to own securities dealers. It also contains provisions that empower the minister to review transfers of ownership, broadening the supervisory powers of federal regulators and raising financial standards for insurance companies. The move is in response to the Ottawa-Ontario accord on financial institutions reached 27 April. Ontario has announced similar legislation for financial institutions under its jurisdiction. The federal legislation represents the first time banks will have been allowed to operate in securities markets since the stock market crash of 1929.

11 May

Constitution—Meech Lake Accord

Prime Minister Mulroney proposes to the House of Commons that the House fully endorse the Meech Lake Agreement of 30 April. All members, including the leaders of the three parties, support the agreement-in-principle.

26-27 May
*Western Premiers'
Conferences; Con-
stitution—Meech
Lake Accord;
Agriculture*

The premiers of the four western provinces gather in Humboldt, Saskatchewan, for the Western Premiers' Conference, where they reaffirm their support for the Meech Lake Constitutional Accord and reject former Prime Minister Pierre Trudeau's criticisms of the agreement. In another development, the premiers call on Ottawa to make an early announcement for "an increased and substantial deficiency payment" to western grain farmers, estimating that at least \$1.6 billion is needed to bring Prairie farmers' incomes back up to 1981 levels. On western diversification, the premiers agree to set up a working group of ministers charged with reviewing the matter.

27 May
*Constitution—
Meech Lake Accord*

Former Prime Minister Trudeau lashes out at the proposed Meech Lake Constitutional Accord and those who signed it, charging that the changes the Accord would bring would render the Canadian state "totally impotent", adding "What a dark day for Canada was this 30 April 1987". In criticizing the federal government for giving up significant powers over appointments to the Supreme Court and Senate, he characterizes Prime Minister Mulroney as a "weakling" and the premiers as lacking the courage to stand up against Quebec nationalists. Mr. Trudeau saves special criticism for the designation in the Accord of Quebec as a "distinct society," and all that the designation entails. Those who never wanted a bilingual Canada, he says, get their wish "with the recognition of the existence of French-speaking Canadians and English-speaking Canadians... those Canadians who fought for a single Canada, bilingual and multi-cultural, can say goodbye to their dream".

Mr. Mulroney's response to the broadside was to characterize it as typical of a bygone era: "You can have the old style warring federalism or you can have genuine co-operative federalism on which we're trying to build a new country".

Chronology of Events 1986-1987

Darrel R. Reid and Christopher Kendall

A list of recurring entries begins page 250

1986

8 January

*Environment—Acid
Rain—Canada-U.S.
Relations*

Special Canadian envoy on acid rain, William Davis, and his U.S. counterpart Drew Lewis recommend in their Joint Report of the Special Envoys on Acid Rain, that the United States government spend \$5 billion over a five year period on pollution control technology. The report was commissioned in March of 1985 when Prime Minister Mulroney and U.S. President Ronald Reagan met in Quebec City for their "Shamrock Summit." Noting the 75-year history of environmental co-operation between Canada and the United States, the two leaders agreed each to appoint a personal Special Envoy to examine the acid rain issue and report back before the next summit in the spring of 1986.

The report, which places emphasis on U.S. action and voluntary development of technology rather than mandatory action by polluters, is criticized by the provinces for failing to set targets for actually reducing the environmentally destructive rains. The \$5 billion is to be provided equally by the U.S. government and U.S. manufacturers and spent on technology as recommended by industry. Responding to criticisms that the report is inadequate, Davis is quick

20 January
Elections—Quebec

to point out that it is the first declaration by any American envoy that acid rain is indeed a problem.

Quebec Premier Robert Bourassa returns to the Quebec National Assembly by winning a by-election in the Montreal-area riding of St.-Laurent. He easily defeats nine other candidates, capturing 83 per cent of the popular vote in the riding. Although his Liberal Party had swept to power in the 2 December provincial election, Bourassa had been defeated as the candidate for the riding of Bertrand.

31 January
Crown Corporations—Privatization

The Crown Corporation De Havilland Aircraft of Canada Ltd. is sold by the federal government to Boeing Co. of Seattle for \$90 million.

1 February
Regional Development—Canada-Alberta Subsidiary Agreement

Federal Transport Minister Donald Mazankowski and Alberta Agriculture Minister Leroy Fjordbotten sign, in Edmonton, a \$50-million, five-year agreement to provide financial assistance to Alberta firms that process agricultural equipment. The deal—the *Canada-Alberta Subsidiary Agreement*—is a continuation of a former ten year, \$145-million agreement and provides assistance in three areas: capital assistance, non-capital assistance, and public information and technical services.

7 February
Fisheries—Assistance

Federal Fisheries Minister Tom Siddon announces in Ottawa that the federal government will terminate the Fishing Vessel Assistance Program as of 31 March 1986. The programme, first introduced in 1942, was designed to aid fishermen in covering the costs of replacing fishing vessels. It provided up to 25 per cent of the costs of replacing the vessels. The federal subsidy has amounted to a yearly average of \$6 million during the past ten years. Siddon explains that the elimination of the subsidy will serve to weaken the case of American fisheries in their fight to impose countervail duties on Canadian fish sold in the United States. He points out as well that the programme has outlived its usefulness and has led to the building of too many boats.

14 February
*Federal-Provincial
Fiscal Relations—
Established
Programs Finance*

Despite strong opposition from the provinces, Finance Minister Michael Wilson tables *Bill C-96*, a measure to amend the *Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act, 1977*. It is designed to reduce the rate of growth in federal transfers to provincial governments. Under the legislation, which was first proposed in Mr. Wilson's 1985 budget, the growth of Established Programs Finance payments is to be reduced from seven per cent per year to five. The measure is expected to save Ottawa about \$2 billion annually by the 1990-91 fiscal year.

The provinces are upset because the legislation was imposed earlier than they had expected. In his May, 1985 budget Mr. Wilson had tabled a chart showing no changes in EPF payments during the fiscal year 1986/1987, which begins 1 April 1986. However, Anne Park, director of federal-provincial relations announced that the new measures will take effect as of 1 April 1986. The provinces argue that more consultation is needed to ease predicted revenue shortfalls—some provinces predict total reductions of as much as \$350 million—caused by the new legislation.

14 February
*Hydroelectricity—
Exports*

Manitoba Minister of Energy William Parasiuk announces that Manitoba has negotiated the largest hydro-power export deal in Canadian history. The record breaking deal with the Upper Mississippi Power Group will bring in revenue of \$4.3 billion to Manitoba Hydro. Revenue from the sale will be placed in a Manitoba Energy Foundation, which will receive 50 per cent of the profits from the sale. The money will be used to ensure that Manitoba power rates remain the lowest in Canada. The other 50 per cent will be allocated to Manitoba Hydro. Under the terms of the deal, the Upper Mississippi Power Group has agreed to purchase 550 megawatts of power annually over 16 years, beginning in 1996.

17-18 February
Francophone Summit

The first Francophone Summit opens in Versailles, France, with the Canadian delegation consisting of Prime Minister Brian Mulroney, Quebec Premier Robert Bourassa and New Brunswick Premier Richard Hatfield. Notwithstanding the presence of the two premiers representing provinces with large francophone populations, Mr. Mulroney asserts that, in international matters, he alone "speaks for the people of Canada, at all times and in all circumstances." Under an agreement reached in late 1985 between the provinces and the federal government, the premiers may speak on any subject providing they receive approval from the Prime Minister and their remarks are consistent with the federal position. This entente is soon broken, however, when on the first day Premier Bourassa proposes, on behalf of Quebec, the examination of a substantial plan for alleviating food shortages in the Third World—without the approval of Mr. Mulroney. Although the Prime Minister makes no mention of Mr. Bourassa's failure to secure prior federal approval for his initiative while in France, once back in Canada he makes it clear that such behaviour will not be tolerated in the future, stating of his Quebec counterpart's actions: "Blindside me once and you have a problem the next time we have a meeting."

Among other issues discussed at the summit is sanctions against South Africa, with the 40 summit delegations passing a resolution condemning that country's policy of apartheid. Also, the French-speaking nations agree to the creation of an energy institute to assist Third World countries to draw on the expertise of the developed countries in coping with energy problems.

26 February
Budgets, Federal

Finance Minister Michael Wilson presents his second budget, this one aimed primarily at deficit reduction. According to Mr. Wilson, the main vehicle for reducing the deficit will be the generation of increased tax revenues over the next five years. The measures contained in the budget are expected to cost

individual taxpayers \$5.2 billion over the next five years, consumers \$6 billion, and business \$1.5 billion.

Included in the budget is an increase in the federal sales tax/surtax. Effective 1 July, a three per cent surtax is added to individuals federal tax payable. For business, the three per cent surtax comes into effect 1 January 1987. In addition, federal sales taxes on goods and services rise 1 April by one percentage point.

With respect to income taxes, the budget provides families earning less than \$18,000 a year with a refundable sales tax credit of up to \$50 per adult and \$25 per child. Families receiving a child tax credit are to receive a \$300 pre-payment in November, the balance being payable when tax returns are filed the following spring. Corporate tax rates drop by two per cent and the seven per cent investment tax credit for business is to be phased out by 1989.

Announcing his government's determination to cut down on spending, Mr. Wilson reduces future rises in government spending to two per cent annually. This includes the placing of a 2.75 per cent cap on military spending increases for 1986-87 and a two per cent annual limit on the growth of future outlays. The deficit forecast for the fiscal year beginning 1 April is to drop to \$29.8 billion from \$32.7 billion.

6 March

Constitution— Charter of Rights and Freedoms— Quebec

Quebec Minister of Intergovernmental Affairs Gil Rémillard, announces that the province of Quebec will no longer systematically exempt its laws from the *Charter of Rights and Freedoms*. As Mr. Rémillard explains, "we want Quebecers to have the same protection of their fundamental rights as other Canadians." Further, since the Liberals were elected in Quebec in 1985, their government has quietly allowed the five-year "notwithstanding" clause, inserted into every law by the previous PQ government, to expire rather than renewing it for each law as required by the Constitution. The PQ

11 March
*Ministerial Task
Force on Program
Review*

government began inserting the clause in 1982 to mark Quebec's refusal to sign the 1981 constitutional agreement.

Deputy Prime Minister Eric Nielson tables his Ministerial Task Force on Program Review, an analysis of government spending. Comprising 21 volumes, the \$3.7-million report evaluates the purpose, delivery and record of a broad range of programmes, and proposes an equally broad range of legislative and regulatory reforms. The Task Force, established as part of the government's commitment to making the government expenditures process more efficient, involved the efforts of 221 people and studied a total of 1000 programmes during 1985. Among the Task Forces' substantive findings are the following:

- Ottawa spends billions each year on programmes that have outlived their purpose, that duplicate other programmes or that overlap services offered elsewhere;
- structural problems within government hinder efforts to improve the situation;
- there are few incentives for public service managers to accomplish new or difficult tasks, to try innovative approaches, to provide better services or to do more with less;
- the federal government would be able to wipe out its annual deficit, estimated at \$29.5 billion in the 1986-87 fiscal year, if it cancelled all "tax expenditures"—such as tax breaks for individuals and subsidies for business, which cost the government an estimated \$35 billion a year in lost revenue;
- Canada is over regulated;
- one of the few areas where government should not alter its approach is social assistance as, contrary to popular myth, there is little evidence of individual abuse of the system; and
- subsidies for agriculture should be eliminated or greatly reduced.

18-19 March

Canada-U.S. Relations—Summit; Environment—Acid Rain; NORAD

Prime Minister Mulroney and U.S. President Ronald Reagan meet for a two-day summit in Washington. Items on the agenda include acid rain, NORAD, Free Trade, and U.S. space initiatives.

With respect to acid rain, Mr. Reagan announces that he fully endorses the Davis-Lewis report released in January and that he will ask Congress to spend an extra \$100 million annually for the next five years to clean up factories that release acid rain-causing pollutants. He announces the appointment of U.S. Secretary of State George Schultz as his U.S. representative on a joint administrative body that will monitor progress on the acid rain programme. Mr. Mulroney names Minister of External Affairs Joe Clark as Canada's member on the board.

As expected, the Canadian government agrees to a five-year renewal of its North American Air Defence Command (NORAD) agreement with the U.S.

As well, Mr. Mulroney announces that Canada will spend \$800 million over the next 15 years to build a service centre for the manned space station planned by the United States. The programme is expected to generate over 10,000 jobs for Canada and \$15 million in revenues.

19 April

Health—Canada Health Act—Quebec

Federal Health Minister Jake Epp announces that Quebec is to be paid the \$14 million in penalties which has been imposed by Ottawa in a dispute over medical user fees. The money represents medical grants that have been withheld under the *Canada Health Act* during the last two years. The money is to be returned because Quebec medical fees are no different than the daily "room and board" fees for chronic patients which are charged by other provinces and which do not violate the *Canada Health Act*.

21 April

Elections—Prince Edward Island

Voters in Prince Edward Island bring to an end seven years of Progressive Conservative rule and sweep Tory Premier James Lee out of power by giving Joe

1 May

*Language Policy—
Bilingualism;
Supreme Court—
Language Policy*

Ghiz's Liberal party 21 seats in the 32-seat legislature. The Conservatives retain 11 seats.

In a ruling expected to have broad implications for language policy in Canada, the Supreme Court of Canada rules that courts in Quebec and Manitoba can issue unilingual summons.

In one case, the Court dismisses an appeal by businessman Duncan Macdonald of Montreal to overturn a 1981 unilingual traffic summons from a Montreal Municipal Court because it was written in French, ruling that the *Constitution Act, 1867* allows a Quebec Court to issue a document in "either of the official languages."

In a second case the Court rules that Roger Bilodeau, a Manitoba francophone, had no right to a speeding summons in French, with the Court dismissing the argument that the *Manitoba Summary Convictions Act* and the *Highway Traffic Act* are invalid because they were not published in French.

8 May

Elections—Alberta

Don Getty and his Progressive Conservatives are returned to power in Alberta, but with a significantly reduced majority as the NDP and the Liberals make a strong challenge to win seats from the Tories. Final standings in the legislature after the election are as follows: Progressive Conservatives 83, NDP 16, Liberal 4.

9 May

*Constitution—
Quebec*

At a symposium at Mont Gabriel, sponsored by the Institute of Intergovernmental Relations, Quebec Minister of Intergovernmental Relations Gil Rémillard makes explicit for the first time his province's five conditions for signing the *Constitution Act, 1982*. They are as follows:

- recognition of Quebec as a distinct society;
- a greater provincial role in selecting immigrants;
- a role for Quebec in appointments to the Supreme Court of Canada; limitations on the federal spending power; and

- a veto for Quebec on future constitutional amendments.

21 May
*Aboriginal
 Peoples—Claims*

Bill C-110, the Grassy Narrows and Islington Indian Bands Mercury Pollution Claims Settlement Act, is passed in the Commons. The legislation provides a \$16.6-million settlement for two northern Ontario Indian bands affected by mercury pollution. The settlement was reached between the federal government and the two bands in November, 1985 to compensate their members for mercury contamination band members received through eating fish from the Wabigan-English River system. The contamination was discovered in the early 1970s and the source traced to a Dryden Ontario paper mill owned by Reed Inc. Under the provisions of the bill, the Grassy Narrows band will receive \$8.6 million and the Islington band \$8 million. Ottawa is to contribute \$2.75 million, the Ontario government \$2.176 million, Reed Inc. \$5.75 million, and Great Lakes Forest Products Ltd., who bought the Mill in 1979, \$6 million.

22 May
*Canada-U.S. Trade
 Relations—Ex-
 ports; Forestry—Ex-
 ports*

United States President Ronald Reagan announces a stiff five-year tariff against Canadian imports of cedar shakes and shingles on grounds that they are hurting the U.S. industry. The new tariff—set at 35 per cent for the first 30 months—is expected to be a crippling blow to the British Columbia lumber industry.

23 May
*Canada-U.S. Trade
 Relations—Ex-
 ports; Forestry—Ex-
 ports*

The federal government demands that the United States immediately lift the newly-proposed tariffs on British Columbia cedar shakes and shingles. Prime Minister Mulroney states in the Commons that the tariffs run counter to joint commitments he and President Reagan made at the Quebec City and Washington summits to fight protectionism, adding that "actions like these make it extremely difficult for anyone, including Canadians, to be friends with the Americans from time to time." The Canadian government sends a diplomatic note to Washington registering its "profound disappointment" over the incident.

29 May
*Western Premiers'
Conference;
Canada-U.S. Trade
Relations—Exports;
Agriculture—Sub-
sidies*

The four western premiers meet in Swan River, Manitoba, where international trade—particularly Canada's trade with the United States—dominates discussions. The premiers express their concern about the United States' imposition of trade barriers while the two countries are discussing lifting such restrictions. In a communiqué issued at the end of the talks, the premiers request the rollback of tariffs imposed by the U.S. on shakes and shingles and a freeze on any similar measures while the free trade talks continued. The premiers also urge the federal government to take action to counteract the massive subsidies given by the European Economic Community and the U.S. to their agricultural sectors to the detriment of Canadian farmers.

2 June
*First Ministers'
Meetings—Free
Trade*

The ten premiers meet with Prime Minister Mulroney to discuss free trade and, following their meeting, give him their approval to open negotiations with the United States without direct provincial participation. They win from Mr. Mulroney an agreement that meetings will be held every three months to review the process and keep the provinces up to date on events of relevance to them. Many of the premiers had been demanding that they have representatives participating in the trade talks, but Mr. Mulroney had previously announced his position that the federal government would be alone at the table. He allows, though, that "a great deal of provincial involvement" will be required to ratify any agreement with the United States.

*Canada-U.S. Trade
Relations—Imports*

Finance Minister Michael Wilson announces that Canada will impose duties of about \$80 million against U.S. products in retaliation for the American tariff on Canadian shakes and shingles. The duties are announced on U.S. books, periodicals, computer parts and semiconductors; in addition, already existing tariffs are increased on a number of other imports.

4 June
*Interprovincial
Trade Barriers*

Federal and provincial Regional and Economic Development ministers meet in Belleville, Ontario for a two day meeting and pledge to reduce trade bar-

riers between the provinces. To aid in reducing inter-provincial trade barriers, the provincial and territorial representatives agree to a three point plan that includes:

- a moratorium on new barriers;
- the establishment of a permanent mechanism for reducing barriers; and
- the establishment of a process to take an inventory of all existing barriers.

12-13 June
*Eastern Canadian
Premiers and New
England Governors*

The five Eastern Canadian premiers and six New England governors meet for their yearly conference, this one in Lowell, Massachusetts. Although free trade is not formally on the agenda, which includes such issues as housing and economic development, the premiers and governors give a vote of support to the Canada-U.S. negotiations, although not without some disagreement. The conference participants record their concern over the recent U.S. tariffs on Canadian lumber products and the retaliatory measures taken by Canada. Both premiers Buchanan of Nova Scotia and Bourassa of Quebec put forth plans to sell energy to their New England counterparts—Buchanan through sales of natural gas and the building of coal-fired plants, and Bourassa through the joint funding of new Quebec power plants.

17 June
*Aboriginal
Peoples—Self-
Government*

Bill C-93, which allows for self-government on the part of the Sechelt Native Community of British Columbia, is given final reading in the House of Commons. The purpose of the bill is to allow the Sechelt Indian Band to assume a municipal-style control over its land, resources, health, social services, education and local taxation. Much of the bill was drafted by the Indian band itself and is seen as a model for future initiatives in this field. It is the first of its kind in Canada.

*International
Trade—Wine and
Liquor—GATT*

Following a federal-provincial meeting of ministers of trade in Winnipeg, federal Trade Minister James Kelleher announces that the provinces have agreed to reduce markups on imported wine and liquor as

they had promised in 1979. The original agreement had been reached after complaints by the United States and European Economic Community to the General Agreement on Tariffs and Trade about discriminatory markups by some provinces on imported beverages. According to Mr. Kelleher, it had been agreed in 1979 that such markups should be no more than five per cent by 1988; some provinces, though, have been slow to implement the new pricing policies.

19 June
*Federal-Provincial
Fiscal Relations—
Equalization*

Finance Minister Michael Wilson tells his provincial counterparts after a one-day federal-provincial meeting of finance ministers in Victoria that they should not expect much in the way of increases in equalization payments. The meeting marks the tenth time the ministers have met since January in an attempt to reach a consensus on a mutually-acceptable equalization formula by 31 March 1987, the date the federal government's new formula is to go into effect.

*Health—Canada
Health Act—Ontario*

After 43 days of often-heated debate, extra-billing by doctors becomes illegal in Ontario as *Bill 94* is given final reading and passed. Passed by a vote of 69 to 47, the law prohibits physicians from charging more for their services than the Ontario Health Insurance Plan provides and prescribes a penalty of \$250 for a first offence. Ontario's incentive to end the practice came from the federal *Canada Health Act* which withheld the amount extra-billed by any province's doctors from federal health grants to a given province. Ottawa had been withholding \$100 million in such funds from Ontario.

20 June
*Federal-Provincial
Fiscal Relations—
Equalization*

Federal Finance Minister Wilson meets with his provincial counterparts in Victoria to discuss their concerns over the federal government's proposed tax transfer guidelines. The provinces—especially Quebec and Newfoundland—contended that Ottawa had already been chipping away at money for the provinces and that those losses should be made up when the new equalization plan is put forward in nine

months. Mr. Wilson tells the ministers not to expect much in the way of an increase in transfers—already reaching \$5.5 billion, although he announces his willingness to consider new ways of dividing up existing funds among the provinces.

24 June

*Transportation—
Railways—
Newfoundland*

Transport Minister Don Mazankowski announces \$36.4 million for Newfoundland's troubled railway industry. The money is to be spent over the next four years to convert fully the railway's boxcars to containers and to upgrade the Island's narrow gauge track system.

26 June

*Canada-U.S. Trade
Relations—Ex-
ports; Forestry—Ex-
ports*

The United States International Trade Commission votes 5-0 in Washington that imports of pine and other softwood lumber from Canada are injuring the U.S. lumber industry, and that the low stumpage fees that lumber companies pay for their trees constitute an unfair subsidy.

4 July

*Deregulation—
Quebec*

Quebec's Task Force on Deregulation releases *Regulate less: regulate better* (*Réglementer moins et mieux*), its report on deregulation in the province. In it, the Task Force proposes major changes to Quebec's labour and occupational health laws, together with the deregulation of the construction, trucking and inter-city bus travel industries. Task force chairman Reed Scowan asserts that if the report's recommendations are implemented it would create tens of thousands of jobs and reduce the costs to consumers of numerous items from houses to auto repairs to inter-city bus tickets.

21 July

*Constitution—
Quebec*

A spokesman for Prime Minister Mulroney announces that a letter has been sent to nine premiers urging them to be sympathetic to renewed attempts to bring Quebec into the Constitution. In it, he asks the premiers to "keep a very open mind" on the issue and to be "sympathetic to the new process" the Prime Minister wants to get underway.

10-12 August
Annual Premiers' Conferences; Constitution—Quebec; Free Trade

The ten premiers meet in Edmonton for the 27th Annual Premiers' Conference. First on the agenda is a discussion of Quebec's constitutional situation and, in response, they release the "Edmonton Declaration," affirming that their first constitutional priority is to commence constitutional negotiations based upon the five conditions put forth by Quebec (see entry for 9 May). The importance of bringing Quebec back into the Constitution is to take precedence over the specific constitutional concerns of other provinces on such issues as Senate reform, fisheries and property rights, which are to be discussed in future conferences.

The premiers also draft a communiqué on free trade with eight of the ten urging the federal government to go "full speed ahead" on the free trade talks. Premiers Pawley of Manitoba and Peterson of Ontario refuse to support the deal.

On trade-related matters, premier Grant Devine of Saskatchewan fails to secure the backing of the other provinces for his request for a \$5-billion federal assistance package for western farmers.

20 August
Western Separatism

Alberta premier Donald Getty warns that support for western separatism is increasing because of frustration over the federal government's regional policies. Prime Minister Mulroney replies: "I don't know that you will find a government that has responded so quickly and so completely to the needs of western Canada."

26 August
Energy Policy—Canada-Nova Scotia Offshore Petroleum Resources Accord

Prime Minister Brian Mulroney, Nova Scotia Premier John Buchanan and their respective energy ministers sign the Canada-Nova Scotia Offshore Petroleum Resources Accord, a long-term agreement on joint management of offshore oil and gas exploration. In essence, the deal gives Nova Scotia two federal grants worth a total of \$225 million, equal jurisdiction with Ottawa over offshore developments and the permanent right to set its own oil and gas royalties. The agreement also contains a clause

which states that Ottawa will compensate Nova Scotia for taking away its back-in rights in 1985. Back-in rights, as set out in the National Energy Program, allowed both governments to buy into offshore wells at pre-discovery prices after oil and gas had been found. Under the new pact, if offshore oil or gas goes into production, Ottawa will repay the province for the profits it would have enjoyed from the back-in.

7 September
Canada-U.S. Trade Relations—Exports; Forestry—British Columbia

British Columbia Forest Minister Jack Kempf announces that his province might be prepared to give in to certain U.S. demands in order to forestall the imposition of countervailing duties on Canadian exports of softwood lumber. This position is opposed by other provinces, most notably Ontario.

10 September
Council of Maritime Premiers; Deregulation—Transportation

The Council of Maritime Premiers meets in Mill River, Prince Edward Island. Foremost among the Council's deliberations is the operations of the Council itself, with the premiers agreeing to examine carefully how the 15-year-old organization spends its time and its budget of \$11 million per year. The premiers also express their concern about the federal government's proposed deregulation of the transportation industry, maintaining that the legislation does not take regional disparities into account. They request a meeting with federal Transportation Minister John Crosbie to express their concerns.

1 October
Energy Policy—National Energy Program

The federal government's Petroleum and Gas Revenue Tax (PGRT) is officially taken off the books. The tax was first implemented as a tax on excessive profits in 1980 as part of the National Energy Program. In 1984, it was agreed that the tax would be scrapped as part of the Western Accord signed on 28 March 1985. Provincial governments had wanted the tax removed immediately thereafter, but the federal government was not prepared to forego such a large source of revenue at one time. Its abolition will marginally improve the cash flow of the larger oil companies.

Health—Canada
Health Act—Alberta

Extra-billing ends in Alberta. The province was the last holdout against the provision of the *Canada Health Act, 1982*, which banned extra-billing by doctors and authorized the federal government to withhold federal payments to provinces in the amount extra-billed by doctors. Unlike Ontario (see entry for 19 June), doctors who extra-bill will not be fined. Those found guilty of extra-billing will be given an initial warning and if they persist will be forced out of the Alberta Health Care Insurance Plan. A total of \$29.03 million in federal funds withheld from the province is to be returned by early December.

16 October
Canada-U.S. Trade
Relations—Ex-
ports—Softwood
Lumber; Forestry—
Exports

The United States Commerce Department (USCD) rules that imports of Canadian softwood lumber are to be penalized because they are unfairly subsidized. The ruling finds that timber pricing practices in British Columbia, Alberta, Ontario and Quebec constitute subsidies because they are provided "at preferential prices to a specific industry or group". The USCD imposes a 15 per cent import duty on most of the \$4 billion of annual Canadian lumber exports to the United States. Under U.S. trade laws, the Commerce Department has until 30 December to make a final ruling on the decision. Until the issue is resolved, Canada must pay post bonds in anticipation of the 15 per cent duty.

In Ottawa, Minister of International Trade Pat Carney responds, charging that the ruling infringes on Canada's right as a sovereign nation to set its own resource policies, and fires off a strongly-worded diplomatic note attacking the duty.

20 October
Elections—
Saskatchewan

Premier Grant Devine leads his Progressive Conservative party back to power—albeit with a reduced majority—in Saskatchewan, capturing 38 of 64 legislative seats. The New Democratic Party will form the official opposition with 25 seats, and the Liberals capture one.

22 October
*Elections—British
Columbia*

Premier Bill Vander Zalm leads his Social Credit Party to victory in British Columbia, winning 49 seats in the 69-seat provincial legislature. The New Democrats form the official opposition with twenty seats.

31 October
*Government
Procurement*

The federal government awards Canadair Ltd. of Montreal a \$103-million contract to maintain Canada's fleet of front-line CF-18 jet fighters, despite the fact that the runner up, Bristol Aerospace of Winnipeg submitted the lower bid and had more evaluation points on technical competence from a team of 75 civil servants. Amid the outcry in Manitoba and western Canada generally, Manitoba Premier Howard Pawley demands an immediate explanation from the Prime Minister.

*Crown Corpora-
tions—Privatization*

Canadair Ltd. is sold by the federal government to Bombardier Inc. for \$120 million plus a possible \$120 million in royalties.

3 November
*Government
Procurement*

Manitoba Premier Pawley leads a delegation of Manitoba's political, business and labour leaders to a meeting with the Prime Minister to express their anger over the awarding of the CF-18 contract to Canadair of Montreal. In addition to the premier are Winnipeg Mayor Bill Norrie and John Doole of the Winnipeg Chamber of Commerce. Ninety minutes of discussion fail to bring about any significant results, with Mr. Mulroney emerging to insist that he had acted in the best interests of the country as a whole.

18 November
*Canada-U.S. Trade
Relations—
Softwood Lumber;
Forestry—Exports*

At a federal-provincial meeting on the Canada-U.S. lumber dispute in Ottawa, International Trade Minister Pat Carney fails to settle an interprovincial dispute between British Columbia and Ontario over the means by which Canada should respond to the U.S. Commerce Department ruling on softwood lumber. British Columbia wants to negotiate a compromise with the U.S. before the legal deadline of 30 November, while Ontario takes the position that the tariff should be fought through legal means. No consensus is reached. The next day, over the objections of the

21 November

*Canada-U.S. Trade
Relations—
Softwood Lumber;
Forestry—Exports*

British Columbia government, Ontario mounts a legal challenge in the United States to the ruling, filing a notice of objection in the U.S. Trade Court.

Ottawa and the provinces meet in Ottawa to discuss the U.S. lumber ruling. The federal government and those of the major lumber-producing provinces agree that, pending U.S. approval, a 15 per cent export tax will be placed on all lumber exports in return for the dropping of the import duty by the U.S. Ottawa and governments of Quebec and British Columbia endorse the plan, while those of Ontario, Nova Scotia and New Brunswick object. Details of the plan are delivered to the U.S. Department of Commerce on 26 November.

2-3 December

*Council of
Maritime Premiers;
Deregulation—
Transportation*

The Council of Maritime Premiers meets in Fredericton, N.B. Foremost on the agenda is the federal government's transportation deregulation plans, which they criticize as being detrimental to the interests of Atlantic Canadians. Once more, the premiers seek a meeting with federal Transportation Minister John Crosbie to seek changes to the proposed legislation, including the insertion of a clause ensuring that regional development would take precedence over a profitable transportation service when the two conflict. Regarding the Atlantic Canada Opportunities Agency, the details of which had not yet been released, the premiers express their skepticism that the programme would produce lasting benefits to the region, citing a long history of failed regional development initiatives in Atlantic Canada.

4 December

*Deregulation—
Financial
Institutions—
Ontario*

Ontario Financial Institutions Minister Monte Quinter announces in the Ontario Legislature the province's plans to relax its ownership restrictions on the securities industry effective Spring 1987 to allow unlimited competition in the capital market. Under the new rules foreigners, banks and trust companies will be permitted to take over stock brokerages in the province in moves that the government hopes will give the financial services industry the capital it

needs to compete in the highly-competitive international market. The new legislation will permit banks, trust companies and other non-financial firms to buy 100 per cent of stock brokers as of 30 June 1987; foreign interests will be able to buy 50 per cent of investment dealers, and 100 per cent a year later.

9 December
Agriculture—Assistance

Prime Minister Mulroney announces at the end of the annual Agricultural Outlook Conference in Ottawa that Canadian farmers will get a preliminary payment of \$300 million from the \$1-billion federal farm assistance programme. Under the Special Canadian Grains Program, the maximum payment per farmer will be \$25,000 with growers of spring and durham wheat, barley and oats, rye, mixed grains, grain corn, soybeans, canola, flax and sunflower seeds eligible. The remaining \$700 million is to be paid in the spring.

18 December
Supreme Court—Sunday Shopping—Ontario

The Supreme Court of Ontario rules that an Ontario law restricting Sunday shopping is valid, although it infringes upon constitutional guarantees of freedom of religion to some extent. The Court rules that, although the law infringes upon the rights of those for whom Saturday is the Sabbath—most notably Jews and Seventh-Day Adventists—this infringement is reasonable and, under Section 1 of the Charter of Rights and Freedoms, "demonstrably justified in a free and democratic society". The Justices rule that the Ontario law is essentially a secular one aimed at establishing a common pause day. The ruling draws particular attention since the Supreme Court of Canada earlier struck down the Lord's Day Act used to restrict Sunday shopping in Alberta as unconstitutional because it had a religious purpose.

18 December
Deregulation—Financial Institutions

Minister of State for Finance Tom Hockin outlines the federal government's new rules governing financial institutions. The regulations mean that consumers will be able to deposit and withdraw money, buy stocks and bonds, arrange loans and mortgages and obtain investment advice and portfolio management all within the walls of one branch of a financial

institution. The new rules require large trust, loan and insurance companies with non-financial owners to have at least 35 per cent of their voting shares publicly traded on stock exchanges and widely held by investors. Only the sale of insurance will remain out of the services offered under one roof. Ottawa will also consolidate its regulation of federally registered financial institutions under the control of a new super-agency to be called the Superintendent of Financial Institutions.

22 December
Language Policy—
Quebec; Quebec
Bill 101

The Quebec Court of appeal rules that the Quebec government went too far in enacting legislation in 1977 which required French-only commercial signs. The ruling invalidates four sections of *Bill 101* on the grounds that they contravene clauses in the Canadian and Quebec *Charters of Rights and Freedoms* guaranteeing freedom of expression. *Bill 101* had ordered that all commercial signs in Quebec be in French only.

The Quebec government requests time to study the ruling before deciding whether to amend the Quebec Language law to allow bilingual signs, or to appeal the case to the Supreme Court of Canada.

30 December
Canada-U.S. Trade
Relations—
Softwood Lumber;
Forestry—Exports

A deal is reached between the United States and Canada averting the imposition of countervailing duties of 15 per cent on the \$4 billion worth of Canadian softwood lumber exports. The deal calls for the federal Government to impose a new 15 per cent export tax on Canadian softwood exports to the United States, which means that the revenues generated from such a tax will remain in Canada. Under the pact, the tax will eventually be replaced by higher fees charged by the provinces to lumber companies, although U.S. approval is needed for the calculation of the value of measures Canada uses to replace the tax. The pact may be cancelled by either side with 30 days notice.

1987**15 January**
*Northwest
Territories—
Division*

After lengthy negotiations, a tentative agreement for the division of the Northwest Territories is reached by native groups at Iqaluit—formerly Frobisher Bay—Northwest Territories. The agreement is between the Dene Indians and Métis Association of the Northwest Territories on the one hand, and the Inuit, represented by the Nunavut Constitutional Forum, on the other. The new proposed territories are Denendeh, covering the western N.W.T. and Mackenzie Valley; and Nunavut in the East. The agreement has three main components: a consensus on the boundary between the two territories, principles for the development of their constitutions and the inclusion of the oil and gas-rich Beaufort Sea in the western territory. The agreement also contains a commitment to develop resource revenue-sharing mechanisms between the two territories.

21 January
Free Trade

United States Vice-President George Bush and Secretary of State James Baker arrive in Ottawa for a half-day meeting with Prime Minister Mulroney and Finance Minister Michael Wilson on free trade. Mr. Mulroney conveys his concern that the free trade talks have to be given a higher priority by the U.S. administration.

23 January
*Canada-France
Relations—
Fisheries*

France and Canada sign an "interim agreement" in Paris undertaking both to resolve their long-simmering dispute over boundaries and northern cod quotas and to send the dispute to international arbitration. Under the agreement, nine French factory trawlers from continental France are assigned quotas and given access both to the disputed waters off the French islands of St. Pierre and Miquelon and the Gulf of Saint Lawrence; ships from the French islands are allowed to take a quota of 3,500 tonnes from the Gulf. Newfoundland Premier Brian Peckford, furious that the federal government had not involved Newfoundland in the final negotiations, condemns the agreement, labelling it a sellout by the

5 February
*Federal-Provincial-
 Municipal Rela-
 tions—Water
 Delivery*

federal government of Canadian fishermen, and calls for a meeting of the premiers.

Federal Environment Minister Tom McMillan announces to Canada's municipal governments that there will be no federal money for a proposed \$12-billion federal-provincial-municipal project to rebuild the country's aging water-delivery infrastructure. Instead, he suggests that Canada's municipalities increase the price of water they sell to finance the massive expenditures required. Most of the provinces had supported the Federation of Canadian Municipalities plan.

9 February
*Premiers' Meet-
 ings—Fisheries*

Eight provincial premiers meet in Toronto at the request of Newfoundland Premier Brian Peckford to discuss the implications for the provinces of the controversial Canada-France fisheries deal. Provincial delegates to the Canada-France negotiations were absent when the interim agreement was put in final form and signed. The premiers agreed that, although Ottawa has exclusive rights in concluding treaties, provinces have exclusive rights over natural resources. Since fish is a Newfoundland resource, they argue, the province should have been involved.

18 February
Budgets, Federal

Federal Finance Minister Michael Wilson delivers his 1987 budget, projecting a \$29-billion deficit. In what is considered by most to be a "stand pat" budget designed to set the stage for his comprehensive tax reform proposals later in the year, Mr. Wilson announces tax increases on a variety of items including gasoline, cigarettes and snack foods. He projects a deficit for the 1987-1988 fiscal year of \$29.3 billion, down from \$32 billion in the current fiscal year.

*Language Policy—
 Education—
 Saskatchewan*

In a ruling hailed by the francophone groups of the province as a great step towards reviving Saskatchewan's French culture, a Saskatchewan Court of Queen's Bench ruling gives the province's francophones the right to "management and control" of French-language schools in the province. In 1986 twelve "fransaskois" groups had asked the court to

decide if the province was complying with a Charter of Rights provision guaranteeing French language minorities schools and instruction where numbers warrant; the Court decided it was not. In his ruling, Justice Charles Wimmer holds that French education is essential to the development of French culture in the province, and that "Given management and control of their own schools, francophones will slowly start to assert their own rights." Justice Wimmer, however, leaves it up to the provincial government to decide how the new control given to francophones will be exercised. Wimmer's ruling also states:

- French language schools must match the quality of anglophone schools;
- anglophones who want French instruction must receive it in anglophone schools;
- the education minister cannot refuse to provide communities with French-language instruction on the grounds it will no longer be required in three years; and
- francophones applying for French language instruction do not have to live in the same school division.

26 February
Language Policy—
Quebec

Quebec Justice Minister Herbert Marx announces that Quebec will appeal the Quebec Court of Appeal ruling that struck down *Bill 101*'s French-only sign provision to the Supreme Court. According to Marx, the appeal will have no impact on the government's forthcoming decision about how to handle the thorny question of language on signs. Rather, the government is appealing the case for "technical reasons", namely, to test the scope of freedom of expression guarantees in commercial messages.

9 March
Environment—Acid
Rain—Federal-
Provincial Relations

The governments of Canada and Prince Edward Island sign an accord aimed at reducing sulphur dioxide emissions. Although the federal government and the seven provinces east of Saskatchewan had reached an oral agreement to reduce acidic emissions in 1985, this agreement, according to federal En-

vironment Minister Tom McMillan, is the first between the federal Government and a province to follow it up. It calls for the province to reduce acidic emissions by 17 per cent by 1994.

The same day a similar pact is signed between the governments of Canada and Newfoundland and, the next day, with the government of Ontario. The agreements collectively require the three provinces to reduce acidic emissions by more than 1.3 million tonnes by 1994, and are part of Canada's commitment to reduce national sulphur dioxide levels from the 1980 level of 4.6 million tonnes per year to 2.3 million tonnes by 1994. The federal government was concerned that the 1985 agreement be honoured in writing before the Mulroney-Reagan meetings on 5-6 April.

11 March
*Federal-Provincial
Fiscal Relations—
Equalization*

Federal Finance Minister Michael Wilson tables the equalization figures for the upcoming fiscal year (31 March 1987 to 31 March 1988). The bill provides for \$5.6 billion in payments to the seven poorest provinces—Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, Quebec, Manitoba and Saskatchewan; this represents a 5.7 per cent increase over the previous year. In 1988-89, payments are to increase by 6.2 per cent over this year.

*Free Trade—
Federal-Provincial
Relations*

Prime Minister Mulroney and the ten premiers meet with International Trade Minister Pat Carney and free trade negotiators to discuss progress in the Canada-U.S. free trade negotiations. The premiers are promised that the issue of provincial ratification of a free trade agreement would be addressed in June.

17 March
*Canada-France
Relations—
Fisheries*

Canada closes all its ports to French fishing vessels in response to alleged overfishing by the French in disputed waters off Newfoundland.

26-27 March
*First Ministers'
Conference on
Aboriginal Constitu-
tional Matters*

The First Ministers' Conference on Aboriginal Constitutional Matters convenes in Ottawa to attempt to reach an agreement on aboriginal self-government. This is the third and final meeting provided for in a 1983 constitutional agreement through which a decision by the federal and provincial governments on aboriginal self-government was to be reached. The conference had been preceded by lengthy discussions between both levels of government and native organizations seeking agreement on the wording of a constitutional amendment that would entrench aboriginal self-government in the Constitution.

Throughout the conference, argument centred upon the circumstances under which aboriginal self-government could be included in the Constitution. The provinces argued that self-government, like any other aboriginal right, can be entrenched in the Constitution only after its substance has been negotiated in advance, making it a contingent rather than an inherent right. Native groups, on the other hand, argued the opposite: that self-government, as an inherent right, should be included first, with the substance to be negotiated later.

The participants were unable to reach agreement on any of the substantive issues and the conference failed when four provinces—British Columbia, Alberta, Saskatchewan and Newfoundland—and native leaders rejected a compromise proposal by Prime Minister Mulroney.

2-3 April
*Telecommunica-
tions—Federal-
Provincial Relations*

Canada's federal and provincial communication ministers meet in Edmonton to discuss ways to develop a national telecommunications policy. Federal Communications Minister Flora MacDonald announces that she and her provincial counterparts had made some progress in that regard by agreeing to six principles which they hoped would form the basis of a new policy. The six are:

- a Canadian approach to the country's telecommunications problems and policies;

- there should be universal access to basic phone services at affordable prices;
- the international competitiveness of Canadian industry is to be maintained;
- technological progress in the field should benefit all Canadians;
- the goal of telecommunications policy should be fair and balanced regional development; and
- the need for government to assume responsibility for policy development.

She also announces the formation of a federal-provincial committee to determine how to put those principles into action.

3 April

Regional Development—Prince Edward Island

The governments of Canada and Prince Edward Island sign a five-year, \$23.5 million agreement to attract new investment and strengthen the province's industrial base. The agreement is the thirteenth to be signed under the Prince Edward Island Economic and Regional Development Agreement (ERDA) since its inception in 1984.

5-6 April

Canada-U.S. Relations—Summits; Acid Rain; Arctic Sovereignty

United States President Ronald Reagan and Prime Minister Mulroney hold their third annual summit meeting in Ottawa. High on the agenda is acid rain; Mr. Mulroney makes a proposal for a binding, non-partisan treaty to deal with the problem, in which the Canadian government, the Reagan administration and the U.S. Congress would agree to targets and schedules for emission reduction in both countries. Mr. Reagan agrees to consider the proposal but makes no commitments.

In private session, Mr. Mulroney reiterates Canada's position on Arctic sovereignty: that the waters around the Canadian Arctic archipelago should be considered internal Canadian waters. Mr. Reagan, in his 6 April address to Parliament, states that he and Mr. Mulroney are "determined to find a solution based on mutual respect for sovereignty and our common security and other interests". In addition, the

two leaders discuss Canada's proposal to license film and video imports, with Mr. Reagan questioning whether the proposed policy would impede the flow of American films into Canada.

In conjunction with the leaders' two-day summit, External Affairs Minister Joe Clark holds talks with U.S. Secretary of State George Shultz on matters of mutual interest.

6 April

Supreme Court— Charter of Rights and Freedoms

In a series of judgments widely interpreted as major blows to Canada's labour movement, the Supreme Court of Canada rules that the Constitution's guarantee of freedom of association does not include the right to strike or to bargain collectively. The court, in three separate 4-2 judgments, upholds federal, Alberta and Saskatchewan laws that limited workers' right to strike, arbitrarily set their wages and called for compulsory arbitration in certain cases. The unions had argued that Section 2(d) of the Charter of Rights and Freedoms, which guarantees "freedom of association", also includes the right to strike. The Court, however, rules that because those who drafted the Constitution make no reference to the right to strike, it cannot be deemed a right that requires constitutional protection. The judgment dealt with the following appeals: more than 50,000 Alberta workers, including hospital workers, municipal police and firefighters, had challenged a law that prohibited them from striking and forced them to submit to binding arbitration; the Public Service Alliance of Canada had asked the court to declare the federal wage restraint law of 1982, which imposed ceilings of six and five per cent, unconstitutional; the Saskatchewan government had asked the Supreme Court to overturn a lower-court ruling that declared unconstitutional a provincial law making it illegal for provincial dairy workers to walk off the job.

7 April*Interprovincial
Relations—Quebec-
Ontario*

The Ontario Government officially opens an office in Quebec City in what is described as a bid to strengthen relations between the two provinces (Quebec set up an office in Ontario in 1971). The government office is to promote the image of Ontario and provide information on the province's laws, business contracts, income tax and French-language services.

10 April*Environment—Acid
Rain—Federal-
Provincial Relations*

Manitoba becomes the fifth province to sign an agreement with the federal Government for the reduction of sulphur dioxide emissions. In the agreement, Manitoba agrees to reduce its acidic emissions by about 25 per cent over the next seven years—from 738,000 tonnes to 550,000 tonnes by 31 December 1994.

11 April*Crown Corpora-
tions—Privatization*

The federal crown corporation Teleglobe Canada, which handles Canada's overseas telephone and Telex traffic, is sold to Memotec Data Inc. for \$483 million, plus a \$106-million special dividend.

15 April*Supreme Court—
Appointments*

Prime Minister Mulroney appoints Madame Justice Claire L'Heureux-Dubé of Quebec City to the Supreme Court. She joins Madame Justice Bertha Wilson as the Supreme Court's second woman justice.

19 April*Environment—
Provincial-Interna-
tional Relations*

Ontario Premier David Peterson and Michigan Governor James Blanchard sign a series of general co-operation agreements in the areas of transportation, agriculture, trade and investment, science and technology, environment, education and natural resources. The major section of the pact is the establishment of a joint Maritime Advisory Committee, under the auspices of state and provincial transportation departments, which will look at issues concerning the Great Lakes and St. Lawrence Seaway.

27 April*Regulation—
Securities In-
dustry—Ontario*

The federal government and the government of Ontario reach an agreement respecting the regulation of the province's securities industry. For months, Ottawa and the provinces had been holding discussions over who has jurisdiction over what aspects of

the financial industry. Ontario's regulations concerned ownership of securities firms, and required any firm participating in the securities market to register with provincial authorities. Ottawa was concerned because banks, which also deal in securities, are regulated solely by the federal government. Provincial initiatives by Ontario and British Columbia to regulate more closely the securities industries in their provinces were interpreted by the federal government as a threat to federal jurisdiction over financial institutions.

Under the terms of the agreement, Ontario will regulate securities and affiliates of federally chartered banks as well as those of trust and insurance companies operating in the province. It will also have control over such stock activities as share-trading, mutual funds and underwriting corporate securities. For its part, Ottawa is to regulate the securities activities that federally-chartered institutions carry on in-house. The deal will also enable banks, insurance and trust companies—"three pillars" of the Canadian financial system—to buy into the fourth: brokerage houses.

The Ottawa-Ontario deal is denounced by the other provinces—particularly Quebec—as a sellout of provincial jurisdiction over securities.

30 April
*Constitution—
Meech Lake Accord*

Meeting at Meech Lake, Quebec, Prime Minister Mulroney and the ten provincial premiers reach an agreement-in-principle, thereafter known as the Meech Lake accord, resolving Quebec's constitutional grievances. There are essentially five main points to the agreement:

- Constitutional recognition of Quebec as constituting a distinct society;
- newly-defined roles for all provinces in appointments to the Senate and the Supreme Court of Canada;

- provision for federal-provincial agreements relating to immigration policy;
- the right for all provinces to opt out of future shared-cost programmes with full financial compensation; and
- a promise from Mr. Mulroney to discuss further constitutional changes, including Senate reform, by the end of 1988.

3 May

Mining and Gas Industries—Tax Incentives

Federal Energy Minister Marcel Masse announces the \$200 million-a-year Canadian Exploration Incentive Program (CEIP), which is to encourage activity in the mining and gas exploration sectors. The programme, which was developed by Finance Minister Michael Wilson to replace the much criticized removal of incentives like flow-through shares, is to begin as these cuts take effect on 1 October.

7 May

Deregulation—Financial Institutions

Federal Minister of State for Financial Institutions Tom Hockin tables legislation in the Commons to permit federally-regulated financial institutions, including banks, to own securities dealers. It also contains provisions that empower the minister to review transfers of ownership, broadening the supervisory powers of federal regulators and raising financial standards for insurance companies. The move is in response to the Ottawa-Ontario accord on financial institutions reached 27 April. Ontario has announced similar legislation for financial institutions under its jurisdiction. The federal legislation represents the first time banks will have been allowed to operate in securities markets since the stock market crash of 1929.

11 May

Constitution—Meech Lake Accord

Prime Minister Mulroney proposes to the House of Commons that the House fully endorse the Meech Lake Agreement of 30 April. All members, including the leaders of the three parties, support the agreement-in-principle.

26-27 May
*Western Premiers'
Conferences; Con-
stitution—Meech
Lake Accord;
Agriculture*

The premiers of the four western provinces gather in Humboldt, Saskatchewan, for the Western Premiers' Conference, where they reaffirm their support for the Meech Lake Constitutional Accord and reject former Prime Minister Pierre Trudeau's criticisms of the agreement. In another development, the premiers call on Ottawa to make an early announcement for "an increased and substantial deficiency payment" to western grain farmers, estimating that at least \$1.6 billion is needed to bring Prairie farmers' incomes back up to 1981 levels. On western diversification, the premiers agree to set up a working group of ministers charged with reviewing the matter.

27 May
*Constitution—
Meech Lake Accord*

Former Prime Minister Trudeau lashes out at the proposed Meech Lake Constitutional Accord and those who signed it, charging that the changes the Accord would bring would render the Canadian state "totally impotent", adding "What a dark day for Canada was this 30 April 1987". In criticizing the federal government for giving up significant powers over appointments to the Supreme Court and Senate, he characterizes Prime Minister Mulroney as a "weakling" and the premiers as lacking the courage to stand up against Quebec nationalists. Mr. Trudeau saves special criticism for the designation in the Accord of Quebec as a "distinct society," and all that the designation entails. Those who never wanted a bilingual Canada, he says, get their wish "with the recognition of the existence of French-speaking Canadians and English-speaking Canadians... those Canadians who fought for a single Canada, bilingual and multi-cultural, can say goodbye to their dream".

Mr. Mulroney's response to the broadside was to characterize it as typical of a bygone era: "You can have the old style warring federalism or you can have genuine co-operative federalism on which we're trying to build a new country".

31 May
*Reform Association
of Canada*

Bound by their dissatisfaction with the political *status quo* in Canada, delegates to the founding convention in Vancouver of the Reform Association of Canada vote to support the idea of a broadly-based federal political party to advance the West's economic and constitutional concerns. According to key organizer Preston Manning, the party's aim will be to attract disaffected westerners from all three existing political parties.

2-3 June
*Constitution—
Meech Lake Accord*

After 19 straight hours of negotiations involving the Prime Minister and the Premiers at the Langevin Block in Ottawa, Mr. Mulroney announces that an agreement has been reached on the provisions and legal wording of the 1987 Constitutional Accord. The document, known as the Langevin text, contains unanimous agreement on the following points:

- that the Constitution would recognize the existence of French-speaking Canadians centred in Quebec but present elsewhere in Canada and English-speaking Canadians concentrated outside of Quebec but also present in Quebec, and recognition of Quebec as a distinct society within Canada;
- the provinces are granted the right to opt out of national shared-cost programmes and still receive financial compensation providing they supply a similar programme in the province that meets the national objectives;
- Senate appointments will be made by the federal Government but candidates will be chosen from lists submitted by the provinces;
- Supreme Court Justices will be chosen in the same manner, with Quebec guaranteed three justices;
- constitutional recognition of federal-provincial immigration agreements—such as those negotiated between the governments of Quebec and Canada since 1971—which allow the provinces a more active role in the process, is granted; and
- all amendments affecting the House of Commons, the powers of the Senate and the selection and

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- all amendments affecting the House of Commons, the powers of the Senate and the selection and

residence qualifications of Senators, the Supreme Court of Canada, the extension of new provinces into the Territories, and the creation of new provinces, are to require the consent of Parliament and all provincial legislatures.

6 June

Regional Development—Atlantic Canada Opportunities Agency

Prime Minister Mulroney announces in St. John's the development of a new Atlantic development agency. The Atlantic Canada Opportunities Agency (ACOA), promised by the Prime Minister in October 1986, is to be based in Moncton, N.B. and will be headed by Donald McPhail, Canada's former ambassador to West Germany. The minister responsible for ACOA will be Senator Lowell Murray, Minister of State for Federal-Provincial Relations. With a budget of \$1.05 billion over five years, the agency is to concentrate on promoting small and medium-sized businesses in the Atlantic region as well as coordinating all federal economic programmes in the region. According to Mr. Mulroney, ACOA will succeed where other agencies have failed because it will keep decision-making within the Atlantic region. Besides its own budget, ACOA will absorb a number of programmes and funding now administered by the Department of Regional Industrial Expansion (DRIE), such as the Atlantic Enterprise Program. DRIE is to continue to be responsible for national industrial policy and major industrial projects.

14-16 June

Eastern Canadian Premiers and New England Governors

The Eastern Canadian Premiers and New England Governors hold their annual conference in Halifax, Nova Scotia. Most of the discussions are about environmental issues, particularly acid rain; the six governors and five premiers agree to consult more closely on monitoring and on development projects that might cause acid rain. Also, the group reaffirms its commitment to offshore oil and gas development and the construction of a gas pipeline from Nova Scotia to New England.

18 June*Energy Regulation—**Hydroelectricity*

The National Energy Board announces that it has rejected an application by Hydro-Québec to export \$13 billion in hydroelectricity to the New England states. The bid is rejected because the Quebec utility did not present enough evidence to convince the N.E.B. that all the power to be exported was surplus to Canadian requirements, as required by regulation. The Quebec plan had been opposed by the electrical utilities of Ontario, Newfoundland, New Brunswick and Prince Edward Island.

Tax Reform

Finance Minister Michael Wilson reveals his proposals for federal tax reform in a White Paper on Tax Reform as a prelude to the actual tax reform legislation. The general principles of the paper include a reduction of corporate taxes, while at the same time closing many corporate tax loopholes; the introduction of a minimum tax on financial institutions, including insurance companies; a reduction of personal income tax brackets from ten to three; an increase in child-tax credits; and a tightening of provisions for people or companies attempting to avoid paying taxes.

23 June*Constitution—**Meech Lake Accord*

The Quebec National Assembly votes 95-18 to ratify the Meech Lake accord. The vote split along party lines, with Liberals supporting and Parti Québécois opposing the resolution.

24 June*Environment—*
Regulation

Federal Environment Minister Tom McMillan introduces *Bill C-74*, his new Environmental Protection Act in the Commons, pledging \$37 million over the next five years to enforce the law. The proposed act prescribes up to \$1-million-a-day fines for corporate polluters and jail terms of up to five years. McMillan tells the Commons that previous federal governments have failed to keep environmental law in tune with growing demand for tough action against polluters and pollution. This new act, he asserts, is intended to redress this situation.

The most controversial aspect of the bill, however, is what its critics term its "Meech Lake sellout" of

federal authority. The bill requires Ottawa to consult with the provinces before taking action against environmental polluters; this, it is charged, in effect gives the provinces sweeping new veto powers over federal action.

On 25 November Mr. McMillan, appearing before a parliamentary committee, announces that he will amend the legislation. The amended version allows Ottawa to bring in pollution controls but, if a province has its own plan that is just as strong, the two levels of government are to negotiate an agreement. This revision meets with renewed charges that the federal Government is abdicating its responsibility over the environment to the provinces.

25 June

Language Policy— Official Languages Act

Federal Justice Minister Ray Hnatyshyn tables a new Official Languages Act in the Commons. *Bill C-72* updates the 18-year-old *Official languages Act* that brought official bilingualism to the public service. The act requires the federal government not just to protect official-language minorities but to promote the vitality of their community life as well. In addition, the bill:

- provides for more flexibility in designating what federal services will be provided in both official languages;
- gives more authority to the Commissioner of Official Languages, including the right to go to the courts if his directives are not followed;
- broadens the legal recourse available to those who feel their rights are not being observed; and
- states that English and French are the official languages of the courts, and either language may be used by any person in any federal court.

Supreme Court— Separate Schools— Ontario

The Supreme Court of Canada rules unanimously that Ontario has the constitutional authority to extend full public financing to Catholic high schools, and that this extension does not violate the guarantee of religious freedom in the Canadian Charter of Rights

and Freedoms. *Bill 30*, the plan to extend the funding, was announced by then Conservative Premier Bill Davis in 1984 and passed by the Liberal government in 1986. The main opponents of the bill—most notably the Metropolitan Toronto School Board—argued that *Bill 30* was unlawful because it contravened the Charter. Other groups, including the Canadian Jewish Congress, argued that the funding legislation can be constitutional only if it is extended to all religious schools. Both Alberta and Quebec intervened on behalf of Ontario in the case, supporting its successful claim that provinces have the right under section 93 of the Constitution to create or extend denominational education systems as they see fit.

30 June
Capital Punishment

Reflecting a major change in opinion among many Conservative Members of Parliament, the Commons decide by a substantial 21-vote margin not to reinstate the death penalty in Canada. The count for the free vote is 127 in favour of the death penalty, 148 against. During the process leading to the vote at least twenty-five Conservatives and six Liberals abandoned their pro-capital punishment stances since the last election in 1984. Prime Minister Mulroney had intervened strongly in the debates on the side of the abolitionists.

30 June
*Deregulation—
Securities In-
dustry—Ontario*

Access to Ontario's securities market is widened as the *Ontario Securities Act*, given cabinet approval 17 June, goes into effect today. Under the new regulations—nicknamed the "Big Bang" after similar changes in London's financial industry in 1986—companies that had previously been banned or restricted from parts of the securities market will be able to enter the market. Banks, trust companies and insurance firms are now allowed to own or operate an investment firm. Foreign dealers are granted limited access to the market for one year, and by 30 June 1988 will be on an equal footing with other Canadian dealers.

7 July
Free Trade

The provincial premiers gather in Ottawa to be briefed on the free trade negotiations. Ontario Premier Peterson announces, following the briefing, that there was "no way" he could give his approval-in-principle to Ottawa's position at this time.

11 July
*National Parks—
Federal-Provincial
Relations*

Prime Minister Mulroney and British Columbia Premier William Vander Zalm sign an agreement in Victoria creating a new 145,000 hectare national park in the South Moresby region of the Queen Charlotte Islands. The ceremony is the culmination of two years of negotiations between the federal and provincial governments. The plan was initiated in 1985 when federal Environment Minister Tom McMillan proposed to create the park after a series of bitter confrontations between loggers and Haida Indians. Ottawa committed \$106 million to the project, with both Ottawa and British Columbia sharing the costs of compensating the loggers and forestry companies.

13 July
*Regional Develop-
ment—Northern
Ontario*

Federal Solicitor General James Kelleher announces a programme to encourage the development of small and medium-sized businesses in Northern Ontario. The Special Northern Ontario Development Program will supply grants, loans, interest rate subsidies and loan guarantees worth \$100 million over five years to the Northern region.

22 July
*Telecommunica-
tions—Regulation*

Communications Minister Flora MacDonald announces the government's new telecommunications policy. The new policy commits the government to promoting more competition in some segments of the telecommunications business and points towards the establishment of a more uniform regulatory structure in Canada. The policy proposes to establish two categories of telecommunications carriers. The first, called Type I, will include companies which own and operate interprovincial and international networks; these will be allowed to compete among themselves, but new entrants will be limited. Type II companies can lease facilities from the national carriers, and then sell services to the public. Unfettered competi-

tion will be allowed in this business with no foreign ownership restrictions.

The new policy, however, does not address the contentious issues of competition in the long-distance market and the allowing of competitors to provide services by hooking up to provincial monopolies, leaving those issues to be decided either through federal-provincial negotiation or, failing that, through the Supreme Court.

2 August
*Regional Development—Western
Diversification Office*

Prime Minister Mulroney announces the establishment of a \$1.2-billion fund to diversify Western Canada's economy. The new Edmonton-based Western Diversification Office (WDO) will provide grants to businesses, local governments and universities over five years to lessen the West's dependence on oil and agriculture. The WDO is to work together with the provinces in encouraging worthwhile development projects. Money for the programme is to come from unallocated funds already in the federal budget; in addition, approximately \$200 million will be transferred from the Department of Regional Industrial Expansion. The WDO is to be headed up by Indian Affairs Minister Bill McKnight.

21 August
*Canada-U.S. Trade
Relations—Exports—Potash*

The United States Department of Commerce hands down a preliminary ruling that Canadian potash producers are dumping their product in the United States and prescribes duties of up to 85.2 per cent on Canadian potash exports to the U.S. On 1 September, Saskatchewan Premier Grant Devine, whose province is the world's largest producer of potash, retaliates with the Potash Resources Act, which sets strict production quotas on the Saskatchewan industry, thereby sharply curtailing exports of Saskatchewan potash to the United States. Devine later travels to New York to warn the fertilizer industry that "The entire U.S. agriculture industry will pay through the nose for the potash ruling."

27-28 August
Annual Premiers' Conferences; Constitution—Meech Lake Accord; Senate Reform

Canada's premiers gather in Saint John for the Twenty-eighth Annual Premiers' Conference, where constitutional issues, international trade and federal-provincial fiscal relations dominate discussions.

The premiers agree not to seek any changes to the Meech Lake Accord until after the Accord is ratified. In addition, they decide to postpone until the 1988 Constitutional Conference formal discussion of requests by territorial leaders to retain the present formula required for constitutional amendment—the consent of seven provinces representing half Canada's population—for the admission of new provinces to Canada. (Yukon Government leader Tony Pennikett had urged the premiers not to adopt the Meech Lake amending formula which would require the approval of all ten provinces and the federal government for such amendments.)

The premiers also choose to delay any discussion of Senate reform until the upcoming Constitutional conference, despite efforts by Alberta Premier Donald Getty to push for his proposed "Triple E Senate" (Effective, Elected, Equal).

During the premiers' discussion on trade there is strong support for retaliatory action taken by Saskatchewan Premier Grant Devine against the proposed U.S. tariff on Canadian potash exports.

28 August
Transportation—Deregulation

Two bills deregulating the country's transportation industry receive royal assent today. The legislative process behind the two—*Bill C-18*, the *National Transportation Act*, and *Bill C-19*, the *Motor Vehicle Transport Act*—began with publication of the 1985 policy paper "Freedom to Move," which advocated sweeping changes to transportation regulation in Canada.

The *National Transportation Act* deals with both rail and air transport. For the railways, it will allow for more competition between rail companies and allow

them to abandon unprofitable lines more easily. Airlines which once had to prove that they were viable operations will now only have to show that they are willing and able to service the routes. The bill also makes it easier for airlines to abandon unprofitable routes.

The *Motor Vehicle Transport Act* relaxes the rules for granting interprovincial licenses to trucking firms. Companies will no longer have to prove that a new service is necessary before starting up. Instead, anyone objecting to the license has to show that competition is not in the public interest.

30 August
Canada-France
Relations—
Fisheries

Prime Minister Brian Mulroney meets with French Prime Minister Jacques Chirac at Meech Lake to explore ways out of deadlock between the two countries over boundaries and fishing quotas. The two agree to resume talks after Mr. Mulroney agrees to change Canada's negotiating team. Montreal lawyer Yves Fortier is named to represent Canada in the new talks.

2-5 September
Francophone Sum-
mit

Prime Minister Mulroney and Quebec Premier Robert Bourassa co-host the second Francophone Summit, which is attended by 41 countries, in Quebec City. Among the items of business conducted at the Summit, Canada agrees to forgive \$325 million in outstanding loans to seven African countries and contribute more in aid to French-speaking Africa. Resolutions are passed condemning South Africa for its policy of apartheid and calling for a peace conference in the Middle East.

10 September
Elections—Ontario

David Peterson leads the Ontario Liberal party to a huge majority in Ontario election. The Liberals take 94 of the province's 130 ridings, the New Democratic Party wins 20 and the Conservatives 16.

13 September
Canada-France
Relations—
Fisheries

France and Canada resume negotiations over their boundary and fishing dispute in Paris.

14 September
*Fisheries—Federal-
Provincial Relations*

The Newfoundland delegation to the Canada-France fisheries negotiations in Paris abandons the talks and its advisory role to the federal negotiators. Later, Newfoundland Premier Peckford outlines his reasons for ordering the action: the federal government, he charges, was prepared unilaterally to offer France access to valuable northern cod stocks in indisputably Canadian waters in return for an agreement to settle the boundary dispute. The talks end without an agreement, but the two sides agree to resume discussions on 6 October.

*Free Trade—First
Ministers' Meetings*

Prime Minister Mulroney meets with the premiers in Ottawa to discuss the development of the free trade talks. At this meeting Chief Negotiator Reisman warns the premiers that, unless the U.S. made more substantive offers in the areas of trade remedy and dispute settlement, the free trade negotiations would fail. Premier Peterson of Ontario had learned officially from Mr. Reisman that the U.S. negotiators had waited until after the 10 September Ontario election before declaring their interest in having the Auto Pact part of the negotiations. Mr. Peterson expresses his surprise, as he claims that only two days earlier Canadian officials and members of the Canadian automobile industry had said that the Auto Pact would not be placed on the table.

21 September
*Constitution—
Meech Lake
Accord; Special
Joint Committee on
the 1987 Constitu-
tional Accord*

The Special Joint Committee of the Senate and the House of Commons on the 1987 Constitutional Accord releases its Report, giving its approval to the Meech Lake Accord, but suggesting that the Prime Minister move to rectify some minor flaws. In particular, the Committee was concerned about the Accord as it related to the Northwest and Yukon Territories. The report questions those aspects of the agreement that grant each existing province a veto over the creation of new ones and those that shut the Territories out of the nominating process for the Supreme Court and Senate. As well, the Committee notes a need for granting greater protection for francophones outside Quebec.

23 September
*Constitution—
Meech Lake Accord*

The Saskatchewan Legislative Assembly votes 43-3 to ratify the Meech Lake Accord. Three New Democrats oppose the bill.

Free Trade

Prime Minister Mulroney announces to the Commons that free trade negotiations with the United States have been suspended because of "unacceptable" American demands in the areas of dispute settlement, culture and regional development grants. Chief negotiator Reisman states: "As far as I'm concerned, it's over. I terminated the negotiations today."

25 September
Free Trade

Finance Minister Wilson and International Trade Minister Pat Carney travel to Washington to meet with U.S. Special Trade Representative Clayton Yeuter and James Baker to explore the possibilities of reviving the free trade negotiations. Marathon discussions towards this end began on 25 September between Canadian and U.S. officials.

2 October
Free Trade

Canada-U.S. free trade negotiations resume following new proposals by U.S. Treasury Secretary Baker on the nature and rules of the dispute-settlement mechanism. The Baker proposals are as follows:

- that the omnibus trade bill, if passed, would not retroactively undermine any terms of a free trade agreement;
- agreement that a new binational tribunal would settle trade disputes between the two countries;
- the new rules under which the tribunal would operate would be drafted and phased in over five years; and
- in the interim, the tribunal would base its discussions on the provisions of current trade laws of the country where the complaint was filed.

3 October
Free Trade

After what have been described as "cliff-hanger" negotiations, Canadian and American negotiators reach agreement on the free trade agreement after racing to meet a Congressional deadline of 3 Oc-

tober. Key elements of the agreement, as announced the next day, include the following:

- the creation of a continental energy market. Canada receives assured market access to the United States in return for giving the U.S. a secure energy supply in periods of shortage;
- the establishment of a new bilateral panel to settle trade disputes;
- a commitment to write new trade rules over five years with a possible three-year extension. The trade tribunal would operate under these new rules;
- each government agrees not to launch countervailing duties or other trade complaints against the other country's imports. However, Canada would still be vulnerable to countervailing actions brought by U.S. industries;
- Canada would benefit from an exemption from the retroactive application of the omnibus trade bill being considered in Congress;
- Canada's regional development subsidies remain protected, but could be affected when the new rules are written;
- Canada would be limited in its ability to screen foreign investment, with the phasing out of scrutiny of indirect takeovers;
- a phased elimination of all tariffs between the two countries;
- an end to all tariffs on agricultural products and the elimination of grain transportation subsidies between the two countries;
- no changes to the Canada-U.S. Auto Pact; and
- a limited agreement on government procurement that would allow firms in each country to compete for federal government contracts in the other country.

6 October

*Free Trade—
Federal-Provincial
Relations*

Prime Minister Mulroney meets with the premiers to discuss the just-concluded Free Trade Agreement. Within two days, provincial positions are announced: British Columbia, Alberta, Saskatchewan, Quebec and New Brunswick support the agreement; Ontario, Manitoba and Prince Edward Island oppose it; Newfoundland and Nova Scotia request more time to study the agreement. Both the latter eventually support the agreement.

6-9 October

*Canada-France
Relations—
Fisheries*

Canadian and French negotiators meet to continue their talks over boundaries and fish. After two days of talks, however, France recalls its negotiators, claiming that the two parties are too far apart and that French fishermen's interests were being "seriously jeopardized" by the low fishing quotas offered by the Canadians.

7 October

Hydroelectricity

Manitoba Energy Minister Jerry Storie announces an agreement between Manitoba Hydro and Ontario Hydro which would send 200 megawatts of Manitoba power to Northwestern Ontario under a five-year, \$500,000 deal to begin in 1998. This is to be in addition to the 80 megawatts of power annually purchased by Ontario from Manitoba Hydro.

8 October

*Environment—Acid
Rain—Federal-
Provincial Relations*

New Brunswick becomes the sixth province to sign a joint agreement with the federal Government on the reduction of sulfur dioxide emissions. The agreement, signed in Fredericton, requires the province to reduce allowable emissions from 215,000 tonnes to 185,000 tonnes by 1984. Premier Hatfield notes that the province is still negotiating with Ottawa over funding for the conversion and anti-pollution equipment necessary for the province to reach the agreed-to limits.

11 October

*Deregulation—
Financial
Institutions—
Quebec*

Quebec releases its White Paper on the reform of financial institutions. The White Paper mounts a rigorous defence of provincial jurisdiction over securities markets; condemns the Ontario-Ottawa agreement of June 1986 which recognized a measure of federal jurisdiction over securities; and states

Quebec's intention to impose no limits on the ownership of financial institutions, including those groups involved in business activities.

The same day, Quebec Associate Minister for Finance and Privatization Pierre Fortier announces a major Quebec initiative to lighten regulations on the province's financial sector, with the aim of encouraging the growth of financial supercompanies better able to compete within modern international markets. He announces plans to table four bills toward this end within the year: the first will allow trust and savings companies to diversify into the securities field; the second will allow foreign-owned insurance companies to incorporate and raise capital in Quebec; another bill is to deal specifically with allowing the huge Desjardins credit union movement to diversify its activities; the fourth bill will allow insurance agents and brokers to form groups or conglomerates to sell all types of insurance, and not have to limit themselves to only one type. These initiatives represent an aggressive incursion by Quebec into the world of regulation of financial institutions and most run contrary to federal guidelines set out by Federal Minister of State for Finance Tom Hockin in 1986.

13 October
*Elections—New
Brunswick*

Richard Hatfield's political dynasty ends as Frank McKenna's Liberals sweep the Conservative Party from power in the New Brunswick election, scoring one of the greatest electoral victories in Canadian history. The Liberals, who had not been in power for 17 years, return with a vengeance, capturing all of the province's 58 seats.

25 October
*Constitution—
Meech Lake Accord*

The House of Commons votes 242 to 16 to ratify the Meech Lake Accord. Eleven Liberals and two New Democrats break ranks with their leaders to oppose the Accord, together with one Independent. The Accord moves on to the Senate, where it is to be debated and voted on.

30 October
*Reform Party of
Canada*

The Reform Party of Canada holds its founding convention in Winnipeg, attended by nearly 400 delegates, and announces its intention to contest the next federal election. Main planks in its platform will be the call for a reformed Senate to provide greater representation for Western Canada and the freeing of Members of Parliament from the bonds of party discipline. The delegates adopt a constitution which calls for a "free enterprise economy," and elect Preston Manning, son of former Alberta Premier Ernest Manning, as the party's first leader.

5 November
*Regulation—Water
Exports*

Federal Environment Minister Thomas McMillan announces his government's long awaited policy on the export of water. In a policy paper tabled in the Commons, the Government announces that it will use its constitutional authority to prohibit large-scale water exports, the largest of which is the proposed \$100-billion Grand Canal project—supported by Quebec Premier Bourassa—which was to bring water from James Bay, through the Great Lakes, to the U.S. Southwest. Although small-scale exports are to be allowed, the federal Government announces its intention to begin negotiations with the provinces to create a system that ensures that such sales do not go against the national interest.

10 November
*International
Trade—Beer and Li-
quor—GATT*

A panel of the General Agreement on Tariffs and Trade rules against Canada and the discriminatory policies of its provinces in the pricing of beer and wine. The panel, acting on a complaint by the European Community, rules that Canada should impose "national treatment standards" on foreign beer, wine and liquor. This would mean, for example, that Canadian provinces might have to drop regulations requiring breweries to produce beer in the province where it is sold. The decision is non-binding, but if Canada does not act upon the finding, it is to go to the full GATT Council.

16 November
*Supreme Court—
 Language
 Policy—Quebec;
 Quebec Bill 101*

Hearings begin in the Supreme Court of Canada over the constitutionality of Quebec's controversial *Bill 101*. The Court is to hear arguments on three cases which will more closely define both Quebec's constitutional right to legislate in language matters and provincial powers to exempt legislation from the protection of the Canadian Charter of Rights and Freedoms.

The three cases involve Allan Singer, a Montreal stationer who refused to take down an English-only sign over his stationery store and had been fighting the Quebec language law virtually since its inception in 1977; the footwear company La Chaussure Brown's Inc., which won the right in Quebec Appeal Court in 1986 to post bilingual signs, a ruling being challenged by the Quebec Government; and Irwin Toy Co., which succeeded last year in overturning a Quebec consumer law banning advertising directed at children younger than 13.

During the hearings, provincial government lawyers argue that it is within Quebec's rights to issue a blanket exemption from the Charter. They cite section 33 of the Charter, which allows certain laws to be passed "notwithstanding" constitutional guarantees. For their part, lawyers for Brown, Singer and Irwin question Quebec's right to exempt its consumer protection legislation and its language law from the guarantees of freedom of expression contained in the Charter. The Court reserves judgment.

*Regional Develop-
 ment—Prince
 Edward Island*

Federal Public Works Minister Stewart McInnes announces that tenders will be received for the construction of a fixed link by bridge or tunnel between Prince Edward Island and the mainland, to be built by 1993. Seven construction companies had been invited to bid on the 14-kilometre \$900-million link. Premier Ghiz offers tentative support for the project, allowing that "the voices of Islanders must be heard first." A year-round link to the mainland was a con-

18 November
Environment—
Canada-U.S.
Relations

dition of Prince Edward Island's entry into Confederation in 1873.

Federal Environment Minister Tom McMillan and Mr. Lee Thomas, his American counterpart, sign a Great Lakes Cleanup Agreement, updating a similar 1978 agreement. Among its provisions, the agreement pledges the two countries to step up efforts to track down and eliminate sources of toxic chemicals in the water and underground and also calls for both governments to produce "action plans" for the cleanup of 42 of the most polluted areas in the Great Lakes region. Left out of the accord is the contentious issue of acid rain.

22 November
Hydroelectricity—
Exports—Quebec

Hydro-Québec and New Brunswick Hydro sign a six-year energy deal by which the New Brunswick utility may purchase as much as 3-billion kilowatt/hours of electricity per year from 1988 to 1992, and as much as 2-billion kilowatt/hours per year from 1992 to 1994. In signing the agreement, New Brunswick drops its objection to a Hydro-Québec plan to export 70-billion kilowatt/hours of electricity to New England beginning in 1990. A similar Hydro-Québec plan had been rejected earlier by the National Energy Board on the grounds that the Quebec Utility had failed to offer the electricity to Ontario and New Brunswick.

26-27 November
Annual Conference
of First Ministers;
Free Trade; Con-
stitution—Meech
Lake

Prime Minister Mulroney meets with the ten provincial premiers in Toronto for the Annual Conference of First Ministers, where the proposed Canada-U.S. free trade agreement and the Meech Lake Accord dominate discussions.

Responding to the known opposition to the free trade agreement by Premiers Ghiz of Prince Edward Island, Pawley of Manitoba and Peterson of Ontario, Mr. Mulroney makes it clear that he will not let their objections to the pact either stop or impede his government in its drive to implement the agreement by 1989.

In apparent recognition of the differences around the table on free trade, the First Ministers discuss domestic trade issues, including the elimination of barriers to interprovincial trade, and Premier Peterson of Ontario presents six components of a national economic plan as an alternative to free trade with the United States.

Notwithstanding the nearly unanimous agreement of conference participants on the Meech Lake Accord, Premier McKenna of New Brunswick expresses his strong reservations about the pact. In addition to his criticism that the agreement does not address the concerns of women and aboriginal peoples, he seeks Ottawa's assurances that the federal government's power to help the have-not provinces would in no way be jeopardized by the Accord.

26 November
*Regional Development;
Federal-Provincial
Task Force on
Regional Development*

The Federal-Provincial Task Force on Regional Development Assessment produces its report to the Annual Conference of First Ministers in Toronto. The report is critical of the federal Government's regional development policies, asserting that Ottawa's transfers of funds to poorer regions have more often served to compensate them for underdevelopment than for raising their level of industrial development. The report calls for sharper federal and provincial targeting in the allocation of funds, together with the establishment of areas of specialization, where particular industries can be encouraged. As well, both levels of governments are encouraged to place more emphasis on education and retraining.

1 December
Multiculturalism

Secretary of State David Crombie introduces *Bill C-93*, his Government's multiculturalism policy, in the Commons declaring that "the rights of ethnic people are the rights of all Canadians". The intent of the bill is to encourage the "full and equitable participation ... in the continuing evolution and shaping of all aspects of Canadian society".

3 December
Day Care

Federal Health Minister Jake Epp announces the details of his government's child care policy. Ottawa

is to spend \$5.4 billion between 1988-1995 and \$1 billion thereafter on a three-part programme that includes increased funding for day care spaces, tax breaks and a research fund to help children with special needs. Of the \$5.4 billion, \$3.1 billion will be for the provinces to spend on the establishment of new non-profit day care centres and subsidization of new non-profit and commercial centres. The plan also calls for \$2.3 billion over seven years to provide tax breaks for families with small children.

According to Epp, day care spaces in Canada are to double to 400,000 by the end of the programme under a cost-sharing plan with the provinces. Poorer provinces are to get a proportionally larger share, and it is to be up to each province to decide whether to fund commercial or non-profit centres or both. The overall programme is to be administered under a proposed Canada Child Care Act that will set national standards for child care after negotiations with the provinces.

7 December
Hydroelectricity—
Exports—Quebec

Quebec Premier Bourassa announces the sale of hydroelectricity worth as much as \$8.6 billion to Vermont Joint Owners, a consortium of nine New England utilities. Having completed its public hearings into the matter 1 December, the National Energy Board is to render its decision in the new year.

Constitution—
Meech Lake Accord

The Alberta Legislative Assembly votes unanimously to support the Meech Lake Accord, although 43 of the Assembly's 83 members are absent. The snap vote caught the Liberals, who had planned to vote against it, off-guard, finding them in caucus when the vote was taken.

8 December
Financial Institutions—International
Banking Centres

Bill C-56, the federal Government's legislation designating Montreal and Vancouver as international banking centres, is approved by the Commons. The most controversial clause of the legislation is the one allowing banks in the two cities to accept deposits from, and make loans to, foreign firms without paying any tax on their profits from the transactions.

Ontario Treasurer Robert Nixon, concerned that his province might lose business to the new international banking centres, announces that the province will reluctantly offer tax breaks or other financial incentives to banks if it becomes apparent that the federal government's banking legislation hurts Toronto's competitive position as a banking centre.

11 December
Free Trade

Prime Minister Mulroney tables the final text of the Canada-U.S. free trade agreement in the Commons.

15 December
Agriculture—Assistance

The federal government announces a farm assistance programme expected to cost \$2.8 billion by the end of 1991, making it the largest aid package yet offered to the agricultural sector. Major components of the package include the Special Canadian Grains Program, a \$1.1-billion cash payout to grain farmers; a \$1-billion debt write-off programme; and fuel tax rebates each worth about \$500 million over the next two years. It is estimated that 250,000 farmers—90 per cent of the nation's total—will benefit from the programme in 1988.

*Education—
Quebec; Constitution—Separate
Schools—Quebec*

Quebec Education Minister Claude Ryan tables *Bill 107*, a reform of the *Quebec Education Act*, that announces the province's intention to reorganize Quebec's school boards along the lines of language rather than denomination. The plan is similar to a bill adopted under the Parti Québécois in 1984 and later struck down by the Quebec Superior Court on grounds that it violated the constitutional rights of Catholics and Protestants to control their own education systems. In order to allay concerns that this might happen again, Ryan announces that he will not put the plan into action until he receives a ruling from the courts on whether such an action would be constitutional. The legislation leaves intact for the present the four denominational school boards whose existence the Superior Court ruled were protected under the *British North America Act, 1867* and upon which the PQ's earlier reorganization attempts foundered: the Montreal Catholic School Commission, the Protestant School Board of Greater

16 December
Tax Reform

Montreal, and two Catholic School Boards in Quebec City.

Finance Minister Michael Wilson introduces *Bill C-39*, his long-awaited tax reform proposals into the Commons. Mr. Wilson claims that the changes to the tax structure are designed to make the federal tax structure simpler and to reverse the trend toward greater government reliance upon personal rather than corporate income taxes. The changes affect both the personal and corporate income tax systems. Mr. Wilson adheres to the spirit and most of the letter of his 18 June White Paper on taxation. His tax reform plans include the following:

- reduction of corporate taxes to stimulate the economy and the elimination of many tax breaks and broadening the scope of taxation to raise revenue;
- the reduction of personal income tax brackets from ten to three;
- the conversion of many exemptions and deductions to tax credits and the elimination of many tax breaks;
- an increase in the refundable child-tax credit;
- an increase in federal sales tax on alcohol and cigarettes;
- introduction of a tax on the capital of large financial institutions, which has the effect of a minimum tax without being one; and
- the introduction of a three-per-cent tax on life insurance companies in 1988, rising by stages to 15 per cent in 1992.

17 December
*Free Trade—First
Ministers' Meetings*

At a meeting of the First Ministers on Canada-U.S. free trade agreement, seven of the ten provincial governments voice their support of the deal. Following the meeting, the premiers of the three provinces opposed to free trade—Peterson of Ontario, Pawley of Manitoba, and Ghiz of Prince Edward Island—concede that they are unable to stop the Canada-U.S.

Free Trade Agreement. The three back away from earlier threats of a court challenge to the deal, stating instead that only the Canadian people, voting in a national election, can stop the free trade deal from taking effect.

18 December
*Regional Development—Atlantic
Canada Opportunities Agency*

Federal Minister of Transport John Crosbie introduces into the Commons the legislation required to establish officially the Atlantic Canada Opportunities Agency (ACOA).

*Government
Procurement—
Defence*

Defence Minister Perrin Beatty announces that Saint John Ship-building of St. John, New Brunswick has been awarded the contract to build the second group of six frigates in the new series of warships for the Canadian navy. The nine-year programme will be worth about \$3.5 billion. The contract was the subject of intense lobbying by the governments of Quebec and New Brunswick, with MPs from both regions seeking at least a share of the work for their constituencies. According to Beatty, it is Saint John Ship-building Ltd.'s experience and knowledge, together with their lower bid—almost \$200 million lower—that won them the entire contract, although the Government's regional development concerns for the eastern region certainly played a part.

23 December
*Constitution—
Meech Lake
Accord—Yukon*

The Yukon Court of Appeal rejects the Yukon government's attempts to challenge the Meech Lake Accord. Counsel representing the Yukon Government had argued that the federal Government infringed upon the rights of Yukoners in signing the Meech Lake Accord. Tony Pennikett, Yukon Government leader, does not rule out a challenge to the Supreme Court.

Chronology: List of Recurring Entries

Aboriginal Peoples: 21 May 1986, 17 June 1986, 26-27 March 1987.

Acid Rain: 8 January 1986, 18-19 March 1986, 9 March 1987, 5-6 April 1987, 10 April 1987, 10 October 1987.

Agriculture: 29 May 1986, 9 December 1986, 15 December 1987.

Alberta: 8 May 1986, 20 August 1986, 1 October 1986.

Budgets (federal): 26 February 1986, 18 February 1987.

British Columbia: 7 September 1986, 22 October 1986.

Canada-U.S. Summit: 18 March 1986, 5-6 April 1987.

Canada-U.S. Trade: 22 May 1986, 23 May 1986, 29 May 1986, 2 June 1986, 26 June 1986, 7 September 1986, 16 October 1986, 18 November 1986, 21 November 1986, 30 December 1986, 21 January 1987, 11 March 1987, 7 July 1987, 21 August 1987, 14 September 1987, 23 September 1987, 25 September 1987, 2 October 1987, 3 October 1987, 6 October 1987, 26-27 November 1987, 11 December 1987, 17 December 1987.

Constitution: 6 March 1986, 9 May 1986, 21 July 1986, 10-12 August 1986, 30 April 1987, 11 May 1987, 27 May 1987, 2-3 June 1987, 23 June 1987, 27-28 August 1987, 21 September 1987, 25 October 1987, 26-27 November 1987, 15 December 1987, 23 December 1987.

Council of Maritime Premiers: 10 September 1986, 2-3 December 1987.

Crown Corporations: 31 October 1986, 31 January 1987, 11 April 1987.

Deregulation: 4 July 1986, 10 September 1986, 2-3 December 1986, 4 December 1986, 18 December 1986, 27 April 1987, 7 May 1987, 30 June 1987, 28 August 1987, 11 October 1987.

Eastern Canadian Premiers and New England Governors: 12-13 June 1986, 14-16 June 1987.

Education: 18 February 1987, 25 June 1987, 15 December 1987.

Elections: 21 April 1986, 8 May 1986, 20 October 1986, 22 October 1986, 10 September 1987, 13 October 1987.

Environment: 8 January 1986, 18-19 March 1986, 9 March 1987, 10 April 1987, 19 April 1987, 24 June 1987, 8 October 1987, 18 November 1987.

Equalization Payments: 19 June 1986, 20 June 1986, 11 March 1987.

Financial Institutions: 4 December 1986, 18 December 1986, 27 April 1987, 7 May 1987, 11 October 1987, 8 December 1987.

First Ministers' Meetings: 2 June 1986, 26-27 March 1987, 14 September 1987, 26-27 November 1987, 17 December 1987.

Fisheries: 7 February 1986, 23 January 1987, 9 February 1987, 17 March 1987, 30 August 1987, 13 September 1987, 14 September 1987, 6-9 October 1987.

Francophone Summit: 17-18 February 1986, 2-5 September 1987.

Free Trade: 2 June 1986, 10-12 August 1986, 21 January 1987, 11 March 1987, 7 July 1987, 14 September 1987, 23 September 1987, 25 September 1987, 2 October 1987, 3 October 1987, 6 October 1987, 26-27 November 1987, 11 December 1987, 17 December 1987.

GATT: 19 June 1986, 10 November 1987.

Government Procurement: 31 October 1986, 3 November 1986, 18 December 1987.

Health: 19 April 1986, 19 June 1986, 1 October 1986.

Hydroelectricity: 14 February 1986, 18 June 1986, 7 October 1987, 5 November 1987, 22 November 1987, 7 December 1987.

Language Policy: 1 May 1986, 22 December 1986, 18 February 1987, 26 February 1987, 25 June 1987, 16 November 1987.

Lumber/Forestry: 22 May 1986, 23 May 1986, 29 May 1986, 26 June 1986, 7 September 1986, 16 October 1986, 18 November 1986, 21 November 1986, 30 December 1986.

Meech Lake Accord: 30 April 1987, 11 May 1987, 27 May 1987, 2-3 June 1987, 23 June 1987, 27-28 August 1987, 21 September 1987, 25 October 1987, 26-27 November 1987, 7 December 1987, 23 December 1987.

Ontario: 19 June 1986, 4 December 1986, 18 December 1986, 7 April 1987, 27 April 1987, 30 June 1987, 13 July 1987, 10 September 1987.

Premiers' Conference: 10-12 August 1986, 27-28 August 1987.

Privatization: 31 January 1986, 31 October 1986, 11 April 1987, 11 July 1987.

Quebec: 6 March 1986, 1 May 1986, 9 May 1986, 4 July 1986, 21 July 1986, 10-12 August 1986, 22 December 1986, 26 February 1987, 15 April 1987, 2-5 September 1987, 11 October 1987, 16 November 1987, 22 November 1987, 7 December 1987, 15 December 1987.

Regional Development: 1 February 1986, 3 April 1987, 6 June 1987, 13 July 1987, 2 August 1987, 16 November 1987, 26 November 1987, 18 December 1987.

Saskatchewan: 20 October 1986, 18 February 1987.

Supreme Court: 1 May 1986, 18 December 1986, 5-6 April 1987, 15 April 1987, 25 June 1987, 17 November 1987.

Tax Reform: 18 June 1987, 16 December 1987.

Telecommunications: 2-3 April 1987, 22 July 1987.

Transportation: 24 June 1986, 10 September 1986, 2-3 December 1986, 28 August 1987.

Western Premiers' Conference: 29 May 1986, 26-27 May 1987.