

# Highway tiff threatens Canada-EU trade deal

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Ottawa — The government of Spain has warned that it will veto a proposed trade agreement between Canada and the European Union unless the Ontario government allows a Spanish company to raise tolls on the province's Highway 407.

The complex dispute, which involves no fewer than four levels of government, threatens to sour relations not only between Canada and the European Union, but between Prime Minister Paul Martin and Ontario Premier Dalton McGuinty.

However, Harinder Takhar, the Ontario Minister of Transportation, dismissed the Spanish complaints.

"I hope they don't engage in those kinds of threats," he said yesterday in an interview, maintaining that the Ontario government would continue its efforts to control tolls on the highway. "We have an obligation to protect the interest of the public."

He also dismissed the suggestion that the Ontario government might choose to abandon its claims for the sake of Canada-European relations and international trade.

"This is not about pride," he said. "This is about doing the right thing."

And from my point of view the Spanish government should understand that this is a dispute between one company and the government over the contract that was signed."

The 108-kilometre electronic-toll road, stretching across the Greater Toronto Area, was sold by the previous Conservative Ontario government to a consortium dominated by Grupo Ferrovial SA, a Spanish industrial, engineering and financial conglomerate, along with Canadian-based SNC-Lavalin and the Australian Macquarie Infrastructure Group.

Many drivers of the highway, which carried more than 275,000 cars last month, have complained about the consortium's periodic decisions to raise tolls to generate increased revenue. When the highway's owners announced a further 8 per cent hike in February, Mr. McGuinty's newly elected Liberal government intervened, saying the consortium could not raise tolls without first consulting the provincial government.

An arbitration panel, convened under the terms of the contract, ruled in July that the Ontario government had no case. But the government has appealed that decision, prompting the Spanish government to intervene on behalf of the Spanish transportation giant.

At an EU-Canada summit in Ottawa in March, Europe and Canada had agreed to launch negotiations toward a Trade and Investment Enhancement Agreement. Enthusiasts on both sides said it is one of

the largest trade negotiations undertaken by Brussels, and one that could mitigate Canada's dependence on American trade.

Serious negotiations, however, have yet to commence, and already Brussels has warned Ottawa that a Spanish veto could scuttle the talks before they even begin.

European officials "have raised the issue," Sameer Ahmed, a Foreign Affairs spokesman confirmed yesterday. "But there has been no sort of official communications saying [the Spanish] are vetoing it."

Mr. Ahmed said that the federal government would reserve further comment until it had received clarification from Brussels. Under European Union rules, unanimity is required before the EU can negotiate treaties with foreign powers.

He also confirmed that the federal government had raised the matter with the Ontario government, but described the discussions as confidential.

Mr. Takhar questioned the seriousness of the Spanish announcement. "From my point of view, I don't think they have any clout in the EU," he said. "And even if they do [employ the veto], what grounds do they have to do this?"

The Spanish press has condemned Canada for adopting Third World tactics in refusing to abide by the provisions of a binding contract.

"Many governments adopt a short-sighted populist approach without realizing that the more obstacles they raise to business, the less investment they will attract," declared the influential business newspaper *Expansión*, in a weekend editorial.

"The case of Canada is paradoxical as it is a developed country whose economy hinges on exports and trade."

The Madrid bureau of the ABC news service quoted an anonymous EU source, who stated: "We are putting pressure on Canada; this affair requires active diplomacy with considerable finesse.

"We are trying to convey to the Canadian authorities the importance of addressing the matter rapidly," the source added.

The dispute is bound to further strain relations between the Martin and McGuinty governments. Many federal Liberals believe that the provincial government's decision to increase taxes before the federal election contributed to Liberal losses in the province, and the minority government that resulted.

Now, the Ontario government's attempts to mitigate the rules of a highway contract, despite an arbitration board's ruling, threatens to derail one of Ottawa's most important trade initiatives in recent years.