

## SECTION FIVE

## SUMMARY OF FINDINGS— COMMUNICATION AGENCIES

### 5.1

#### Agency Selection

##### 5.1.1 SPS Agency Selection

In February 1995, five agencies, Groupe Everest, BCP, Compass, Palmer Jarvis and Vickers & Benson, were chosen on the second day of Heritage Canada selection process. In an undated memo Mr. Guité indicated that these five agencies "will be included on the PWGSC/APORS qualified supplier list for possible communication/advertising contracts on behalf of APORS."

In June 1995 Consortium Lafleur was selected. This consortium included Lafleur together with Compass, Natcom Publicité, Freeman Roger Battaglia and SKS Advertising.

In an April 1997 selection process ten agencies were chosen. The ten included:

- Communication Coffin with SOS Communications
- Delta Media Inc.
- Freeman Rodgers Battaglia Inc.
- Goodman Communications Inc.
- Gosselin
- Groupaction
- Manifest Communications Inc.
- Publicité Martin Inc.
- Scott Thornley & Company Inc.
- Sparks Communications Inc.

In a May 2001 selection process, nine agencies were chosen to receive standing offers including:

- Armada
- Bristol Group
- Coffin
- Compass
- Everest
- Gosselin
- Groupaction
- Lafleur
- TNC Multicom Inc.

Table 18 summarizes the percentage, by dollar value of contracts managed by the agencies chosen in the four agency selection competitions.

Table 18: Summary of SPS Contracts Managed by Agencies

Agencies Chosen in 1995, 1997 and 2001	Total Contracts	Percentage
Groupes Everest	67.67	22.18%
Lafleur	65.46	21.46%
Groupaction	60.83	19.94%
Groupaction/Gosselin	23.06	7.56%
Gosselin	21.21	6.95%
Vickers and Benson	15.36	5.03%
Compass Communications	15.11	4.95%
Communication Coffin	8.70	2.85%
Groupe BCP	6.35	2.08%
Armada	4.60	1.51%
TNC Multicom	3.48	1.14%
Palmer Jarvis Advertising	2.83	0.93%
Publicité Martin	1.51	0.49%
Bristol Group	0.55	0.18%
Delta Media	0.24	0.08%
Communications Consultants	0.18	0.06%
SOS Communications	0.02	0.01%
Sparks	-	0.00%
Goodman	-	0.00%
Manifest	-	0.00%
Scott Thornley	-	0.00%
<b>Total for Agencies Chosen in 1995, 1997 and 2001</b>	297.16	97.40%
All Other Agencies	7.94	2.60%
<b>Total Agency Managed Contracts</b>	<b>305.10</b>	<b>100.00%</b>

### 5.1.2 Advertising Agency Selection

Sections 8 to 16 provide the details of the departmental selection competitions as they relate to each agency.

## 5.2

### Cash Flow to Agencies

Based on our analysis of the flow of funds for those agencies and sub-contractors described in Sections 8 to 16 of this report, we can provide the following summary comments:

- i) The entities received from 23% (Vickers & Benson) to 100% (Gosselin) of their revenues from GOC business.
- ii) For the periods in which the firms received GOC related revenues, profits from all sources of business totaled \$46.0 million<sup>1,2</sup>.
- iii) For the periods in which the firms received GOC related revenues, salaries and bonuses paid to their owners totaled \$51.2 million<sup>2</sup>.
- iv) For the periods in which the firms received GOC related revenues, contributions were made to or on behalf of political parties, totaling, at a minimum, \$801,627. If the amounts identified by Mr. Brault as payments for a political purpose are included, this amount rises to \$2.5 million<sup>2</sup>.
- v) Payments were made to Oro Communications totaling \$525,923. In addition, Société Immobilière Alexsim (controlled by Jean Brault) paid \$25,000 to Mr. Guité, Mr. Brault purchased a car for \$35,000 from Mr. Guité and Mr. Coffin purchased a boat for \$27,000 from Mr. Guité.

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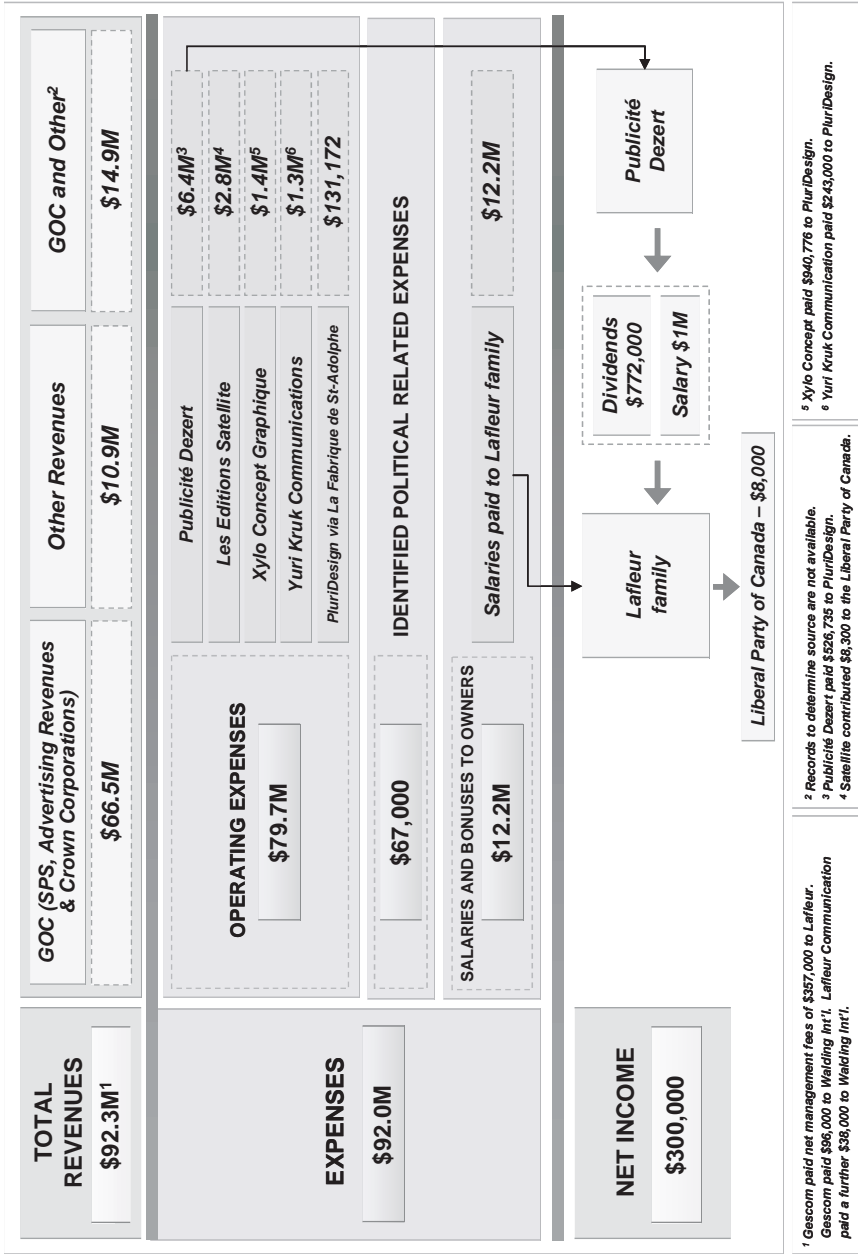
<sup>1</sup> Excludes net gains on sale of business by Groupe Everest and BCP.

<sup>2</sup> Includes Groupe Polygone, Expour and PluriDesign.

Included in this section of our report are summary flow of funds charts for those communications agencies and sub-contractors for which we have conducted financial analysis. These agencies and sub-contractor companies include the following:

Table	Communication Agency / Sub-contractors	Year	Detailed Findings Section
19	Laffleur Communications	1993 to 2001	8
20	Gosselin Communications	May 1997 to September 1998	9
21	Groupaction	1996 to 2001	10
22	Groupe Polygone and Expour	1997 to 2003	11
23	PluriDesign	1996 to 2004	12
23a	Jacques Corriveau Designer Inc.	1996 to 2004	12
24	Groupe Everest	1995 to 2002	13
25	Communication Coffin	1996 to 2003	14
26	Vickers and Benson	1996 to 2003	15
27	BCP	1994 to 2003	16

Table 19: Lafleur Communications - Flow of Funds (1993 to 2001)



<sup>1</sup> Gescom paid net management fees of \$357,000 to Lafleur. Gescom paid \$96,000 to Waidding Int'l. Lafleur Communication paid a further \$38,000 to Waidding Int'l.

<sup>2</sup> Records to determine source are not available.  
<sup>3</sup> Publicité Dezert paid \$28,735 to PluriDesign.  
<sup>4</sup> Satellite contributed \$8,300 to the Liberal Party of Canada.

<sup>5</sup> Xylo Concept paid \$940,776 to PluriDesign.  
<sup>6</sup> Yuri Kruk Communication paid \$243,000 to PluriDesign.

Table 20: Gosselin Communication - Flow of Funds (May 1997 to September 1998)

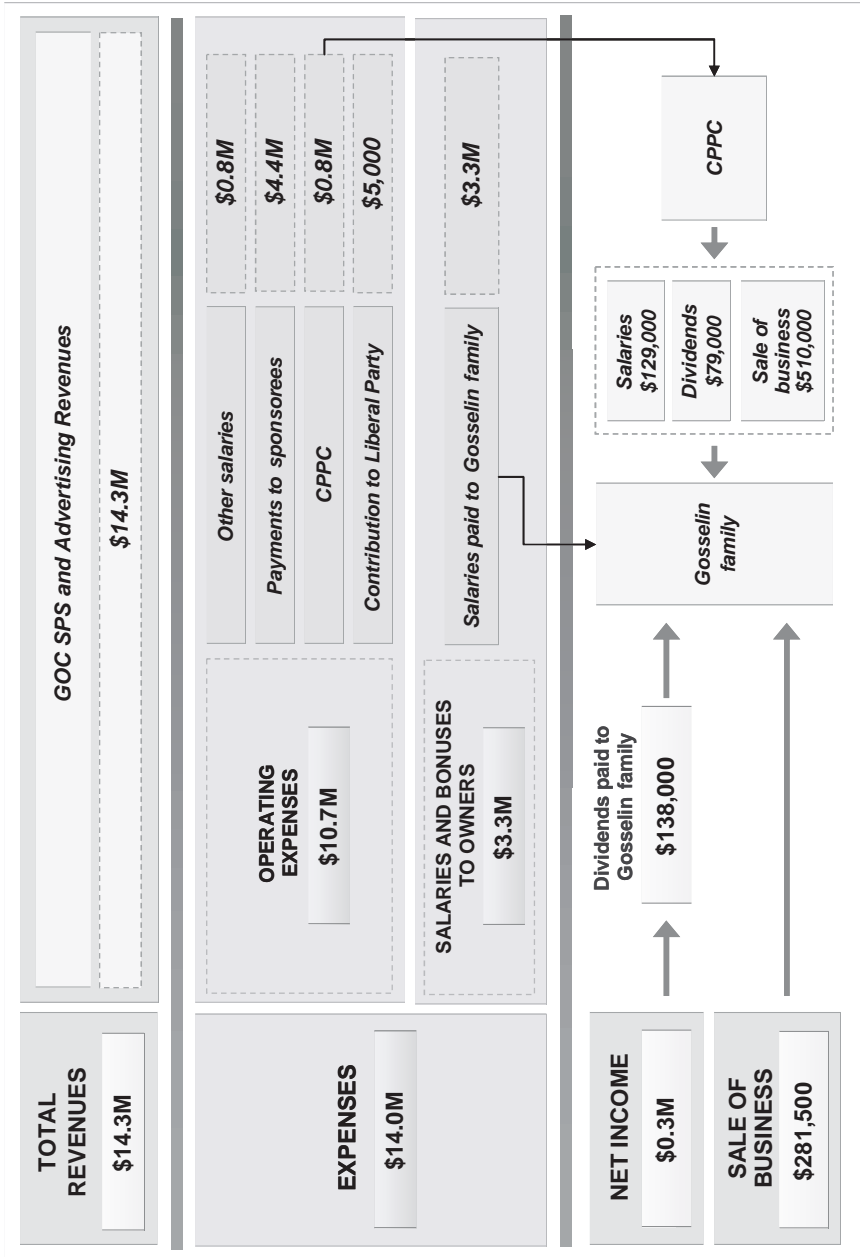


Table 21: Groupaction - Flow of Funds (1996 to 2001)

<b>TOTAL REVENUES</b> \$177.6M	GOC SPS and Advertising Revenues \$46.6M	Groute Polygone and Expour Revenues \$1.9M <sup>1</sup>	Other Revenues \$129.1M
<b>EXPENSES</b> \$172.6M	OPERATING EXPENSES \$167.5M		
	PluriDesign \$430,370		
	Oro Communication \$127,731		
	IDENTIFIED POLITICAL RELATED EXPENSES \$2.0M		
Political contributions (Liberal Party) \$170,854			
Other payments purportedly made for political purposes \$1.4M			
SALARIES AND BONUSES TO OWNERS \$3.1M			
Salaries paid to Joane Archambault \$358,960			
Salaries paid to Jean Brault \$2.8M			
<b>NET INCOME</b> \$5.0M	Dividends paid to shareholders \$1.8M	Car purchased from J.C. Guité <sup>2</sup> \$35,000	Personal use and investments

<sup>1</sup> Other companies related to Groupaction received \$163,750 from Groute Polygone and Expour, for a total amount received of \$2,097,800.

<sup>2</sup> Société Immobilière Alexism, controlled by Jean Brault, also paid \$25,000 to J.C. Guité.



Table 22: Groupe Polygone and Expour - Flow of Funds (1997 to 2003)

<b>TOTAL REVENUES</b> \$117.0M	Revenues from GOC Advertising and SPS Contracts \$38.6M	Revenues from other sources \$78.4M
<b>EXPENSES</b> \$91.4M	PluriDesign \$5.8M	J. Brault Companies \$2.1M
<b>INCOME BEFORE TAXES</b> \$25.6M	Income before taxes \$25.6M	
<b>OTHER EXPENSES</b> \$11.5M	Income taxes \$8.9M	Losses on liquidation of companies \$2.6M
<b>NET INCOME</b> \$14.1M	<p>The flow diagram illustrates the following steps:</p> <ul style="list-style-type: none"> <li><b>Groupe Polygone</b> starts with a net income of <b>\$14.8M</b>.</li> <li><b>\$1.8M</b> is transferred from Groupe Polygone to <b>Expour</b>.</li> <li><b>\$2.7M</b> is advanced from Expour to <b>investment companies controlled by Luc Lemay</b>.</li> <li><b>\$1.7M</b> is advanced from Expour to <b>investment companies controlled by Luc Lemay</b>.</li> <li><b>Expour</b> has a net income of <b>\$(0.7M)</b>.</li> <li>The final amount transferred to <b>investment companies controlled by Luc Lemay</b> is <b>\$13.5M</b>.</li> </ul>	

Table 23: PluriDesign - Flow of Funds (1996 to 2004)

<b>TOTAL REVENUES</b> \$10.1M	Liberal Party of Canada \$1.2M	Groupe Polygone and Expour \$5.8M	Revenues assoc. with Jean Lafleur \$1.8M	Groupaction \$0.4M	Other Sources \$0.9M
<b>EXPENSES</b> \$8.7M	Salary and bonuses to Jacques Corriveau \$4.4M <sup>1</sup>	Production Costs \$2.2M	Political Contributions (Liberal Party) \$42,974 <sup>2</sup>	Other Expenses \$2.1M	
<b>INCOME BEFORE TAXES</b> \$1.4M	Income before taxes \$1.4M				
<b>INCOME TAXES</b> \$0.3M	Income taxes \$0.3M				
<b>NET INCOME</b> \$1.1M	Dividends paid to Jacques Corriveau Designer Inc. → \$1.1M				

<sup>1</sup> Consists of \$0.5M in gross salaries, \$1.8M in net bonuses (\$1.6M re-deposited into Jacques Corriveau Designer Inc.) and \$2.1M in taxes paid on the bonuses.  
<sup>2</sup> Other contributions include: PluriDesign, \$4,742 (1993-1995), Jacques Corriveau \$2,541 (1993-2003), Madeleine Corriveau \$2,027 (1993-2003) and Jacques Corriveau Designer Inc. \$905 (1993-2003), for a total of \$53,189 (1993-2003)

Table 23a: Jacques Corriveau Designer Inc. - Flow of Funds (1996 to 2004)

<b>SOURCE OF FUNDS</b> \$3.3M	Re-investment of after tax bonuses received by Jacques Corriveau	\$1.6M	Dividends from PluriDesign	\$1.1M	Re-investment of dividends received by Jacques Corriveau	\$0.4M <sup>1</sup>	Other advances from Jacques Corriveau	\$0.2M	
	<b>APPLICATION OF FUNDS</b> \$3.3M	Cash and marketable securities left in investment company	\$2.4M	Dividends paid to Jacques Corriveau	\$0.4M <sup>1</sup>	Payments of house renovations	\$0.4M	Other payments to Jacques Corriveau	\$0.1M
		<p><sup>1</sup> The dividends paid by Jacques Corriveau Designer Inc. to Jacques Corriveau were re-invested in the company.</p>							

Table 24: Groupe Everest - Flow of Funds (1995 to 2002)

<b>TOTAL REVENUES<sup>1</sup></b> \$623.7M	<b>GOC SPS and Advertising Revenues</b> \$476.2M	<b>Other Revenues</b> \$147.4M	<b>Oro Communication</b> \$60,000
<b>EXPENSES</b> \$612.0M	<b>OPERATING EXPENSES</b> \$605.0M	<b>Oro Communication</b> \$5,992	
	<b>IDENTIFIED POLITICAL RELATED EXPENSES</b> \$105,139	<b>Political contributions (Liberal Party)</b> \$105,139	
	<b>SALARIES AND BONUSES TO OWNERS &amp; DIANE DESLAURIERS</b> \$6.9M	<b>Claude Boulay and Diane Deslauriers</b> \$4.5M	<b>Other Shareholders</b> \$2.4M
<b>\$33.4M</b>	<b>NET GAINS ON SALE (net of taxes)</b>		
<b>NET INCOME</b> \$45.1M	<b>Dividends paid to shareholders</b> \$31.0M	<b>Personal use &amp; investments</b> \$25.5M	<b>Political contributions (Liberal Party)</b> \$14,192
		<b>Personal use &amp; investments</b> \$5.5M	<b>Political contributions (Liberal Party)</b> \$8,687

<sup>1</sup> Based on combined financial statements, including Media I.D.A. Vision

Table 25: Coffin - Flow of Funds (1996 to 2003)

<b>TOTAL REVENUES</b> \$6,028,083	<b>GOC SPS and Advertising Revenues</b> \$4,908,401	<b>Other Revenues</b> \$1,047,682
<b>EXPENSES</b> \$5,670,510	<b>OPERATING EXPENSES</b> \$4,627,907	<b>Oro Communication</b> \$20,600
	<b>IDENTIFIED POLITICAL RELATED EXPENSES</b> \$29,700	<b>Political contributions (Liberal Party)</b> \$29,300
		<b>Political contributions (Conservative Party)</b> \$400
	<b>SALARIES AND BONUSES TO OWNERS</b> \$1,012,903	<b>Salaries paid to Coffin family</b> \$1,012,903
<b>NET INCOME</b> \$357,573	<b>Dividends paid to Coffin family</b> \$223,095 <sup>1</sup>	<b>Coffin family</b>
		<b>Coffin family boat (purchased from J.C. Guité)</b> \$27,000

<sup>1</sup> \$130,595 paid in 1996 relating to pre -1996 earnings.

Table 26: Vickers and Benson Companies Ltd. (VBCL) - Flow of Funds (1996 to 2003)

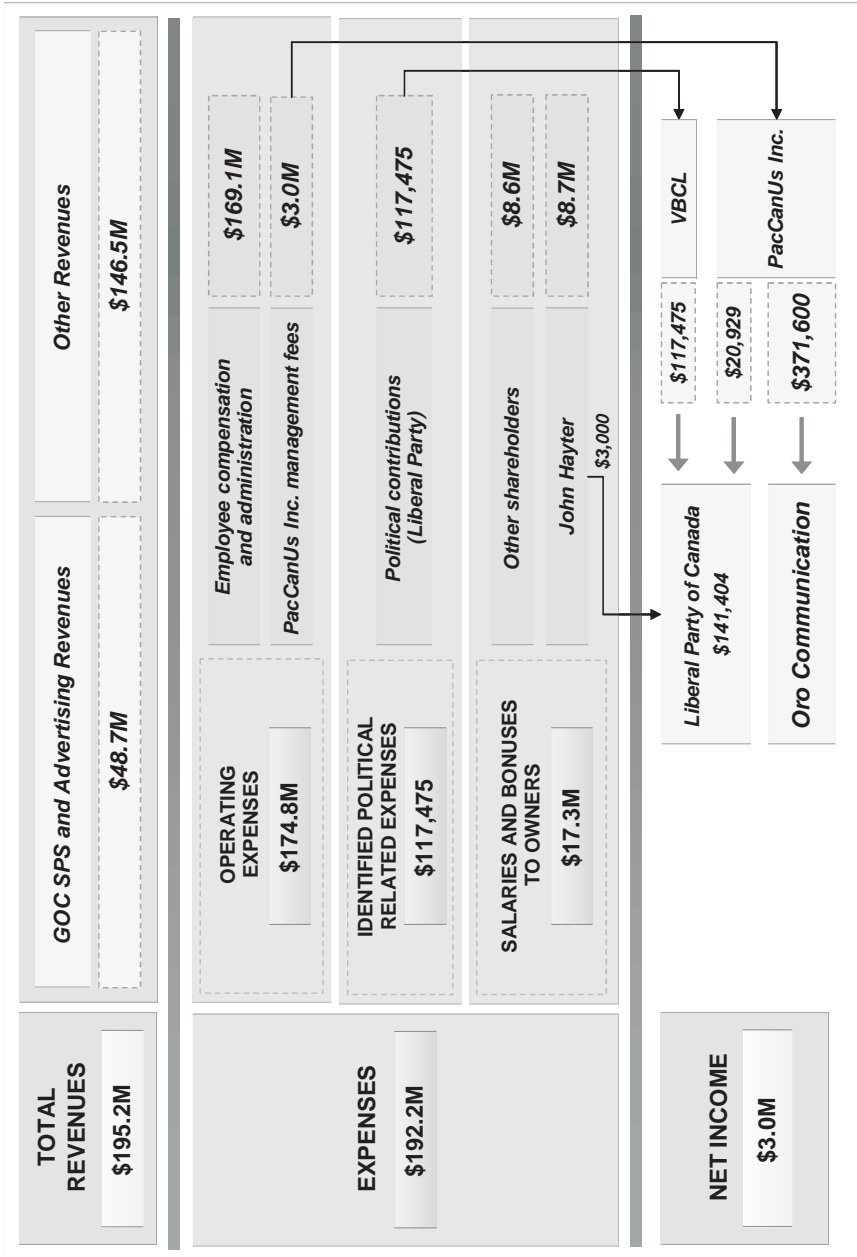


Table 27: BCP Ltée (BCP) - Flow of Funds (1996 to 2003)

<b>TOTAL REVENUES</b> \$90.7M	<b>GOC SPS and Advertising Revenues</b> \$37.8M <sup>1</sup>	<b>Other Revenues</b> \$51.3M	<b>Dividends received in 1994 and 1995</b> \$1.6M
<b>GAINS ON SALE</b> \$12.4M	<b>GAINS ON SALE OF INVESTMENTS (1996)</b>		
<b>EXPENSES</b> \$80.3M	<b>OPERATING EXPENSES</b> \$73.1M	<b>IDENTIFIED POLITICAL RELATED EXPENSES</b> \$97,720	<b>Political contributions (Liberal Party)</b> \$97,720
		<b>SALARIES AND BONUSES TO OWNERS</b> \$1.6M	<b>Salaries paid to Yves Gougoux</b> \$1.6M
<b>NET INCOME</b> \$22.8M	<b>Dividends paid to shareholders</b> \$20.3M <sup>2</sup>		

<sup>1</sup> This amount includes \$15.4M of advertising revenues from Crown Corporations.

<sup>2</sup> Of this amount, approximately \$6M relates to dividends paid from operations during the period BCP received GOC revenues referred to above

## 5.3

## Agency Payments to or on Behalf of Political Parties

We reviewed the available books and records of the agencies and related companies and individuals and the Elections Canada website to compile a list of payments made by these communication agencies, companies and individuals to or on behalf of political parties. Table 28 lists political contributions made purportedly, both directly to the parties or indirectly, on behalf of a political party.

**Table 28: Agency Payments to or on behalf of Political Parties**  
(\$ millions)

<b>Company and related parties</b>	<b>Direct</b>	<b>Indirect<sup>1</sup></b>	<b>Total</b>
Lafleur	75,304		75,304
Gosselin	5,407		5,407
Groupaction <sup>2</sup>	170,854	1,763,587	1,934,331
PluriDesign Canada Inc. <sup>3</sup>	53,190		53,190
Expour/Groupe Polygone	23,361		23,361
Groupe Everest <sup>4</sup>	194,832		194,832
Coffin	29,300		29,300
Vickers & Benson <sup>4</sup>	151,659		151,659
BCP	<u>97,720</u>		<u>97,720</u>
<b>Total</b>	<u><b>\$801,627</b></u>	<u><b>\$ 1,763,587</b></u>	<u><b>\$2,565,214</b></u>

<sup>1</sup> Per allegation by Mr. J. Brault, the actual amount paid to Liberal Party is unknown.

<sup>2</sup> Includes Alleluia Design and Impact Splash.

<sup>3</sup> Includes J. Corriveau and his family.

<sup>4</sup> Includes related companies and individuals.



## 5.4

### Contract Management by Agencies

As noted in Sections 8 through 16 of this report, we have reviewed available agency records with respect to specific events. Our review disclosed certain potential irregularities, improprieties and contracting issues in the management of contracts both by the government departments and by the agencies. As more fully described in the individual sections we noted agencies which:

- Billed more hours for professional services to PWGSC than were recorded in agency records for a specific event;
- Billed PWGSC for fees that were already paid by PWGSC via the AOR;
- Billed PWGSC based on approved estimated costs (a fixed fee) while the contract required billing based on approved hourly rates and actual hours incurred;
- Billed costs incurred to PWGSC before a contract was in place;
- Charged 17.65% commission on work sub-contracted to related parties;
- Passed on to PWGSC a substantial mark-up on promotional items purchased from a related supplier;
- Billed sub-contractor labour costs at full agency contract labour rates instead of the actual cost plus 17.65%;
- Did not obtain competitive quotes for sub-contracted work in excess of \$25,000; and
- Charged a finder's fee or commission to a sponsoree while collecting a commission from PWGSC for being the communication agency.

