

KICKBACK SCANDAL IS ROCKING CANADA

By Clyde H. Farnsworth

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While Prime Minister Brian Mulroney was in London last week representing Canada at the summit conference, some of his political cronies back home were rocked by charges of kickbacks and bribery that could spur resignations and even the premature fall of his Progressive Conservative Government.

The accusations are not new. They were brought some years ago by a local Tory businessman named Glen Kealey, who asserts that in 1986 a Cabinet minister asked him for a \$5,000 kickback in a \$160 million office building project Mr. Kealey was promoting for Canada's new space agency.

What is new is that a local judicial official, Justice of the Peace Lynn Coulter, who is to retire soon, has just ruled that there are "reasonable grounds" to believe that criminal offenses have been committed by 13 political figures and 3 national police officials.

What's more, she ordered them to appear to face the charges in court on Sept. 16, exactly when Parliament is to return after its summer recess for a session that Mr. Mulroney wants to focus on his pre-election strategy, including his ideas for resolving a crisis over national unity. Major Financial Reactions

Justices of the peace often handle preliminary matters before they go to a full court. They also hear from private individuals who have failed to persuade the state to take up a complaint.

The private prosecutions -- most often brought in environmental cases -- are the legal equivalent of David's slingshot against Goliath.

Yet even if official prosecutors fail to take up the case, opposition parties are getting a heaven-sent opportunity to discredit Mr. Mulroney and his carefully laid plans for a third term.

News of the criminal charges provoked major financial reactions. The possibility of a change in government led foreign and domestic investors to dump Canadian dollars. The selling reached such proportions that the Bank of Canada last Friday raised interest rates for the first time since March to try to stabilize the currency. 'Impact Could Be Devastating'

The legal action, which sows further public distrust in the Government, comes at a time when the Prime Minister is near rock bottom in polls.

Ed Ratushny, professor of criminal and constitutional law at the University of Ottawa, commented: "For this Government, the potential impact could be devastating. There has been nothing in recent history of the dimensions of these charges, which suggest for the first time that there may be some systemic problems."

Mike Duffy, the political commentator for the Canadian Television Network's "Sunday Edition" program, predicted that while any convictions might still be a long way off, should they come, Mr. Mulroney, though not cited himself, would have to resign.

Among those Justice Coulter put in the block after 17 days of hearings behind closed doors are Sports Minister Pierre Cadieux; three former Cabinet ministers; former Premier Frank Moores of Newfoundland; two Senators, including the Speaker of the Senate, Guy Charbonneau; one former Senator, and an assortment of lobbyists and political aides. Charged With Corruption

Altogether, 13 political figures were charged with corruption involving bribery or kickbacks. In addition, charges brought against senior officials of the Royal Canadian Mounted Police, which earlier investigated Mr. Kealey's complaint but found insufficient evidence to pursue the matter.

The force's present Commissioner, Norman Inkster; his deputy, Michael Shoemaker, and his former deputy, Henry Jensen, were accused of "causing investigations of a political nature to be limited or ceased."

Mr. Kealey said in an interview in his lawyer's office on Friday that the Mounties had "set up a structure to protect politicians, because of their interest in protecting power rather than people." It is one of the rare times that the integrity of the Mounties, a great Canadian institution, has been questioned. Silence and Denials

All of the accused have either denied the charges or kept silent. Mr. Mulroney said he could not comment on any matter that is before the courts and the judicial system. The political opposition has responded with caution. Like Mr. Mulroney, the leader of the Liberal Party, Jean Chretien, has kept his own council. Nelson Riis, the leader of the socialist-leaning New Democratic Party, said in an interview that the case "at the moment has a relatively narrow scope, but it has the potential to bring down the Government."

Since the reported crimes were committed in Ottawa, in the province of Ontario, the matter now goes before the province's legal officers.

But the province is under the political control of the New Democrats, who want to snuff out the least hint of any political bias in legal matters, especially since in this case they already occupy the political high ground.

Mr. Kealey, 49, and the former director of a local Tory constituency association, said that in connection with his efforts to get federal tenants for his building project, he

had been asked for kickbacks by a Cabinet minister, later identified in Parliament as Roch LaSalle, a former Public Works Minister. Mr. LaSalle has denied it.

Mr. Kealey said he lost his house and business in the downfall of his plans for the office project, which he blamed on his refusal go along with the kickback.