

VIII

CHAPTER VIII

**CROWN CORPORATIONS
AND THE RCMP**

8.1

Auditor General's Concerns

In her Report, the Auditor General expresses concerns about the involvement of Crown Corporations and the RCMP in the Sponsorship Program in three respects, which should be examined broadly before dealing with her more specific concerns.

First, it is the Auditor General's opinion that transfers of funds from Public Works and Government Services Canada (PWGSC) to a Crown Corporation or to the RCMP do not conform to the intent of Treasury Board's Policy on Transfer Payments, which is designed to ensure that grants or contributions, which have been compared to sponsorship payments, are not used as substitutes for financing the recipient's operating or capital requirements.¹ Parliament will have established the mode of financing the operations of a Crown

Corporation, either by way of an annual appropriation or as a self-financing entity with the potential of returning dividends to its sole shareholder, the Crown (as is the case for Canada Post). Consequently, any grants or contributions made to a Crown Corporation or agency must have prior Treasury Board approval; otherwise, Parliament risks losing control over the appropriations process since the transferring department in effect subsidizes the transferee.

Second, it is the Auditor General's opinion that Crown Corporations and the RCMP should not be entitled to receive financial encouragement to promote the visibility of the federal presence since they are already obliged to do so by virtue of the Treasury Board Federal Identity Program (FIP).² This program establishes standards and requirements for managing the Government's corporate identity. For example, it obliges all Canadian government institutions, which include Crown Corporations, to display the Canada wordmark (the word "Canada" with a small Canadian flag over the last letter) prominently in all of its corporate identity applications. (See Figure VIII-1.) The Canadian flag is also to be displayed prominently at all federal facilities.

Figure VIII-1.



Canada

Third, the Auditor General is obviously dismayed to learn that PWGSC agreed to pay fees and commissions to communication agencies for their services in transferring funds from one department or agency of the Government to another, with little in the way of work or services required other than the transmission of a cheque.³

Some of the transactions which particularly troubled the Auditor General are well described in Chapter 3 of her Report. None of the evidence heard by the Commission contradicts her findings, and it would be pointless to repeat what she has written, but a few comments are necessary to describe certain matters that were the subject of testimony and submissions at the hearings, and to clarify some issues that have been raised.

8.2 Via Rail

In October 1998, Robert-Guy Scully on behalf of his company, L'Information Essentielle, was attempting to arrange financing for a television series he intended to produce on the hockey career of Maurice Richard. He had already obtained backing to the extent of \$1,625,000 from Canada Post, and had persuaded Mr. Guité that this was a project that should be supported by the Sponsorship Program. But Mr. Guité wanted to involve other sponsors and suggested that Mr. Scully approach Via Rail. When he did so, he was told by Marc LeFrançois, Chairman of the board of directors, that it had no funds available for such a project.⁴ Two weeks later Mr. Guité contacted Mr. LeFrançois and advised him that PWGSC would contribute 75% of a \$1 million contribution to the project by Via Rail; the funds would be reimbursed to Via Rail only in the next fiscal year, since Mr. Guité's budget for the current year had been spent.⁵

At a subsequent meeting with Mr. LeFrançois and Christena Keon Sirsly, Via Rail's Vice-President of Marketing, Mr. Scully persuaded them that Via Rail would receive favourable publicity from its association with the Maurice Richard series, and secured from them Via Rail's commitment for \$1 million, which Mr. LeFrançois later negotiated down to \$910,000. Mr. LeFrançois

says that his agreement to advance this amount was based upon Mr. Guité's oral undertaking that PWGSC would reimburse Via Rail \$750,000 in the next fiscal year.⁶

Mr. LeFrançois hardly knew Mr. Guité. He had been introduced to him by Jean Lafleur, who headed the communications firm which looked after Via Rail's account. With no more than Mr. Guité's verbal assurance, during 1999 Mr. LeFrançois authorized the issuance of cheques by Via Rail to Mr. Scully's firm in the amount of \$910,000. No contract was signed as evidence of the arrangements concluded with L'Information Essentielle.⁷ The television series was produced and broadcast, and Via Rail was shown in the credits as one of the sponsors. The advances of \$910,000 appeared on the books of Via Rail as an account receivable from the Government of Canada.⁸

In December 1999, Mr. LeFrançois contacted Pierre Tremblay of CCSB, who had replaced Mr. Guité following the latter's retirement, and asked for repayment of the \$750,000 in accordance with the verbal agreement with Mr. Guité. Mr. Tremblay sought instructions from the Minister, Mr. Gagliano, who, after speaking to Mr. LeFrançois, says that he was satisfied that the sum should be paid by PWGSC, and gave the necessary authorization to Mr. Tremblay. The latter informed Mr. LeFrançois that the amount would be paid through the agency of Lafleur Communication.⁹

On March 31, 2000, Éric Lafleur called Via Rail to say that a cheque for \$750,000 payable to Via Rail would be delivered against the latter's invoice, addressed to Lafleur Communication, for that amount. The invoice describes the reason for its issuance as *Commandite-Télé série, the Maurice "Rocket" Richard Story* and includes amounts for GST and PST, giving the false impression that goods or services were involved. The cheque in full payment of the invoice from Lafleur Communication is for the sum of \$862,687.50. The remaining \$160,000 on the books of Via Rail was changed from being an account receivable to a marketing expense.¹⁰

This was a very irregular and abnormal transaction, especially for a large Crown Corporation. The disbursement of \$910,000, unsupported by a contract, relying upon a verbal undertaking by a public servant, who had no legal right to commit funds from a future fiscal period, that \$750,000 would be repaid later, followed by an invoice misrepresenting the transaction, addressed to a communication agency from which Via Rail had no right to claim payment: all of these are improprieties committed by officers of Via Rail, which, it is presumed, wishes never to see repeated. From the point of view of the Canadian taxpayer, the payment by PWGSC of a commission of \$112,500 to Lafleur Communication for simply delivering a cheque to Via Rail is an abuse of public funds which cannot be condoned.

Counsel for Via Rail argues that this was an isolated transaction, that Via Rail received good publicity worth much more than the \$160,000 net it spent, that “no moneys were lost” and that no personal gain was received by anyone at Via Rail.¹¹ Unfortunately, even if these were isolated transactions, they are evidence of unacceptable corporate behaviour which the responsible parties seem to be unwilling to acknowledge. If no money was lost by Via Rail, money was surely lost by the Government of Canada in that \$112,500 was misspent by PWGSC as an unnecessary and unearned commission paid to a communication agency for which no value was received, after Via Rail had facilitated the payment by issuing a false invoice.

The Auditor General also criticizes Via Rail’s use of \$205,000, which had originally been provided to fund the publication of *Via Rail Magazine*.¹² In September 2000 the magazine project was cancelled and CCSB, at Via Rail’s request, transferred this sum, less a commission of 17.65% paid to Lafleur Communication, to Via Rail to upgrade its signs at train stations across Canada. This was not in accordance with the intent of the Transfer Payments Policy since it subsidized Via Rail’s operating costs without Treasury Board authorization. It also involved the payment of a commission of \$30,754 for no work whatsoever. The signage should have given visibility to the Canada wordmark without payment to Via Rail because of the Federal Identity Program. The criticism of this transaction by the Auditor General is fully justified.

8.3

Canada Post

In her Report, the Auditor General describes a sponsorship contract whereby Canada Post received from PWGSC in March 1999 an amount of \$521,739 as compensation for visibility given to the Government of Canada in connection with a postage stamp contest called “Stampin’ the Future.”¹³ Canada Post had disbursed an equivalent amount to Lafleur Communication for its services related to the contest. In addition to the amount paid to Canada Post, PWGSC paid to Lafleur Communication and Média/IDA Vision agency commissions of \$62,609 and \$15,652, respectively, apparently only for transmitting the sponsorship amount to Canada Post. The concerns of the Auditor General were multiple: the sponsorship contract was totally undocumented by Canada Post, any subsidization of the latter’s commercial activities by PWGSC would be in violation of the Transfer Payments Policy, and if the payment could be qualified as a legitimate sponsorship to enhance the visibility of the federal presence, it would be an unnecessary duplication of what is required by the Federal Identity Program.

It is particularly ludicrous to think that the Government of Canada needed to pay Canada Post to persuade the latter that it should identify itself as a federal institution to Canadians. Surely every Canadian knows that already; the name of Canada Post makes it evident, and every stamp bears the word “Canada.”

The Auditor General notes in her Report that the Lafleur agency, which had been engaged by Canada Post to work on the “Stampin’ the Future” project, invoiced CCSB for a total of \$114,740¹⁴ for mock-ups or layouts to be used in connection with the contest. Micheline Montreuil, Director of Stamp Products for Canada Post from 1996 to 2002 and in charge of its promotions, was not aware that the Lafleur agency was also invoicing the Government either for commissions or for work that was being done for Canada Post, such as the preparation of mock-ups. She testifies that she believed that the invoices Canada Post received from Lafleur were in full payment of its services.¹⁵ The possibility of double-billing for the mock-ups was put to Pierre Michaud, who at the relevant times was working for Lafleur Communication

and was the manager of the Canada Post account. He admitted that it appeared from the documentary evidence that the work done in preparing 18 mock-ups had been billed twice, once to PWGSC and again to Canada Post.¹⁶

Jean Lafleur, although unable to remember the circumstances of the invoicing of this contract in the same way that he was generally unable to remember most of the details of his involvement in the Sponsorship Program, is sure that his agency would not have invoiced twice for the same work.¹⁷ The matter remains unresolved.

At the hearings, officials from Canada Post recognized the waste of government money that the “Stampin’ the Future” sponsorship represented. Canada Post has offered to reimburse the Government for the funds it received from the Sponsorship Program. Following the release of the Auditor General’s Report, Canada Post commissioned its own audit by external auditors Deloitte & Touche, and since receiving the latter’s report, it has implemented the measures recommended to ensure that in the future its marketing and advertising activities conform to government policies and ethical standards.¹⁸

At the hearings, additional questions arose, of which Ms. Montreuil had not previously been aware, with respect to sponsorship contracts concluded between PWGSC and Lafleur Communication concerning Canada Post’s visibility. She learned for the first time that in 1997 Lafleur Communication had been given the mandate by PWGSC to pay sponsorships of \$150,000 and \$250,000 to Canada Post for visibility at Montreal Expos baseball games and at the 1997 Grand Prix du Canada, respectively.¹⁹ In neither case was the amount which was received on behalf of Canada Post by the Lafleur agency, together with commissions and production costs, actually transmitted to Canada Post.²⁰ However, there are in the files post-mortem reports that visibility, in the form of posters and advertisements, appears to have been given to Canada Post at the events in question;²¹ and it is possible that Lafleur Communication paid out sums to the promoters of these events for the privilege of exhibiting Canada Post’s name and logo at their venues. Nevertheless, it is extraordinary that this was done without the knowledge of the person in charge of Canada Post’s advertising program.

But it was even more remarkable for Ms. Montreuil to learn for the first time of a sum totalling \$275,000 paid to Lafleur for sponsorships in connection with the Series of the Century Stamp Launch. The books of Canada Post disclose that these amounts have never been paid to it, nor have they been paid to anyone else.²²

Ms. Montreuil managed the Series of the Century Stamp project for Canada Post. It consisted of the issuance of a series of stamps to commemorate the hockey games played between Canada and the Soviet Union in 1972. A number of stamp launches were planned in the Canadian cities where some of the games had been played, all organized by Lafleur Communication. Ms. Montreuil had been vaguely aware of the possibility that some of the costs might be subsidized by PWGSC to the extent of \$25,000, but she was completely unaware of an additional sum of \$250,000 to be paid to Canada Post as a sponsorship.²³

An invoice from the Lafleur agency to PWGSC dated November 11, 1997, and paid by the latter, proves that Lafleur received \$250,000 on behalf of Canada Post, together with a commission of \$37,500, production costs of \$5,500 for two mock-ups, and fees for the services of its personnel totalling \$169,000.²⁴ An earlier invoice, dated March 31, 1997, for \$25,000 and related commissions and fees,²⁵ is marked “Annulé” (Void), although it appears to have been paid also.

When questioned on this subject, Jean Lafleur was at first unable to provide any explanation as to why the amount of \$275,000 due to Canada Post had not been paid to it. At a later stage of his testimony he said that he had looked into the matter, and that his research had uncovered the possibility that sums were due to his agency by Canada Post which were set off against the \$275,000 owed to it.²⁶ This possible set-off was not established by admissible evidence. At the time Mr. Lafleur was looking into the matter, his books and records were in the possession of the Commission by virtue of a subpoena.

In a further attempt to establish that the \$275,000 is not due to Canada Post, Mr. Lafleur produced a document which purports to be an invoice for

\$250,000 sent on October 1, 1997, by Canada Post to the Lafleur agency, together with GST and PST, for “Visibilité accordée au gouvernement du Canada dans le cadre de la tournée promotionnelle entourant le lancement du timbre commémorant la Série du Siècle de 1972.”²⁷ (“Visibility provided to the Government of Canada during the promotional tour relating to the launching of the 1972 Series of the Century stamp.”) It is not clear to the Commission what the production of this document is intended to prove. In any event, Canada Post denies that the invoice emanated from its accounting department; it is not on the form used by it for invoices, and could have been prepared by anyone having access to Canada Post’s letterhead.²⁸

The Commission, which does not have jurisdiction to settle disputes of this kind, comes to no conclusion as to whether Lafleur Communication owes a sum of money to Canada Post, except to say that Mr. Lafleur has no credibility on this subject.

The Commission heard evidence of instances of mismanagement at Canada Post which can be traced back to the period when André Ouellet became involved in its administration. His decisions and influence were not always in the best interests of Canada Post—although he would vigorously contest that statement—and provide an illustration of the dangers of political appointments to positions with Crown corporations where sound business experience is a better qualification than experience in politics and public administration. I agree with the opinion of the new Chair of Canada Post, Gordon Feeney, who says that the tone at the top of an organization defines its culture.²⁹

In January 1996,³⁰ after a long career as a Liberal politician and Cabinet member, André Ouellet was appointed Chairman of the Board of Canada Post.³¹ Three years later he was appointed by the Government to be its President and Chief Executive Officer, first acting on an interim basis for nine months and then on a permanent basis in November 1999, until his resignation in 2004.³² During the three years that he was Chairman of the Board, the President and CEO was Georges Clermont, and Mr. Ouellet had no administrative responsibilities.³³ This did not prevent him from assuming

an increasingly important role in the day-to-day operations of Canada Post. He gave particular attention to the activities of the Stamp Committee, which he chaired.³⁴ The committee chose stamp designs and organized events known as “stamp launches” at which new stamp designs would be announced, usually at a cocktail reception.³⁵ Until Mr. Ouellet arrived at Canada Post in 1996, stamp launches were less elaborate affairs that were handled internally, at a relatively minor cost.³⁶ In order to increase the sale of stamps, particularly to stamp collectors, in 1997 Mr. Ouellet instructed Micheline Montreuil, the Director of Stamp Products, to utilize the consulting services of Lafleur Communication and Gervais, Gagnon, Covington et associés (GGA) specifically for stamp launches.³⁷ Contracts were awarded on a sole-source basis with Lafleur and GGA.³⁸ A third agency, Tremblay Guittet Communications (TGC), whose president, Michelle Tremblay, was a long-time personal friend of Mr. Ouellet, was also retained at his request.³⁹ The cost of stamp launches immediately shot upwards. In the period from August 8, 1997, to May 17, 2002, TGC billed Canada Post fees of \$383,671 for services related to the organization of stamp launches;⁴⁰ and from August 1997 to April 2004 it billed \$1,770,579 for other services, such as speech writing, advice and disbursements.⁴¹

From December 1996 to July 2001, Lafleur Communication billed Canada Post fees in excess of \$2 million for stamp-related activities, excluding the “Stampin’ the Future” contest.⁴² Jean Lafleur had become a personal friend of Mr. Ouellet in March 1996, and social contacts between them and their wives were frequent.⁴³ Mr. Ouellet also hired Mr. Lafleur’s son, Éric, to act as his advisor for the purpose of the launch of a new stamp during a visit to China in 1997.⁴⁴ Nevertheless, Mr. Ouellet would have the Commission believe that he and Mr. Lafleur never discussed business or the sponsorship contracts that the Lafleur agency was managing on behalf of PWGSC for the benefit of Canada Post.⁴⁵ Although Ms. Montreuil had the authority to decide which advertising agency should be used in conjunction with the promotion of new stamps, practically speaking it was impossible for her to refuse the wish of Mr. Ouellet. The Lafleur agency became Canada Post’s agency without having to go through a tendering process.⁴⁶

As Chairman of the Board, Mr. Ouellet was entitled to attend the meetings of the Sponsorship Committee which decided on the events to be sponsored by Canada Post and the amounts to be paid. Mr. Ouellet testifies that his participation at committee meetings was limited to making recommendations, but the minutes of some of the meetings indicate that in fact he gave unilateral approval to certain projects, including the sponsorship of the Maurice Richard series, another television series known as “Tout écran,” *Le Chant de l'eau* (a coffee table book) and le Musée d’art contemporain de Montréal.⁴⁷ The other members of the committee were unlikely to contest the “recommendations” of the Chairman, no matter how they were expressed, much less his approvals, and Mr. Ouellet effectively took over decision-making at the Sponsorship Committee. When he became President of the Crown Corporation, he abolished the Sponsorship Committee, and all sponsorship applications were handled by himself and Alain Guilbert, the Vice-President in charge of communications.⁴⁸ Although there was, at the time, a sponsorship policy which provided criteria for selection, it was largely ignored, and their decisions were based on subjective considerations.⁴⁹

In general, Mr. Ouellet’s actions and administration of the business operations of Canada Post, with respect to sponsorships, advertising and stamp marketing, whether as Chairman or President, were characterized by extravagance. Decisions were made unilaterally, disregarding established procedures and favouring his friends over the interests of the corporation. Contrary to the position taken by Mr. Ouellet’s counsel in his brief to the Commission,⁵⁰ Canada Post did have a corporate procurement and expenditure policy for goods and services which was clearly predicated on compliance with competitive tendering processes.⁵¹

Mr. Clermont, as President of Canada Post until 1999,⁵² did not approve of Mr. Ouellet’s initiatives in arranging elaborate and expensive stamp launches and in engaging the Lafleur agency and Michelle Tremblay to render services at great expense; but he believed that Mr. Ouellet had the support and approval of the shareholder, i.e., the Government.⁵³ He eventually chose to retire rather than to provoke a rift with the Chairman, who continually interfered in the management of the Corporation.⁵⁴

Some of the decisions made on behalf of Canada Post during Mr. Ouellet's tenure, including those related to the issuance of sole-source contracts to Lafleur, TGC and GGA, were criticized in the Report of the Auditor General, and these criticisms were endorsed and repeated in the July 2004 report of the external auditors of Canada Post, Deloitte & Touche,⁵⁵ who were mandated the year before to carry out, *inter alia*, an audit of the firm's sponsorship, marketing and advertising activities. Mr. Ouellet disagrees with the findings of both audit reports, but his criticisms are not justified.⁵⁶

8.4

Business Development Bank of Canada

Three transactions involving the Business Development Bank of Canada (BDC) are the subject of comments in the Report of the Auditor General⁵⁷ or of testimony before the Commission.

With respect to the first matter, in 1998 the BDC agreed, without a contract being signed,⁵⁸ to contribute \$250,000 directly to the cost of producing a television series entitled *Le Canada du Millénaire*, which was a project of Mr. Scully of L'Information Essentielle. This contribution was a legitimate part of the BDC's advertising and marketing program. Any irregularity due to the lack of written documentation supporting this transaction, which a Crown Corporation should obviously have in its files, is not a matter within the mandate of the Commission.

The same television series was also supported financially by the Communication Coordination Services Branch (CCSB), which agreed with Mr. Scully to contribute funding of an additional \$250,000 as a sponsorship through the agency of Lafleur Communication.⁵⁹ The funding by PWGSC was in two instalments of \$125,000, together with commissions paid to Lafleur and the Agency of Record, the first of which was paid in July 1998, via the AOR, to L'Information Essentielle.⁶⁰ It was the second instalment that gives rise to questions, because instead of the sponsorship amount being paid to L'Information Essentielle, cheques for a total of \$125,000 plus tax were issued by the AOR to the BDC, on instructions to that effect by Pierre Tremblay.⁶¹ These cheques arrived at the BDC's offices in March 2000, just before the

fiscal year end, and at first no one knew what to do with them.

Alan Marquis, the Chief Financial Officer of the BDC, was of the opinion that the cheques should be returned or destroyed.⁶² By this time, the television series had long ago been produced and broadcast, with the BDC receiving appropriate credits. On March 27, 2000, its Vice-President in charge of public affairs, Christiane Beaulieu, wrote a memo to the accounting department, suggesting that the cheques should be cashed and indicating that she was satisfied that the BDC had received publicity having a value far in excess of its contribution of \$250,000.⁶³ With the benefit of hindsight, we know now that Pierre Tremblay at CCSB preferred to send the amount of the sponsorship to the BDC because he was uneasy about the amounts that had already been paid in the current fiscal year by PWGSC for Mr. Scully's various projects. To resolve the impasse, Jean Carle, First Vice-President of the BDC, after speaking to Pierre Tremblay, intervened to authorize the deposit of the cheques and the issuance of a cheque to *L'Information Essentielle*, after he had reassured Stefano Lucarelli, the controller of the BDC, that all was in order.⁶⁴

The BDC should not have agreed to accommodate the wish of Mr. Tremblay to disguise in this way a payment made to *L'Information Essentielle*, and Mr. Carle should have left an accounting matter to be handled by the appropriate BDC officers, Messrs. Marquis and Lucarelli, without his intervention. However, it would be an exaggeration to characterize his role in the matter as comparable to money-laundering, although the evidence shows that Mr. Tremblay meant to conceal the PWGSC payment to *L'Information Essentielle* by passing it through the BDC.⁶⁵ Mr. Carle's cooperation, though improper, was not in any way criminal.

As far as the BDC was concerned, it derived a clear benefit from the fact that the television series was produced with the assistance of public funds,⁶⁶ and the Auditor General was correct to criticize this breach of the intent of the Government's Transfer Payments Policy. Although the conduct of Messrs. Lucarelli and Marquis might be questionable under the BDC's internal policies, their conduct is not blameworthy since they relied upon Mr. Carle's instructions.

Internal reforms at the BDC since this incident occurred⁶⁷ make it unlikely that it will be repeated.

The third subject of testimony at the hearings of the Commission concerns a coffee table book to be produced by Mr. Scully's company in connection with the Maurice Richard series. The BDC contributed \$74,800 towards the total anticipated cost of \$149,800; the balance of \$75,000 was to be paid by PWGSC as a sponsorship. Once again there was no written agreement to confirm these understandings.⁶⁸ When invoices were received from L'Information Essentielle requesting payment of the contribution of the BDC,⁶⁹ Mr. Lucarelli questioned the expense but was assured by Mr. Carle and Ms. Beaulieu that it should be paid.⁷⁰ In fact, the book had not yet been produced,⁷¹ and has never appeared. It may be concluded that both the BDC and PWGSC acted too hastily in paying for goods and services that had not yet been delivered.

8.5 RCMP

In 1998-99, the Royal Canadian Mounted Police wished to celebrate the founding of Canada's national police force 125 years earlier, but had no money to finance the celebrations. In 1997 Odilon Emond, the Deputy Superintendent for the Quebec Division of the RCMP, had become acquainted with Jean Lafleur, whose name had been suggested to him by Mr. Carle, then working in the PMO, as a result of a request by the RCMP for financial assistance in organizing a golf tournament, with the proceeds going to charity. Mr. Lafleur had provided financial assistance of \$30,000 to this charitable endeavour (it was only years later that Mr. Emond learned that the money was paid as a sponsorship, with Lafleur earning a commission).⁷² Thinking that Mr. Lafleur might be of assistance again, Mr. Emond contacted him. Mr. Lafleur arranged a meeting in or about April 1997 with Mr. Guité, with a view to seeking government funding for the Quebec Division's projects for events in 1998-99 to celebrate the anniversary.⁷³

Mr. Emond was very agreeably surprised by the reception he received from Mr. Guité, who asked him to prepare, with the assistance of Mr. Lafleur, a list of the projects which were being planned or contemplated. Shortly after the “wish list” was delivered, Mr. Guité announced that funding of \$500,000 would be made available to the Quebec Division of the RCMP.⁷⁴

Mr. Emond informed Dawson Hovey, the Director of Public Affairs for the RCMP at its headquarters in Ottawa, of the results of his initiative to secure government funding for the 125th anniversary celebrations, and Mr. Hovey in turn got in touch with Mr. Guité, and had similar success. Mr. Guité told him that Gosselin Communications would manage the RCMP’s events outside of Quebec, as the representative of PWGSC. Mr. Hovey did not know until much later the details of the arrangements made between PWGSC and Gosselin Communications,⁷⁵ and was dismayed to learn how much public money was disbursed by the Government to pay for its services. He and everyone else involved in these projects now feel that there was substantial overcharging.

The Auditor General describes the financial aspects of the sponsorships by PWGSC of the various RCMP projects, and it is unnecessary to repeat them here.⁷⁶ Suffice it to say that of more than \$3 million disbursed from the public purse, only \$1.7 million reached the RCMP, together with non-monetary benefits such as promotional items, the financing of the Musical Ride in various localities, and reimbursement of the price of six horses. The rest of the money, totalling \$1,326,290, paid for agency commissions, production costs and work given to subcontractors.

The RCMP has agreed with all of the findings of the Auditor General and has taken steps to comply with government policies in the future. It wishes to clarify one finding: the six horses acquired at a cost of \$46,530 in December 1997 to supplement its Musical Ride capacity, were not directly purchased with sponsorship funds, but from available funds resulting from the RCMP’s normal appropriations. However, the cost of the horses was later reimbursed to the Crown in 1998 from the bank account maintained by the organizing committee in Quebec to hold and administer the funds advanced

to it by PWGSC.⁷⁷ The practical result is the same: sponsorship funds were used to finance the cost of acquisition of a capital asset—an asset that continued to exist long after the celebrations of 1998-99 had ended—which is a clear violation of the appropriations process and the Transfer Payments Policy.

One aspect of the evidence presented by the representatives of the RCMP who were heard by the Commission is particularly revealing.

In May 1999, the RCMP was planning a re-enactment of the March West, which occurred long ago when the North-West Mounted Police, which was to become the RCMP, was formed to bring order to the territory and set off across the prairies. Based upon the relative ease with which Mr. Guité had been persuaded in the past to grant sponsorships for events related to its anniversary celebrations, the RCMP had assumed that funding of \$200,000, needed to assist in the costs of this event, would be provided as a sponsorship by PWGSC. It learned at the last minute from Wendy Cumming, the representative of Gosselin Communications who was handling the file, that funding for the March West had been refused.⁷⁸ André Thouin, who was then the Chief Superintendent of the RCMP, called Mr. Guité to try to persuade him to reverse this decision and certain other adverse decisions of lesser importance. Mr. Thouin testifies that Mr. Guité seemed sympathetic to his request and asked him to provide details of the RCMP's needs for funding, which he would show to Minister Gagliano at a forthcoming meeting.⁷⁹ Mr. Thouin prepared a letter as suggested, which concludes: "I wish you success in your discussions with your Minister."⁸⁰

A few days later Mr. Thouin was advised by his staff that they had heard from Mr. Guité, who left the message that he had met the Minister that day and would be seeing him again for supper, and that the subject of Mr. Thouin's letter would be followed up.⁸¹

Eventually, the RCMP was advised that no funding for the March West would be provided. It went ahead with the event anyway, financing it by registration fees paid by participants, and it was a great success.

The significance of the exchanges between Mr. Thouin and Mr. Guité is that it tends to rebut Mr. Gagliano's repeated assertion that he made no decisions about which events would be sponsored, leaving these questions entirely to Mr. Guité. If this is true, there was no need for Mr. Thouin to write the letter to Mr. Guité, and no need for the latter to discuss its contents with Mr. Gagliano, apparently on two occasions. What is more, there appears to be no doubt that Mr. Guité was inclined to favour the March West project; left alone to decide the question, he would almost certainly have approved the requested funding of the relatively modest sum of \$200,000. It was therefore Mr. Gagliano who made the decision to refuse the request.

Endnotes to Chapter VIII

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- ¹ Office of the Auditor General of Canada, Report of the Auditor General to the House of Commons: Government-Wide Audit of Sponsorship, Advertising, and Public Opinion Research (Minister of Public Works and Government Services Canada 2003), chapter 3, para. 3.38.
 - ² Office of the Auditor General of Canada, Report of the Auditor General to the House of Commons: Government-Wide Audit of Sponsorship, Advertising, and Public Opinion Research (Minister of Public Works and Government Services Canada 2003), chapter 3, para. 3.40.
 - ³ Office of the Auditor General of Canada, Report of the Auditor General to the House of Commons: Government-Wide Audit of Sponsorship, Advertising, and Public Opinion Research (Minister of Public Works and Government Services Canada 2003), chapter 3, para. 3.44, and case studies at pp. 10-20.
 - ⁴ Exhibit P-154, pp. 165-169; Testimony of Mr. Scully, Transcripts vol. 49, pp. 8497-8498 (OE), pp. 8501-8502 (F).
 - ⁵ Testimony of Mr. LeFrançois, Transcripts vol. 53, pp. 9146-9149 (OF), pp. 9142-9144 (E).
 - ⁶ Testimony of Mr. LeFrançois, Transcripts vol. 53, pp. 9150-9153, 9156-9157 (OF), pp. 9145-9148, 9150-9152 (E).
 - ⁷ Exhibit P-164(B), p. 116 (Declaration of the Officers of Via Rail Canada); Testimony of Mr. LeFrançois, Transcripts vol. 53, pp. 9130, 9165-9167 (OF), pp. 9127, 9158-9161 (E).
 - ⁸ Exhibit P-164(B), p. 126, observations, 2,3; Testimony of Mr. LeFrançois, Transcripts vol. 53, p. 9269 (OF), p. 9261 (E).
 - ⁹ Testimony of Mr. LeFrançois, Transcripts vol. 53, pp. 9186-9188 (OF), pp. 9178-9180 (E); Testimony of Mr. Gagliano, Transcripts vol. 69, pp. 12001-12003 (OF), 11991-11993 (E).
 - ¹⁰ Exhibit P-164(B), pp. 139-140, 147-148; Testimony of Mr. LeFrançois, Transcripts vol. 53, pp. 9203, 9269 (OF), pp. 9193, 9261 (E).
 - ¹¹ Arguments of Mr. Campion, Transcripts vol. 133, pp. 25267-25268, 25285, 25292 (OE), pp. 25269-25270, 25290, 25298 (F).
 - ¹² Office of the Auditor General of Canada, Report of the Auditor General to the House of Commons: Government-Wide Audit of Sponsorship, Advertising, and Public Opinion Research (Minister of Public Works and Government Services Canada 2003), chapter 3, pp. 17-18.
 - ¹³ Office of the Auditor General of Canada, Report of the Auditor General to the House of Commons: Government-Wide Audit of Sponsorship, Advertising, and Public Opinion Research (Minister of Public Works and Government Services Canada 2003), chapter 3, pp. 16-17.
 - ¹⁴ Office of the Auditor General of Canada, Report of the Auditor General to the House of Commons: Government-Wide Audit of Sponsorship, Advertising, and Public Opinion Research (Minister of Public Works and Government Services Canada 2003), chapter 3, p. 16.
 - ¹⁵ Testimony of Ms. Montreuil, Transcripts vol. 58, pp. 10173, 10176, 10202 (OE), pp. 10176-10177, 10180, 10209 (F).
 - ¹⁶ Exhibit P-175, pp. 106, 109; Testimony of Mr. Michaud, Transcripts vol. 79, pp. 13933-13935 (OF), pp. 13921-13923 (E).

- ¹⁷ Testimony of Mr. Jean Lafleur, Transcripts vol. 78, pp. I3732-I3734, I3744-I3745 (OF), pp. I3721-I3723, I3732 (E).
- ¹⁸ Exhibit P-187, pp. I3-I6, paras. 37-60.
- ¹⁹ Testimony of Ms. Montreuil, Transcripts vol. 58, pp. I0148, I0150 (OE), pp. I0149-I0152 (F).
- ²⁰ Exhibit P-474(E), Written Representation of Canada Post, paras. 55, 59.
- ²¹ Exhibit P-219(B), p. 4I6; Exhibit P-25I; Testimony of Ms. Montreuil, Transcripts vol. 58, p. I0148 (OE), p. I0150 (F).
- ²² Exhibit P-474(E), Written Representation of Canada Post, para. 45.
- ²³ Testimony of Ms. Montreuil, Transcripts vol. 57, pp. I0124-I0125 (OE), pp. I0129-I0131 (F).
- ²⁴ Exhibit P-18I, addendum, p. 82J.
- ²⁵ Exhibit P-18I, addendum, p. 82M.
- ²⁶ Testimony of Mr. Lafleur, Transcripts vol. 78, pp. I370I-I3704 (OF), pp. I3692-I3695 (E).
- ²⁷ Exhibit P-18I, addendum, p. 82K.
- ²⁸ Exhibit P-474(E), Written Representations of Canada Post, paras. 5I-52; Exhibit P-47I, Affidavit of Ms. Montreuil, paras. 4-5.
- ²⁹ Testimony of Mr. Feeney, Transcripts vol. 6I, p. I0844 (OE), pp. I0844-I0845 (F).
- ³⁰ Testimony of Mr. Ouellet, Transcripts vol. 58, pp. I0215-I0216 (OF), p. I0218 (E).
- ³¹ Testimony of Mr. Ouellet, Transcripts vol. 58, pp. I0215-I0216 (OF), p. I0218 (E).
- ³² Testimony of Mr. Ouellet, Transcripts vol. 58, p. I0217 (OF), I0219 (E).
- ³³ Testimony of Mr. Ouellet, Transcripts vol. 58, p. I0223 (OF), p. I0225 (E).
- ³⁴ Testimony of Mr. Ouellet, Transcripts vol. 58, p. I0223 (OF), p. I0224 (E).
- ³⁵ Testimony of Mr. Ouellet, Transcripts vol. 58, p. I0230 (OF), p. I0231 (E).
- ³⁶ Testimony of Mr. Ouellet, Transcripts vol. 58, pp. I0231-I0233 (OF), pp. I0233-I0234 (E).
- ³⁷ Exhibit P-18I, pp. 62-63; Testimony of Mr. Ouellet, Transcripts vol. 58, pp. I0234-I0242 (OF), pp. I0234-I0243 (E); Testimony of Ms. Montreuil, vol. 57, pp. I0116-I0118 (OE), pp. I0120-I0123 (F).
- ³⁸ Exhibit P-18I, p. 65.
- ³⁹ Testimony of Mr. Ouellet, Transcripts vol. 59, pp. I0327-I0328, I0343-I0345 (OF), pp. I0326-I0327, I0341-I0342 (E).
- ⁴⁰ Exhibit P-178, addenda, pp. I-2.
- ⁴¹ Exhibit P-178, addenda, pp. I-7.
- ⁴² Exhibit P-177(A), pp. I-7.
- ⁴³ Testimony of Mr. Ouellet, Transcripts vol. 58, pp. I0264-I0266, I0270-I027I, I0316 (OF), pp. I0262-I0264, I0268-I0269, I0310-I031I (E).
- ⁴⁴ Testimony of Mr. Ouellet, Transcripts vol. 59, pp. I0447-I0449 (OF), pp. I0437-I0438 (E).
- ⁴⁵ Testimony of Mr. Ouellet, Transcripts vol. 58, pp. I0296-I0300 (OF), pp. I0291-I0295 (E).
- ⁴⁶ Exhibit P-18I, pp. 62-63; Testimony of Ms. Montreuil, Transcripts vol. 57, pp. I0116-I0117 (OE), pp. I0120-I0122 (F).
- ⁴⁷ Exhibit P-183, pp. 39-40; Testimony of Mr. Ouellet, Transcripts vol. 58, pp. I0250-I0256 (OF), pp. I0249-I0256 (E).

- ⁴⁸ Testimony of Mr. Ouellet, Transcripts vol. 58, pp. 10256-10258 (OF), pp. 10255-10256 (E).
- ⁴⁹ Exhibit P-173, pp. 97-108.
- ⁵⁰ Exhibit P-474(D), pp. 4-6.
- ⁵¹ Exhibit P-8, vol. 13, pp. 7151565-7151572.
- ⁵² Testimony of Mr. Clermont, Transcripts vol. 61, p. 10664 (OF), p. 10664 (E).
- ⁵³ Testimony of Mr. Clermont, Transcripts vol. 61, pp. 10680, 10752-10753 (OF), pp. 10678, 10745-10746 (E)
- ⁵⁴ Testimony of Mr. Clermont, Transcripts vol. 61, p. 10753 (OF), p. 10746 (E).
- ⁵⁵ Exhibit P-173, p. 132.
- ⁵⁶ Testimony of Mr. Ouellet, Transcripts vol. 59, pp. 10389-10427 (OF), pp. 10383-10418 (E).
- ⁵⁷ Office of the Auditor General of Canada, Report of the Auditor General to the House of Commons: Government-Wide Audit of Sponsorship, Advertising, and Public Opinion Research (Minister of Public Works and Government Services Canada 2003), chapter 3, pp. 12-15.
- ⁵⁸ Office of the Auditor General of Canada, Report of the Auditor General to the House of Commons: Government-Wide Audit of Sponsorship, Advertising, and Public Opinion Research (Minister of Public Works and Government Services Canada 2003), chapter 3, p. 13.
- ⁵⁹ Testimony of Mr. Scully, Transcripts vol. 49, pp. 8573-8574, 8581-8582 (OF), pp. 8573-8574, 8581-8582 (E).
- ⁶⁰ Exhibit P-152, tab 4.
- ⁶¹ Exhibit P-169, pp. 153-155; Testimony of Mr. Carle, Transcripts vol. 70, pp. 12278-12281 (OF), pp. 12263-12266 (E).
- ⁶² Testimony of Mr. Marquis, Transcripts vol. 67, pp. 11498-11499 (OE), pp. 11500-11501 (F).
- ⁶³ Exhibit P-169, p. 157.
- ⁶⁴ Exhibit P-169, p. 157, see handwritten note bottom, right-hand corner. Testimony of Mr. Lucarelli, Transcripts vol. 67, pp. 11466-11469 (OE), pp. 11467-11470 (F).
- ⁶⁵ Testimony of Mr. Carle, Transcripts vol. 70, p. 12286 (OF), p. 12271 (E).
- ⁶⁶ Exhibit P-474(H), Written Representations of the Business Development Bank of Canada, para. 42.
- ⁶⁷ Exhibit P-474(H), Written Representations of the Business Development Bank of Canada, paras. 15-24.
- ⁶⁸ Testimony of Mr. Lucarelli, Transcripts vol. 67, pp. 11475-11478 (OE), pp. 11476-11480 (F).
- ⁶⁹ Exhibit P-157, p. 159.
- ⁷⁰ Exhibit P-157, p. 160.
- ⁷¹ Testimony of Mr. Scully, Transcripts vol. 50, p. 8747 (OF), p. 8747 (E).
- ⁷² Testimony of Mr. Émond, Transcripts vol. 51, pp. 8908-8915 (OF), pp. 8908-8915 (E).
- ⁷³ Testimony of Mr. Émond, Transcripts vol. 51, pp. 8916-8921 (OF), pp. 8916-8921 (E).
- ⁷⁴ Testimony of Mr. Émond, Transcripts vol. 51, pp. 8918-8919 (OF), pp. 8918-8919 (E).
- ⁷⁵ Testimony of Mr. Hovey, Transcripts vol. 51, pp. 8881-8884 (OE), pp. 8883-8886 (F).
- ⁷⁶ Office of the Auditor General of Canada, Report of the Auditor General to the House of Commons: Government-Wide Audit of Sponsorship, Advertising, and Public Opinion Research (Minister of Public Works and Government Services Canada 2003), chapter 3, pp. 19-20.
- ⁷⁷ Testimony of Commissioner Zaccardelli, Transcripts vol. 50, pp. 8835, 8858-8865 (OE), pp. 8840, 8866-8874 (F).

⁷⁸ Testimony of Mr. Thouin, Transcripts vol. 52, p. 9004 (OF), p. 9004 (E).

⁷⁹ Testimony of Mr. Thouin, Transcripts vol. 52, pp. 9015-9017 (OF), pp. 9015-9017 (E).

⁸⁰ Exhibit P-I60, pp. 187-188.

⁸¹ Exhibit P-I60, p. 187.

