

SECTION SIXTEEN

**DETAILED FINDINGS—
BCP GROUP****16.1****Business Background**

BCP Ltée ("BCP"), formerly "Le Groupe BCP Ltée", was established as an advertising agency in Canada in 1963. In 1984, Mr. Yves Gougoux acquired (indirectly through BCP Canada Inc.) 50% of the outstanding shares of BCP and became the President of the company. He acquired additional shares in 1989 and became the majority shareholder of BCP. Between 1989 and 1996, minority shareholders were gradually bought out.

In 1996, a corporate reorganization took place in connection with the planned sale of a significant part of BCP Canada to Publicis S.A., a French public company. As a result of this reorganization, the assets included in the transaction were now held by 9039-4073 Québec Inc. (Publicis•BCP Inc.), a newly incorporated subsidiary of BCP. The assets transferred included client

accounts (other than government accounts and conflicting clients) and shares of all subsidiaries (excluding BCP). On September 10, 1996, 70% of the shares of 9039-4073 Québec Inc. were sold to Publicis S.A. The remaining 30% was retained by Mr. Gougoux through his holding companies.

The ownership percentage Mr. Y. Gougoux and BCP held in other companies at various dates, before and after the 1996 reorganization, is noted in the Corporate Organization charts produced as Exhibit P-4I9(A) page 2 to 8.

16.2

GOC Selection Process

Table 112 lists the known agency selection competitions where BCP qualified as the winning agency, including the 1994 Tourism selection competition.

Table 112:: BCP - Agency Selection Competitions

<u>Date of Final Report</u>	<u>Department</u>	<u>Winning Agency</u>
Sept. 19, 1994	Tourism	Vickers & Benson
February 8, 1995	Heritage Canada	Groupe Everest; BCP Canada; Compass Communications; Palmer Jarvis Communications; Vickers & Benson
September 11, 2000	Health Canada	Le Groupe BCP Ltee

It should be noted that, despite the fact that BCP was not the selected agency for Tourism, more than \$65.7 million in contracts were awarded to BCP by Tourism from 1994 to 2003, as mentioned at page 8 of Chapter 4 of the AG's report.

16.3

Contracts with GOC

16.3.1 SPS Contracts

Between 1998/96 and 1998/99 GOC fiscal years, BCP managed nine SPS contracts with a total value of \$6.3 million, as detailed in Exhibit P-4I9(A) page 75 and 76.

Two contracts were issued prior and during the 1995 referendum campaign, including contract EN771-5-UI00 for \$5,460,000, of which \$3,400,000 was related to media purchase.

16.3.2 Advertising Contracts

Between 1994/95 and 2002/03, BCP acted as communication agency for advertising contracts with a maximum value of \$152.5 million. A complete list of the advertising contracts is included as Schedule 10 of this report.

Of the \$152.5 million, \$68.0 million represented media purchases through the AOR (Genesis Media and/or Media/I.D.A. Vision). As the communication agency, BCP would receive a commission of 11.75% of the media purchased.

16.4 Management of Contracts

For the fiscal year 1995 to 2003, the contracting entity for all of the SPS and advertising contracts was BCP.

In order to fulfill these contracts, BCP subcontracted part of the work to subsidiaries, related companies and/or companies under the control of Publicis Canada Inc., which was in turn controlled by a France-based company.

16.5 Financial Impact of Advertising and SPS Contracts on Results of BCP

16.5.1 Level of GOC Business

The following table presents a comparative analysis of BCP gross billing versus revenue for the years 1994 to 2003:

Table 113: BCP Gross Billing versus Revenue for 1994 to 2003 (\$000's)

	Total	GOC (PWGSC and other Departments)	Crown Corporations	Total GOC and Crown Corporations
Gross billing		132,486	176,189	308,675
External costs		110,132	160,755	270,887
Revenue	90,700	22,354	15,434	37,788
Percentage of total revenue	<u>100%</u>	<u>24.7%</u>	<u>17.0%</u>	<u>41.7%</u>

As noted in Table 113, during the period from 1994 to 2003, BCP's PWGSC and other departments' revenues from both SPS contracts and Advertising contracts totaled \$22.4 million (after deduction of external costs), representing 24.7% of BCP's total revenues of \$90.7 million for the period. In addition, advertising contracts were also awarded to BCP during the same period by Crown Corporations. From 1994 to 2003, BCP generated a total of \$15.4 million in revenue from Crown Corporations, representing 17.0% of BCP's total revenues.

In summary, from 1994 to 2003, PWGSC and other departments and Crown Corporations combined revenues totaled \$37.8 million, or 42% of BCP's total revenues.

16.5.2 Revenue from Political Associations

The analysis of BCP's revenue by client revealed that from 1994 to 2003 advertising related services were rendered to a number of political associations including Option Canada, the Liberal Party of Canada and The Federal Liberal Agency of Canada.

Option Canada

Option Canada was incorporated on September 7, 1995. We understand that they received \$4.8 million from Canadian Heritage before the Quebec referendum.

From September 15 to October 5, 1995, shortly prior before the referendum, BCP invoiced Option Canada for a total of \$2.6 million (including taxes) for media purchases and advertising related services.

Liberal Party of Canada and The Federal Liberal Agency of Canada

During the 1997 and 2000 election campaigns, BCP rendered advertising related services, including media purchases, to the Liberal Party of Canada and The Federal Liberal Agency of Canada for which BCP was paid \$4.5 million (\$2.0 million for the 1997 campaign and \$2.5 million for the 2000 campaign).

16.6

Notable Uses of Funds by BCP

16.6.1 Salaries and Management Bonuses

As previously mentioned, Mr. Y. Gougoux is the president and controlling shareholder of BCP. From 1994 to 1996, he received salaries and bonuses for a total of \$1.6 million. We understand that after 1996, Mr. Y. Gougoux was paid directly by Publicis Canada Inc.

16.6.2 Political Contributions

From 1993 to 2003, BCP made political contributions to the Liberal Party of Canada for a total of \$97,720 as recorded in the books and records of the company. Receipts were issued by Elections Canada for a total of \$86,611, as per Elections Canada's Internet site.

KROLL LINDQUIST AVEY CO.



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APPENDICES

