
COMMUNICATION AGENCIES: PRINCIPALS, CONTRACTS AND INTERACTIONS

In the 1995 and 1997 “competitions” conducted under Mr. Guité’s management authority, a total of 18 agencies were declared qualified to receive sponsorship contracts, although only five of them (Lafleur, Gosselin, Groupaction, Everest and Coffin) ever actually received a significant number of contracts from PWGSC. Those five agencies were contributors to the Liberal Party of Canada, some with greater enthusiasm and generosity than others. After one of them, the Gosselin agency, became reluctant to make further political contributions, it received a sharply diminished share of sponsorship contracts.

Because of political allegiance and affiliation, the five agencies seemed to be viewed with greater favour in the awarding of sponsorship contracts. Mr. Chrétien declared that “separatist friendly” agencies would not be viewed favourably. An agency could demonstrate that it

was “federalist friendly” by making contributions to the party in power. Political contributions were one of the most important reasons agencies were awarded sponsorship contracts, particularly in the opinion of Jean Brault of Groupaction, the most generous contributor.

Jean Brault / Groupaction

Of the executives from the five favoured agencies, Jean Brault gave by far the most comprehensive and candid testimony. The Commission accepts all of Mr. Brault’s evidence as credible. If his testimony was on occasion inexact, it was as a result of an involuntary error or a memory lapse. Because of his candour, the Commission was able to examine in detail his contributions to persons acting in various capacities for the Quebec branch of the Liberal Party of Canada (LPCQ).

In particular, Mr. Brault’s testimony led the Commission to examine Groupaction’s transactions with a group of companies operated by Luc Lemay under the names of Expour and Polygone, which benefited from sponsorships managed by Groupaction and were obtained as a result of representations made by Mr. Corriveau. We believe that Mr. Corriveau’s reputation, his friendship with the Prime Minister and his position of influence within the LPCQ were used to further the interests not only of himself but of Mr. Lemay’s companies and the LPCQ.

Mr. Brault was encouraged to solicit advertising contracts by Alain Renaud, a businessman who purported to have valuable contacts with key public servants at PWGSC such as Mr. Guité and Andrée LaRose. Mr. Renaud said as well that he had friends at senior levels in the LPCQ and thought he could exploit these contacts to obtain government business for Groupaction. Groupaction informally agreed to reimburse Mr. Renaud for any expenses incurred, with remuneration only for results. Mr. Brault was at the same time making “pitches” to selection committees organized by APORS, resulting in contracts with the CRTC and the Department of Justice.

Mr. Brault acknowledges that Mr. Renaud arranged to introduce him to key players in the LPCQ and in government. They attended the Molson Indy car race in Vancouver in September 1995, where they met Mr. Guité and Mr. Carle. Two weeks earlier, Mr. Brault and Mr. Carle had met in Ottawa, where Groupaction had made a “pitch.” Mr. Carle, though initially cold, had seemed to become more receptive to Mr. Brault and told him he should see Mr. Guité and Ms. LaRose. In Vancouver, Mr. Brault learned from Mr. Guité, whom he had also met previously through Mr. Renaud, that APORS administered a substantial budget used for subsidizing events such as the Molson Indy and that communication agencies were engaged to manage such events on behalf of the Government. Mr. Brault understood that this kind of project could be a profitable area of activity for Groupaction. The word “sponsorship” was not yet in use.

On April 16, 1996, Mr. Brault was asked by Mr. Corriveau to engage the services of Serge Gosselin, a person he did not know, and pay him \$7,000 per month for a year. Mr. Gosselin may have been working for the LPCQ, under Mr. Corriveau’s direction. Mr. Brault agreed to this considerable expense, convinced he would be well compensated by sponsorship contracts. Mr. Gosselin never performed any work for Groupaction or came to its offices. Mr. Brault testifies that the arrangement was confirmed at a dinner meeting on April 25, 1996, attended by Messrs. Corriveau, Benoît Corbeil (Executive Director of the LPCQ), Guité, Gosselin, Renaud and himself. Mr. Guité’s presence establishes a direct link between the alleged payments to Mr. Gosselin by Groupaction, to the advantage of the LPCQ, and the public servant responsible for the sponsorship contracts that were later awarded to Groupaction. Mr. Corriveau has no recollection of this dinner meeting or of the arrangement concerning Mr. Gosselin, but Mr. Guité confirms Mr. Brault’s testimony, including the presence of Mr. Gosselin. The Commission has no doubt that the dinner occurred, that the persons

mentioned by Mr. Brault attended, and that the purpose and results described by Mr. Brault are correct.

Groupaction made unrecorded cash contributions to the LPCQ on at least three occasions. There can be no doubt about the direct relationship between the sums paid by Groupaction to Mr. Renaud's company and the contribution by the latter to the LPCQ. Groupaction made an illegal and unrecorded campaign contribution of \$50,000 to the LPCQ by means of false invoices. Mr. Brault received various requests for contributions, and he generally complied.

In September 2000, Groupaction parted ways with Mr. Renaud. Even though Mr. Renaud cashed a \$25,000 advance from Groupaction, he went to work for one of its competitors. Legal threats over bonuses were settled for \$25,000, paid on false invoices from Communications Art Tellier Inc., which belonged to Mr. Renaud's brother. Mr. Renaud quickly realized he could not earn the same kind of money he had with Groupaction. Within months of Mr. Renaud's leaving the agency, Mr. Brault was being pressured to rehire him. By this time Groupaction had acquired two of the other agencies —Gosselin Communications and Lafleur Communication.

Mr. Brault says that in May 2001, Mr. Renaud called and proposed a dinner meeting where his rehiring by Groupaction was raised repeatedly. Tony Mignacca, a member of Mr. Gagliano's entourage, made a prearranged call to Mr. Renaud during the dinner. He spoke to Mr. Brault, asking whether he would be "looking after" Mr. Renaud. Mr. Mignacca arrived a short time later and pressured Mr. Brault to rehire Mr. Renaud, intimating that Groupaction's contract with Via Rail would otherwise be in jeopardy. Although both Mr. Renaud and Mr. Mignacca deny this meeting, their stories are probably untrue. Indeed, most of Mr. Mignacca's testimony on this issue directly contradicts Mr. Renaud's testimony. There is no doubt that Mr. Brault's testimony

is truthful. The meeting demonstrates the influence that Mr. Renaud had acquired within the LPCQ. It is reasonable to deduce that Mr. Mignacca attempted to pressure Mr. Brault because Mr. Gagliano wanted Groupaction to continue to be generous to Mr. Renaud and through him to the LPCQ.

Mr. Renaud arranged for Mr. Brault to meet over dinner with Joseph Morselli, a fundraiser with the LPCQ, who expressed the LPCQ's appreciation for Mr. Renaud's work, for Groupaction's contributions, and a hope that its generosity would continue. Mr. Morselli offered his assistance to Groupaction, stating that he had assumed responsibility for the financing of the LPCQ, replacing Mr. Corriveau. At a later meeting, Mr. Morselli asked Mr. Brault to hire Beryl Wajzman at \$10,000 per month to continue his LPCQ fundraising efforts. Mr. Brault refused, but proposed to pay \$5,000 monthly in cash, which Mr. Morselli accepted. Mr. Brault says that one week later he met Messrs. Morselli and Wajzman at the same restaurant with \$5,000 cash in an envelope, which he left on the table. Mr. Wajzman arrived late, and when Mr. Brault went to the washroom, he noticed on his return that the envelope was gone. Both Mr. Morselli and Mr. Wajzman testify that the meeting took place, but deny that any money was exchanged. They both say that the object of the meeting was to confirm the engagement of Mr. Wajzman by Groupaction. It is most improbable that Groupaction would have been interested in the kind of contacts Mr. Wajzman could offer. Moreover, some aspects of the versions of the meeting given by Messrs. Morselli and Wajzman do not correspond.

Groupaction's unrecorded contributions deserve to be denounced. Mr. Brault sought to purchase political influence to obtain more lucrative sponsorship contracts. These motives were improper. The behaviour of the representatives of the LPCQ was equally improper and blameworthy.

Jacques Corriveau / PluriDesign

Mr. Corriveau, owned a graphic design business known as PluriDesign Canada Inc., which was engaged by the LPCQ in the 1997 election campaign in Quebec. It billed more than \$900,000 for its work, which made the LPCQ PluriDesign's most important client at that time. When some of PluriDesign's invoices were overdue, Mr. Corriveau was able to meet with Mr. Pelletier and Mr. Gagliano in December 1997 to discuss the problem.

Mr. Corriveau met with various persons at different levels of authority within the government where the initiatives later known as the "Sponsorship Program" were discussed. He was invariably perceived by others as a person of substantial influence within the Liberal Party of Canada. Mr. Guité recalls in 1994 or 1995 being summoned to the office of Mr. Dingwall by the latter's Executive Assistant, Warren Kinsella, to meet a gentleman named Corriveau who was "a very very close friend of the Prime Minister." This message was repeated on other occasions: "look after this guy" and "look after this firm." When Mr. Guité was introduced to Mr. Corriveau in Mr. Dingwall's office, he was in the company of Jean Lafleur, although both Mr. Dingwall and Mr. Kinsella testify that they have never met Mr. Lafleur. Mr. Guité's version is accepted.

Each year Mr. Corriveau would ask Mr. Guité or his successor, Mr. Tremblay, for approval of a "very special list" of eight or nine sponsorships of cultural or artistic events or projects. Groupaction was always designated to manage them, although little management was necessary. No one questioned their eligibility, and they were included in a group of projects known as "Unforeseen Events" which cost between \$200,000 and \$300,000 per year.

Mr. Corriveau says that his recollection of certain events was affected by anesthesia during November 2004 surgery. The Commission remains sceptical about his explanation. On two occasions he contradicted his earlier testimony, intending to mislead the Commission. He deliberately lied to a journalist, saying he had no involvement in the Sponsorship Program. His testimony frequently conflicts with more credible witnesses. His motivation became apparent as the evidence unfolded: Jacques Corriveau was the central figure in an elaborate kickback scheme by which he enriched himself personally and provided funds and benefits to the LPCQ.

Luc Lemay / Polygone and Expour

Mr. Lemay is a respectable businessman whose enterprises, Polygone and Expour, arranged and managed shows and exhibitions and also published specialized magazines. In 1996 one of Mr. Lemay's employees was Denis Coderre, a personal friend of Mr. Renaud. In August or September 1996, most probably at the initiative of Mr. Coderre, Messrs. Brault and Renaud were invited to meet Mr. Lemay, his associate Michel Bibeau, and Mr. Corriveau, where Mr. Corriveau explained a major exhibition that was planned at the Olympic Stadium in Montreal in 1997 – the Salon National du Grand Air de Montreal. Mr. Lemay says that Mr. Corriveau put him in touch with Claude Boulay of Groupe Everest, which was contracted to handle publicity and public relations for the Salon. Mr. Corriveau denies this, but the Commission prefers Mr. Lemay's recollection.

Polygone and Groupe Everest then entered into a contract in November 1996, by which Polygone gave Everest a three-year exclusive mandate to represent it for a 20% commission on new sponsorships and a 15% commission for renewals. Mr. Lemay says he did not know that the federal government was using sponsorships, and he was thinking only of sponsorships by commercial firms. Mr. Corriveau testifies that his

only involvement was design work, for which Polygone agreed to pay \$125,000. He says that he was not instrumental in hiring Groupe Everest, but this testimony is difficult to reconcile with documents establishing that PluriDesign also billed Groupe Everest \$23,950 plus taxes for professional services relating to the same exhibition.

In January 1997 Mr. Corriveau advised Mr. Lemay that he expected to obtain a “subsidy” from the federal government for the Salon National du Grand Air de Montréal. Mr. Lemay was pleasantly surprised to learn that his company would receive \$400,000 from PWGSC. In fact, the subsidy was the result of the first sponsorship contract to Groupe Everest, dated February 3, 1997. Payment was ultimately \$450,000. To receive the subsidy, Mr. Lemay was instructed by Mr. Boulay to send Groupe Everest two invoices, for \$200,000 and \$250,000. Mr. Corriveau acknowledges that he was the person responsible for this windfall, having learned through his government contacts that there was a Sponsorship Program to promote the visibility of the federal government in Quebec. Groupe Everest subsequently managed two other sponsorship contracts for Mr. Lemay.

The April 1996 meeting with Mr. Brault and Mr. Guité to arrange the hiring of Mr. Gosselin must have been one of the sources of Mr. Corriveau’s awareness of the Sponsorship Program. He was part of the inner circle of persons connected to the LPCQ who knew about the Sponsorship Program when it still had not been publicized. Mr. Lemay’s enterprises offered Mr. Corriveau, an insider, a golden opportunity to cash in on his knowledge of the Program.

From 1998 until the end of the Sponsorship Program, Mr. Corriveau obtained many sponsorships from PWGSC for Expour and Polygone. PluriDesign invoices do not reference a commission of 17.65%, but instead contain descriptions of services allegedly rendered. In almost all cases, the services described were simply not rendered and the

invoices were designed to mask the commission agreement, probably to hide the fact that Mr. Corriveau was not registered as a paid lobbyist. Mr. Corriveau states that he was not familiar with the requirements of the law governing lobbyists, a statement that the Commission does not believe, considering his general knowledge and long experience in governmental affairs. Mr. Lemay's companies paid PluriDesign commissions of more than \$6 million from 1997 to 2004 for over \$41 million worth of sponsorship contracts. All were solicited by Mr. Corriveau, whose chief qualification was his political connections with the Liberal Party of Canada.

Contributions to the Liberal Party of Canada (Quebec)

Mr. Brault says that he was continually asked to make various contributions to the LPCQ over and above the salary and bonuses to Mr. Renaud. To put some order into the cost of doing business, he agreed with Mr. Corriveau that Groupaction would pay PluriDesign 10% of the commission income it was earning as a result of managing the sponsorship contracts awarded to Mr. Lemay's companies. Mr. Lemay was not aware of this arrangement..

Commissions from Groupaction were claimed by way of false and misleading invoices. Mr. Corriveau testifies that Mr. Brault did not wish Mr. Renaud to learn of the commissions paid to PluriDesign for fear that this would enable Mr. Renaud to claim higher commissions or bonuses from Groupaction. Mr. Brault gives an entirely different description of the intention of the parties. He says that the commissions were payable to PluriDesign on the understanding that the amounts would be remitted to the LPCQ. Mr. Brault admits that it was impossible for him to know if, in fact, Mr. Corriveau was sending the amounts thus remitted on to the LPCQ or if he was retaining them for his own benefit.

In 2000, Mr. Corbeil, former Executive Director of the Quebec wing of the Liberal Party of Canada, asked Mr. Brault for a “contribution” of \$400,000, later reduced to \$200,000. Mr. Corbeil assured Mr. Brault that sponsorship contracts to be awarded to Groupaction in April 2001 would more than compensate him. Mr. Brault testifies he made a further payment of \$60,000, although there is no evidence other than his testimony. On this alleged contribution, the testimony is insufficient. It should not be included with others he probably gave to the LPCQ.

There is no documentation indicating that PluriDesign sent Groupaction additional invoices after November 29, 2000. It should be noted that, early in 2001, Mr. Brault met Mr. Morselli, who was now in charge of LPCQ finances, replacing Mr. Corriveau. The meeting explains to my satisfaction why no further amounts were claimed by or paid to PluriDesign. The Commission accepts Mr. Brault’s version of the reason for the payment of these commissions and rejects Mr. Corriveau’s explanations as untrue.

Mr. Brault says that he found the commissions a heavy financial burden. He asked Mr. Lemay to share some of the load, and Mr. Lemay agreed. Accordingly, Groupaction and some of its affiliates invoiced Expour and Polygone the sum of \$2,097,800, from 1997-98 to 2001-02. Mr. Lemay’s version of these payments is somewhat different. Mr. Brault told him that he was spending more time than he had originally expected in managing the Polygone and Expour sponsorships and this commitment was reflected in his invoices. I prefer the franker and more believable explanation given by Mr. Brault for the invoices of \$2,097,800.

In May 2001 Daniel Dezainde was appointed Executive Director of the LPCQ. He says that Mr. Gagliano told him that if he needed funds, he should notify either Mr. Morselli or the Minister’s Executive Assistant, Mr. Bard. Mr. Morselli hired Mr. Wajzman to assist him,

and agreed that the LPCQ would pay him a salary of \$5,000 per month. Mr. Dezainde, unhappy with Mr. Wajzman's fundraising approach, decided that Mr. Wajzman's contract should be terminated. Mr. Gagliano did not support this decision. Mr. Morselli was more direct, telling Mr. Dezainde they were now at war.

Mr. Dezainde appealed for advice and assistance to Mr. Corriveau, who was not ready to help and said he was unwilling to become involved in any activities other than selling tickets as long as Mr. Morselli was involved in the Party's finances. Mr. Dezainde says he had two more lunches with Mr. Corriveau during the summer of 2001. On the second occasion, Mr. Corriveau made a startling declaration: he had already done enough for the Party and that, in the past, he had organized a kickback scheme on commissions paid to communication agencies, retaining a portion for himself and putting the rest at the LPCQ's disposal. Mr. Corriveau denies this scheme and says he made no statement or admission about a system of kickbacks, either then or at any other time. Mr. Dezainde, however, is an entirely credible witness. Much of his testimony is corroborated and confirmed by Françoise Patry, President of the LPCQ, and he told the authorities about it just before he testified before the Commission.

Mr. Brault's testimony about payments made by Groupaction to PluriDesign, along with the admission made by Mr. Corriveau to Mr. Dezainde, leaves me to conclude that Mr. Corriveau was at the heart of an elaborate kickback scheme, whereby at least some of the sums of money paid by Groupaction to PluriDesign were used by Mr. Corriveau to the advantage of the LPCQ. Mr. Corriveau was paid for his influence in obtaining sponsorship contracts for Mr. Lemay's companies which, at Mr. Corriveau's request, were managed by Groupaction.

One way the sums received from Groupaction were used for the advantage of the LPCQ was by putting LPCQ employees on the PluriDesign payroll. Mr. Corriveau recalls that Mr. Béliveau asked him to look after the salaries of some LPCQ workers, but it was probably Mr. Corbeil who made the request. On this question, Mr. Corriveau's testimony is not credible. Mr. Corriveau acknowledges that when Serge Gosselin was employed and remunerated by PluriDesign, at least 50% of his time was devoted to work for the LPCQ. The financial advantage to the LPCQ was \$109,312.27. I am satisfied that there was a relationship between the financial advantage conferred on the LPCQ by PluriDesign and the kickbacks paid from Groupaction.

There is additional evidence that Mr. Corriveau was instrumental in directing cash payments to senior LPCQ officers. The source of the cash cannot be determined, but it is safe to assume that it did not originate from legitimate fundraising activities, but from sums of money paid by communication agencies to Mr. Corriveau or PluriDesign.

Michel Béliveau, in 1996, at the request of Mr. Gagliano, accepted the position of Executive Director of the LPCQ. Through Mr. Renaud, Mr. Béliveau met Jean Brault and became aware of Groupaction's business and its willingness to contribute to the LPCQ. Mr. Béliveau asked Mr. Renaud to solicit various contributions from Groupaction. Despite Mr. Renaud's denial, Mr. Béliveau's testimony is corroborated by Mr. Brault. Different cash contributions were received, in sealed envelopes, to assist in by-elections throughout the province. These envelopes were received by Benoît Corbeil and another LPCQ official, Marc-Yvan Côté.

Mr. Béliveau insisted that he alone bears the responsibility for the irregularities and that his lifelong friend Jean Chrétien knew nothing about these matters. Some aspects of his testimony are incongruous and implausible. I am left with the strong impression that Mr. Béliveau

has not told the Commission everything he knows. However, he has clearly established that he could turn to Mr. Corriveau for money, and that the cash came from unrecorded and improper sources. Mr. Corriveau flatly denies that he delivered cash to Mr. Béliveau at any time, but this denial, like Mr. Corbeil's, is not credible. Mr. Corriveau repeated many times that all PluriDesign commissions were declared as revenue and that he never remitted any of this money to the LPCQ. He made much of the fact that banking records corroborate his testimony, but none of his personal banking records could be obtained because they were apparently destroyed by his bank.

Although the Commission lacks direct evidence about the source of the funds delivered by Mr. Corriveau to Mr. Béliveau around May 1997, reasonable inferences may be drawn from established facts which do not support any other logical explanation. In 1996, 1997 and 1998 PluriDesign received very considerable amounts of money from corporations subcontracting to Lafleur Communication such as Publicité Dezert, Yuri Kruk Communication Design (Kruk) and Xylo Concept Graphique Inc. (Xylo). A series of invoices were sent by PluriDesign to Publicité Dezert between September 1, 1996, and May 1, 1997, totalling \$452,668. None of the invoices have been found, but their existence is established from their accounting records, and Mr. Corriveau acknowledges that they were sent and paid.

One invoice to Publicité Dezert dated March 2, 1998, for \$60,000 plus taxes was for an "annual consultation agreement." An invoice dated October 1, 1996, for \$60,000 might be for the same annual retainer. Mr. Corriveau is unable to describe any consultations for which the retainer was paid. Éric Lafleur was questioned about the 1998 payment and the identical expense on October 1, 1996. He cannot recall if the "annual retainer" paid in 1998 was paid in other years as well. He is unable to furnish any details about the very substantial sums paid by Publicité Dezert in 1996, 1997 and 1998, but recalls he agreed to pay

\$60,000 as a retainer to Mr. Corriveau's company. Éric Lafleur's testimony, like that of his father, Jean Lafleur, is so full of unanswered questions that the only possible conclusion is that they both decided to say they could not remember relevant facts, to avoid truthful answers.

There is a remarkable similarity among four PluriDesign invoices dated March 2, March 18, March 27 and April 2, 1998. Despite four different events and four slightly varying amounts, the text of the invoices is otherwise identical. Is it by chance or coincidence that the pre-tax amounts of these four invoices add up to \$100,000? Xylo also engaged the services of PluriDesign, at the suggestion of Jean Lafleur, for part of the work. Ultimately, PluriDesign's invoices were added to or incorporated into Xylo's invoices to Lafleur, which in turn billed the government. There are many other examples of such invoices and questionable billing practices throughout the Fact Finding Report.

Jean Lafleur / Lafleur Communication

Jean Lafleur was the sole shareholder, director and president of Jean Lafleur Communication Marketing Inc. (Lafleur Communication) and its affiliates. On June 30, 1995, Lafleur Communication was declared qualified to receive advertising contracts from PWGSC. It handled a number of events and projects during 1995-96, such as the Montreal Grand Prix, publicity at home games of the Montreal Expos, and the purchase of a large number of Canadian flags. These were called special programs, not sponsorships. With the birth of the Sponsorship Program in 1996-97, Lafleur Communication received contracts totalling \$16,362,872. By 2003, the agency had handled contracts totalling \$65,464,314. While paying promoters of various events and projects a little more than \$26 million, PWGSC paid Lafleur Communication more than \$36.5 million in agency commissions, fees and costs.

I judged Mr. Lafleur to be evasive throughout his testimony. It is impossible to accept that an intelligent businessman would be unable to remember such important facts as discussions or meetings he must have had with Mr. Guité in 1996 prior to the signature of contracts involving the expenditure by PWGSC of more than \$16 million. Mr. Lafleur's complete absence of memory on these points contrasts with his testimony that Mr. Guité gave him permission to subcontract without competition. It was obvious that the Commission was hearing a witness who wished to appear slow-witted rather than give truthful answers.

On May 29, 1996, Mr. Lafleur's son Éric sent a fax to Andrée LaRose with a detailed list of the sponsorship contracts which Lafleur Communication was already handling for PWGSC, and very detailed lists of events which it expected to handle in 1996. Jean Lafleur professes to have no recollection of any list or of how it might have come to be prepared. Éric has a better memory, and testifies that the list was prepared following meetings and discussions between Mr. Lafleur and Mr. Guité, and that he sent the list to Ms. LaRose at the request of his father.

Lafleur Communication was a generous and regular contributor to the Liberal Party. Jean Lafleur and Éric made additional gifts, as did some Lafleur employees, who were asked by Jean Lafleur to contribute. Two of them were reimbursed by Lafleur Communication for their contributions.

Because of the important role Mr. Pelletier played in the initiation and management of the Sponsorship Program, both he and Jean Lafleur were questioned about their relationship and asked specific questions about when they met for the first time. Their answers to these questions cannot be reconciled, and it must be concluded that at least one of them has not been truthful.

Mr. Pelletier testifies that the first meeting he had with Mr. Lafleur was when the latter came to the PMO to thank him for hiring his son Éric, who had been engaged by the PMO for a trade mission in January 1998. Hence, his first encounter with Mr. Lafleur, according to Mr. Pelletier's testimony, must have been in or about that month. Mr. Lafleur testifies that he invited Mr. Pelletier in the summer or autumn of 1997 to have the first of several meals they shared over the years. He is specific in testifying that this first meal took place before their meeting in the PMO. He insists that at their meal they did not discuss any details of the Sponsorship Program, but may have discussed it in general. Later, he testifies that he does not remember discussing the Program with Mr. Pelletier at their meals. Mr. Pelletier also denied having discussed advertising and sponsorships with Mr. Lafleur.

The evidence leaves two possibilities, the first being that the two had no meal together in 1997. I am not prepared to give serious consideration to this possibility. This leaves the intriguing question of why Mr. Pelletier would prefer not to recall a meal with Mr. Lafleur. The second possibility is that they met for a meal and discussed the Sponsorship Program in general terms. Mr. Pelletier describes himself as an exceedingly busy man. It is highly improbable that in the summer or fall of 1997 he had time for meals with a stranger just for pleasant conversation. It is even more improbable that they would not have talked about the Sponsorship Program, since it had suddenly become the most important source of business for Mr. Lafleur's agency.

The testimony of Mr. Lafleur must also be considered in the light of a memorandum he sent to Mr. Pelletier on June 11, 1998. Mr. Pelletier testifies that prior to that date, the two men met by chance on an Ottawa street, and Mr. Lafleur complained that his volume of sponsorship contracts had diminished sharply. He asked Mr. Pelletier to intervene, and Mr. Pelletier suggested that Mr. Lafleur send him written details of the problem. The memorandum includes a very detailed list of the

\$12 million of sponsorship contracts to Lafleur Communication in 1997-98, and the contracts awarded in 1998-99 of only \$2,532,200. Added to the lists of past and current contracts are other proposed projects and events.

Nothing resulted from this communication. However, the fact that it was sent establishes that, in the opinion of Mr. Lafleur, Mr. Pelletier was a central figure making decisions about which events to sponsor, and that he was a good person to speak to on the question of which agency would receive sponsorship contracts. Mr. Lafleur did not direct his plea to Mr. Guité or Mr. Gagliano. It is fair to conclude that he had formed his opinion on the basis of his past contacts with Mr. Pelletier, which were, according to both men, limited to their lunches. From all of this, the conclusion is inescapable that, during lunches, they discussed the Sponsorship Program.

There were repeated instances of irregularities and overcharging in the administration of different sponsorship contracts handled by Lafleur Communication, yet no invoice was ever challenged or questioned by the personnel at PWGSC. The most flagrant examples include: production costs and fees for nothing more than opening a file; mock-ups billed at a flat rate of \$2,750 each; unjustifiably high hourly rates for the services provided; and inflated hours spent on a project.

The cooperation between Messrs. Lafleur and Guité in justifying the use of subcontractors to get around the intent of the government's contracting policy cannot be excused. The Commission heard no evidence that PWGSC saved any money or time, or gained any expertise, when Lafleur Communication subcontracted sponsorship work to Publicité Dezert. The transparent purpose of the subcontract was twofold: it permitted Publicité Dezert to charge Lafleur Communication a markup on the price it paid to obtain the goods or services it procured from others, and it permitted Lafleur Communication to charge a

commission of 17.65% on the amount of the Publicité Dezert invoice. These two surcharges were in addition to the cost to PWGSC of having the subcontract given to a related company without competitive bidding.

The Fact Finding Report illustrates other examples of invoice irregularities involving Lafleur Communication.

Gilles-André Gosselin / Gosselin Communications

Another major recipient of PWGSC sponsorship contracts was Gosselin Communications, owned by Gilles-André Gosselin, a former colleague of Mr. Guité in the Department of Supply and Services. Mr. Gosselin's first Sponsorship Program work was in 1996 as a subcontractor to the Lafleur agency, for the summer 1997 trip of the Bluenose II. Mr. Guité "suggested" to Jean Lafleur that he use Mr. Gosselin's agency, which had not yet qualified to handle PWGSC contracts directly. In fiscal year 1996-97, the Lafleur agency billed PWGSC \$255,657.50 for work performed by the Gosselin agency covering 3,549 hours.

Mr. Gosselin had been advised by someone, almost surely his friend Mr. Guité, to move to Ottawa and that, as soon as his agency was qualified to contract with PWGSC, it would be awarded two sponsorship contracts. He was reluctant at first to admit that any contracts had been promised to him in advance, because he obviously knew the discussions were inappropriate. Mr. Guité also refuses to admit to the discussions, including promises he made.

By 1997-98 Gosselin Communications had received sponsorship contracts totalling \$7,066,293. The next fiscal year, prior to its October 1998 sale, Gosselin Communications received \$14,094,976 in sponsorship contracts. Although there were many instances of improper invoicing, Mr. Gosselin made an effort to fulfil his agency's sponsorship contracts in a more systematic manner than the Lafleur agency. Nevertheless, the Commission saw evidence that the agency regularly

billed PWGSC for hours which had not been worked. There is no evidence that PWGSC ever questioned the Gosselin invoices or required validation of the hours of work that were charged.

There is no evidence that political considerations influenced the awarding of sponsorship contracts to Gosselin Communications. When the Gosselin agency was awarded the 1994 and 1995 contracts, the relationship between Mr. Guité, Mr. Gosselin and their wives had evolved into a warm friendship. It is safe to conclude that friendship was at least one of the reasons for the sudden prosperity of Gosselin Communications and the Gosselin family starting in 1997.

Once Mr. Guité had left CCSB, Mr. Gosselin met with Jean-Marc Bard, Mr. Gagliano's Executive Assistant, to discuss the drop in the volume of business to the Gosselin agency. Mr. Bard attributed this to the machinations of Mr. Gosselin's adversaries. Mr. Bard did not protest that he had nothing to do with the allocation of sponsorship contracts, or any ignorance of the factors that led to one agency receiving contracts over another. One may conclude that the factors were known by Mr. Bard to be mainly political.

As of October 1, 1998, Gosselin Communications sold all of its business and assets to a newly created corporation controlled by Jean Brault. Between April 28, 1997, and October 1, 1998, Gosselin Communications handled over \$21 million of sponsorship contracts, earning \$1.4 million in agency commissions and \$8.2 million in production costs. It was also awarded two advertising contracts with a value of \$1.5 million. This enabled it to pay salaries and bonuses in excess of \$3.3 million to Mr. Gosselin and his wife and his son.

Paul Coffin / Communication Coffin

In 1992 Paul Coffin incorporated Communication Coffin (the Coffin agency) a small operation with only two full-time employees. The Coffin agency qualified to manage advertising and sponsorship contracts on behalf of PWGSC in the selection process on April 28, 1997. In the questionnaire submitted to the selection committee, Mr. Coffin made a number of deliberately false statements about the size of his agency, the number of employees, and the revenues earned in previous years. Mr. Guité probably already knew about the small size of Mr. Coffin's agency from their social and business contacts. The Coffin agency was already working as a subcontractor on a sponsorship contract given to the Lafleur agency. On the date it qualified, it was awarded five sponsorship contracts having a total value of \$665,000.

Mr. Coffin and Mr. Guité were good friends, which is almost surely why the Coffin agency handled sponsorship and advertising contracts, since it had no particular qualifications to justify its selection. After Mr. Guité left the public service, Mr. Coffin continued to be awarded contracts by Pierre Tremblay. The Coffin agency looked after sponsorship contracts of more than \$8.5 million from 1997 to 2003. Most remarkable is the amount of production costs and fees foreseen, charged and allowed. The promoters of events and projects received \$5,392,500 as sponsorships; the Coffin agency received, in commissions, fees and costs a total of over \$3 million. In 1998-99 and 1999-2000, revenues earned by the Coffin agency were almost exactly equivalent to the amounts paid to the events being sponsored.

Mr. Coffin admitted the falsification of its accounting records and invoices. He was, when he testified, about to go to trial on eighteen criminal charges of fraud relating to invoices to PWGSC. He pleaded guilty to the charges and submitted an agreed statement of facts preparatory to sentencing submissions.

Claude Boulay / Groupe Everest

Claude Boulay began operating Groupe Everest in 1982. Other partners joined the firm but Mr. Boulay continued to be its president and principal shareholder. In 1996, Mr. Boulay's wife, Diane Deslauriers, started to carry on business with and for Groupe Everest through her personal corporation Caliméro Partenariat Inc. Groupe Everest qualified in February 1995 to receive advertising contracts from Heritage Canada. It immediately began to receive sponsorship contracts from PWGSC once Mr. Guité "extended" the Heritage Canada list of qualified suppliers to cover suppliers to PWGSC.

On October 29, 1997, PWGSC announced a competition to select a new Agency of Record (AOR). Groupe Everest allied itself with two other agencies to form the MediaVision consortium and, on December 15, 1997, was chosen as the new AOR. The contracting party was to be a corporation named Média/IDA Vision Inc., whose obligations would be guaranteed by Groupe Everest. Mr. Boulay must have revealed to Mr. Guité that Média/IDA Vision Inc. was a wholly owned subsidiary of Groupe Everest. MediaVision's presentation to the selection committee had been misleading. It is impossible to know if the selection committee would have made the same choice if it had been aware of the ownership and the true identity of the candidate.

The contract was signed on March 31, 1998, engaging Média/IDA Vision Inc. as the Government's AOR for a five-year period. The net revenues from the operations of Média/IDA Vision Inc. alone between 1998 and 2003 were \$1,709,441. After Mr. Goodale's temporary suspension of the Sponsorship Program, the commission payable for media placement was reduced from 17.65% to 11.75%, and the AOR commission was reduced from 3% to 2%. This could have been done years earlier by Mr. Guité or Pierre Tremblay.

Groupe Everest had significant income from its private sector clients, and government sources accounted for only 28% of its total revenues. The Commission saw no evidence of the abusive practices such as billing hours not worked, exaggeration of time charges and overbilling generally in the contracts managed by Groupe Everest. Nevertheless, Mr. Boulay and his associates managed their business in ways which were at best dubious and at worst unethical.

Mr. Boulay and Ms. Deslauriers have been strong supporters of the Liberal Party of Canada. From 1996 to 2003 inclusive, they made political contributions of \$194,832 to the Party. Mr. Boulay also worked actively for Paul Martin in 1991, supporting his unsuccessful campaign for the federal Liberal leadership. During the 1993 election campaign they met Mr. Martin frequently. Following the election, Ms. Deslauriers continued to be active in fundraising. Again in 1997, Groupe Everest and Mr. Boulay personally rendered services to the LPCQ in developing and implementing campaign strategy. Although they developed a social friendship with Mr. Martin, there is no evidence that that friendship or their ties to the Liberal Party of Canada were ever invoked by Mr. Boulay in an attempt to influence government officials to direct business or contracts to Groupe Everest, nor is there any credible evidence that Mr. Martin ever had a hand in the awarding of contracts to Mr. Boulay's agency.

Groupe Everest entered into various agreements with its clients to receive a "canvassing commission" paid by the promoter for its efforts in securing the sponsorship from PWGSC, in addition to the usual 12% commission payable by PWGSC to the communication agency managing a sponsorship contract. Double commissions were collected with respect to the sponsorship contracts awarded to Groupe Everest for the Société du Parc des Îles, also with the Jeux de Québec in 2001. In the case of Parc des Îles, the Société received sponsorships for five years starting in 1997, totalling \$2,625,000. The usual agency

commission of 12% payable by PWGSC to Groupe Everest brought in revenues of \$315,000, to which were added production fees of \$57,910. Groupe Everest also received commissions from the Société for the first four years of the sponsorships totalling \$343,750. These commissions were not disclosed to PWGSC.

Mr. Boulay and Ms. Deslauriers saw nothing wrong with the practice of collecting a commission from both the promoter of a sponsored event and the client paying the sponsorship money. I believe the loyalty of the communication agency should be to its client, which, in this case, was PWGSC. The public servants in PWGSC are not blameless with respect to the payment of double commissions. Bureaucrats must protect the public purse against any desire for excessive profit of the private sector.

