



Search News

GO

Enter Symbol: US Quote Charts News GO FIND SYMBOL China Restricts Bank Lending for Fifth Time Since June to Cool Inflation

SIMPLY PUT.
With Michael Goldman & Tom Moroney

Bloomberg RADIO 1130 AM
XM 129 | SIRIUS 130

HOME NEWS MARKET DATA INVESTMENT TOOLS TV and RADIO ABOUT BLOOMBERG CAREERS CONTACT US

news

Finance Canada Worker Charged in Tax Policy Breach (Update6)

By Greg Quinn

- [Exclusive](#)
- [Worldwide](#)
- [Regions](#)
- [Asia](#)
- [Australia & New Zealand](#)
- [Canada](#)
- [China](#)
- [Europe](#)
- [France](#)
- [Germany](#)
- [India](#)
- [Italy](#)
- [Japan](#)
- [Latin America](#)
- [U.K.](#)
- [U.S.](#)
- [Markets](#)
- [Economy](#)
- [Politics](#)
- [Industries](#)
- [Opinion](#)
- [Sports](#)
- [Muse](#)
- [Spend](#)
- [Audio/Video Reports](#)
- [Bloomberg Markets Magazine](#)
- [Special Report](#)

Feb. 15 (Bloomberg) -- Canada's federal police charged a senior Finance Department employee with using confidential information to buy securities, in an investigation that may have cost the previous Liberal Party government re-election.

The Royal Canadian Mounted Police charged Serge Nadeau, general director for tax policy analysis, with criminal breach of trust. They allege that he benefited from advance knowledge of the government's November 2005 plan to cut dividend taxes instead of taxing income trusts. The probe is now closed, the agency said in a statement today.

A week after police announced the probe into whether the Liberals leaked the information, they lost their lead in the polls to the Conservative Party, which won the January 2006 election. The end of the investigation may help the Liberals move on from that loss as they rebuild with new leader Stephane Dion ahead of a possible election this year.

The investigation "exonerates the Liberal Party of Canada and shows that the Conservative and NDP allegations of a politically motivated leak were false," Dion said today in a statement. Dion became party leader Dec. 2, replacing former Prime Minister Paul Martin.

New Democratic Party lawmaker Judy Wasylycia-Leis asked the RCMP to probe whether Ralph Goodale, who was the Liberals' finance minister at the time of the events, or his aides leaked policy plans to investors. Shares of BCE Inc., Canada's biggest phone company and among the highest dividend-paying stocks, rose 3.3 percent in the final two hours of trading before Goodale's announcement.

'Must Apologize'

Goodale "did his work well and so did the RCMP," Dion, 51, told reporters later today. The Conservatives and the NDP "pronounced him guilty by association and tarnished his reputation and they must apologize."

The RCMP said Dec. 28, 2005, that it would conduct the investigation. On Dec. 30, a CPAC-SES Nightly Tracking poll found the Conservatives were in a statistical tie with the Liberals for the first time since the election campaign began in November. A subsequent poll on Jan. 4 showed the Conservatives pulling ahead.

"It was the pivot in the last election," said Nelson Wiseman, a University of Toronto political scientist. "That's when the polls turned." Wiseman said while today's development probably won't have much impact on the current political climate, "it would have been disastrous" had the RCMP charged Liberal Party

Bloomberg

MUSE

- ART
- DINING
- MOVIES
- THEATER
- REVIEWS

AND MUCH MORE. CLICK HERE

More News

- [Telus Says Fourth-Quarter Net Income Triples as Sales Rise, Costs Decline](#)
- [Canadian Stock Rally Stalls as Telus, Rogers Gain; Teck Cominco Declines](#)
- [Mills Terminates Brookfield Takeover Bid; Agrees to Simon-Farallon Offer](#)

RESOURCES

- [Bloomberg TV](#)
- [Bloomberg Radio](#)
- [Bloomberg Podcasts](#)
- [Bloomberg Press](#)

lawmakers or their aides.

'Partisan Purposes'

Goodale said in an interview late today that the Conservatives have used the 14-month investigation "for their partisan purposes right from day one," and that "it would be appropriate for them to withdraw and apologize."

On Nov. 23, 2005, Goodale said the government would lower dividend taxes instead of taxing income trusts, a type of high-yield security that was exempt from most corporate taxes.

Since Prime Minister Stephen Harper's Conservatives took power, current Finance Minister Jim Flaherty decided Oct. 31 to tax existing income trusts, starting in 2011. Flaherty, 57, said Jan. 30 he had to act because trusts may be costing C\$1 billion (\$860 million) a year in tax losses.

The governing Conservatives hold a minority of seats in the House of Commons and need opposition support to pass laws and stay in office. They'll start planning for an election after introducing a budget around March 20, the Globe and Mail reported today.

Suspended Without Pay

The finance ministry suspended Nadeau without pay pending the case's outcome, spokesman David Gamble said. Nadeau wasn't involved in "any aspect" of last year's decision to tax trusts, Flaherty spokesman Dan Miles said in an interview.

"It's not a happy day for the professionals at the department of finance," Flaherty told reporters today, "but this is a great department of government and I have the utmost confidence in the integrity and professionalism of the people with whom I work."

Flaherty said he'll be speaking with Deputy Finance Minister Rob Wright, the ministry's top bureaucrat, about how to ensure such a breach never happens again. If Goodale wants an apology though, Flaherty said, "he should go to the RCMP."

The charge against Nadeau, 50, carries a maximum penalty of five years in prison. Nadeau couldn't be reached for comment when Bloomberg News tried his office, and calls to homes around Ottawa under his surname didn't reach him.

Nadeau also has worked in Canada's industry ministry, as chief economist and director general of micro-economic policy analysis, according to a government Web site. He holds a doctorate from Carnegie-Mellon University in Pittsburgh and taught economics at the University of Victoria in British Columbia, Canada's westernmost province, the Web site said.

Foreign Investors

The case may remind foreign investors that Canada has often struggled to enforce its securities laws, said George Athanassakos, a professor at the University of Western Ontario's Richard Ivey School of Business.

"Canada is known as a country with very lax enforcement laws, so the question is, will this guy be prosecuted?" Athanassakos said.

Bank of Canada Governor David Dodge said in December 2004 the notion that the country is a "wild west" of lax securities regulation is common among international investors, making it harder for Canadian companies to raise money abroad.

To contact the reporter on this story: Greg Quinn in Ottawa at gquinn1@bloomberg.net.

Last Updated: February 15, 2007 17:32 EST

 [News tools](#)  [Email this article](#)  [Printer friendly format](#)

Advertisement: You've worked, you've saved, now PROTECT your nest egg.

~~Sponsored links~~

24Hrs Online Forex Trading

Zero Commissions, 200:1 Leverage, instant account opening.

www.avafx.com

Forex.com - Free Practice Account

Trade your strategy in the Forex market. 24 hour Forex trading.

www.forex.com

Practice Forex Trading

Trade Forex directly online. Free practice account. Start Forex now!

www.ac-markets.com

XPRESSTRADE - Day Trade Futures Online

Day trade futures on energies, metals, currencies, grains, and indexes

www.XPRESSTRADE.com

Free Investment Guide

How to invest smarter, safer, and better from Ameriprise Financial.

ameriprise.com

Bloomberg.com

[NEWS](#) | [MARKET DATA](#) | [INVESTMENT TOOLS](#) | [TV AND RADIO](#) | [ABOUT BLOOMBERG](#) | [CAREERS](#) | [CONTACT US](#) | [LOG IN/REGISTER](#)

©2007 BLOOMBERG L.P. ALL RIGHTS RESERVED. [Terms of Service](#) | [Privacy Policy](#) | [Trademarks](#) | [Site Map](#) | [Help](#) | [Feedback](#) | [Advertising](#) | _____