

## B.C.'s capital spending up for 9th straight year

BY MICHAEL KANE  
VANCOUVER SUN

**ECONOMY** | B.C. is on track to register its ninth straight year of higher capital spending in 2007 despite declining oil and gas investment and a weaker housing sector.

Statistics Canada says public and private investment in the province will top \$38.7 billion, a 3.1 per cent increase, after growing by 16.6 per cent in 2004, 12.1 per cent in 2005, and 13 per cent in 2006.

While this year's growth forecast is less than the national outlook of 4.6 per cent, it comes on the heels of three consecutive years of double-digit growth, said Ken Peacock, economic research director at the Business Council of British Columbia.

"And it brings us to nine years of steady growth in capital spending which is quite remarkable," Peacock said in an interview Tuesday.

"If that's not the longest run in the province's history, it's certainly one of the longest. Probably next year it will be up again, given all the Olympics activity, so we'll have a decade of expansion of business investment."

Spending on oil and gas extraction is expected to ease by 13.6 per cent this year in the face of weaker prices, but will still total \$3.6 billion.

StatsCan forecasts investment in housing will rise 2.9 per cent to \$13.3 billion, following an 18-per-cent surge in 2006, while investment in non-residential construction will grow by 2.5 per cent this year to reach nearly \$14 billion.

Investment spending on machinery and equipment is expected to climb 4.1 per cent to \$11.4 billion, following a 7.3-per-cent advance last year.

A few industries are anticipating significant increases in investment spending, including the transportation and warehousing sector which is poised to jump 16 per cent and the utilities sector which is projected to climb by 27 per cent.

Capital outlays in manufacturing are predicted to grow by 23 per cent as B.C. manufacturers retool and upgrade their production processes.

Peacock said strong growth in non-residential building permits and the rising number of large projects, either underway or proposed, suggest StatsCan may be underestimating investment activity. That happened last year when intentions turned out to be \$3.6 billion below actual investment outlays.

mkane@png.canwest.com

## B.C.'s January building permits hit \$1 billion

BY DERRICK PENNER  
VANCOUVER SUN

Builders in British Columbia took out just over \$1 billion worth of building permits in January, Statistics Canada reported Tuesday, offering some support to the expectations for high levels of construction in 2007.

The figure is no record, Statistics Canada analyst Etienne Saint-Pierre said. B.C.'s all-time high remains \$1.28 billion in permits issued last November.

However, he added that \$1 billion is 10-per-cent higher than the average monthly value of permits through 2006, "and 2006 was quite a good year."

"I don't think we can have a strong conclusion based on one month," Saint-Pierre said. "Building permits are a leading indicator, and the results in January were very good."

Intentions indicated by permit activity will start materializing on construction sites in coming months, Saint-Pierre added.

Most of B.C.'s permit activity, \$719-million worth, was in residential construction. However, non-residential permit activity — for schools, hospitals, shops, offices and warehouses — showed the greatest growth.

The \$347 million in non-residential permits issued in B.C. in January represented a 52-per-cent increase from December and a 63-per-cent increase from January a year ago.

Just over 60 per cent of B.C.'s January permits, \$653.7 million, were issued in Greater Vancouver.

If there was any surprise in the numbers it was that the residential permit values were so high, Philip Hochstein, president of the Independent Contractors and Business Association of B.C. said in an interview.

Hochstein added that the industry harboured some hope that the slowing of B.C. real estate sales and housing starts over last fall would ease some of the labour pressures that the industry faces.

"But in fact, I think housing starts are going to be just fine, while [non-residential construction] has kicked up," Hochstein said, "and the labour shortage isn't going to get better. It's only going to get worse."

depenner@png.canwest.com



NORM BETTS/BLOOMBERG

Conrad Black's mansion in Toronto — one of several expensive properties he owned in North America and Europe.

# How Conrad Black found himself facing fraud, corruption charges

**FRAUD CASE** | Former newspaper baron goes on trial next week

Former media giant Conrad Black will be in a Chicago court on March 14 to defend himself against fraud and corruption charges that have plagued him for the past two years. In advance of that trial, here are the developments in the Black case from the day charges were announced.

BY THERESA TEDESCO

**TORONTO** — The bulletin flashing across the television screen in Barbara Amiel-Black's bathroom confirmed what had been dreaded privately.

After months of speculation, U.S. prosecutors in Chicago announced on the morning of Nov. 17, 2005, that criminal charges against her husband, Conrad Black, were forthcoming. Black returned to the master bedroom of the couple's north Toronto mansion to deliver the news to her spouse.

Meanwhile, at the downtown offices of Black's criminal lawyers, Edward Greenspan, one of Canada's most prominent criminal attorneys, was stalling for time.

"Maybe I was trying to figure out how to tell him," Greenspan recalled. "We weren't told much before it went public. Bad news travels slowly."

When they did finally talk, Greenspan described Black's response as "angry."

Once the 62-year-old newspaper baron and his lawyers had time to digest the 60-page indictment — it detailed eight counts of criminal fraud, racketeering, money laundering, mail and wire fraud and obstruction of justice — Black "got even angrier."

Along with former associates Jack Boulton, Peter Atkinson and Mark Kipnis, Black was accused of using Hollinger International, a Chicago-based publishing company, as a personal piggy bank and diverting about \$83 million US in bonuses to themselves, disguised as non-compet-

payments.

"Insiders at Hollinger, all the way to the top of the corporate ladder, whose job it was to safeguard the shareholders, made it their job to steal and conceal," U.S. Attorney Patrick Fitzgerald intoned at the time.

Black was singled out for allegedly having engaged in "fraudulent misuse" of corporate perks, including \$40,000 US toward a birthday party for his wife and a vacation to the French Polynesian island of Bora Bora on Hollinger's private jet.

The allegations were crushing for the press lord. But, after his long-time associate David Radler, 64-year-old former publisher of the *Chicago Sun-Times*, negotiated a deal with U.S. prosecutors in August 2005, he figured charges were inevitable.

In exchange for his co-operation and his guilty plea, Radler snared a 29-month jail sentence (likely in a Canadian prison) and a \$250,000 US fine. Black's legal camp figured he gave U.S. authorities the ammunition they needed.

They also suspected the "ruthless" hand of Richard Breedren, the former chairman of the U.S. Securities and Exchange Commission who wrote a scathing 513-page report in August 2004, alleging Black and his former associates milked Hollinger International like a "cash cow" and operated the company like a "corporate kleptocracy."

It seemed improbable that Black, a noted historian, British peer and once powerful chairman of the third-largest publishing empire in the world, was facing a maximum of 101 years in a U.S. federal prison, and possibly hundreds of millions of dollars in fines and forfeiture.

Black was required to appear in U.S. District court in Chicago to enter a plea.

He appeared at the Everett Dirksen federal courthouse on Dec. 1 and agreed to post \$20 million US in cash and assets in bail.

Two weeks later, Black was back in Chicago to plead not guilty to an expanded indictment that included four additional anti-corruption charges under the U.S. Racketeer Influenced and Corruption Organization Act (RICO), usually used to combat organized crime.



JOHN LEHMANN/CANWEST NEWS SERVICE  
Conrad Black and wife Barbara Amiel had expensive homes in Canada, the U.S. and Britain.

Despite Black's outward defiance, "he knew he'd been very damaged," said his childhood friend Brian Stewart.

By the time the U.S. Justice Department swooped down on him, Black had been forced to sell his home in London and a Manhattan apartment (the \$9-million US proceeds were seized by U.S. federal agents) to help finance his defence.

Meanwhile, in Chicago, a team of four assistant attorneys working for Fitzgerald, the U.S. attorney, was equally confident. For one, they had an insider as a star witness in Radler. In the case of Radler, the No. 2 executive at Hollinger was able to cut what many legal experts called a "sweetheart deal," because he beat the others to Fitzgerald's door.

Even though they had Radler's act of contrition, sources say U.S. prosecutors tried unsuccessfully to convince Black's co-defendants — Boulton, Atkinson and Kipnis — to do the same.

"None of the defendants have rolled over," Black said. "They are completely innocent, as I am. They

are not going to plead themselves to jail. They are innocent men who want their status as law-abiding honest people to be recognized by a court of justice, as I do. And we will."

After about six months of relative calm, Fitzgerald's aggressive prosecutors unleashed another legal bomb.

On June 19, Chicago prosecutors filed an emergency motion threatening to revoke Black's bail, claiming he underestimated the amount of a Canadian tax lien against his Florida property and "severely" understated the value of the assets he used to secure bail. If the judge agreed, he would have been taken into custody or faced with a warrant for his arrest.

They also tried to seize Black's 20,000-square-foot Palm Beach mansion.

On June 27, 2006, a judge rejected the prosecutor's request but ordered Black to post an additional \$1 million US to resolve the dispute. She also ordered him to file a revised financial statement and "admonished" Barbara Amiel-Black and Conrad Black's three children for their part in guaranteeing the bond that had secured his pretrial freedom.

In Toronto, his legal woes worsened. On July 7, Black, his wife and a handful of former business associates were named by Hollinger Inc., a holding company through which he once controlled his media empire, in a lawsuit seeking about \$750 million in damages as a result of "overwhelming abuse" dating back to the 1990s.

Greenspan dismissed the 48-page claim filed in Ontario Superior Court as "absurd."

On Aug. 18, U.S. prosecutors filed a 90-page amended list of charges in which they accused him of evading corporate taxes by under reporting Hollinger International's profits.

Despite the "ordeal" of the past 15 months, Black told the *National Post* he is relieved to finally get on with the trial next week. "Everything is stable and we're in our battle stations and ready to go," he said.

With the trial a week or so away — jury selection begins March 14 — Black and his army of lawyers are girding for battle, poring over seven million pages of evidence.

CanWest News Service

## Black taken in by prankster's 'support committee'

BY DON BUTLER

**OTTAWA** — As he girds for the battle of his life in a Chicago courtroom later this month, beleaguered media baron Conrad Black has eagerly embraced expressions of support. A little too eagerly, as it turns out.

According to the latest issue of *Frank* magazine, Black was among those taken in by a hoax website created by the satirical magazine, *www.supportlordblack.com*, that purported to champion Black in his upcoming criminal fraud trial.

The site, which invited "symbolic" donations to Black's defence fund and claimed to be organizing an "On to Chicago" caravan of supporters,

was created last month by *Frank*'s Michael Bate.

It was so convincing, *Frank* reports, that Black invited members of the website's fictitious "ad hoc committee for Conrad Black" to join him for drinks at his Toronto home — an invitation withdrawn when their victim belatedly clued into the hoax.

Black wasn't the only one fooled. Media outlets around the world — *New York* magazine, *Editor and Publisher*, *Canadian Business* and Britain's *Guardian* newspaper among them — reported on the website with a more-or-less straight face.

After the *Financial Post* carried a story, which included an e-mail interview with Bate, posing as "Alastair

Smith," chairman of the ad hoc committee, "there was a real deluge of supportive e-mails from average people," Bate said Tuesday.

But, according to *Frank*, Bate's biggest catch was Black. Introducing himself as Alastair Smith in a Feb. 13 e-mail, Bate offered the backing of an "informal group of admirers."

Black replied the next day, expressing his gratitude. A few days later, "Alastair Smith" e-mailed Black again, asking whether he would be willing to meet members of the ad hoc committee. Black responded the same day, saying he was sure something could be arranged.

That led to a further exchange of e-mails, culminating in a Feb. 27 invi-

tation by Black to join him for drinks at his home in Toronto on March 2.

Bate/Smith eagerly accepted, advising that some of his associates wanted to display their support by wearing black ribbons. Black e-mailed that he would be "flattered by such a thing," and promised to give them "Conrad Will Win" shirts during their visit.

A few hours later, though, Black withdrew the invitation. "I assume this is a prank," he wrote, "and I was confusing you with a bona fide website. It is very clever of you, and I would enjoy it as a joke, but you will understand that it is a bit distracting right now."

CanWest News Service

# Whatever,



WI-FI  
PRINTING

X9350

Print it from wherever your home office is. The new WIRELESS X9350 all-in-one. Take a tour at [www.lexmark.ca](http://www.lexmark.ca)

AVAILABLE AT : BEST BUY STAPLES BUSINESS DEPOT FUTURE SHOP MSRP \$349

# from wherever.



LEXMARK

© 2007 Lexmark Canada Inc.