

CHAPTER IV

## ORIGINS OF THE SPONSORSHIP PROGRAM

Let us next examine how the Government functioned in practice in its advertising activities and in the administration of the Sponsorship Program, starting with the election of a new government in November 1993, when the Liberal Party of Canada, headed by the Right Honourable Jean Chrétien, won a majority of the seats in the House of Commons.

### 4.1

#### Evolution of the Management of Advertising Services within PWGSC

Prior to the election of the Chrétien government in 1993, government advertising was managed by the Advertising Management Group (AMG), an organization within Public Works and Government Services Canada (PWGSC) directed by Joseph Charles Guité. At some point in time the name of the AMG was changed to the Advertising and Public Opinion Research Directorate (APORD), and a year or two later it again was renamed to become

the Advertising and Public Opinion Research Sector (APORS), always under Mr. Guité's direction.<sup>1</sup> These did not involve important structural changes. This Report will, from time to time, use the acronym APORS to describe the various organizations headed by Mr. Guité prior to the formation of the Communication Coordination Services Branch (CCSB) in 1997.

AMG and APORS were never large organizations. In 1994, only about 16 people worked there, of whom only five were involved in advertising; the others worked on public opinion research or other matters. The five who worked mostly in advertising were Mr. Guité as Director; Andrée LaRose as his Deputy and the person in charge of agency-selection procedure; Huguette Tremblay, who worked with Mr. Guité continuously from 1987, fulfilling a variety of functions until the latter left the public service in August 1999; Denyse Paquette, who worked as Mr. Guité's assistant; and Mario Parent, who dealt mainly with the contracting process. Other employees such as Allan Cutler, Marie Maltais, Evelyn Marcoux, Paul Lauzon and David Myer came and went over the years. They sometimes tried to introduce reforms or to effect changes to the very loose way in which the organization was operated by Mr. Guité, but without success.<sup>2</sup>

Until November 1994, the contracting function necessary to the activities of APORS was handled by a separate division of PWGSC, known as the Public Relations and Print Contract Services Sector (PRPCSS). This arrangement led to conflicts between Mr. Guité and the people at PRPCSS. Generally, Mr. Guité was impatient with delays and with the bureaucratic processes governing the issuance of contracts.<sup>3</sup> He was proud of his reputation as someone who was "results oriented" and who would cut through red tape as required.

On November 21, 1994, Mr. Guité wrote a letter to his superior, who at that time was the Assistant Deputy Minister, Richard Neville, to inform him about the continuing dispute he was having with PRPCSS as a result of its slowness in completing contracts. In the letter he proposed various options to rectify the problem. His primary recommendation was that clear instructions be given to PRPCSS that once a requisition had been approved by Mr. Guité's group, PRPCSS was to issue an advertising contract without delay. The second

option was to delegate the contracting authority to the client department, subject to prior approval from Mr. Guité's group. The third option was to assign the contracting function to his own organization, APORS.<sup>4</sup>

While Mr. Guité states that he preferred the first option,<sup>5</sup> the third option was chosen by his superiors, and APORS was given responsibility both for agency selection and for the procurement process, including the signing of contracts.<sup>6</sup> The assignment to his section of complete control of the contracting process left Mr. Guité free to give effect to his conviction, which was obvious to the Commission, that the awarding of advertising contracts should not be the subject of a bureaucratic and competitive process. Apparently it was from this moment in time that he felt free to disregard the requirements of Appendix Q to the Government's Contracting Policy and Guidelines, as approved by Treasury Board. Appendix Q, which applied to advertising and public opinion procurement, had only come into effect about six months earlier. The importance of Appendix Q and Mr. Guité's views about the competitive process in advertising contracts will be the subject of Chapter V of this Report.

In his testimony, Mr. Neville agrees that it was not normal that procurement, contracting authority and agency selection would all be performed by the same individuals in the same group. However, he does not recall anyone ever raising this question during the discussions with the Deputy Minister, Ranald Quail, about transferring the contracting function to APORS.

The transfer of the contracting function to APORS required Allan Cutler, who had formerly performed this work within PRPCSS, to move to APORS, where he came under Mr. Guité's authority. This led to problems. Mr. Cutler was of the view that contracting should be done strictly in accordance with Treasury Board policy, including the requirements of Appendix Q, and he was reluctant to perform his functions in the manner that Mr. Guité would have preferred. This resulted in a conflict, which will be more fully described in Chapter VII of this Report; it need only be mentioned here that Mr. Cutler effectively ceased working within APORS<sup>7</sup>, leaving Mr. Guité free to manage it as he wished. No other employee dared to challenge his authority from then on.

In July 1995 there was an organizational shuffle within PWGSC. As a result, APORS came under the authority of a different Assistant Deputy Minister, James Stobbe. Mr. Stobbe was uncomfortable with this new assignment since he had no expertise in advertising or communications, or in the procurement of these services.<sup>8</sup> He tended to defer to Mr. Guité's judgment and decisions in such matters, requiring only that such decisions be reported to him and the Deputy Minister. Such decisions were never questioned, since both Mr. Stobbe and Mr. Quail knew that Mr. Guité was in direct communication with the Prime Minister's Office and, after June 1997, with the Minister of PWGSC, the Honourable Alfonso Gagliano.<sup>9</sup> Such direct contact and exceptional access put Mr. Guité beyond their control for all practical purposes. Following the appointment of Mr. Gagliano as Minister of PWGSC, Mr. Guité was promoted and given new responsibilities with the creation of CCSB in November 1997. Mr. Quail explains in his testimony that the objective in creating CCSB was to streamline operations, improve delivery of services and eliminate duplication, all with a view to reducing the budget of PWGSC as part of program review. CCSB brought together PRPCSS, APORS and a number of other functions within PWGSC, all under the direction of Mr. Guité. As a result he suddenly became the executive director of a much larger organization, consisting of about 220 full-time employees.<sup>10</sup>

However, only the same small group of public servants continued to work on advertising and sponsorships. All witnesses agree that in this part of his work Mr. Guité preferred to make most decisions himself and that he was not comfortable in delegating authority to others. Ms. LaRose testifies that the small team in CCSB that was handling sponsorships could be described as a makeshift operation, having few administrative procedures in place and little structure or organization.<sup>11</sup> Everyone who worked for Mr. Guité on sponsorship files was expected to do a little bit of everything. He preferred to keep tight control over everything. Essentially, sponsorship contracts were handled by a small group consisting of Andrée LaRose, Huguette Tremblay, Denyse Paquette, Paul Lauzon and Mario Parent, all of whom did what Mr. Guité told them to do, whether or not it was in conformity with Treasury Board policy, Appendix Q or the *Financial Administration Act*.<sup>12</sup> There was an

atmosphere of secrecy; only the inner circle was informed of decisions, which Mr. Guité announced without explaining. Administrative procedures were informal, and there was little information-sharing.<sup>13</sup>

From time to time other employees joined CCSB to work for varying periods in sponsorship matters. Marie Maltais arrived in May 1998 as Director General of Strategic Communications Coordination, determined to impose order on an obviously unstructured organization. She met with Huguette Tremblay and Denyse Paquette, who were supposed to report to her weekly, and told them that files on sponsorship contracts would have to be kept in order, and contracts properly documented. Nothing happened; the weekly meetings simply did not occur, and Ms. Maltais began to realize that this small group saw no reason to change the unorganized way in which they had always managed their files.<sup>14</sup> To respond to needs expressed by the employees concerned, Ms. Maltais tried to organize training sessions and lectures by persons experienced in handling sponsorship projects. But on three separate occasions, Mr. Guité cancelled the presentations that had been arranged, saying that he did not want a group discussion on sponsorship issues.<sup>15</sup> Finally Ms. Maltais gave up, and moved in January 1999 to the Canada Information Office (CIO) and later to Canada Mortgage and Housing Corporation.

A similar fate awaited Evelyn Marcoux, who joined CCSB for about 18 months. Nominally she was supposed to be Mr. Guité's second-in-command, but she received no cooperation from him. Her attempts to arrange meetings with Mr. Guité were unsuccessful. He finally removed all authority from her when she asked too many questions.<sup>16</sup>

David Myer was named Director General of Procurement in CCSB in June 1998, but he quickly realized that sponsorship contracts were not given the same treatment as other procurement functions. His request to Mr. Guité that procurement be treated uniformly was turned down. Effectively, Mr. Myer was excluded from dealing with sponsorship matters except when Mr. Guité was absent and Mr. Myer would sign documents in his place, including certifications for payment in accordance with section 34 of the FAA.<sup>17</sup> He later came to regret that he had done so.<sup>18</sup>

## 4.2

## Financial Context

National unity initiatives and what came to be known as the Sponsorship Program were undertaken at a time of severe fiscal restraint. There was a concerted effort by the Government to reduce its operating deficit by cutting spending at all levels.

When Mr. Chrétien's Government took power in 1993, one of its highest priorities was to reduce the annual deficit and generally to get the Government's finances under control. The situation as described in testimony by the Right Honourable Paul Martin was perilous—34.5% of every dollar in the Budget went to pay debt service charges. In 1993, the Government's debt was about \$487 billion, and about 27.5% of that debt was in foreign hands. The proportion of foreign debt has since been reduced to under 13%. The reduction of foreign debt was particularly important because it put Canada under a great deal of pressure from the international financial community. When Mr. Martin became Mr. Chrétien's Finance Minister in 1993 he was very worried that foreign lenders would withdraw their support of the Canadian Government and require it to increase interest rates, making the deficit situation much worse.

The annual deficit, which had become \$42 billion by 1993, was eliminated by 1998. Canada had achieved a balanced budget, and was beginning to reduce its overall indebtedness.<sup>19</sup>

The reduction and eventual elimination of the deficit was the result of drastic cuts in spending and an exercise that came to be known as "program review." Program review was government-wide. It was initiated by Finance Minister Martin, who told all departments of the Government that they would have to review all of their programs and their need for personnel, and to cut back their spending. Program review began in 1994 and proceeded in stages. It was resisted, sometimes fiercely, by other ministers and by the public service, and Mr. Martin had to take a very tough line to secure the spending cuts that he needed to succeed. He was able to prevail due to the unqualified support of Prime Minister Chrétien.<sup>20</sup>

Within PWGSC, program review was something of a nightmare to Mr. Quail. He had worked diligently to meet the savings targets that resulted from the amalgamation of the two departments which preceded PWGSC. Program review then imposed further reductions on the department; for example, between 1995 and 1999 its personnel was cut by 25%, or about 5,800 people. The department's operations budget was reduced by \$350 million out of a total of about \$2.2 billion. Mr. Quail was very preoccupied by the adjustments necessitated by these cuts, and says that he had little time available to deal with other problems, such as the internal management of APORS.

During the years from 1994 to 1998, program review influenced almost every decision made by the Government of Canada that involved money. Mr. Quail testifies that sponsorship funding was something of an anomaly as there was absolutely no new money for other things.<sup>21</sup> This is confirmed by Jocelyne Bourgon, former Clerk of the Privy Council Office, who advises the Commission that program review resulted in the elimination from departmental budgets of reserves of every kind and description, the only exception being the Unity Reserve,<sup>22</sup> which, as we will see later, was the principal source of funding in the early years of the Sponsorship Program.

### 4.3

#### Unity Strategy and the Quebec Referendum

In his testimony, Mr. Chrétien states that any serious examination of the Sponsorship Program must take full account of the circumstances in Quebec when the Program was created and of the climate of political uncertainty during the time in which it operated.<sup>23</sup> When he became Prime Minister in 1993, the official Opposition Party was the Bloc Québécois, which was dedicated to the separation of Quebec from the rest of Canada. In September 1994, Mr. Jacques Parizeau, the leader of its provincial counterpart, the Parti Québécois, was elected Premier of the Province of Quebec, heading a majority government. In the course of the election campaign, Mr. Parizeau had pledged to hold a referendum on the question of the sovereignty of Quebec, which the Parti Québécois advocates, within the first year of taking office. On December 6, 1994, draft legislation anticipating the political independence

of the Province of Quebec following a successful referendum on the subject was tabled in the Quebec National Assembly. Eventually the referendum was scheduled for October 30, 1995.

During the months preceding the referendum, the Government members of the National Assembly campaigned ceaselessly to promote the sovereignty option. The Quebec Government and its agencies used the advertising facilities at their disposal to influence public opinion in favour of sovereignty.

Although the federal government was not directly involved and was not in charge of the forces opposing the referendum campaign, it actively participated in the work of the “no” committee. The Honourable Lucienne Robillard, Minister of Citizenship and Immigration, was delegated to the committee by the federal government as the official representative of the Liberal Party of Canada. She was supported by the Associate Secretary of the PCO, Ron Bilodeau, and a team composed of members of his staff.<sup>24</sup>

Funding was needed to finance the federal government’s contribution to what was referred to as its National Unity Strategy. Substantial sums were disbursed through APORS as well as by the Department of Canadian Heritage and the PCO.<sup>25</sup> For example, on March 20, 1995, Ms. Bourgon recommended to Mr. Chrétien that he approve the disbursement of \$100,000 to two advertising agencies with well-known Liberal affiliations, BCP and Groupe Everest, to defray the cost of their advice with respect to the development of advertising concepts to be used in the period leading up to the referendum.<sup>26</sup> No one appears to have given any thought to the need for a call for tenders before awarding these contracts. They were treated as advertising disbursements by PWGSC.

In a Treasury Board submission dated June 15, 1995, authority was requested to spend up to \$20 million to support Canadian Unity initiatives, including \$10 million to be disbursed by APORS for advertising, media buys and public opinion research, all under the guidance of the PCO.<sup>27</sup> To emphasize the importance of the need for these funds, and because it constituted an encroachment upon the Unity Reserve,<sup>28</sup> which is under the exclusive authority



of the Prime Minister, the submission was signed by Mr. Chrétien himself. Not surprisingly, it was approved by Treasury Board promptly and without question.

A recommendation dated July 19, 1995, to the Prime Minister from the Clerk of the Privy Council refers to a number of national unity initiatives for which approval was sought, including the purchase of space on outdoor billboards at a cost of \$2.6 million.<sup>29</sup> The initiative was approved and in the following months Mr. Guité was particularly efficient in using these funds to buy up all the available billboard space in Quebec, thereby depriving the “yes” side of this publicity medium. These results were noted with appreciation by the PCO. In general, during the pre-referendum period, Mr. Guité worked closely with the team in the PCO which had been created to coordinate and assist the National Unity Strategy. He was perceived to be energetic, efficient and expert in the field of advertising. This reputation followed him in the years to come.<sup>30</sup>

The referendum file was extremely important to Mr. Chrétien. He states in his testimony that the maintenance of Canadian unity was his duty and his first priority as Prime Minister. He admits that he was dismayed at the closeness of the referendum result—the federalist side won by only a few thousand votes. Although Mr. Parizeau immediately announced his resignation as Premier of Quebec, he was promptly replaced by Lucien Bouchard, an immensely popular politician in Quebec, who pledged to call a new referendum whenever he felt that “winning conditions” were present. The federal government, led by Mr. Chrétien, took Mr. Bouchard’s pledge seriously, as well as criticism that the federal government had not been sufficiently active during the referendum campaign. Mr. Chrétien testifies that his Cabinet was united in its determination to do whatever was necessary to ensure that winning conditions for sovereignty never arose in Quebec.

#### 4.4 Post-Referendum Strategy

The federal government’s post-referendum strategy was multi-faceted; advertising activities and sponsorships were only one element of a

comprehensive game plan to better inform Quebeckers of the advantages of federalism.<sup>31</sup> Its initiatives consisted of:

- a Resolution passed by Parliament before the end of 1995 affirming the distinctiveness of Quebec;
- legislation to provide to each region of Canada a veto on constitutional change;
- the drafting and introduction of the *Clarity Act*, which is legislation to limit and control any future provincial referendum on sovereignty;
- devolution by the federal government to the Province of Quebec of responsibility for manpower training; and
- the appointment of a Cabinet committee chaired by the Honourable Marcel Massé, Minister of Intergovernmental Affairs, to make recommendations on national unity.

It is the work of the Cabinet committee which is of particular interest and relevance to this Commission. After deliberations, the committee prepared a Report (the Massé Report), dated January 26, 1996, and addressed to the Prime Minister, which was the principal subject of discussion at a special Cabinet meeting held on February 1 and 2, 1996, in circumstances described as a “retreat.”<sup>32</sup>

In his testimony, Mr. Massé says that the Cabinet committee came to the conclusion that the federal government had made two fundamental mistakes during the referendum campaign. First, it had not systematically refuted the arguments of its sovereigntist opponents; in other words, its communications were not effective. Second, federal Ministers from Quebec and Quebec members of the Liberal caucus were not sufficiently present in regions outside their own constituencies.<sup>33</sup>

With respect to communication strategy in the future, the Massé Report recommended that a new secretariat or agency be created “to develop and

implement strategy and tactics in terms of communications and policy;”<sup>34</sup> this was implemented by the creation in July 1996 of the Canada Information Office (CIO).<sup>35</sup> The Report further recommended “a coordinated effort to increase the visibility and presence of Canada in Quebec. Existing and new federal programs and initiatives beneficial to Quebecers should be prominently, systematically and repeatedly advertised...”<sup>36</sup>

The Report made a further recommendation, reading as follows:

Ministers recommend a substantial strengthening of the organization of the Liberal Party of Canada in Quebec. This means hiring organizers, finding candidates, identifying ridings that are winnable in the next federal election, and using the most modern political techniques of reaching targeted voters.<sup>37</sup>

Most witnesses agreed that a recommendation to strengthen the organization of the Liberal Party of Canada would not ordinarily form part of a Cabinet committee’s report, since Cabinet is expected to deal with the interests of the country as a whole, leaving partisan considerations aside.<sup>38</sup> However, Mr. Pelletier expressed the opinion that it is “angélisme”<sup>39</sup> (Angélisme is a word that does not translate easily into English as used in this context, the closest equivalent being “idealism.”) to expect that Ministers of the Crown in a Cabinet meeting, all of whom are members of the same political party, would not discuss partisan politics when they get together. Of course, in this instance it is not a question of informal discussions, but rather the contents of a report.

The inclusion of this recommendation in the Massé Report is an indication of the failure of some members of the Government at that time to consider that any political party other than the Liberal Party of Canada could have a role in promoting federalism in Quebec. This attitude was displayed by the former Executive Director of the Quebec wing of the Liberal Party of Canada, Benoît Corbeil, when he testified.<sup>40</sup> This attitude, which may not have been shared by all members of the Party, is difficult to reconcile with basic democratic values.

At the Cabinet retreat, after extensive discussions, the Massé Report and its recommendations were supported and adopted. The minutes of the meeting include the following statement:

[Unofficial Translation]

The ministers indicated their agreement on a four-track strategy on national unity.

.....

Promoting an attachment to Canada, and, lastly a plan to communicate with and reach out to people.

Additionally, ministers expressed agreement on the importance of establishing national identity and communication programs in order that the federal government message reach citizens as directly as possible.<sup>41</sup>

Nothing in writing more specific than this statement came out of the Cabinet retreat.

Many of the Ministers who attended the Cabinet meeting of February 1-2, 1996, testified concerning the discussions that preceded the adoption of the recommendations of the Massé Report. The list includes Prime Minister Chrétien, Diane Marleau (Minister of Public Works and Government Services), Paul Martin (Minister of Finance), Marcel Massé (President of the Treasury Board and Minister responsible for Infrastructure), Alfonso Gagliano (Minister of Labour and Deputy Leader of the Government in the House of Commons), Lucienne Robillard (Minister of Citizenship and Immigration), Stéphane Dion (Minister of Intergovernmental Affairs and President of the Privy Council), Pierre Pettigrew (Minister of International Cooperation and Minister responsible for the Francophonie), and Martin Cauchon (Minister of Regional Development in Quebec). Jean Pelletier, who attended the meeting, also testified about the discussions.

All witnesses agree that there were no specific references during these discussions to a Sponsorship Program or to sponsorships as such, but most remember discussions about the importance of increasing the visibility and

presence of Canada in Quebec.<sup>42</sup> No one recalls a discussion of the cost of increased government advertising in Quebec, except that Ms. Marleau says that she assumed there would be associated costs which would have to be found somewhere.<sup>43</sup> Mr. Massé says that he recommended that more money be spent on communications, but did not specify how or who would administer any new disbursements.<sup>44</sup>

Mr. Chrétien testifies that while the term “sponsorship” was not mentioned, the possibility of promoting events to enhance the visibility of the Government of Canada was mentioned, without identifying the kinds of events that would be promoted.<sup>45</sup>

Mr. Dion is certain that if it had been stated during the discussions that more funds would be spent on communications and advertising in the Province of Quebec than elsewhere in Canada, he would have objected since he has always believed that spending of this kind should be evenly distributed across the country.<sup>46</sup>

It is fair to conclude from the testimony of all the witnesses heard that, at the February Cabinet retreat, a decision was reached in principle to improve federal government advertising and communications to enhance the visibility of the federal presence in Quebec, but that no specific decisions were made by the Ministers present as to how this was to be accomplished, how it would be financed, or who would be in charge of any initiatives undertaken. It was left up to the Prime Minister’s Office, which had primary responsibility for national unity concerns, in consultation with the Privy Council Office, to determine the details of how the decision reached in principle was to be put into effect. No other Minister of the Crown or government agency or ministry was at that time charged with the responsibility for these initiatives.

Mr. Bilodeau explains in his testimony that there was nothing unusual or inappropriate in the development of policy by the Privy Council Office, in consultation with representatives of the Prime Minister’s Office, once the broad lines of the policy had been decided by Cabinet. This would be particularly true in the case of matters to do with national unity,<sup>47</sup> for which the Prime Minister has a particular responsibility.

Mr. Chrétien testifies that he decided that the person designated to be in charge of the national unity file was his Chief of Staff, Jean Pelletier.<sup>48</sup> Mr. Pelletier does not dispute this affirmation, but testifies that he does not recall precisely what steps were taken by him to implement the Cabinet decisions of February 1-2, 1996, with respect to increased visibility by the federal government.<sup>49</sup> He acknowledges that he had a meeting with Mr. Guité on April 16, 1996, at which there must have been a discussion of the question of funding certain new initiatives, because a Treasury Board submission seeking authorization to spend important sums of money on specific initiatives had been drafted and was shown to him as early as April 22, 1996. The submission refers to expected spending of \$17 million, which is the total amount of a list of proposed sponsorships that Mr. Guité was then in the process of drawing up.

If the specifics of the Sponsorship Program were not identified at the Cabinet meeting of February 1-2, it appears from Mr. Chrétien's testimony that at least the objectives were clearly understood, then or later, by Mr. Chrétien himself. In his prepared statement to the Commission he declares that the intention was to match the initiatives of the Parti Québécois Government in billboard, radio or television advertising, or the sponsorship of community events. He repeatedly refers to these initiatives as a "program," as appears from the following extract from his testimony:

Sponsorship is much more than billboards and flags. It is involvement with organizers of community events, people that are often opinion leaders in their communities, letting them know that there is also a Government of Canada that relates directly to citizens, that the Government of Canada does more than just collect taxes while the Quebec government delivers programs.

This type of federal presence amongst community leaders was part and parcel of our overall strategy. This is why we committed to spending a significant amount of money every year to be part of community events and we did not restrict the program to Quebec and we did not restrict it to Quebec because the Government of Canada should be present in communities across the country.

I regret any mistakes that were made in the course of this program or any other government program. As Prime Minister, I take the ultimate responsibility for everything good and everything bad that happens in the government.<sup>50</sup>

In his testimony, Mr. Gagliano, who in June 1997 became Minister of PWGSC and responsible for the Sponsorship Program, echoes Mr. Chrétien's declaration that the objective of the Program was to compete with the Quebec Government and its agencies, such as Hydro-Québec, Loto-Québec and La Société des Alcools du Québec, which were heavily involved in the sponsorship of community organizations and cultural and sporting events. In Mr. Gagliano's view, shared by Mr. Chrétien, the Government of Canada had become practically invisible in Quebec and it was necessary to counteract separatism by increasing the federal government's presence.<sup>51</sup>

Mr. Bilodeau testifies that he recalls that following the Cabinet meeting of February 1-2, there were meetings to discuss the implementation of the policy decisions which had been reached by Cabinet at that time. He cannot recall or explain why responsibility for sponsorships was given to APORS instead of to Canadian Heritage, which might appear to be the natural home for a program to promote Canadian unity, except to say that PWGSC was known to have expertise in the field of advertising.<sup>52</sup> He acknowledges that the effect of the decision was to make PWGSC both the procurement agency and the client department, an abnormal situation, as appears from the following exchange in the course of his testimony.

[Unofficial Translation]

Commissioner: But for the first time, it was tasked with procuring advertising or retaining the services of advertising agencies for its own use.

Mr. Bilodeau: That's correct.

Commissioner: Wasn't there any discussion to the effect that that could pose a problem? Did people not see that it was rather unusual in the workings of government?

Mr. Bilodeau: Sir, as I indicated to Mr. Roy, I do not recall that we had a formal, ongoing discussion about the options at that time. My sense is that given the Department's expertise in the matter, that is, the procurement of advertising, it was decided that it was perhaps the Department best able to manage sponsorships. But, in so doing, we were taking the Department in a new direction, as you so aptly pointed out. It was turning into a program department as opposed to a service department, in my opinion. That was a big change.

Commissioner: Obviously, when you purchase advertising for a client, say, the Department of Health or Agriculture, the department in question, which is also the client, automatically exercises a certain level of control.

Mr. Bilodeau: Very true.

Commissioner: But, when you buy for yourself, there is no control. Did that not occur to anyone at the time?

Mr. Bilodeau: It should have, sir. In my opinion, the Department of Public Works, like many departments, has to look after its own needs.<sup>53</sup>



## 4.5

## The Canada Information Office

Another result of the Massé Report and the Cabinet decisions of February 1-2, 1996, was the creation of the Canada Information Office (CIO), a new secretariat or agency intended “to develop and implement strategy and tactics in terms of communications and policy.” During the referendum campaign, the use of a Quick Response Communications Team within the PCO had been effective, and similar requirements led to the creation of the CIO.<sup>54</sup> It was created by an Order in Council dated early in July 1996.

Mr. Chrétien took it upon himself to interview Roger Collet in May 1996 for the position of head of the new agency.<sup>55</sup> Mr. Collet was a Franco-Manitoban whose long public service career had culminated with an appointment as Assistant Deputy Minister at Canadian Heritage. He was a strong federalist and was believed by Mr. Chrétien to be a good manager on the basis of his activities in the field of communications during the referendum campaign.<sup>56</sup>

Mr. Pelletier testifies that an indication of Mr. Chrétien’s wish to personally oversee the whole unity issue was his decision to take time from his busy schedule to interview Mr. Collet.<sup>57</sup> Normally the hiring of personnel, even at a senior level, is done through the Public Service Commission, except at the Deputy Minister level, which goes through the PCO.

It was decided by Mr. Chrétien, in consultation with the PCO, that the CIO would have an annual budget of \$20 million, to be financed by draws from the Unity Reserve. The Treasury Board submissions signed by Mr. Chrétien in 1996 and 1997 reflect this decision. In the first year, nearly \$5 million of the \$20 million was budgeted for “grants and contributions,” although the Minister of Canadian Heritage, Sheila Copps, was not in favour of subsidies being granted by the CIO<sup>58</sup> in competition with other programs in her Ministry. However, Ms. Copps had little control over the CIO, in spite of the fact that it was nominally under the supervision of her ministry. For all practical purposes, Mr. Collet was reporting directly to Mr. Pelletier at the

PMO.<sup>59</sup> Funds were available to subsidize events and projects deemed worthy by Mr. Collet, over and above the \$5 million referred to earlier,<sup>60</sup> since a substantial portion of his total budget was not needed for other purposes.

The mandate given to the CIO was to coordinate the Government's communications concerning unity questions, and also to enhance the federal government's presence.<sup>61</sup> The mandate was similar to what APORS was asked to accomplish by advertising and through the Sponsorship Program; that is to say, to increase the visibility of the federal presence in Canada generally, and particularly in Quebec. Mr. Collet had little or no expertise available to him in the assessment, financing and administration of sponsorships. His organization at the CIO was, in 1996 and 1997, rudimentary, and his personnel were inexperienced. Mr. Collet had never before in his career been given the task of organizing from scratch an agency of the importance of the CIO.

Nevertheless, public announcements were made in July 1996 concerning the creation of the CIO and its objectives. Persons and organizations seeking federal subsidies for an event or a project became aware that it had funds available. The parallel mandate of APORS had not been given any publicity, nor had an announcement been made by the Government concerning its readiness to sponsor events. As a result, the CIO was requested by the promoters of events, communication agencies representing such promoters, or Members of Parliament on behalf of their constituents to supply funding in the form of sponsorships. Mr. Collet had no personnel in his newly formed organization to assess or deal with these requests, and since he knew that Mr. Guité's group at APORS had capabilities in that area, it was quickly agreed between them that sums of money would be transferred from the CIO budget to APORS to be used for sponsorships.<sup>62</sup>

Documents indicate that a meeting took place on August 27, 1996, among Mr. Collet, Mr. Pelletier and Jean Carle of the PMO, at which they went over a list of projects to be sponsored by the federal government, or which had already occurred, or for which commitments had been made on the assumption that sponsorship funds would become available to the promoters.<sup>63</sup>

The list is very similar to the list that eventually was attached to the Précis in support of the Treasury Board submission jointly signed by Mr. Chrétien and Ms. Marleau later in the year.<sup>64</sup> It is therefore apparent that as early as August 1996, only a month after the creation of the CIO, it was anticipated by Mr. Pelletier that the CIO would be involved in the financing of sponsorship projects, and that Mr. Collet would be expected to work in close collaboration with Mr. Guité.

The pattern was established. In 1996-97 and subsequent years, an important proportion of the budget allocated to the CIO was transferred to APORS and its successor, CCSB, to be managed and administered as part of the Sponsorship Program.<sup>65</sup>

In spite of good intentions, Mr. Collet was not a gifted administrator. In November 1997, an internal audit of the CIO disclosed serious shortcomings in its administrative practices. In due course, Mr. Collet's shortcomings were recognized, and on July 27, 1998, he was relieved of his post as head of the CIO and replaced by Marc Lafrenière. At the same time responsibility for the CIO was transferred to Mr. Gagliano in his capacity as Chairperson of the Committee of Cabinet on Government Communications.<sup>66</sup>

When Communication Canada was created by Order in Council on September 1, 2001, it was the continuation of the CIO, into which CCSB had been merged, under another name. Consequently, it took over responsibility for all functions previously performed by CCSB.

## 4.6

### Funding for Sponsorships

For the fiscal year beginning on April 1, 1996, funds would be needed to finance the Government's new visibility initiatives to be managed by APORS. Their cost had not been foreseen in the Budget or in the departmental appropriations for PWGSC. The method of providing funds for what became known as the Sponsorship Program in its first and subsequent years is the subject of this section of this chapter.

Mr. Guité must have been advised by someone that APORS would be assigned the task of implementing the Government's new visibility program. It is extraordinary that no witness is able or willing to tell the Commission exactly what transpired in the period following the political decision made by Cabinet on February 1-2 and up to the first meeting between Mr. Guité and Mr. Pelletier on April 16, 1996. It is impossible to believe that there were no meetings or discussions involving the Prime Minister and his staff during that period concerning the implementation of the decision, but Mr. Pelletier purports to have no recollection of what happened.

At some point in time after his April 16 meeting with Mr. Pelletier, Mr. Guité started to prepare a proposed list of events to be sponsored in 1996-97. The list went through several transformations before it was definitively settled upon.<sup>67</sup> The total sum required for 43 sponsorships was \$16,138,640. Included in the list is an item entitled "miscellaneous" for \$989,000, which is explained in greater detail at the end of the list. There seems to have been confusion as to whether the sum of \$989,000 should be added to the amount of \$16,138,640, to make an approximate total of \$17 million, but it is apparent from a perusal of the list that the total needs were not in fact \$17 million but \$16,138,640.

In due course the list was annexed to a draft Treasury Board Submission, (see Figure IV-I) which resulted in a series of communications between the Clerk of the Privy Council, Ms. Bourgon, and Prime Minister Chrétien. These communications are of importance in determining who was ultimately responsible for the sums disbursed in the Sponsorship Program. Before reviewing them, however, it should be noted that since January 15, 1996, there had been a new Minister at PWGSC, Diane Marleau, who had particular reasons for wanting to have nothing to do with Mr. Guité.

Figure IV-1: Proposed Sponsorships 1996/97.

1057183: Front

The Treasury Board



Le Conseil du Trésor

CONFIDENCE OF THE QUEEN'S PRIVY COUNCIL  
DOCUMENT CONFIDENTIEL  
DU CONSEIL PRIVÉ DE LA REINE

TR No. AP du CT 824628  
 Dept. Adm. PWGSC  
 Prog. Supply and Services  
 Date November 21, 1996  
 Proposed Handling Procedure à suivre Appendix

A

NOV 21 1996  
SA

PRÉCIS

SUMMARY:

The Department of Public Works and Government Services Canada (PWGSC) is seeking additional funding totalling \$34M, over the next two years, to support the communications priorities of the Government of Canada.

The Advertising and Public Opinion Research Sector (A&PORS) at PWGSC is responsible for, amongst other activities, fulfilling a Government of Canada initiative to promote all its programs, policies and services by means of sponsorship through selective events across Canada. The events are determined on the basis of audience, visibility, timing and potential impact on the government's programs used at such events. Appendix A provides a list of venues that have already been used this fiscal year to fulfil this mandate and which account for the \$17,000,000 requested for 1996/97. According to A&PORS, similar venues for sponsorship will be selected for 1997/98 in order to fulfil this mandate.

Approve

PROPOSAL:

To seek Treasury Board approval to include an item in the 1996/97 Supplementary Estimates for \$17M and to establish an item in the 1997/98 Reference Levels for funding to support the communications priorities of the Government of Canada.

COST AND SOURCE OF FUNDS:

earmarked funds for Unity.

	1996/97	1997/98
(\$000s)	17,000	17,000

RECOMMENDATION:

Approve as requested.

1057184: Front

BACKGROUND:

1. It is the policy of the government to provide accurate and timely information to the Canadian public about its policies, programs and services.
2. Given the ongoing challenges of National Unity coupled with the result of the Quebec referendum the need for the promotion of government programs and services across Canada becomes particularly evident.
3. In June 1994, Treasury Board (#821823) approved modifications to the Treasury Board Contracting Policy to incorporate the Guidelines on Contracting for Communications, Public Opinion Research and Advertising. The revised policy states that all departments must use PWGSC to contract for public opinion research or advertising services. →
4. PWGSC, through the Advertising and Public Opinion Research Sector (A&PORS), is responsible for this service in addition to carrying out the analysis of the impact of the political situation in all regions of Canada and the subsequent co-ordination of all initiatives that relate to the promotion and communication of the government's programs and services.
5. In carrying out its contracting function, A&PORS ensures that the creative services, media buys, sponsorships, promotions and any other marketing initiatives initiated within departments conform with established Treasury Board policy and guidelines and that any communications services including advertising and public opinion research, are competitive as required and subsequently that appropriate contracts are issued.
6. A&PORS also provides advisory services to departments and agencies in the areas of advertising and public opinion research to ensure that Government of Canada programs and services are promoted to the fullest extent possible in all departmental initiatives.
7. Most recently, A&PORS is responsible for fulfilling a Government-of-Canada initiative to promote all its programs by means of sponsorship through selective events across Canada. The events are determined on the basis of audience, visibility, timing and potential impact on the government's programs used at such events. Appendix A provides a list of venues that have already been used this fiscal year to fulfil this mandate and which account for the \$17,000,000 requested for 1996/97. According to A&PORS, government programs and services will be promoted through sponsorship at many of the same/similar events in 1997/98.

1057185 - Front

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TB No./N<sup>o</sup> du CT:824628

## Appendix A

<u>PROJECT</u>	<u>VALUE (\$)</u>
Grand Prix Molson Canada	536,000
Molson Indy Toronto	372,000
Molson Indy Vancouver	325,000
Fête Francophonie Nord America	325,000
Rimouski - 300 ans	218,000
Gala de Tennis	22,000
Défi 737	70,000
Hockey News	80,000
Concours International de musique de Montréal	110,000
Sur la route d'Atlanta	252,000
Expos de Montréal - Fête du Canada	334,800
Canadiens de Montréal	352,000
Concours hippiques de Québec, Blainville, Bromont et Ottawa	419,000
Internationaux de tennis junior du Canada	149,200
Expo Fest '96	300,000
Autobus Sherbrooke Magazine - 1 page	25,000

1057186: Front

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TB No./N<sup>o</sup> du CT:824628

Les nuits Black - Festival de jazz et de blues Québec	80,000
Journal de Montréal (couverture Grand Prix)	85,000
Guide les loisirs du Québec	40,000
Maximum Blues	75,000
Baseball Club of St. Catherines	40,000
Promotion Kodak	364,000
Skins Game, Classique Du Maurier, Omnium Canadien Bell	94,000
Via Rail - Promotion étudiants	493,000
Expos de Montréal	900,000
Outils promotionnels	900,000
Canada sur deux roues (being amended)	2,400,000
Journal de Montréal "20 ans déjà"	10,840
Montréal '76 - Atlanta '96	22,800
Vélo-culture en ville	10,000
Grand-Prix-Players de Trois-Rivières	60,000
Canada Sud	240,000
Imavision	375,000
Ottawa Senators	200,000
Montréal Alouettes	150,000
Canadiens de Montréal	850,000



1057187: Front

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TB No./N° du CT:824628

Rafales de Québec	500,000
Rough Riders	275,000
Promotional Items	500,000
Canada Coast to Coast	1,435,000
Miscellaneous (see below)	989,000
Bluenose	975,000
Saumons de l'Atlantique	185,000
<b>TOTAL</b>	<b>16,138,640</b>

**Miscellaneous**

INFRAS - syndicated study on quebecers values and attitudes (PCO-Intergovernmental Affairs)	60,000
CROP - omnibus questions on quebecers views on Saguenay disaster (PCO-Intergovernmental Affairs)	9,000
ENVIRONICS - survey of Canadians outside Quebec (PCO-Intergovernmental Affairs)	50,000
ENVIRONICS - focus group testing of logos (Canadian Information Office)	20,000
BCP - logo development and consulting fees (Canadian Information Office)	150,000
VICKERS & BENSON - logo development (Canadian Information Office)	50,000
PALMER JARVIS - logo development (Canadian Information Office)	50,000

1057188: Front

- 6 -

TB No./N° du CT:824628

COMPASS - logo development (Canadian Information Office)	50,000
GROUPE EVEREST - logo development and consulting fees (Canadian Information Office)	200,000
ENVIRONICS - focus group testing of logos (Canadian Information Office)	50,000
TRANSFER BFDRQ - Montréal, C'est toi ma ville! Project coordinated by BFDRQ (PCO- Intergovernmental Affairs)	250,000
CRÉATEC - testing of taglines (Canadian Information Office)	50,000
TOTAL	989,000

Until January 15, 1996, David Dingwall was the Minister of PWGSC, but in a Cabinet shuffle just a few days before the Cabinet retreat, he was replaced by Ms. Marleau. Previously she had been Minister of Health.

As Minister of Health, Ms. Marleau had had an experience with Mr. Guité which left her uneasy and suspicious concerning his manner of performing his responsibilities. She had requested a change in the advertising agency which looked after the advertising needs of the Health ministry, but a competition conducted by personnel in Mr. Guité's organization had resulted in the selection of the same agency as before. Ms. Marleau would have greatly preferred a new agency and was disturbed and disappointed by the results of the competition.<sup>68</sup>

Her perception of Mr. Guité was again adversely affected when, shortly after her appointment as Minister of PWGSC, he came unexpectedly and without an appointment to her office, saying that he intended to discuss an issue directly with her. He explained to her Executive Assistant that this had been his manner of communicating with her predecessor, Mr. Dingwall. Ms. Marleau preferred that communications with subordinate personnel in her department be made through proper channels, following the usual procedure, and in the presence of her Deputy Minister. She refused to meet directly with Mr. Guité.<sup>69</sup>

She was subsequently informed by her staff that Mr. Guité was having a series of meetings with Mr. Pelletier and Mr. Carle in the Prime Minister's Office. She thought this was irregular, especially when she was not kept informed of the conversations. But, when she raised the subject with her Deputy Minister, Mr. Quail, he seemed taken aback and asked her if she had proof that such meetings were occurring. When she replied "no, I don't have any proof, but I am very worried about this," Mr. Quail told her in a somewhat enigmatic manner to be very careful, which she took as a warning that her future career as a Minister could be in jeopardy. Ms. Marleau says she was shocked by this.<sup>70</sup>

On the basis of these incidents Ms. Marleau adopted, as her policy, that she would have no contact with Mr. Guité except through proper channels. As a matter of fact, she had no direct contact with him at all for the duration of her tenure as Minister of PWGSC, which ended when she was replaced on June 10, 1997, by Mr. Gagliano.<sup>71</sup>

We now know, on the basis of admissions of the parties themselves, that Mr. Guité met in 1996 and 1997 with Mr. Pelletier on several occasions.<sup>72</sup> On a few of these occasions, Mr. Carle, who was employed in the PMO as Director of Operations, was also present.<sup>73</sup> The Director of Operations in the PMO is in charge of the Prime Minister's travel schedule and making arrangements for his public appearances; Mr. Carle needed to know when and where public events would occur in case Mr. Chrétien decided to attend.<sup>74</sup> He fulfilled other, less clearly defined functions in the PMO as well.

For instance, on April 11, 1995, Mr. Pelletier wrote a letter to all Ministers, calling their attention to the new Treasury Board guidelines on communications, advertising and public opinion research (Appendix Q), in which he states:

[Unofficial Translation]

At the same time, I would also like to inform you that Jean Carle, Director of Operations, is the individual in the Office of the Prime Minister responsible for ensuring that the policy has been respected.<sup>75</sup>

In his testimony Mr. Pelletier says the wording of the letter is erroneous and that he did not intend to attribute to Mr. Carle responsibilities that more properly belonged to Treasury Board. He only wanted Mr. Carle to supply information to those who needed answers to questions about the new policy.<sup>76</sup> This is not at all what the letter says, and there is no indication in the record that Mr. Pelletier wrote again to the members of Cabinet to explain the true role to be played in the communications policy by Mr. Carle, and

to correct the impression given by the letter of April 11, 1995, that Mr. Carle was effectively in charge of the implementation of the Government's new communications policy. It is clear from Mr. Guité's testimony that he believed that Mr. Carle was a much more important person in the PMO than the designation of Director of Operations would suggest.<sup>77</sup>

The purpose of the meetings with Mr. Guité was to discuss lists of sponsorship projects and the amounts to be granted in each case. There are divergences between the testimony of Mr. Guité and the testimony of Messrs. Pelletier and Carle as to how the lists were prepared, the frequency of the meetings, and whether or not the identity of the communication agencies chosen to handle sponsorship projects was part of the discussions; but there is no doubt that meetings occurred, during which Mr. Pelletier and to a lesser extent Mr. Carle would give Mr. Guité advice with respect to the events that should be sponsored and the amounts to be allowed in at least some cases.

In the written submissions made on behalf of Mr. Pelletier, his counsel says that between April 15, 1996, and November 20, 2000, according to his agendas, Mr. Pelletier met Mr. Guité 23 times: twelve times alone, six times with Mr. Carle, one time with Mr. Collet, five times with Mr. Gagliano and twice with Jean-Marc Bard, Mr. Gagliano's Executive Assistant. Considering the volume of work that he had to get through every day and the constraints on the availability of time in his busy schedule, the frequency of Mr. Pelletier's meetings with a mid-level public servant underlines the importance he gave to the Sponsorship Program and the Government's advertising initiatives under Mr. Guité's direction.

Mr. Quail knew that such meetings were taking place, and his advice to Ms. Marleau "to be very careful" about suggesting that such meetings were occurring is surprising.

Accordingly, although Ms. Marleau co-signed a Treasury Board submission in 1996, which was the subject of exchanges between Ms. Bourgon and the Prime Minister, she really knew very little about the reasons why funds were needed or about the subject of sponsorships in general. The list of proposed sponsorships which supported the submission had been discussed with Mr. Pelletier and representatives of PCO, but it was not discussed with her, and she had nothing to do with the administration of the sponsorship contracts that resulted.<sup>78</sup>

By April 22, 1996, it had already been determined that about \$17 million would be needed by PWGSC in the current fiscal year in connection with national unity initiatives. It was considered that authorization for the use of these funds would be obtained by way of supplementary estimates, and a draft Treasury Board submission along these lines was prepared and signed by Ms. Marleau, with a space provided for the countersignature of Mr. Chrétien.<sup>79</sup> However, this plan was temporarily abandoned while the subject of a draw on the Unity Reserve was examined. It was finally submitted to Treasury Board in October, and approved in November 1996. In the meantime, there was a degree of urgency to settle the question of funding since many of the proposed disbursements on the list had already been made or were to be made almost immediately. For example, the sponsorship of the Grand Prix Molson Canada (\$536,000) was disbursed in the early part of the summer of 1996, as was the amount to be paid to the Montreal Expos (\$334,800) for a Canada Day event.<sup>80</sup>

## 4.7

### The Unity Reserve

It is time to provide some details about the Unity Reserve, sometimes referred to as the National Unity Reserve. It constituted a unique source of funds available only to the Prime Minister of Canada, which had existed in previous governments, at least as far back as Prime Minister Trudeau. Under the Mulroney administration, it had been decided in 1991 that \$50 million per year would be set aside in the Budgets for the next five years to provide a source of funds to be used as needed by the Prime Minister for expenditures

related to national unity. Accordingly, in the annual Budgets for the years up to 1996, a reserve of \$50 million was set aside automatically and was included in the fiscal framework without the necessity of a decision each time by the Minister of Finance.<sup>81</sup>

Mr. Martin testifies that starting in 1996 or 1997, it was necessary to specifically include an item of \$50 million in the annual Budget for the Unity Reserve. He gave no particular attention to what seemed an apparently minor allocation, which simply continued what had existed previously.<sup>82</sup>

It has always been the prerogative of the Prime Minister to determine the priorities to which the Unity Reserve will be allocated. For example, Prime Minister Mulroney had used it to finance the cost of the ill-fated Charlottetown Constitutional Accord, and in 1995-96 funds were drawn from the Unity Reserve at the request of Prime Minister Chrétien to pay for the federal government's expenditures in connection with the referendum campaign.<sup>83</sup>

In 1996-97, Mr. Chrétien agreed that in addition to the \$17 million needed for sponsorships, he would authorize a further draw of \$20 million to fund the creation of the Canada Information Office, which came into being as a result of the Cabinet decision of February 1-2, 1996. The Unity Reserve was also used to finance certain other initiatives, costing \$11 million, undertaken by the Department of Canadian Heritage, and expenses totalling \$5 million incurred by the PCO in strengthening federal-provincial relations.

Access to these funds had to be justified by a Treasury Board submission, which would ordinarily be signed only by the Minister of the department charged with the responsibility for the proper management and administration of the amounts allocated to it. In the case of the \$17 million, exceptionally, Mr. Chrétien chose to sign the submission himself.<sup>84</sup> He explains this decision in his testimony as follows:

Mr. Commissioner, I signed a number of Treasury Board submissions when I was Prime Minister normally for expenditures relating to the Privy Council Office, another organization for which I was directly responsible. I also signed

the Treasury Board submission creating the Sponsorship Program. I wanted to give a clear signal to ministers on the Treasury Board that this settlement of the National Unity Strategy, like all of the strategies, was a priority that needed to be funded despite the fact that very few new spending initiatives were being approved in 1996 as a result of our determination as a government to get the finances of the country in order after years of deficit spending.<sup>85</sup>

Before he signed the submission, Mr. Chrétien received a memorandum from Ms. Bourgon in which she states:

[Emphasis in the original]

It will be critical to ensure that the unity funds are spent efficiently and that the different initiatives currently being developed support a coherent unity communications strategy.

*I would therefore recommend that you do not take a decision on any unity initiatives requiring new funding until a formal process for evaluating the merits of such initiatives is put in place.*

.....

PCO is currently developing options for such a process and I will be reviewing these with you shortly.<sup>86</sup>

On June 17, 1996, Ms. Bourgon wrote a further memorandum to the Prime Minister, reading as follows:

Following our June 6 memo to you regarding accessing funds set aside for national unity, a meeting was held with PCO, affected departments, and your office to review the outstanding pressures on the reserve (\$50 million per year in 1996-97 and 1997-98). It is recommended that you approve the allocation of \$28 million in 1996-97 and \$14 million in 1997-98, to be apportioned as follows:

- to Canadian Heritage, \$11 million in 1996-97 and \$14 million in 1997-98 for initiatives to strengthen attachment and identity, and to support the Council for Canadian Unity;



- to Public Works and Government Services Canada (PWGSC), \$17 million in 1996-97 for communications-related activities to increase federal visibility across the country including enhancement of planned media campaigns and promotion of special events. Of this amount, \$10 million will be allocated to short term commitments with the balance of \$7 million to be frozen by Treasury Board for use at a later date.


Approval of funding for Heritage and PWGSC will allow planning and programming to begin now for the summer and fall, while retaining sufficient flexibility to fund the agency (estimated to cost about \$20 million per year) and to respond to new requirements in 1997-98. If you concur, Canadian Heritage and PWGSC will seek Treasury Board approval next week.<sup>87</sup>

It is apparent from this memo and from Ms. Bourgon's testimony that she was concerned about the lack of "planning and programming" surrounding the communications-related activities to increase federal visibility.

Mr. Chrétien says that he agreed to follow this advice.<sup>88</sup> On June 19, 1996, he authorized a provisional draw on the Unity Reserve for the communications-related activities of PWGSC to the extent of \$17 million, of which \$10 million was allocated to short-term commitments and the balance of \$7 million was frozen by Treasury Board for use at a later date, after a proper Treasury Board submission had been completed and approved.<sup>89</sup> This document was never submitted to Treasury Board.

On October 9, 1996, an amended version of the June 19, 1996, Treasury Board submission was signed jointly by Diane Marleau as Minister of PWGSC and by Prime Minister Chrétien, seeking approval of \$17 million for each of two fiscal years, 1996-97 and 1997-98, for funding to support the communications priorities of the Government of Canada.<sup>90</sup> The signatures are on the first page (reproduced in Figure IV-2) of the two-page Treasury Board submission. The submission contains the following admonition, which was repeated in all subsequent Treasury Board submissions seeking funds for the Sponsorship Program:

Figure IV-2: Joint signatures on Treasury Board submission.

<p>1067172 - Front</p> <p> The Treasury Board of Canada / Le Conseil du Trésor du Canada</p> <p>Public Works &amp; Government Services Canada / Travaux publics et Services gouvernementaux Canada</p> <p>Ministère des Travaux publics et des Services gouvernementaux</p>	<p><b>PROTEGÉ</b></p> <p>824628</p> <p>T.B. NUMBER - CAT. NO. 824628</p> <p>NOV 21 1996 / le 09 octobre 1996</p> <p>File - Dossier / Date</p>
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<p><b>SUBJECT</b></p> <p>Request to include an item in the 1996-97 Supplementary Estimates and in the 1997-98 Reference Levels.</p> <p><b>PROPOSAL</b></p> <p>That Treasury Board approve inclusion of an item in the 1996-97 Supplementary Estimates and establishment of an item in the 1997-98 Reference Levels for funding to support the communications priorities of the Government of Canada.</p> <p><b>COST</b></p> <p>Cost in 1996-97 and 1997-98 will amount to \$17,000,000 each fiscal year and will be chargeable to the operating vote of the department of Public Works and Government Services Canada. Refer to Annex A for detailed information.</p>	<p><b>OBJET</b></p> <p>Demande d'inclure un poste au Budget des dépenses supplémentaires 1996-97 et des niveaux de référence de 1997-98.</p> <p><b>PROPOSITION</b></p> <p>Que le Conseil du Trésor approuve l'inscription d'un poste au Budget des dépenses supplémentaires 1996-97 et d'établir des niveaux de référence pour 1997-98 pour le financement supplémentaire en vue de soutenir les priorités du gouvernement canadien en matière de communication.</p> <p><b>COÛTS</b></p> <p>En 1996-97 et en 1997-98, les coûts seront de 17,000,000 \$ par année financière et seront imputables aux Dépenses de fonctionnement du ministère des Travaux publics et Services gouvernementaux Canada. Consulter l'annexe A pour plus de détails.</p>
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APPROVED / NOV 21 1996 / APPROUVÉ / le 21 novembre 1996

*Approved as per [unclear] letter [unclear] 21, 1996*

*[Signature]*

---

*[Signature: Irène Marbeau]*  
 Minister of Public Works & Government Services Canada

*[Signature: Jean Chrétien]*  
 Prime Minister

Public Works and Government Services Canada through the Advertising and Public Opinion Research Sector will ensure that the creative services, media buys, sponsorships, promotions and any other marketing initiatives conform with established Treasury Board policy and guidelines and that they provide added value to the Crown. In addition, they will continue to ensure that all communications services, including advertising and public opinion research, are competitive as required and subsequently that appropriate contracts are issued.<sup>91</sup>

The submission was later supported by a Treasury Board Précis, dated October 31, 1996, describing in greater detail the uses to which the funds being sought for release would be put. It included the following paragraph:

7. Most recently, A&PORS is responsible for fulfilling a Government of Canada initiative to promote all its programs by means of sponsorship through selective events across Canada. The events are determined on the basis of audience, visibility, timing and potential impact on the government's programs used at such events. Appendix A provides a list of venues that have already been used this fiscal year to fulfil this mandate and which account for the \$17,000,000 requested for 1996/97. According to A&PORS, government programs and services will be promoted through sponsorship at many of the same/similar events in 1997/98.<sup>92</sup>

Attached to the Précis is the detailed list of sponsorship events, totalling \$16,138,640.

The submission was approved by Treasury Board on November 21, 1996. By that time virtually the entire amount of \$17 million authorized for 1996-97 had already been spent.<sup>93</sup>

Ms. Bourgon testifies that it was not really necessary for the Prime Minister to sign the Treasury Board submission in order to obtain the release of the funds. She is of the view that he agreed to co-sign the submission because, unlike other aspects of the unity strategy, which had been well documented

and defined, there was no written instrument, other than the Cabinet decision to have a unity strategy, which defined or described the “visibility initiatives.”<sup>94</sup>

All witnesses who have testified on this subject agree that it was without precedent for the Prime Minister to sign a Treasury Board submission. Mr. Bilodeau is of the view that the Prime Minister’s signature sent a signal to the bureaucracy that he would support the submission with all of the weight of his authority.<sup>95</sup> Ms. Bourgon agrees that the Prime Minister’s signature sent a message to everyone about the seriousness of the initiative.<sup>96</sup> As already indicated, Mr. Chrétien himself knew that his signature on a Treasury Board submission would send “a clear signal”<sup>97</sup> to all concerned of the importance he attached to these visibility initiatives that were to be financed with the funds to be released from the Unity Reserve,<sup>98</sup> over which he had complete control. Under such circumstances, it was unlikely that anyone in the machinery of government, whether partisan or bureaucrat, would question a visibility initiative which had the backing of the Prime Minister himself.

Ms. Bourgon testifies that she was concerned about the question of ministerial responsibility for funds allocated from the Unity Reserve on the basis of the Prime Minister’s signature.<sup>99</sup> In a memorandum to the Prime Minister dated December 18, 1996, she requested him to make decisions concerning the use of such funds by the CIO and PWGSC, in the latter case referring specifically to the \$17 million drawn for each of the current year and year to come. This is what she wrote; the underlining appears in the original text of the memorandum:

C. Public Works and Government Services Canada

- PWGSC accessed the Unity Reserve, on your behalf, on October 21, for \$17 million in each of 1996-97 and 1997-98 for sponsoring special events, advertising, enhancement of planned media campaigns to increase federal presence, and the promotion of special events (details at Table 4).

The funds for 1996-97 had already been spent by the time the submission was approved by Treasury Board

- While, like for any other advertising programs, Mme Marleau is the Minister responsible for the proper administrative and financial procedures in the actual disbursement of the funds, the accountability rests with you for how the funds were spent in 1996-97 as the Unity Reserve was accessed on your behalf by PWGSC.

Therefore, if questions were to be raised about the actual initiatives supported by these funds, you would need to be ready to respond to them.

- At issue is what support you need to fulfill your accountability. Support could be provided to you by the Intergovernmental Affairs Secretariat or, alternatively by the Ministers having a primary interest in Unity.

#### Decisions Sought

- (5) Do you want to retain the responsibility for these unity monies or do you wish to transfer this responsibility to a Minister?
- (6) If you retain the responsibility, do you want PCO or a group of Ministers to review, for your approval, projects which could be funded by the unity monies provided to PWGSC for 1997-98?<sup>100</sup>

The memorandum is self-explanatory. Ms. Bourgon says she was concerned that the Prime Minister had taken on a very large burden of responsibility, and she wanted to be sure that the PCO was serving him well.<sup>101</sup> She obviously thought that a review of future projects by the PCO or a group of Ministers would provide better management of the \$17 million allocated to PWGSC for 1997-98 than was the case in 1996-97, when the list of projects had been prepared by APORS and the PMO, with little or no input by the PCO.

Mr. Chrétien did not reply in any way to Ms. Bourgon's memorandum of December 18, 1996. Ms. Bourgon returned to the same subject of concern in a second memorandum, dated September 30, 1997, on the subject of access to the Unity Reserve, which was under pressure due to the number of

requests for funding which were pending, including requests by PWGSC for an additional \$18.8 million for 1997-98, mainly for the Sponsorship Program, and \$50 million for each of the following three years.

This is what she wrote on that subject:

### III Upcoming Pressures

This note focuses on the most pressing issues requiring decisions at this time.

#### Public Works and Government Services Canada Request

- The largest current pressure originates from PWGSC, which is seeking through the Supplementary Estimates multi-year funding from the Unity Reserve: \$18.8 million for 1997-98 for a variety of advertising and promotional activities and \$50 million for each of the subsequent three years for public opinion research and communications activities.
- A Treasury Board Submission to that effect has been signed by the Minister. As occurred on the last occasion, you will be expected to co-sign this submission (Tab 2).
- While listing the initiatives for 1997-98, this Submission does not provide a breakdown, nor detailed justification for the \$150 million proposed to be spent in the following three years. The Unity Reserve, as currently profiled, does not contain sufficient funds in 1998-99 and 1999-2000 to support both the anticipated requests and the current proposal from PWGSC.
- At issue is how the \$18.8 million proposal relates to the national unity strategy. PWGSC was already granted \$17 million for 1997-98 from the Unity Reserve for advertising.
- An option would be to limit your approval at this time to the request for supplementary funding of \$18.8 million for 1997-98, leaving for later the request for \$50 million per year for 1998-99 and 1999-00.

- Beyond this lies the question of accountability. While the Minister of Public Works and Government Services Canada is responsible for the proper administrative and financial procedures in the actual disbursement of funds, the accountability rests with you for how the funds are spent when access to the Unity Reserve is approved by you for the PWGSC. The funds themselves reside within and are voted to PWGSC. That said, it is your office which determines to which projects the monies are directed. Should questions arise in the House of Commons, for example, on the initiatives supported by these funds, you might have to respond.
- Hence, at issue as well is the level of support you require to fulfil your accountability. This support could be provided to you by the PCO or, alternatively, by a Minister or group of Ministers.

#### Decisions Sought

- (1) Do you agree to proceed with the PWGSC request for \$18.8 M for the current year and to review the funding for future years in the context of budget spending pressures?
- (2) Do you want to remain accountable for the unity monies to be administered by PWGSC, or do you wish to transfer this responsibility to a Minister?
- (3) If you wish to retain accountability, do you want PCO or a Minister (or group of Ministers) to review, for your approval, projects which could be funded by the unity monies provided to PWGSC?<sup>102</sup>

This memorandum establishes:

- that the PCO was aware that the PMO was determining those projects to which sponsorship monies were being directed;
- that the Prime Minister was accountable for the use of funds drawn from the Unity Reserve on the basis of his signature on a Treasury Board submission;

- that this accountability could be transferred to a Minister, an option that Ms. Bourgon, by repeating the suggestion, apparently favoured; and
- that if the Prime Minister preferred to retain accountability, he could obtain advice or assistance from the PCO or a Minister or group of Ministers, who would review projects to be funded by unity monies.

The memorandum makes it obvious that Ms. Bourgon was uncomfortable with the existing management of the funds being accessed by the Prime Minister's signature. During her testimony she was asked what she meant by the sentence, "It is your office which determines to which projects the monies are directed." She attempted to make a distinction between responsibility (or accountability; she seems to use the words interchangeably) for the nature of the projects envisaged, and responsibility for the particular projects themselves.<sup>103</sup> I was not convinced that such a distinction could be deduced from the text of the memorandum, which is admirably clear.

In any event, Mr. Chrétien declined to respond positively in writing or otherwise to the requests for decisions sought by Ms. Bourgon. As stated by Mr. Pelletier, Mr. Chrétien fully understood his responsibilities and accountabilities, chose to retain them, and became accountable for how the funds, accessed on his behalf by PWGSC, were spent or misspent.<sup>104</sup>

In 1998-99, a further amount of \$35 million from the Unity Reserve was allocated to PWGSC for the Sponsorship Program. The evidence shows that the Prime Minister authorized two draws, of \$18 million and \$17 million.<sup>105</sup> In 1999-2000, the amount dropped to \$9 million. By then, the operating budget of PWGSC included, for the first time, an amount of \$40 million for "special programs."<sup>106</sup> This was the first time that Members of Parliament were made aware, in the appropriations procedure, that there was a program being administered by PWGSC which involved the discretionary expenditure of funds.<sup>107</sup>

The budgeting of \$40 million annually for special programs to be administered by PWGSC continued in the three following years, until the discontinuance of the Sponsorship Program in December 2003.<sup>108</sup>



Details of the source of funds used for the Sponsorship Program will be found in the Kroll Report.

What conclusions can be drawn from the foregoing?

The funds made available to PWGSC for the Sponsorship Program in its first three years were accessed from the Unity Reserve, which was under the exclusive jurisdiction of the Prime Minister. These funds were spent at a time when the Program had not been formalized, adequately defined or publicized. They were allocated according to discretion given to Mr. Guité, working under the direction of the PMO and with its approval. There had been no directions or guidelines given by the PMO or the PCO to anyone as to how the Program was to be administered, what criteria would guide decisions made regarding the use of the funds and who would supervise implementation of the Program.

Although Ms. Marleau may have been, in law, the Minister responsible for the Program until she was replaced by Mr. Gagliano in June 1997, in fact she and her Deputy Minister had nothing at all to do with the management of the Sponsorship Program other than to seek approval for its financing. The Program was run out of the PMO under the direct supervision of Mr. Pelletier, specifically delegated to carry out this responsibility by the Prime Minister. Mr. Pelletier, for all practical purposes, assumed the role, the functions and the responsibilities of a Minister of a department charged with the implementation of a program. Mr. Pelletier failed to fulfill that responsibility in that he did not give adequate direction to the subordinates in PWGSC to whom he was delegating the task of administering a new program.

Mr. Pelletier had been put in charge of the Sponsorship Program<sup>109</sup> by the Prime Minister himself, whose number one priority was the issue of national unity. Mr. Chrétien was personally responsible for the actions or the inaction of Mr. Pelletier and other exempt staff in his office. He resisted or ignored all suggestions from Ms. Bourgon that sponsorship initiatives and related events would be better directed and controlled by a Minister accustomed to program implementation and familiar with its requirements. She was obviously

conscious of the irregularity and the danger of allowing exempt political staff to direct discretionary spending, especially during a period of fiscal restraint, when there was no evidence that criteria existed for spending decisions, and procedures for the administration and oversight of the program had not been established.

Mr. Chrétien chose to disregard the warnings of Ms. Bourgon, and on his behalf his Chief of Staff assumed ministerial responsibility for the Sponsorship Program. They cannot take comfort in the wording in the Treasury Board submissions jointly signed by the Prime Minister and the Minister of PWGSC that require PWGSC personnel to observe all the requirements of the Government's Contracting Policy, when those controls and oversight had been deliberately bypassed. By his conduct and involvement, Mr. Pelletier made it impossible for Ms. Marleau and Mr. Quail to fulfill their responsibilities, since they were excluded from any participation in the decision-making process and had no effective control over the actions of Mr. Guité.

## Endnotes to Chapter IV

- <sup>1</sup> Testimony of Mr. Myer, Transcripts vol. 31 (E) p. 5267 (OE), pp. 5267-5268 (F); Testimony of Ms. Tremblay, Transcripts vol. 20, pp. 3144-3145 (OF), pp. 3143-3145 (F).
- <sup>2</sup> Testimony of Ms. Maltais, Transcripts vol. 30, pp. 5183-5190 (OF), pp. 5177-5183 (E); Testimony of Ms. Marcoux, Transcripts vol. 26, pp. 4425-4433 (OF), pp. 4420-4428 (E); Testimony of Mr. Myer, Transcripts vol. 31, pp. 5269-5274, 5290-5298 (OE), pp. 5269-5276, 5294-5303 (F); Exhibit P-100, tabs 9, 10.
- <sup>3</sup> Testimony of Mr. Guité, Transcripts vol. 33, p. 5728 (OE), p. 5743 (F); Exhibit P-103(A), tab 21.
- <sup>4</sup> Exhibit P-103(A), tab 22.
- <sup>5</sup> Exhibit P-103(A), tab 22.
- <sup>6</sup> Testimony of Mr. Guité, Transcripts vol. 33, pp. 5748-5749 (OE), pp. 5766-5766 (F).
- <sup>7</sup> Testimony of Mr. Cutler, Transcripts vol. 13, pp. 2108-2110, 2146-2147 (OE), pp. 2110-2112, 2151-2152 (F).
- <sup>8</sup> Testimony of Mr. Stobbe, Transcripts vol. 40, pp. 6935-6936 (OE), pp. 6942-6944 (F).
- <sup>9</sup> Testimony of Mr. Stobbe, Transcripts vol. 40, pp. 6891-6892, 6895, 6932-6933 (OE), pp. 6892-6894, 6897, 6938-6941 (F); Testimony of Mr. Quail, Transcripts vol. 39, pp. 6734, 6792, 6800 (OE), pp. 6739-6740, 6805, 6813-6814 (F).
- <sup>10</sup> Testimony of Mr. Quail, Transcripts vol. 39, pp. 6759-6761 (OE), pp. 6767-6770 (F); Testimony of Mr. Guité, Transcripts vol. 33, pp. 5612-5613 (OE), pp. 5613-5615 (F).
- <sup>11</sup> Testimony of Ms. LaRose, Transcripts vol. 27, pp. 4674-4675, 4681-4684 (OF), pp. 4726, 4732-4734 (E).
- <sup>12</sup> RSC 1985, c. F-11.
- <sup>13</sup> Testimony of Mr. Lauzon, Transcripts vol. 26, p. 4399 (OF), p. 4394 (E); Testimony of Ms. LaRose, Transcripts vol. 27, pp. 4683-4684 (OF), p. 4734 (E).
- <sup>14</sup> Testimony of Ms. Maltais, Transcripts vol. 30, pp. 5184-5191 (OF), pp. 5178-5183 (E).
- <sup>15</sup> Testimony of Ms. Marcoux, Transcripts vol. 26, pp. 4453-4459 (OF), pp. 4445-4450 (E); Testimony of Ms. LaRose, Transcripts vol. 27, pp. 4675-4681 (OF), pp. 4727-4732 (E); Exhibit P-87(A), pp. 107-111; Exhibit P-94.
- <sup>16</sup> Testimony of Ms. Marcoux, Transcripts vol. 26, pp. 4430-4432 (OF), pp. 4424-4426 (E), and pp. 4425-4428 (OF), pp. 4420-4423 (E); vol. 25, p. 4257 (OF), p. 4246 (E); Exhibit P-87(A), pp. 153, 156.
- <sup>17</sup> Testimony of Mr. Myer, Transcripts vol. 31, pp. 5268-5274, 5288-5289 (OE), pp. 5269-5275, 5291-5292 (F).
- <sup>18</sup> This is discussed in the context of the Demers Administrative Review in Chapter VII.
- <sup>19</sup> Testimony of Mr. Martin, Transcripts vol. 73, pp. 12690, 12695-12698 (OE), p. 12691, 12696-12700 (F); Exhibit P-213, tab 3.
- <sup>20</sup> Testimony of Mr. Martin, Transcripts vol. 73, pp. 12718-12721 (OE), pp. 12722-12726 (F).
- <sup>21</sup> Testimony of Mr. Quail, Transcripts vol. 39, pp. 6703-6705 (OE), pp. 6705-6707 (F).
- <sup>22</sup> Testimony of Ms. Bourgon, Transcripts vol. 47, pp. 8189-8191 (OF), pp. 8188-8191 (E).
- <sup>23</sup> Testimony of Mr. Chrétien, Transcripts vol. 72, p. 12504 (OF), pp. 12500-12501 (E).
- <sup>24</sup> Testimony of Ms. Robillard, Transcripts vol. 65, pp. 11231-11232 (OF), pp. 11231-11232 (E).
- <sup>25</sup> Exhibit P-88(C), pp. 558-569.
- <sup>26</sup> Exhibit P-148 (B), pp. 308-309.

- <sup>27</sup> Exhibit P-I86 (B), tab-12, p. 123.
- <sup>28</sup> The Unity Reserve will be described in greater detail in Chapter IV, section 4.7.
- <sup>29</sup> Exhibit P-I48 (A), p. 74.
- <sup>30</sup> Testimony of Mr. Dingwall, Transcripts vol. 60, p. I0553 (OE), p. I0555 (F); Testimony of Mr. Gagliano, Transcripts vol. 69, p. I2046 (OF), p. I2049 (F); Testimony of Mr. Pelletier, Transcripts vol. 72, pp. I2490-I2491 (OF), p. I2474 (E).
- <sup>31</sup> Testimony of Mr. Chrétien, Transcripts vol. 72, pp. I2507-I2508 (OF), pp. I2503-I2504 (E).
- <sup>32</sup> Exhibit P-I89(A), p. 31 (F), p. 41 (E); Testimony of Mr. Chrétien, Transcripts vol. 72, pp. I2546-I2547 (OF), pp. I2538-I2539 (E).
- <sup>33</sup> Testimony of Mr. Massé, Transcripts vol. 64, pp. I1194-I1195 (OF), pp. I1193-I1194 (E).
- <sup>34</sup> Exhibit P-I89(A), p. 46 (E), p. 37 (F).
- <sup>35</sup> Testimony of Mr. Massé, Transcripts vol. 64, pp. I1196-I1197 (OF), pp. I1195-I1196 (E).
- <sup>36</sup> Exhibit P-I89(A), p. 47 (E), p. 38 (F).
- <sup>37</sup> Exhibit P-I89(A), p. 48 (E), p. 38 (F).
- <sup>38</sup> Testimony of Mr. Dion, Transcripts vol. 62, pp. I0882-I0883 (OF), p. I0882 (E); Testimony of Mr. Massé, Transcripts vol. 64, pp. I1198-I1200 (OF), pp. I1197-I1199 (E); Testimony of Ms. Robillard, Transcripts vol. 65, pp. I1241-I1242 (OF), pp. I1239-I1240 (E); Testimony of Mr. Pettigrew, Transcripts vol. 66, pp. I1334-I1335 (OF), pp. I1333-I1334 (E).
- <sup>39</sup> Testimony of Mr. Pelletier, Transcripts vol. 71, pp. I2354-I2355 (OF), pp. I2348-I2350 (E).
- <sup>40</sup> Testimony of Mr. Corbeil, Transcripts vol. I15, p. 21379 (OF), pp. 21356-21357 (E).
- <sup>41</sup> Exhibit P-I89(A), pp. 57-65 at p. 64.
- <sup>42</sup> Testimony of Ms. Marleau, Transcripts vol. 61 (revised), pp. I0858-I0861 (OE), pp. I0860-I0864 (F); Testimony of Mr. Chrétien, Transcripts vol. 72 (revised), I2561-I2564 (OF), pp. I2551-I2552 (E); Testimony of Ms. Robillard, Transcripts vol. 65, pp. I1239-I1240, I1242-I1243 (OF), pp. I1238-I1239, I1242 (E); Testimony of Mr. Cauchon, Transcripts vol. 65, pp. I1296-I1297 (OF), pp. I1290-I1291 (E); Testimony of Mr. Martin, Transcripts vol. 73, pp. I2742-I2743 (OE), pp. I2749-I2750 (F); Testimony of Mr. Dion, Transcripts vol. 62, pp. I0879-I0881 (OF), pp. I0879-I0881 (E); Testimony of Mr. Pettigrew, Transcripts vol. 66 (revised), pp. I1332-I1333 (OF), pp. I1332-I1333 (E); Testimony of Mr. Pelletier, Transcripts vol. 71, pp. I2356-I2357 (OF), p. I2352 (E).
- <sup>43</sup> Testimony of Ms. Marleau, Transcripts vol. 61 (revised), p. I0864 (OE), pp. I0866-I0867 (F).
- <sup>44</sup> Testimony of Mr. Massé, Transcripts vol. 64, pp. I1201-I1202 (OF), pp. I1200-I1201 (E).
- <sup>45</sup> Testimony of Mr. Chrétien, Transcripts vol. 72 (revised), pp. I2561-I2562 (OF), pp. I2551-I2552 (E).
- <sup>46</sup> Testimony of Mr. Dion, Transcripts vol. 62, pp. I0931-I0934 (OF), pp. I0927-I0929 (E).
- <sup>47</sup> Testimony of Mr. Bilodeau Transcripts vol. 47, pp. 9067-9068 (OF), pp. 8068-8069 (E).
- <sup>48</sup> Testimony of Mr. Chrétien, Transcripts vol. 72, p. I2568 (OF), p. I2557 (E).
- <sup>49</sup> Testimony of Mr. Pelletier, Transcripts vol. 71, pp. I2356-I2360 (OF), pp. I2352-I2355 (E).
- <sup>50</sup> Testimony of Mr. Chrétien, Transcripts vol. 72, pp. I2511-I2512 (OF), p. I2507 (E).
- <sup>51</sup> Testimony of Mr. Gagliano, Transcripts vol. 67, pp. I1603-I1606 (OF), pp. I1597-I1600 (E).
- <sup>52</sup> Testimony of Mr. Bilodeau, Transcripts vol. 46, pp. 7897-7899 (OF), pp. 7863-7865 (E).
- <sup>53</sup> Testimony of Mr. Bilodeau, Transcripts vol. 46, pp. 7898-7900 (OF), pp. 7864-7865 (E).
- <sup>54</sup> Testimony of Mr. Bilodeau, Transcripts vol. 46, pp. 7897-7899 (OF), pp. 7863-7866 (E).

- <sup>55</sup> Testimony of Mr. Chrétien, Transcripts vol. 72, pp. 12563-12564 (OF), pp. 12552-12553 (E); Testimony of Mr. Collet, Transcripts vol. 43, pp. 7286-7289 (OF), pp. 7285-7294 (E).
- <sup>56</sup> Testimony of Mr. Collet, Transcripts vol. 43, pp. 7297-7301 (OF), pp. 7302-7306 (E).
- <sup>57</sup> Testimony of Mr. Pelletier, Transcripts vol. 71, p. 12492 (OF), pp. 12475-12476 (E).
- <sup>58</sup> Testimony of Mr. Collet, Transcripts vol. 43 (revised), pp. 7382-7384 (OF), pp. 7379-7381 (E).
- <sup>59</sup> Testimony of Mr. Collet, Transcripts vol. 43 (revised), pp. 7352-7353 (OF), pp. 7352-7353 (E).
- <sup>60</sup> Testimony of Mr. Collet, Transcripts vol. 43 (revised), pp. 7385-7386 (OF), pp. 7382-7384 (E).
- <sup>61</sup> Exhibit P-131(A), p. 61.
- <sup>62</sup> Testimony of Mr. Guité, Transcripts vol. 34, pp. 5830-5831 (OE), pp. 5833-5834 (F).
- <sup>63</sup> Testimony of Mr. Collet, Transcripts vol. 43, pp. 7455-7458 (OF), pp. 7452-7455 (E); Testimony of Mr. Pelletier, Transcripts vol. 71, pp. 12372-12373 (OF), pp. 12366-12377 (E); Exhibit P-208(D), pp. 118-119, 197; Exhibit P-106(A), tab 17, pp. 120-130.
- <sup>64</sup> Exhibit P-12(A), tab-C, tab-F.
- <sup>65</sup> Testimony of Mr. Guité, Transcripts vol. 35, p. 6055 (OE), pp. 6063-6064 (F); Exhibit P-106(A), pp. 166, 173.
- <sup>66</sup> Testimony of Mr. Collet, Transcripts vol. 43, pp. 7438-7441 (OF), pp. 7435-7438 (E); Testimony of Mr. Lafrenière, Transcripts vol. 45, pp. 7741-7742 (OF), pp. 7735-7736 (E).
- <sup>67</sup> Exhibit P-106(A), tabs 13, 16, 17, tab 19, pp. 162-164; Exhibit P-12(A), tab F.
- <sup>68</sup> Testimony of Ms. Marleau, Transcripts vol. 61, pp. 10864-10868 (OE), pp. 10867-10871 (F).
- <sup>69</sup> Testimony of Ms. Marleau, Transcripts vol. 62, pp. 10945-10947 (OE), pp. 10945-10948 (F).
- <sup>70</sup> Testimony of Ms. Marleau, Transcripts vol. 62, pp. 10947-10950 (OE), pp. 10948-10951 (F).
- <sup>71</sup> Testimony of Ms. Marleau, Transcripts vol. 62, pp. 10944-10945 (OE), p. 10945 (F).
- <sup>72</sup> Testimony of Mr. Pelletier, Transcripts vol. 71, pp. 12360-12363, 12389-12391 (OF), pp. 12356-12358, pp. 12381-12383 (E); Exhibit P-208(D), p. 115.
- <sup>73</sup> Testimony of Mr. Pelletier, Transcripts vol. 71, pp. 12389-12391 (OF), pp. 12381-12383 (E); Exhibit P-208(D), p. 115.
- <sup>74</sup> Testimony of Mr. Pelletier, Transcripts vol. 71, pp. 12332, 12375-12376, 12394-12395 (OF), pp. 12330, 12369-12370, 12386-12387 (E).
- <sup>75</sup> Exhibit P-208(D), p. 27.
- <sup>76</sup> Testimony of Mr. Pelletier, Transcripts vol. 71, pp. 12339-12341 (OF), pp. 12336-12339 (E).
- <sup>77</sup> Exhibit P-206, pp. 22, 31, 38, 67, 76; Testimony of Mr. Guité, Transcripts vol. 33, pp. 5652-5655 (OE), pp. 5657-5660 (F); Exhibit P-208(D), pp. 118-119, 197; Exhibit P-106(A), tab 17, pp. 120-130; Testimony of Mr. Collet, Transcripts vol. 43, pp. 7455-7458 (OF), pp. 7452-7455 (E); Testimony of Mr. Pelletier, Transcripts vol. 71, pp. 12372-12373 (OF), pp. 12366-12377 (E).
- <sup>78</sup> Testimony of Ms. Marleau, Transcripts vol. 62, pp. 10940-10944 (OE), pp. 10949-10944 (F).
- <sup>79</sup> Exhibit P-106(A), p. 86.
- <sup>80</sup> Exhibit P-106(A), tab 13, Exhibit P-219(A), pp. 115, 118; Exhibit P-225(A), pp. 66-67; Exhibit P-216, pp. 55, 60.
- <sup>81</sup> Testimony of Mr. Chrétien, Transcripts vol. 72, pp. 12515-12516 (OE), pp. 12517-12518 (F); Testimony of Mr. Martin, Transcripts vol. 73, pp. 12743-12745 (OE), pp. 12750-12751 (F).
- <sup>82</sup> Testimony of Mr. Martin, Transcripts vol. 73, p. 12753 (OE), pp. 12760-12761 (F).
- <sup>83</sup> Testimony of Mr. Chrétien, Transcripts vol. 72, pp. 12541-12543 (OF), pp. 12534-12536 (E).

- <sup>84</sup> Exhibit P-12(A), tab-1C.
- <sup>85</sup> Testimony of Mr. Chrétien, Transcripts vol. 72, p. 12513 (OE), pp. 12514-12515 (F).
- <sup>86</sup> Exhibit P-210(C), pp. 553-554.
- <sup>87</sup> Exhibit P-210(C), pp. 560-563.
- <sup>88</sup> Testimony of Mr. Chrétien, Transcripts vol. 72, p. 12605 (OF), p. 12591 (E).
- <sup>89</sup> Exhibit P-12(A), tab IA (E), tab IC (E).
- <sup>90</sup> Exhibit P-12(A), tab IC (E).
- <sup>91</sup> Exhibit P148(A), p. 115.
- <sup>92</sup> Exhibit P-148(A), p. 123 (E).
- <sup>93</sup> Testimony of Ms. Bourgon, Transcripts vol. 47, p. 8235 (OF), p. 8235 (E).
- <sup>94</sup> Testimony of Ms. Bourgon, Transcripts vol. 47, p. 8218 (OF), p. 8218 (E).
- <sup>95</sup> Testimony of Mr. Bilodeau, Transcripts vol. 46, p. 7878 (OF), p. 7844 (E).
- <sup>96</sup> Testimony of Ms. Bourgon, Transcripts vol. 47, p. 8220 (OF), p. 8220 (E).
- <sup>97</sup> Testimony of Mr. Chrétien, Transcripts vol. 72, p. 12513 (OE), p. 12514 (F).
- <sup>98</sup> Testimony of Ms. Bourgon, Transcripts vol. 47, pp. 8229-8230 (OF), pp. 8229-8230 (E).
- <sup>99</sup> Testimony of Ms. Bourgon, Transcripts vol. 47, pp. 8227-8230 (OF), pp. 8227-8230 (E).
- <sup>100</sup> Exhibit P-148(A), pp. 148-149.
- <sup>101</sup> Testimony of Ms. Bourgon, Transcripts vol. 47, pp. 8227-8230 (OF), pp. 8227-8230 (E).
- <sup>102</sup> Exhibit P-148(A), pp. 172-173.
- <sup>103</sup> Testimony of Ms. Bourgon, Transcripts vol. 48, pp. 8262-8264 (OF), pp. 8260-8263 (E).
- <sup>104</sup> Testimony of Mr. Pelletier, Transcripts vol. 71, pp. 12387-12388 (OF), 12380 (E).
- <sup>105</sup> Exhibit P-12(A), tabs 3D and 3I.
- <sup>106</sup> Exhibit P-12(A), table preceding tab I; Exhibit P-12(B), tab 5A.
- <sup>107</sup> Testimony of Ms. Fraser, Transcripts vol. 1, pp. 94-102 (OE), pp. 100-108 (F); vol. 2, pp. 291-293 (OE), pp. 310-313 (F).
- <sup>108</sup> Exhibit P-12(A), table preceding tab I.
- <sup>109</sup> Testimony of Mr. Chrétien, Transcripts vol. 72, pp. 12567-12568 (OF), pp. 12556-12557 (E).