

INDEPTH: PAUL MARTIN**Paul Martin Inc.**

CBC News Online | Updated March 17, 2006

From his days as a deckhand on a Lake Erie fishing boat and later as a seaman on ocean-going ships, Paul Martin has long had an affinity for the sailor's life. And although he graduated with university degrees in law and philosophy, he returned to the nautical life to claim his eventual fortune. In 1974 he became president of Canada's largest shipping company, Canada Steamship Lines (CSL). Seven years later, he and a business partner bought the company outright for \$189 million.



But success in the business world has complicated Martin's political career.

When his political star rose in the 1990s and he became Canada's finance minister, Martin signed an obligatory blind management agreement to avoid a potential conflict of interest. Under the agreement an interim manager was appointed to assume virtually autonomous operational control of Martin's companies. Technically, Martin could only be involved in the affairs of his companies in the event of extraordinary circumstances, and with the blessing of the federal ethics commissioner.

The former Canadian Alliance criticized him for ignoring these requirements by receiving updates on his companies while he was finance minister. Members of the party said Martin's business holdings would create a conflict of interest for Canada's 21st prime minister.

Martin also came under fire from former Progressive Conservative leader Joe Clark, who charged that the former finance minister was in direct conflict of interest when he did not close Canadian tax loopholes for firms like CSL that do business in Barbados. Barbados is a tax haven for foreign companies where they can avoid paying their country's taxes and wages. Some of CSL's subsidiaries are registered in Barbados and pay almost no tax on their profits.

In August 2003, when Martin was running for leadership of the Liberal party, he transferred his interest in CSL to his three sons to try to head off any allegations of conflict of interest. Martin had initially argued that he could run both his company and the government, but critics said shipping is so tightly regulated by the federal government that he would constantly find himself in conflict.

In January 2004, Ottawa said CSL had received \$161 million in government contracts, grants and contributions since 1993. That figure was more than 1,000 times higher than the figure Don Boudria, then government House leader, gave in 2002 when Canadian Alliance MP James Rajotte asked about the government's dealings with the company.

Martin said he was "appalled" when he heard the amount originally given, \$137,000, and said he demanded a complete explanation.

In defending the amount of business the government gave to CSL, Martin pointed out that the company and its subsidiaries were given \$82 million in contracts in 1993, when the Progressive Conservatives, not his Liberals, were in power.

In February 2004, Martin asked Auditor General Sheila Fraser to investigate why the government reported the lower figure for the amount of business CSL got from the government. In her November report, Fraser found that the final figure the government gave was "reasonably complete." But she could not guarantee that the \$161 million was the final amount because of a lack of cooperation from some government departments.

Here is a look at what Martin's family owns:

Canada Steamship Lines

Before August 2003, Martin and his wife Sheila owned all of the

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company's voting shares. The sons – Paul William, James and David – owned the common stock. Although CSL is privately held and therefore not required to publicly disclose its financial records, CanWest News reported in early 2003 that CSL controlled assets worth upwards of \$693 million and had annual revenues of \$283 million.

The company operates a fleet of self-unloading bulk carrier ships on the Great Lakes-St. Lawrence. Its parent company – CSL Group Inc. – is headquartered in Montreal, and operates offices in Halifax, Winnipeg, Burlington, Boston, Singapore and Sydney, Australia. The company operates 37 bulk carriers across the world under the banner of Canada Steamship Lines and CSL International based in Massachusetts. According to company literature, it's "the largest fleet of dry bulk self-unloading vessels in the world."

Martin first joined the company in the 1970s when it was owned by the Power Corp. He was appointed CSL president in 1974. Seven years later, he and partner Laurence Pathy bought the company for \$189 million. Martin bought Pathy out in 1988 and took full control.

CSL Equity Investments Ltd.

The CSL Group owns 50 per cent of CSL Equity Investments Ltd., which owns a broad portfolio of property in Alberta, Quebec, Ontario, Arizona and Colorado, including condominiums, office buildings and property. The company also controls shipbuilding and ship design companies on the Great Lakes.

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