

## CHAPTER VI

**ADMINISTRATION OF THE  
SPONSORSHIP PROGRAM****6.1****Non-adherence to Rules and Procedures**

Section 32(2) of the *Financial Administration Act*<sup>1</sup> (FAA) stipulates that any person charged with the administration of a program shall establish procedures and maintain records respecting the control of financial commitments to be made in connection with the program. Section 33(1) requires that any charge made against an appropriation shall be made by way of a requisition, leading to the signature of a contract binding upon the Government. In each case the procedures, records and requisitions must be made in the manner prescribed by the Treasury Board, which, to guide public servants, has adopted a voluminous Contracting Policy<sup>2</sup> that is binding upon all persons authorized to enter into contracts on behalf of the Government of Canada. The Contracting Policy is supplemented by Regulations authorized by section 160 of the FAA which have been promulgated and are regularly amended. It takes

patience and perseverance to read through and to try to comprehend this mass of law, regulation policy and guidelines, which was, in the case of advertising contracts, further regulated by Appendix Q to the Contracting Policy.<sup>3</sup>

It is beyond the scope of the present Report to make a complete analysis of the Government's contracting regime established by the FAA, Government Contracts Regulations, Contracting Policy, and Policy on Delegation of Authorities. At the risk of oversimplification, its requirements, which are binding upon all public servants who contract to purchase goods and services, include:

- a preliminary assessment of the contract requirements and the probable cost of the goods or services, followed by a call for tenders if the amount of the proposed contract exceeds \$25,000; if less than \$25,000, there should be a call for tenders whenever it is cost effective to do so and a negotiation of price with the proposed supplier in the event of no call for tenders;<sup>4</sup>
- signature on a requisition or contract, to be made by the person having knowledge of the proposed transaction and possessing the necessary delegated authority to engage the Government in the amount in question;<sup>5</sup>
- a separation of functions, so that different persons negotiate the contract, verify its deliverables and authorize payment;<sup>6</sup>
- certification prior to payment in accordance with section 34 of the FAA, by someone having personal knowledge that the work has been performed, the goods supplied or the services rendered, after verification that the price charged is in accordance with the contract, or reasonable if the contract does not stipulate a final price; and
- decisions, reports and authorizations be on file and in writing.<sup>7</sup>

The objective of sections 26 to 41 of the FAA and of Treasury Board's Contracting Policy is to acquire goods and services and carry out construction in a manner that results in best value to the Crown and Canadians.<sup>8</sup>

As indicated in the Report of the Auditor General, these requirements were not systematically followed by the public servants who handled contracting and payment in relation to the Sponsorship Program. Many of them were systematically *not* followed. The failure to fulfill these requirements is so well documented by the Auditor General, whose Report is substantially unchallenged, that it is unnecessary to review in detail the evidence heard by the Commission on this subject. *All of the evidence heard by the Commission tends to confirm the findings of the Auditor General.*

## 6.2

### Problems of Accountability and Direction

Of greater importance for the purposes of this Inquiry are the reasons why public servants who were perceived by the Commission to be ordinarily competent and honest repeatedly and systematically failed to observe the elementary requirements of their employment. For the most part, they followed the direct instructions of Mr. Guité; if he instructed a subordinate to sign a contract or approve a payment without paying attention to the requirements of the FAA, the subordinate did so without questioning why he or she was being told to do something they knew was not in conformity with the law or Treasury Board policies.<sup>9</sup>

The only subordinate who challenged Mr. Guité's authority when he was told not to follow required procedures was Mr. Allan Cutler, and the consequences of his defiance were immediate and dramatic; his continued employment in the public service was put in jeopardy,<sup>10</sup> and his prospects for promotion or advancement disappeared. Although Mr. Guité's threat to fire Mr. Cutler received no reprimand or reproach, it should have been obvious to his superiors that Mr. Guité had exceeded his authority. It seemed apparent to everyone working under him that because he was regularly receiving instructions directly from Minister Dingwall or Minister Gagliano,

and because he had direct access to persons in the PMO, including the Chief of Staff of the Prime Minister, Mr. Guité was no longer subject to the authority and direction of his immediate superior, either Mr. Neville or Mr. Stobbe, nor was he subject to the authority and oversight of the Deputy Minister. He was, in their eyes and in the eyes of everyone in the public service, in a special category, seemingly exempt from the usual reporting rules, and not obliged to conform to normal practices and procedures.

Indeed, Mr. Guité had acquired a reputation among politicians and senior bureaucrats as the person in the public service able to cut through red tape and achieve results rapidly, without the usual restrictions and paperwork which are characteristic of a normal bureaucracy, but which are generally deemed necessary for the prudent administration of public funds.

From the perspective of the people working under him, he was the person hand-picked by the PMO, with the knowledge and approval of the PCO, to direct the Sponsorship Program. His authority was all the greater because, contrary to the usual practice and in spite of the requirement of section 32(2) of the FAA, no clear directions about the objectives of the Program, about the criteria for admissibility to its benefits, or about the procedures to be followed in its administration had been given to anyone, and in particular to Mr. Guité or his personnel. This left him free to handle the Program and to make decisions as he saw fit.

Mr. Guité's job descriptions include statements that he was "in continual contact with the Minister's Office," and "works with PCO, PMO and TBS to resolve issues."<sup>11</sup> These statements did not relieve Mr. Guité from his duty to report these contacts to his superiors and the Deputy Minister, nor did they authorize him to disregard Treasury Board guidelines and the Government's Contracting Policy. Regardless of the wording in job descriptions, public servants are supposed to respect normal lines of authority. Many public servants provide advice and assistance to their Ministers and exempt staff, and even to the PMO, without bypassing in any way their immediate superiors in the way Mr. Guité did.

### 6.3

#### Lack of In-house Expertise in Sponsorship Programs

An additional factor should be mentioned. The Sponsorship Program was like no other in the sense that government officials were procuring the services of communication agencies which were being paid to supervise the administration of sponsored events and projects. The procurement of advertising services was an area of activity with which the people in APORS were familiar, but they had no particular experience or expertise in the procurement of these “other” agency services. The employees of APORS were uncomfortable in this new field of endeavour and would have preferred to receive specialized training and clear directions as to how to proceed.<sup>12</sup> In their testimony, they say they were confused and uncertain as to their duties and responsibilities; and in the absence of written guidelines to assist them to know what was expected of them, they chose to follow blindly the oral instructions of Mr. Guité, assuming that he knew what he was doing and had authority to proceed as he did. The subordinate personnel in APORS and CCSB failed miserably to perform the tasks assigned to them in conformity with the law and Treasury Board policies, but fairness dictates that, when assessing their conduct, consideration must be given to the above factors.

### 6.4

#### Choice of Events, Amounts and Agencies

Next to be considered is the performance of his duties by Mr. Guité himself. Let us begin by reviewing the procedure by which events and activities were either selected to receive sponsorship monies from the Government, or refused. This will necessitate findings with regard to contradictory evidence on a number of questions, including how and by whom communication agencies were selected to administer sponsored events on the Government's behalf. As we already know, prior to his retirement on August 31, 1999, there was no direction in writing given to Mr. Guité or to the public servants working under his direction, by the PMO, the PCO, his Minister, his Deputy Minister Mr. Quail or anyone else on how to select events and amounts for sponsorships.<sup>13</sup> The only guidance he ever received with respect to the

selection of agencies to handle sponsorship contracts was Appendix Q, and, as detailed in the preceding chapter, it was simply not followed.

There was no public announcement of the Government's decision to increase its visibility by sponsoring events and activities through PWGSC. It was left up to Mr. Guité to locate promoters of events who would be willing, for a price, to allow the federal government to display the Canadian flag or its wordmark or other advertising material in a prominent way at such events. He also considered other projects, such as the Bluenose project by which the reconstruction of the famous schooner would sail up the St. Lawrence River and Seaway at government expense, to give prominence to a recognized Canadian symbol. In his testimony, Mr. Guité is unclear about the methods he used to seek out willing participants, but it may be deduced from the facts established by the evidence that it was not difficult for him to find prospective "sponsors." In 1996-97, all the events sponsored, with the exception of the series broadcast on Chinese television (discussed later in this chapter), were managed by Lafleur Communication. Although Mr. Jean Lafleur says that he has no recollection of how it happened that his agency suddenly began to receive millions of dollars of federal government contracts,<sup>14</sup> we may safely assume that at some point in time he had conversations with Mr. Guité, during which those contracts were discussed and negotiated before they were concluded.

## 6.5

### PMO Involvement

It is also apparent that the first list of events, showing the amounts to be paid to the promoter of each event, which must surely have been drawn up by Mr. Guité after discussions with Mr. Lafleur, was submitted by Mr. Guité to Mr. Pelletier before it was put into its final form and annexed to the corresponding Treasury Board submission.<sup>15</sup>

Mr. Pelletier testifies that he had only one face-to-face meeting with Mr. Guité in 1996, on April 16, when Mr. Guité was introduced to him by Mr. Jean Carle, the Prime Minister's Director of Operations, who knew Mr. Guité from the time when Mr. Dingwall was the Minister of PWGSC. Mr. Pelletier

says he has no clear recollection of what was discussed at that meeting,<sup>16</sup> but it may fairly be assumed that Mr. Guité informed Mr. Pelletier, then or shortly thereafter, that he was budgeting for sponsorships totalling \$17 million for the current year, because that amount appears on the draft Treasury Board submission dated April 22, 1996, signed by Minister Marleau. Because that draft submission included a line for the signature of the Prime Minister,<sup>17</sup> it must have had the approval of Mr. Pelletier, and in order to fix the financial requirements at \$17 million, Mr. Guité must have made some sort of a preliminary enumeration of the projects he had in mind, and of the amounts to be allocated to each.

The first list of proposed projects in writing that was produced in evidence is attached to a note dated May 14, 1996, sent to Mr. Carle by Andrée LaRose, reading as follows:

[Unofficial Translation]

May 14, 1996

Dear Mr. Carle:

Here is a breakdown of the costs in the submission to Treasury Board in the amount of \$17 million. The asterisks identify the projects for which funds have already been committed and cannot be changed. These projects are all represented in the First Phase.

Total sponsorship activities figuring in the First Phase amount to \$17 million.

We have identified the additional sponsorship activities that figure in the Second Phase. If any of these activities are of greater interest to you, please let me know.

Once you have had a chance to read the document, I would like to discuss it with you. Do not hesitate to contact me...

Thank you,

Andrée LaRose

Encl.

The list attached to the note covers eight pages. The first five pages describe sponsorship projects already agreed to or under consideration totalling \$17,022,000, and include several which were subsequently dropped from the list. The three remaining pages describe events for which amounts totalling \$6,393,000 are suggested. The same list was sent by Mr. Guité to Minister Marleau's Executive Assistant and to Mr. Stobbe.<sup>18</sup>

On May 29, 1996, Éric Lafleur, the vice-president of Lafleur Communication, the agency which handled all sponsorship contracts for PWGSC in 1996-97, sent by fax to Ms. LaRose a detailed list of sponsored events which were to be managed by Lafleur,<sup>19</sup> some of which were already the subject of contracts with APORS,<sup>20</sup> although funding had not yet been approved. One can reasonably conclude that APORS was under pressure to conclude sponsorship contracts rapidly since many of the events to be sponsored were scheduled to take place during the summer months, and visibility plans and other arrangements with the promoters of the events had to be concluded immediately.

The lists sent by Éric Lafleur to Ms. LaRose include details of the commissions and production costs to be paid to the agency, but there is no evidence that this information was communicated to the PMO.

The first list which exactly corresponds to what was later attached to the Treasury Board Précis of October 1, 1996, is attached to a memo dated August 27, 1996, sent by Mr. Guité to Roger Collet in anticipation of the latter's meeting on that same date with Mr. Pelletier. By that time, over \$11 million in sponsorships had been either paid out already or firmly committed.<sup>21</sup> The entire allotment of \$17 million was disbursed before March 31, 1997; by that time, planning for the next fiscal year was already well advanced.

In 1997-98, a second allotment of \$17 million from the Unity Reserve was supplemented by additional sums of money provided by PWGSC's own budget, by amounts transferred to PWGSC from the Canada Information Office or Heritage Canada, or by amounts transferred from other departments. However, the evidence remains fragmentary as to how the events found their way initially onto Mr. Guité's list, or how the amount to be allotted to each event was determined.

In the years following the initial year of the Program, a pattern developed. Knowledge of the existence of the Sponsorship Program seems to have spread by word of mouth, or as a result of visual evidence of the Government's sponsorships. Mr. Chrétien testifies that as far as he was concerned, it was not necessary to make any public announcement concerning the Program, since its existence was obvious to anyone who could see the federal government's flags and posters at public events;<sup>22</sup> but most of his Ministers testify that they did not become aware of the existence of the Program until it became a subject of public comment and controversy in 2001. Most testified they became aware of some sort of spending on events, but not of the "Sponsorship Program."<sup>23</sup>

There was no shortage of requests for sponsorships. Requests for sponsorships came to APORS or its successor, CCSB, from various sources: from either the promoter of an event or from an agency representing a promoter; from the Minister or someone in his office; or from another Minister or a Member of Parliament. They came directly to Mr. Guité and his personnel or were redirected to APORS from other sources.<sup>24</sup> An annual master list would be prepared, after eliminating requests that were obviously inappropriate or unjustified. Mr. Guité says he took it upon himself to decide on the approval or rejection of most of the smaller requests for less than \$25,000, but that all applications for greater amounts were decided in consultation with Mr. Pelletier or Mr. Gagliano. The master list was prepared at the beginning of the fiscal year and would usually exceed the amount of the budget available. It would be modified on a number of occasions as the year progressed. Some proportion of the annual budget for sponsorships would be held in reserve for last-minute additions that were considered important.<sup>25</sup>

Mr. Guité says that periodically he would meet with Mr. Pelletier, sometimes in the presence of Mr. Carle, and they would go over lists of proposed sponsorships, which would be approved after modifications suggested by Mr. Pelletier. Mr. Guité took those suggestions to be instructions.<sup>26</sup> When he returned to his office after a meeting, he gave his staff instructions to amend the master list in accordance with the decisions reached at the meeting.<sup>27</sup>

## 6.6

### Involvement of Minister Gagliano

When Mr. Gagliano became Minister, Mr. Guité's periodic meetings were at first with both Mr. Pelletier and Mr. Gagliano. After a time, Mr. Pelletier attended the meetings less often.<sup>28</sup> He continued to meet fairly frequently with Mr. Guité, as appears from entries in his own agenda<sup>29</sup> and as stated by Mr. Guité. This is evidence that Mr. Pelletier continued to provide guidance to the Sponsorship Program. The meetings with Mr. Gagliano proceeded as they had previously, with Mr. Gagliano making suggestions and giving instructions on events, amounts and the agencies to be used in each instance.<sup>30</sup>

Both Mr. Pelletier and Mr. Gagliano acknowledge that meetings with Mr. Guité to review lists of proposed sponsorships took place from time to time, although they do not agree with Mr. Guité's testimony with respect to the frequency of such meetings. Mr. Guité's testimony concerning the frequency of the meetings is substantially corroborated by the testimony of the persons who worked for him, such as Huguette Tremblay, Andrée LaRose and Mario Parent, all of whom have absolutely no reason or incentive to lie or to mislead the Commission in this respect. They saw Mr. Guité leave his office for these meetings, and they saw him return some time later, telling his subordinates that he had had such meetings, that decisions had been made, and that the lists as revised and approved were now ready to be implemented. It is unlikely that Mr. Guité's subordinates would invent these stories, and even more unlikely that Mr. Guité would have gone through an elaborate pretense of going to a meeting with Mr. Pelletier or Mr. Gagliano so as to mislead his own subordinates, for no purpose whatsoever. Accordingly, Mr. Guité's testimony concerning the number of meetings he had with Mr. Pelletier and Mr. Gagliano is accepted. In particular, Mr. Gagliano's affirmations about the infrequency of his meetings with Mr. Guité are not believed.

There is a more important discrepancy between the versions of Mr. Guité and Mr. Pelletier concerning the former's assertion that his purpose in going to these meetings was not merely to obtain the approval of Mr. Pelletier for the events and amounts on the list. Mr. Guité says that Mr. Pelletier on these occasions also directed him to add or subtract events and to modify the amounts to be granted to certain applicants. Mr. Pelletier denies that he gave approval or disapproval of the lists, or that he gave Mr. Guité such directions, saying that his only function at their meetings was to provide political advice or input with respect to the advisability of a particular sponsorship or amount. Mr. Pelletier testifies that the reason Mr. Guité came to him was only for political input, since Mr. Guité relied upon Mr. Pelletier's superior knowledge of Quebec politics and the need for greater visibility of the federal presence in the location of the proposed event. Mr. Pelletier, however, insists that final decisions were always left to Mr. Guité.<sup>31</sup>

This conflict in the evidence raises the issue of the credibility of Mr. Guité, an issue which consumed a good deal of time during the hearings. The issue comes up again in relation to another contradiction between the testimony of Mr. Pelletier and Mr. Guité. Mr. Guité testifies that Mr. Pelletier not only gave him instructions with respect to events and amounts for sponsorship projects, but also gave him directions with respect to the agencies which would be engaged to act on the Government's behalf. Mr. Guité repeated this assertion on a number of occasions.<sup>32</sup> Mr. Pelletier vigorously denies that he gave Mr. Guité directions about the use of agencies, or even that he made suggestions with respect to agency selection. Agency selection is a delicate subject because much of the public scandal concerning the Sponsorship Program is due to the enormous amount of money paid to communication agencies, reputed to be generous contributors to the Liberal Party of Canada. No one connected to the Liberal Party wants to be identified as the person who directed lucrative government contracts to those agencies.

Mr. Pelletier acknowledges that political input was being offered to Mr. Guité, not only on the question of the admissibility of events and projects seeking sponsorships, but also on the question of the amounts to be paid for sponsored events. The value to the Government of the visibility it might receive

at a particular event or as a result of participating in a particular project is a matter of judgment for an expert in advertising, accustomed to evaluating the impact of posters, advertisements and publicity. Mr. Guité was reputed to be such an expert—to a much greater degree than Mr. Pelletier, who has greater expertise in political matters but no particular expertise in advertising. This raises the question of why, if Mr. Pelletier thought it was acceptable for him to offer advice or suggestions on the amounts to be paid to promoters of sponsorships, it was less acceptable for input to be offered on the choice of agencies, and the commissions and fees to be paid to them. Since the Commission accepts that Mr. Guité went to his meetings with Mr. Pelletier to obtain Mr. Pelletier's advice and suggestions about events and the amounts to be paid to sponsor them, it is hardly plausible that he and Mr. Pelletier would have studiously avoided any discussion or mention of the important question of which agency would be hired to manage the event or the project on behalf of the Government.

There is little documentary evidence to corroborate the evidence of either Mr. Guité or Mr. Pelletier with respect to the question of agency selection. According to Mr. Guité, the lists they discussed at their meetings identified the agencies to be used,<sup>33</sup> but none of the lists produced into the record of the Commission that were examined by Mr. Pelletier include the names of agencies. Many of the lists that were discussed at their meetings have been destroyed or cannot be located, but two should be mentioned because they are the only documents which tend to corroborate the testimony of either witness, and they have been the subject of comment.

A list of seven proposed sponsorships was sent by Mr. Guité to Mr. Gagliano, with a copy to Mr. Pelletier, on January 21, 1999, at a time when meetings with both Mr. Pelletier and Mr. Gagliano present were taking place. The list was accompanied by the following note:

[Unofficial Translation]

Dear Sir:

The projects mentioned above were discussed with Mr. Pelletier yesterday. He asked me to send him the list since I am sure that there will be pressure on us to take part in these events. The same list is going to be sent to Mr. Pelletier this morning since he told me he wanted to discuss it with you at noon today. If you wish to talk to me before meeting with Mr. Pelletier, I will be available at...

c.c. Mr. Pelletier

The proposed sponsorships listed were:

Salon du Grand Air – Trois-Rivières	\$300,000
Salon du Grand Air – Sherbrooke	\$300,000
Almanach	\$529,000
Salon National du Grand Air – Montreal	\$850,000
Salon National du Grand Air – Quebec City	\$450,000
Canada Games – Cornerbrook, Newfoundland	\$750,000
Série Maurice Richard	\$650,000
 GRAND TOTAL	 \$3,829,000

Clearly, these were projects of great significance financially. The first five were being promoted by Mr. Jacques Corriveau, a personal friend of the Prime Minister, although there is no direct evidence to suggest that Mr. Chrétien knew of his friend's involvement in the promotion of these sponsorships. Nevertheless, the mention in Mr. Guité's note that "nous allons avoir des pressions pour participer à ces événements" (there will be pressure on us to take part in these events) cannot be reconciled with the affirmations of Messrs. Pelletier and Gagliano that Mr. Guité had the sole authority to make decisions in such matters. Mr. Guité was obviously waiting for an indication from Mr. Gagliano as to how these proposed projects were to be treated, once they had been discussed with Mr. Pelletier. It is not clear from the evidence

where the pressure was coming from. Mr. Pelletier says that he has no recollection of the five sponsorships in question, although he recalls certain discussions about the other two, which did not involve Mr. Corriveau.<sup>34</sup> Why he remembers only those not involving Mr. Corriveau is curious in light of what the Commission has learned about Mr. Corriveau's lobbying to persuade PWGSC to sponsor these events, and his interest that the agency appointed to manage them be Groupaction Marketing. The lobbying by Mr. Corriveau will be a later subject of this Report, but it may be stated immediately that the Commission considers it unlikely that he would have limited his attempts to influence PWGSC to contacts with Mr. Guité. The latter is unequivocal that he was *not* the decision-maker with respect to Mr. Corriveau's proposals.

The second document is a list in Mr. Pelletier's handwriting which appears as Figure VI-I. It was produced by Mr. Guité as evidence supporting his contention that Mr. Pelletier was suggesting events and amounts to him, and was not passively giving approval to lists already prepared by Mr. Guité. Mr. Pelletier attempts to give another explanation to the document, saying that the list was written out by him as sort of an aide-memoire during a meeting he had with Mr. Guité, and that at the end of the meeting he handed it to Mr. Guité who, according to Mr. Pelletier, had not made notes of what had been discussed.<sup>35</sup> The proposition that Mr. Pelletier would prepare notes to assist Mr. Guité to remember what had transpired at a meeting is improbable and cannot be reconciled with the rest of Mr. Pelletier's evidence. Mr. Pelletier's testimony generally leads one to believe that he did not initiate the consideration of a particular sponsorship project, but the document in his handwriting is clear evidence that the projects mentioned were being discussed for the first time; if they were already on one of Mr. Guité's lists, Mr. Guité had no need of Mr. Pelletier's notes. The list gives credence to Mr. Guité's testimony that Mr. Pelletier was actively promoting certain sponsorships, and suggesting the amounts to be paid in at least some cases. The notations on the document concerning commissions to be paid to unidentified agencies in connection with the events to be sponsored are not in Mr. Pelletier's handwriting; they were added by Mr. Guité after the list was handed to him. Nevertheless, Mr. Pelletier's testimony concerning this document is not credible.

Figure VI-1: Mr. Pelletier's handwritten list.

Inzeit @ P-105B -  
under tab 16

Viebo montagne	95 <del>100,000</del> ✓ +15 ✓
Challenge Pirel	<del>150,000</del> ✓ +15 L 50,000
Carnaval -	2250,000 +15 L
Jouré hiver Québec	300,000 +15 L
Cure Marie-Dominique (418) 524-3574 → 418 525-9777	Journée montagne SACÉ 50 +15 L I.N. Jour du Canada 700,000 +15 ✓
Musée historique	15,000 +15 +
MIA Klaus	50,000 +15 ✓
<hr/>	
Concours de la Volée	150 +15 190
Impact	<del>150 +15 190</del>
<hr/>	
770	4.5
300	2.5 ✓
<hr/> 1.170	2.0
	1.2
	<hr/> 800
1.4	
7.5	

However, although Mr. Guité’s testimony concerning the meetings he had with Mr. Pelletier is plausible and is not contradicted by any contemporary documentation, there are reasons to be cautious about accepting his testimony. He made admittedly false statements to Mr. Shahid Minto,<sup>36</sup> a representative of the Auditor General’s Office, concerning his role as a decision-maker in the Sponsorship Program—statements which are sharply contradicted by what he said under oath to the Commission. When asked to explain why he had made false statements to Mr. Minto, he gave contradictory answers, saying first that when he made them he had retired and did not have the necessary documents before him; he then amended that answer to say that he had been protecting certain unidentified persons by not telling the truth to Mr. Minto, and then again changed his testimony to say that he had been bound by an obligation of confidentiality.<sup>37</sup> His comments that “a lot of water has gone under the bridge”<sup>38</sup> are of no assistance in understanding why his story has changed. There were other instances in the course of his sworn testimony in which he contradicted himself, and his evidence was in several instances contradicted by more reliable witnesses. On some occasions, especially when testifying about his post-retirement activities, Mr. Guité was evasive or unable to recall fairly recent events.

The Commission is of the opinion, in spite of its reservations about the truthfulness of Mr. Guité on other subjects, that his testimony about Mr. Pelletier’s role in the choice of events and the amounts to be disbursed to their promoters is credible, whether Mr. Pelletier’s suggestions or input were in the form of directions or worded less directly.

The giving of advice or the making of suggestions by a person in the position of Mr. Pelletier was the equivalent of an order. It is probable that Mr. Guité is telling the truth when he said that he took these suggestions and advice as instructions. He was not in a position to contest or disregard anything that Mr. Pelletier might say, and Mr. Pelletier surely must have known this. It would be a brave public servant indeed who would dare to contradict the Chief of Staff of the Prime Minister or disregard anything that he said, whether what he said was put in the form of an order or only as a suggestion.

## 6.7 Choice of Agencies

On the question of the choice of agencies, it was apparent that Mr. Pelletier, when testifying, wished to emphasize and re-emphasize that this matter was not discussed with Mr. Guité, to the point that he repeated the denial in answering questions on other subjects. For example, when asked to explain in general terms the nature of the discussions he had with Mr. Guité, Mr. Pelletier replied as follows:

[Unofficial Translation]

Mr. Guité received sponsorship requests day in day out. Mr. Guité would make inquiries here and there. He couldn't be expected to know about all the events, the scope, the size of each event seeking sponsorship.

So, I imagine that he made inquiries here and there to find out if we should sponsor a certain event in order to increase—if we should use this opportunity—take advantage of the opportunity to raise Canada's visibility. . . .

[Given the lack of Liberal members in several regions in Quebec] . . . he frequently consulted the Prime Minister's Office in order to get our opinion, which was perfectly logical for us, because, as I explained earlier, one of the roles of the Prime Minister's Office is to provide relevant political advice.

.....

So, we gave our opinion. Guité showed up with the lists. The only kind of lists I saw were lists with names of events and the amounts requested. I never saw any lists with the names of agencies or intermediaries who had been designated to handle specific files, let alone details about the payment of the intermediaries.

It should be noted that the question did not relate to the lists Mr. Guité brought to his meetings with Mr. Pelletier, nor to the things that were *not* on the lists.<sup>39</sup>

A few minutes later, Mr. Pelletier again introduced the question of who was choosing the agencies, when asked only if he had been informed by Mr. Guité as to which agencies were to be used for specific events. Mr. Pelletier's reply was as follows:

[Unofficial Translation]

Mr. Pelletier: Perhaps. That might have happened. I don't specifically remember, in the case of a major file, a very important file, Mr. Guité ever saying, "We won't use a small agency, or that particular agency. We'll use a much more professional agency. We should perhaps give it to..." He might have said that to me, and I, at the time, may have agreed, but, as I said, we never selected an agency at the Prime Minister's Office for what you call the Sponsorship Program.

Mr. Cournoyer: As concerns the payment of agencies

Mr. Pelletier: We had nothing to do with that.

Mr. Cournoyer: ... The percentages that went to the agencies—

Mr. Pelletier: Nothing to do with that.<sup>40</sup>

These answers betray a rather nervous mental preoccupation with the issue of the choice of agencies, which is difficult to reconcile with the position taken by Mr. Pelletier's counsel that the matter was simply not part of the discussions with Mr. Guité at all.

When called to testify by his own counsel at the end of the hearings, Mr. Pelletier returned to the question of the choice of agencies, which he treats as a purely administrative matter. His testimony includes the following sentences:

[Unofficial Translation]

All the administration and financial management of the sponsorship program was up to the Department of Public Works, and the Prime Minister's Office had nothing to do with the administrative and financial area. We didn't choose the agencies. We didn't determine the contract terms and conditions. We didn't sign any contracts, and we saw none of that administrative and financial paperwork. To me, it's very clear.<sup>41</sup>

And yet, when describing how important a priority national unity questions were for the Prime Minister, Mr. Pelletier affirmed that he was expected to follow the file very closely. His testimony includes the following extract:

[Unofficial Translation]

Look, the national unity file was a very special file. It was the highest-priority file among all the high-priority files, in the eyes of the Prime Minister personally. The Prime Minister had given the instruction, as I said, to his chief officials to be proactive wherever we could be useful and positive in the national unity file. Mr. Chrétien wanted to retain control of that directly. He made decisions reflecting that. So I would say it was no mystery for us that this was a high priority and that he wanted to know what was going on and he wanted us to keep close tabs on it. So that is what we did. We always—we always asked ourselves a lot of questions: was it not a bit—I want to use the word “incongruous” for the Prime Minister's chief of staff to be meeting with an official at the level of Mr. Guité? It wasn't usual, but it wasn't the first or the last time that it was going to happen in the system.<sup>42</sup>

It is not possible to reconcile this testimony with Mr. Pelletier's pretension that the choice of agencies and the fees to be paid to them were never a subject of discussion with Mr. Guité. Mr. Pelletier, probably conscious of the political implications of the awarding of contracts to communication agencies owned, at least in the case of the Lafleur agency, by persons with whom he had social contacts, attempted during his testimony to minimize

his involvement in the choice of agencies. I prefer the more logical conclusion that the choice of agencies was a matter in which he offered his “input” to Mr. Guité, just as he gave him advice on other aspects of the Sponsorship Program. The choice of agencies was simply too important a decision to leave entirely to “un fonctionnaire du niveau de Monsieur Guité” (a public servant of Mr. Guité’s level)<sup>43</sup>

The meetings between Mr. Guité and Mr. Gagliano were more regular and frequent. As already stated, the Commission does not accept Mr. Gagliano’s testimony that his meetings with Mr. Guité to discuss sponsorships were few and far between, and only of a short duration. As corroborated by his subordinates, they were as regular and frequent as Mr. Guité affirms. Like Mr. Pelletier, Mr. Gagliano testifies that he did no more than give political advice and make suggestions; for the same reason that this statement is not accepted in the case of Mr. Pelletier, it is not accepted with respect to Mr. Gagliano. The latter had the apparent authority to impose his decisions upon Mr. Guité, and it is highly improbable that Mr. Guité would not be anxious to accommodate his wishes, however expressed. Mr. Gagliano is not the sort of person who would make suggestions that his subordinate would be free to disregard.

Moreover, the testimony of Ms. Isabelle Roy, who worked as a political assistant in Mr. Gagliano’s office and kept a written record (“the MP Log”) of the decisions made with respect to sponsorship matters,<sup>44</sup> tends to corroborate Mr. Guité’s assertion that many decisions were made by Mr. Gagliano. These included decisions to amend the lists presented to him by Mr. Guité, to add events and amounts to those lists and to reverse decisions which Mr. Guité had already made. Ms. Joanne Bouvier, who succeeded Ms. Roy when the latter went to work at CCSB in 1998 and who inherited the MP Log, also observed the active role of Mr. Gagliano in deciding who would be awarded sponsorships, and in what amounts.<sup>45</sup> In spite of his protestations to the contrary, the evidence is overwhelming that Mr. Gagliano was a hands-on manager who took a great interest in the Sponsorship Program and an active part in its direction.

Throughout his testimony, Mr. Gagliano insisted that Mr. Guité and his successor, Mr. Pierre Tremblay, made all the decisions and that the role of the Minister was limited to giving advice on the political advisability of sponsoring certain events, or what he called “input.”<sup>46</sup> Mr. Gagliano recognized that in some instances he made suggestions, and when confronted by documentation such as the entries in the MP Log or letters sent to him by grateful recipients of sponsorships, he was prepared to acknowledge that in some cases his suggestions were strongly worded, and might even be described as recommendations; but he refused to admit that anyone other than Mr. Guité or Mr. Tremblay had the final say.<sup>47</sup>

All the same, Mr. Gagliano admitted that what Mr. Guité was seeking was his endorsement or approval of the lists he brought to the meetings, and that he gave that approval.<sup>48</sup> Messrs. Guité and Tremblay were subordinates coming to their Minister for approval of what they were proposing; it necessarily follows that the person making the ultimate decision is the Minister when he gives the approval, but Mr. Gagliano refuses to see the logic of this proposition. He refuses to accept that he was directly involved in the administration of the Sponsorship Program, not because it was not so, but because he is reluctant to accept responsibility for the errors committed in the course of that administration and the political interference which his decision-making constituted.

Mr. Gagliano was not a good or persuasive witness. He was at times evasive and argumentative, and he did not give the impression that he was as interested in increasing the Commission’s understanding of the operation of the Sponsorship Program as he was in seeking his own vindication. In this respect, he compares unfavourably with Mr. Guité. When the latter says that Mr. Gagliano gave him advice, suggestions and instructions concerning the choice of agencies to handle sponsorship contracts, I am inclined to believe him in spite of Mr. Gagliano’s denials.

## 6.8

### Reporting Lines and Oversight

The normal practice in the public service is for each public servant to report to an immediate superior, and so on up the line to the Deputy Minister. In this way Mr. Stobbe, as Assistant Deputy Minister, would ordinarily have been kept advised of what Mr. Guité was doing when he was Mr. Guité's immediate superior, and would have been in a position to fulfill his obligation to oversee the activities occurring within his organization. After the formation of CCSB in late 1997, Mr. Guité was to report directly to Mr. Quail, the Deputy Minister.

Not very much of Mr. Quail's time was spent on the sponsorship file. Between 1993 and 1997, he says, he was involved only if there was a funding problem or if he was called upon to assist Mr. Guité and the PCO in putting together a Treasury Board submission.<sup>49</sup> Until 1997, he was entitled to expect that Mr. Stobbe would be keeping track of what Mr. Guité was doing, but in fact Mr. Stobbe was not supervising what was taking place at APORS to any important degree.<sup>50</sup>

The independence of Mr. Guité's section and the lack of reporting on his activities to his immediate superior go back to the time when Mr. Dingwall was Minister of PWGSC. At that time, Mr. Quail was very busy with the problems created by the departmental merger to create PWGSC and with related cutbacks. It was, practically speaking, impossible for him to attend meetings between Mr. Dingwall and Mr. Guité. Mr. Guité, at that time, was having discussions directly with Mr. Dingwall and with Mr. Dingwall's Executive Assistant, Mr. Warren Kinsella, concerning the formulation of the new policy which resulted in Appendix Q.<sup>51</sup> These discussions usually took place in the presence of his superior, who at that time was Mr. Richard Neville. Mr. Quail was not really involved.

When Ms. Marleau became Minister, Mr. Guité began to have meetings with Mr. Pelletier and Mr. Carle concerning the Sponsorship Program, at which Mr. Quail or his representative was not represented.<sup>52</sup> Mr. Guité's

communications and contacts with Mr. Quail concerning the Program were limited to related Treasury Board submissions and budgeting considerations.

Mr. Quail recalls that, when Mr. Stobbe became Mr. Guité's superior, he received a telephone call from Mr. Bilodeau of the PCO, who said that he was calling on behalf of the PMO and wanted to know who Mr. Stobbe was, saying that he was reported as asking too many questions about sponsorship matters. Mr. Quail says that he replied that Mr. Stobbe was only doing his job, which was to supervise Mr. Guité's section, but the clear inference from the call was that Mr. Stobbe's supervision and involvement were not welcome and that people in the PMO preferred him not to interfere.<sup>53</sup> Mr. Stobbe learned about the call,<sup>54</sup> and both he and Mr. Quail understood the message that was being communicated: Mr. Guité's direction of the Sponsorship Program was under the direct supervision of the PMO, and no one should intervene.

When Mr. Gagliano became Minister, Mr. Guité's meetings with Mr. Pelletier and Mr. Carle were gradually replaced by meetings directly with Mr. Gagliano.<sup>55</sup> Although Mr. Stobbe insisted that Mr. Guité keep him and the Deputy Minister advised of the results of these meetings by sending them copies of the lists of sponsored events after they had been approved by the Minister's office, the lists were not otherwise discussed with Mr. Quail or with anyone else in the department. Mr. Quail understood that the only purpose in sending the approved lists to him was to enable him to keep a record of what had been spent, for budgeting purposes.<sup>56</sup> His role in the Sponsorship Program had been reduced to ensuring that Mr. Guité's section did not spend more money than it had available.

As a consequence, the authority and oversight that the Deputy Minister would normally have maintained over Mr. Guité's section of his department virtually ceased to exist. Both Mr. Quail and Mr. Stobbe knew that Mr. Guité had direct access to the PMO, which directed his activities and provided funds for the Program he was administering,<sup>57</sup> until they could be included in PWGSC appropriations starting in 1999-2000. The involvement that the Deputy Minister would normally have in the formulation of a new program,

its administration and its oversight did not occur, and Mr. Quail's involvement was never sought. The Program commenced when Ms. Marleau was the Minister, but she had not been involved at all. Since Mr. Guité obviously had the support and approval of persons at the highest level of the Government, for whom questions of national unity, including the Sponsorship Program, were matters of the highest priority, he was, in spite of Mr. Quail's obligation to manage his department, untouchable and beyond his control.

## 6.9

### Mr. Guité's Promotions

The special status of Mr. Guité is also reflected in his rapid rise in the bureaucracy.

As director of APORS, in 1993 Mr. Guité was at the level of an EX-01. In the performance rating signed by Mr. Neville in 1994, he was rated as fully satisfactory. The following remarks describe his qualities:

Mr. C. Guité's expertise is very specialized and as a result he is very autonomous in his dealings internally within the new department of PWGSC. The focus for his responsibilities are mainly with the client departments and outside suppliers. Towards the end of 1993-94 Mr. C. Guité and myself worked very closely with TBS officials to develop the new policy and guidelines on advertising and public opinion research. Mr. C. Guité's advice is often sought by the Minister's office.<sup>58</sup>

On January 25, 1995, Mr. Guité was promoted to the level of EX-02, with an increase in salary of \$4,670 per year. The description of his position as Director General of APORS includes the following:

The director general is in continual contact with senior program and communication managers in all federal government departments and agencies to provide guidance, advice and provide direction regarding the procurement of advertising and public opinion survey products and services. The incumbent is also in continual contact with the Minister's office to provide advice and recommend specific advertising and public opinion research campaigns and projects.<sup>59</sup>

Mr. Guité received this promotion because his position was reclassified as of December 22, 1994, and he was appointed to it without competition.<sup>60</sup>

Mr. Guité testifies that he had intended to retire in 1995, but that when he mentioned this in his conversations with Mr. Pelletier, the latter persuaded him to stay on for a few more years.<sup>61</sup>

On November 23, 1995, Mr. Kinsella, the Executive Assistant of Mr. Dingwall, who was then Minister of PWGSC, wrote a surprising memorandum to Messrs. Quail and Stobbe, which to be appreciated must be reproduced in full:

Gentlemen, repeated reviews of the management of the federal government's communications apparatus—and recent experience—have established a clear requirement for a centralized delivery system for the procurement and coordination of advertising, public opinion research and communications products. We have discussed this on previous occasions.

There is also obviously a clear requirement to work with the Privy Council Office so that communications initiatives can be tied to overall government priorities. PCO and PMO have recently expressed similar views.

After discussing this with the Minister, it is therefore requested that the following tasks be undertaken;

- I. Create a common delivery system for advertising, research and all communications services products.
- II. Develop an information program explaining the role of functions of the integrated organization to departments of government including all regions as well as to communications industry suppliers.
- III. Work with the Privy Council Office and other relevant central agencies to develop recommendations for a system that will generate ongoing strategic communications initiatives around government priorities.

IV. Investigate all “out-of-home” advertising and potential sponsorship initiatives that are available to effectively promote government programs.

As the lead agency in the management of government advertising and public opinion research activities, the Advertising and Public Opinion Research Sector (APORS) is clearly best suited to carry out the noted tasks. In my view, Mr. J.C. Guité, current Director General of APORS should be assigned to carry out this review on a full time basis.

It is requested that he be assigned to a position that will allow him to carry out these tasks and that he be provided with the appropriate resources consistent with such an initiative. Central agencies have requested that his current position should be staffed immediately with a permanent and qualified person.

The deliverable will be as follows:

- Develop an action plan to accomplish all of the above-noted tasks by January 15th, 1996.
- Provide a written report(s) on the findings by June 1, 1996.

Thank you for your attention to this matter.<sup>62</sup>

This communication was rightly taken by Mr. Quail to be a highly inappropriate attempt by political staff to interfere in the internal administration of PWGSC, which is entirely within the jurisdiction of the Deputy Minister. The reference to unidentified persons in the PCO and PMO gives the impression that the proposed reorganization of government communications under Mr. Guité was desired by persons at the highest level. To his credit, Mr. Quail resisted the temptation to take offence, and replied by a memorandum reading as follows:

I have your note of Nov 23/95 re: Direction to review the APORS and would make the following observations:

- I. In paragraph 2 you mention the recent views of PCO. Would you please provide me the name at PCO—so we don't cross lines.

2. The review that you have outlined in your note suggests this may be seen at the Centre as a Machinery of Government responsibility which as you know is the prerogative of the Prime Minister to assign. My experience indicates that it is necessary to ensure PMO/PCO is aware of the assignment of such issues to a Minister. Will you confirm this is in place?
3. On page 2 you recommend that we use Mr. Guité on this assignment and that the Central Agencies have suggested the position he “vacates” be staffed immediately on a permanent basis. I have 2 points on this:
  - a] I am not aware of any such directions; please advise who has recommended this action with respect to Mr. Guité’s position, so I can discuss the issues I see arising from this proposal.
  - b] On the assignment of Mr. Guité; my concern here is that the action you propose, while attractive in one sense, presents a problem to me in the handling of the EX personnel. There will be a requirement to find an additional EX position to cover the assignment period and secondly, no clear assignment for Mr. Guité once the work is completed. . . We already have a number of these cases and I have been working over the last two years to get these down to zero. In other words what to do with Mr. Guité at the end when no work exists. . .

I would like to hear from you before I take any further action.<sup>63</sup>

The matter died there. Mr. Quail decided that Mr. Kinsella’s memo was a mistake by an inexperienced political staffer who did not know better than to attempt to give direction to a senior public servant on how to organize his department. Mr. Dingwall testifies that he does not remember the incident, but assumes that he must have instructed Mr. Kinsella to write the memo.<sup>64</sup> As to why he would have wanted Mr. Guité to be given important new responsibilities, the record is unclear.

But we do know that Mr. Guité and his personnel at APORS were given the whole responsibility for the management and administration of the Sponsorship Program when it came into being in the spring of 1996. Sponsorship contracts were considered by all concerned to be a form of advertising, and were so defined in Appendix Q, and Mr. Guité was the government's expert in advertising matters.

When CCSB was created in November 1997, it constituted almost exactly the consolidation of functions that had been advocated by Mr. Kinsella two years previously. At that time, Mr. Guité's position was reclassified from EX-02 to EX-03.<sup>65</sup> Mr. Guité testifies that he had spoken to Mr. Quail and to Mr. Gagliano and told them that he considered that he should be promoted and that his position should be reclassified as Executive Director of CCSB, with the equivalent rank of Assistant Deputy Minister, reporting directly to the Deputy Minister, because of the increased responsibilities that he was assuming with the creation of CCSB. He says that he also brought up the reclassification request with Mr. Pelletier or Mr. Carle and was told that he should deal with the matter at the level of the Deputy Minister. Nevertheless, he assumed that someone would talk to Mr. Gagliano and that his promotion would be facilitated as a result.<sup>66</sup> The promotion and reclassification occurred shortly afterwards. It is interesting to note that in the description of the responsibilities attached to his new position may be found the following sentence:

When events force the government into a reactive posture, the incumbent brings to bear a capacity for quick response, cutting red tape, influencing key media and other opinion leaders...<sup>67</sup>

The reference to "cutting red tape" certainly corresponds to Mr. Guité's style, but it is not necessarily a desirable attribute of a public servant responsible for allocating discretionary funds with little or no supervision.

With his promotion to the EX-03 level, Mr. Guité received an increase in salary of \$9,900 per year.

Mr. Guité was again promoted, this time to an acting EX-04 position, effective April 1, 1998, only a few months after his last promotion, with a corresponding increase in salary of \$5,500 per year. This final promotion, which had an effect upon his pension entitlement, was offered to him in February 1999, in spite of the fact that he had already announced his intention of retiring in April, 1999.<sup>68</sup>

Mr. Quail has notes in his records that on two occasions he was made aware of the fact that Mr. Guité had discussed the question of his reclassification or promotion with the Minister or with the PMO.<sup>69</sup> Mr. Quail was not happy that he had done so; promotions, job classifications and salary adjustments are supposed to be exempt from political interference.<sup>70</sup> He does not remember any political interference, but it is difficult to understand why his notes would make reference to the Minister or the PMO if he had not been contacted by someone.

It may be concluded from the foregoing that Mr. Guité used his privileged status and contacts with Mr. Gagliano and the PMO in his successful attempts to gain promotions and salary increases. Although Mr. Gagliano and Mr. Pelletier deny that they assisted Mr. Guité's promotions by intervening with Mr. Quail, the latter knew that they had been spoken to.<sup>71</sup> Mr. Guité's rise from an EX-01 to an acting EX-04 in less than five years was remarkably rapid.

When Mr. Guité made known his intention to retire on August 31, 1999, Mr. Gagliano's Executive Assistant, Mr. Pierre Tremblay, announced that he would like to transfer to the public service and to assume Mr. Guité's position as Executive Director of CCSB.<sup>72</sup> According to public service staffing rules, exempt staff wishing to transfer to the public service and having relevant experience are given priority over applicants for the same position from within the public service. There were some who had reservations about Mr. Tremblay,<sup>73</sup> but Mr. Gagliano fully supported his candidacy for Mr. Guité's position, and in February 1999 his transfer to the public service took place. Although Mr. Guité retired with an acting EX-04 classification, Mr. Tremblay, who replaced him, was classified at the EX-02 level.<sup>74</sup>

Mr. Guité's retirement was preceded by a transition period during which he was still nominally the Executive Director of CCSB while Mr. Tremblay was becoming familiar with his new functions. Mr. Tremblay was already knowledgeable about the Sponsorship Program and about how it was being run under Mr. Guité's direction. Although the Commission heard no testimony from Mr. Tremblay, who passed away before he could testify, it is impossible to believe that he did not know about the irregularities that affected its administration. During the period from February to August 1999, Mr. Tremblay gradually assumed more and more of Mr. Guité's responsibilities, and the latter spent most of his time preparing for his retirement.<sup>75</sup>

Mr. Tremblay brought a different management style to CCSB. He was determined to be more systematic, and asked his personnel to see to proper documentation of sponsorship files. For the first time, computerized lists of pending applications for sponsorship contracts were prepared, as were lists of accepted applications—indicating the communication agencies that had been engaged to handle each contract, and the commissions and fees that would be paid to them.<sup>76</sup> In this way, from the time that Mr. Tremblay began to take charge of CCSB, Mr. Gagliano was made aware of the agencies that were handling sponsorship contracts.

Mr. Tremblay continued the practice established by Mr. Guité of going to the Minister's office on a regular basis to review lists of proposed sponsorships. Mr. Gagliano delegated more responsibility in this area to his new Executive Assistant, Jean-Marc Bard, with whom Mr. Tremblay met more and more frequently. He found Mr. Bard to be prone to interfere in the management of the Sponsorship Program, which he felt fully competent to handle without Mr. Bard's directions and advice, and expressed his frustration about Mr. Bard's interference to his subordinates when he returned from a meeting at the Minister's office.<sup>77</sup>

## 6.10

### Absence of Guidelines and Criteria

Prior to the implementation of any new government program, the usual practice is to develop and make known to interested parties the guidelines which will apply to it. These guidelines would normally explain:

- the objectives of the program;
- a description of the means adopted to achieve these objectives;
- where the program involves the disbursement of public funds on a discretionary basis, the criteria which will guide the decision-maker; and
- the procedure to be followed by applicants for admissibility to the benefits of the program.<sup>78</sup>

Of these, of prime importance are the criteria for eligibility for sponsorships. Prior to September 1, 2001, when Communication Canada took over the administration of the Sponsorship Program, guidelines had never been adopted, and decisions made for access to the Program were almost entirely arbitrary. However, from time to time attempts were made to prepare and develop criteria in the form of policy guidelines.

Mr. Guité testifies that while he was the Director of APORS or CCSB, there was never a formal set of guidelines for selecting sponsorship events. No one ever told him not to draft guidelines, but Mr. Guité cannot remember anyone ever asking him to draft guidelines, either. While Mr. Gagliano or Mr. Pelletier made suggestions to him as to events that should be given funding, they did not tell Mr. Guité on what basis certain events should be selected and others rejected, or ask questions on this subject. Mr. Guité agreed that the absence of a set of guidelines gave everyone a much wider scope of discretion in selecting events and amounts.<sup>79</sup>

On December 13, 1996, in response to a request from Mr. Stobbe, Mr. Guité's assistant, Denise Paquette, sent him an e-mail, presumably as directed by Mr. Guité, citing a long list of the criteria used to evaluate sponsorship opportunities.<sup>80</sup> The list is so vague that it does not really assist an understanding of which opportunities would be admissible and which would be rejected. In any event, those so-called criteria were not published or made available to anyone other than Mr. Stobbe.

Shortly after he became Minister in June 1997, Mr. Gagliano met with Messrs. Guité and Quail to discuss sponsorships generally, and the question of developing selection criteria was raised. Mr. Gagliano says that Mr. Quail told him he was working on a draft set of criteria.<sup>81</sup> It was probably as a result of this discussion that efforts to draft guidelines were made, but from what follows it may be deduced that the task had low priority.

Marie Maltais says that when she arrived at CCSB in May 1998 she found that there were no sponsorship guidelines or criteria. When she suggested to Mr. Guité that they needed guidelines he agreed, and she began to work on drafts.<sup>82</sup> She turned over what she had prepared to Evelyn Marcoux in August 1998, and together they produced a further draft in January 1999. When it was shown to Mr. Guité, he indicated that it was satisfactory, but nothing appears to have been done to approve or implement the document.<sup>83</sup> It was eventually sent to Mr. Quail, who said he wanted to see an example of how the criteria would be applied in practice before proceeding to have them formally approved.<sup>84</sup>

The proposed guidelines were tested in connection with the application for a sponsorship submitted by the Ottawa Tulip Festival in 1999. An evaluation of the application was made by an employee of CCSB using the draft guidelines and criteria, and in February 1999 the employee who had performed the evaluation recommended that the sponsorship request be declined. When this recommendation was communicated to the promoters of the Tulip Festival, they responded by marshalling support from Ottawa area Members

of Parliament and Ministers, who wrote letters and otherwise put pressure upon Mr. Gagliano. He reversed the decision of CCSB and the event was sponsored, although for an amount less than what had been requested.<sup>85</sup> This is an example of a direction by the Ministers as to both eligibility for a sponsorship and the amount.

Following this experience, the draft guidelines were set aside and no longer used to evaluate sponsorship requests.

When Isabelle Roy arrived at CCSB in May 1999, she inherited the task of working on the draft guidelines. She briefed Mr. Tremblay, who was in the process of taking over from Mr. Guité, as well as the Minister and his new Executive Assistant, Jean-Marc Bard, on the draft guidelines. She says that she had the impression from these briefings that the guidelines would have to be sufficiently vague to allow interventions from the Minister's office, and adds that the guidelines were finalized as far as she was concerned in April 2000, but were not formally adopted and were used only as a reference tool.<sup>86</sup> She is of the opinion that the main purpose in drafting the guidelines was to have something to show outsiders if requests under the access to information legislation were made concerning the Sponsorship Program.<sup>87</sup>

A copy of the April 2000 draft guidelines was communicated to the communication agencies that were working with CCSB on sponsorship files, but Ms. Roy does not recall ever having received an application from the agencies containing an analysis based upon the guidelines.<sup>88</sup>

From all of this it may be concluded that prior to the administration of the Sponsorship Program by Communication Canada, there was never in effect a set of guidelines which had been formally adopted and approved by the Deputy Minister of PWGSC, or by anyone else in authority, containing criteria to guide the selection of applicants for sponsorship funding. Whether or not they were formally adopted, the evidence shows that no draft guidelines or criteria were ever systematically applied.

The absence of a set of criteria permitted the granting of sponsorships for purposes unrelated to national unity considerations or increased visibility in Canada of the federal presence. There were many examples of this and some of them will be described elsewhere in this Report. Two examples can be cited immediately.

Starting in 1996 and continuing for several years, a series of sponsorship contracts were entered into between PWGSC and the well-known advertising agency Vickers & Benson to finance the costs of a series of television programs, to be broadcast on Chinese television, extolling Canadian institutions and values. This project was the brainchild of the president of Vickers & Benson, John Hayter, who had become enthusiastic about Canada's trade possibilities with China as a result of his participation in a 1994 trade mission to China, spearheaded by the Prime Minister. Mr. Hayter is frank; he was looking for funding for this project from any source available.<sup>89</sup> He does not know the source of the funding, but on the basis of his contacts with Jean Carle and the PCO, it may be deduced that there were interventions from the Prime Minister's Office in favour of funding for the project which permitted it to proceed.<sup>90</sup> A total of approximately \$10 million was disbursed by the Government of Canada in the context of the Sponsorship Program for what was known as the China series.<sup>91</sup> It is most unlikely that the broadcasting of a series of television programs in China contributed in any way to considerations of national unity in Canada.

A second example of the use of sponsorship funds for purposes unrelated to enhancing the visibility of the federal presence in Quebec was the modest sum of \$6,000 paid as a sponsorship to promoters of a project to have a plaque erected in the village of San Martino in Italy, naming the town square "Plaza Canada." The plaque was to be unveiled on the occasion of a visit to that locality by Mr. Gagliano. It was acknowledged within CCSB at the time that this project had nothing to do with Canadian unity, and instructions were given to Mario Parent, who by this time had left the public service and was working for the Gosselin agency, to conceal the invoicing of

this sponsorship in another contract, so that it would not appear upon the public record.<sup>92</sup> Mr. Gagliano tries in his testimony to defend this sponsorship, which he apparently knew about and supported, as a legitimate effort to promote Canadian unity to citizens of Italian descent,<sup>93</sup> but the Commission remains unconvinced that the project had anything to do with the objectives of the Sponsorship Program, and concludes that it was entirely motivated by a desire to promote Mr. Gagliano's political career.

The San Martino sponsorship was one of a number of relatively small projects most often described in CCSB documentation as “unforeseen events.” Upon closer examination these projects turn out to be sponsorships of cultural and sporting events almost entirely located either in Mr. Gagliano's constituency or in the region known as la Mauricie, where Mr. Chrétien's riding is to be found.<sup>94</sup> Probably it was virtually impossible for Mr. Gagliano and his staff to refuse to authorize the payment of small amounts to Mr. Gagliano's local supporters, and it was equally impossible to refuse requests from the promoters of events from the region where the Prime Minister periodically sought re-election, but the uses to which the “unforeseen events” file was put illustrate why guidelines and criteria are essential to the administration of a program if the Government genuinely wants to obtain value that corresponds to the reason for making money available in the first place.

In the absence of criteria for access to the Program, the availability of discretionary funding was an almost irresistible temptation to politicians and to persons well connected to the party in power who sought to obtain public funds for purposes and projects that they considered to be desirable or advantageous. Some of these projects were clearly politically desirable. Others were socially and economically legitimate in the sense that they were designed to achieve results that would promote the welfare of Canadian citizens, but many had little connection to considerations of Canadian unity or the visibility of the federal presence. Mr. Hayter's attitude was typical; he thought sincerely that Canada's long-term trade prospects with China would be promoted by a series of television programs providing the population of China

with a better understanding of Canadians and their virtues.<sup>95</sup> Perhaps Mr. Hayter was right and perhaps the China series was an excellent investment for the Government of Canada, but it had nothing to do with the objectives, poorly defined as they were, of the Sponsorship Program.

## 6.II

### Commissions, Fees and Production Costs

Personnel at CCSB had only vague ideas as to the services that were to be provided by communication agencies in exchange for the commissions, usually at the rate of 12 to 15% of the sponsorship's value, which they charged when they entered into sponsorship contracts with the Government.

No attempt was ever made to negotiate the commission rate downwards. Mr. Quail recalls that during the period when Mr. Guité was the Executive Director of CCSB he asked Mr. Guité why they were using communication agencies, and whether the rates charged by the agencies were standard. Mr. Guité told him that a 15% commission was the industry standard, and the discussion ended there.<sup>96</sup>

There are indications in the documentation that is part of the record that the possibility of attempting to negotiate more favourable commission rates with the industry could have been explored. On April 19, 1995, Doug Fyfe, Director General of Tourism Canada (a part of Industry Canada), wrote to Mr. Neville to question the assumption that the 15% commission rate was a standard rate that could not be altered. Mr. Fyfe realized that the advertising industry was in favour of a fixed rate of 15%, increasing to 17.65% in certain instances, but pointed out, based upon his own experience, that:

...many agencies provide alternate methods of establishing the cost of their services ranging from hourly billing to performance-based remuneration. I had earlier been assured that these methods of payment would be explored with the agencies selected. If this has happened, I am unaware of it and no one from this organization participated in any such discussions.<sup>97</sup>

Mr. Neville referred this correspondence to Mr. Guité, who was not at all interested in exploring the possibility of negotiating lower commission rates.<sup>98</sup> Once again, everyone appears to have considered that because Mr. Guité was the acknowledged expert in advertising matters, his approach, that there should be a non-competitive standard commission rate, was accepted.

The communication agencies retained by PWGSC to handle sponsorship files took the position that they were entitled to invoice the Government for additional sums, described as “production costs,” when the agency performed services over and above the standard services to be covered by the fixed commission.<sup>99</sup> However, even today there is no unanimity, among the agencies or at the level of the personnel of CCSB, as to what services were to be supplied by the agencies in exchange for the commission of 15% and what services deserved payment of additional amounts. In the absence of any guidelines on this subject, the production costs provided for on each sponsorship contract, and what those production costs would include, seem to have been established on an *ad hoc* basis. This sometimes produced ludicrous results; there are cases where an analysis of the file reveals that all of the hours recorded by the employees of a communication agency were billed to the Government as a production cost, which meant that no services at all were covered by the 15% commission. Different agencies took varying positions.

Three particularly striking examples of how the concept of production costs came to be abused can be cited. However, before discussing those examples, let us clarify some of the terminology used in sponsorship contracts and invoices. The “sponsorship amount” is the sum of money allocated to the promoters of the event itself. “Production costs” are amounts the communication agency invoices PWGSC for the design, purchase or creation of such things as signage, brochures and similar promotional items. Many invoices bill separately for fees or “honoraria” based on the hours worked by employees multiplied by the rate charged by their agency for each hour worked. Finally, there are “commissions,” usually 15% of the sponsorship amount, but at a rate of 17.65% on goods or services purchased by the agency from a third party.

The standard PWGSC contracts used for ordinary advertising procurement are not models of clarity. The Commission heard evidence from several witnesses that the contracts for sponsorships were those used for the procurement of advertising services, and that the forms were not well adapted for sponsorships.<sup>100</sup> Before the use of an Agency of Record (AOR) began in 1998, contracts stated that the agency would be paid the sponsorship amount to be delivered to the promoter of the event, together with an “admin/management fee,” which is its commission on the sponsorship amount plus fees for “all creative services. . .reasonably and properly incurred in the production of advertising material” according to a set hourly rate schedule.<sup>101</sup>

## 6.12

### Montreal Expos Sponsorship

Lafleur Communication had the “Montreal Expos” sponsorship contracts for the baseball seasons of 1995, 1996 and 1997. In 1995 and 1996, the sponsorship amount was about \$537,000, so that Lafleur’s 12% commission would be approximately \$64,500 each year. The puzzle lies in the hourly charges in the invoices sent by Lafleur to PWGSC: 234 employee hours in 1995 and 1,104 in 1996.<sup>102</sup> One would think that the work described in some detail on certain of the 1995 invoices (meetings with PWGSC, meetings with the Expos, negotiating visibility, visiting the event site, managing publicity, production of mock-ups<sup>103</sup> (“maquettes”), reports, administration and finishing and closing the file)<sup>104</sup> would be adequately covered by the \$64,500 commission. Figure VI-2 illustrates examples of invoices from 1995 and 1996.

When he testified, the head of Lafleur Communication, Jean Lafleur, was unable to provide any additional detail about this work charged as production costs and hourly fees. Although he proposed that many of the hours invoiced must have been related to the mock-ups, he finally agreed that the mock-ups had been subcontracted to a third party.<sup>105</sup> Logically, the production costs and hourly fees would tend to decrease in the following year, since much of

the agency's work would be a repetition of what had been done the year before, even if some signs had to be redesigned or relocated for the 1996 season. Instead, the hours that were billed more than quadrupled. Little credence can be given to Mr. Lafleur's hypothesis (he had almost no recollection of the facts or circumstances of the Expos contracts) that other events included in the main contract might have been mistakenly billed to the Expos file.<sup>106</sup>

Billings in 1996 also included 364 hours (roughly \$60,000) and a \$5,000 commission billed under a separate contract for a one-day backpack promotion that entitled the promoter, in this case the Expos, to receive a \$40,000 sponsorship. PWGSC paid Lafleur more than \$195,000 for backpacks given to fans attending that day, which were purchased from the company belonging to Jean Lafleur's son Éric.<sup>107</sup>

The Expos sponsorship increased to almost \$800,000 in 1997, entitling Lafleur to a \$119,000 commission. Inexplicably, only 64.5 hours of employee time were billed to the file.<sup>108</sup>

We have no evidence of PWGSC questioning or challenging any of Lafleur's hourly invoicing on the Expos sponsorships in 1995 or 1996, or indeed of any of Lafleur's invoices throughout the Sponsorship Program.

## 6.13

### The Bluenose Sponsorship

A second example of extraordinary hourly production fees was Gosselin Communications' handling of the Bluenose sponsorship on behalf of Lafleur Communication. The Bluenose, a reconstruction of the famous Nova Scotia sailing ship, was to make a multi-stop tour from Halifax to a series of ports of call along the St. Lawrence River and Seaway. Gosselin's books show it received almost \$542,000 in the 1997 calendar year for work in connection with the Bluenose project. For the 1997-98 fiscal year, PWGSC was invoiced for 3,673 hours of Mr. Gosselin's time, of which 1,117 hours were for the Bluenose project.<sup>109</sup> This was his personal time only—for April through

Figure VI-2: Lafleur Communication invoices.

1080398 - Front

P34

IRC/CDRE

COMMUNICATION  
JEAN LAFLEUR INC.

V.137

105 JUN 22 PM 2:51

Le 12 juin 1995

G

TRAVAUX PUBLICS ET SERVICES  
GOUVERNEMENTAUX CANADA  
151, rue Slater, bureau 215  
Ottawa (Ontario) K1P 5H3

DOIT A:  
COMMUNICATION JEAN LAFLEUR INC.  
300, rue du St-Sacrement #114  
Montréal (Québec) H2Y 1X4

Dossier: ~~EN 7715-0069/02802A~~  
Expos de Montréal

FACTURE: ~~050811~~  
TPS: 101069912  
TVQ: 1002249835

**Rencontres avec le client:**

- Précision des stratégies publicitaires

**Rencontres avec les Expos:**

- Négociation de la visibilité publicitaire
- Visite des lieux et repérage des espaces publicitaires
- Inventaire des panneaux disponibles
- Gestion du programme publicitaire

**Identification des messages possibles sur divers programmes fédéraux;**

**Concepts et production de 47 maquettes;**

**Honoraires de coordination et gestion du programme publicitaire:**

Jean Lafleur	
21 heures x 275 \$	5 775,00 \$
Eric Lafleur	
22 heures x 150 \$	3 300,00 \$
Travail clérical	
24 heures x 40 \$	960,00 \$

**Production de 47 maquettes:**

47 maquettes @ 2750,00 \$ chacune:	129 250,00 \$
------------------------------------	---------------

Certified pursuant to section 34 of the  
Financial Administration Act.

Certifié en vertu de l'article 34 de  
la Loi sur l'administration financière

*Andrée Robitaille* 95/06/23  
Signature Date

\$149,034.95  
ok  
20

1097886: Front

P96

000 / 00RE

**Lafleur**  
COMMUNICATION  
MARKETING

Le 30 septembre 1996

96 OCT 9 AM 9 27

Travaux Publics et Services  
Gouvernementaux Canada  
107, rue Sparks  
4e étage, Édifice Birks  
Ottawa (Ontario) K1P 5B5  
À l'attention de: M. J.-C. Guité

FACTURE: 96.260

V.293

Dossier:	Expos de Montréal - Commandite	Facture:	96.260
Contrat:	EN771-6-0008/01-ACA	T.P.S.:	101069912
Devis:		T.V.Q.:	1002249835

Description:	
Commandite du Gouvernement du Canada pour les Expos de Montréal	
30% de la commandite (facture annexée):	161,040.00
Commission d'agence (12%):	19,324.80

Frais:	
Frais de messagerie:	20.00
Frais de déplacement:	34.20

Concepts:	
42 maquettes @ 2,750\$ ch.:	115,500.00

Honoraires:	du 4 juillet au 27 septembre 96	Heures	Taux	
J. Lafleur	Senior Strategic Planning Director	71.0	275.00	19,525.00
E. Lafleur	Account Director	109.0	245.00	26,705.00
S. Guertin	Account Supervisor	95.0	150.00	14,250.00
M. Octeau	Operations Director	87.0	150.00	13,050.00
P. Mayrand	Operations Director	105.0	150.00	15,750.00
E. Octeau	Production Co-ordinator	86.0	75.00	6,450.00
Secrétariat	Clerical Support	62.0	40.00	2,480.00

Certified pursuant to section 34 of the  
Financial Administration Act.  
Certifié en vertu de l'article 34 de  
la Loi sur l'administration financière.

Total: 394,129.00

T.P.S.:	27,589.03
T.V.Q.:	
TOTAL:	214,718.03

*J. Lafleur*  
Signature

96-10-09  
Date 12/11/96, 118.03

300, place d'Armes, bureau 2110, Montréal (Québec), H2Y 2W2  
Tel.: (514) 288-8877 • Telex: (514) 288-2601 • Courrier électr.: km@sympatico.ca

October. At least 1,188 hours were invoiced for the services of other Gosselin employees for the Bluenose file.<sup>110</sup> In a nutshell, Mr. Gosselin's testimony was that he took over management of virtually all aspects of the Bluenose tour from the Lafleur agency, which had been awarded the PWGSC contract, personally putting in 13 to 18 hours a day in June, July and August 1997, for which he billed Lafleur on an hourly basis.<sup>111</sup> The services of many other persons were invoiced to Lafleur as if they were Gosselin employees, but the Commission heard evidence that these "employees" had themselves invoiced Gosselin Communications as if they were subcontractors; they invoiced one of Mrs. Gosselin's companies, which then added a markup and billed Gosselin Communications, which then invoiced the Lafleur agency, with another markup. In one instance, Geneviève Proulx, one of the Gosselin employees, was grossing \$12 per hour for her work, while Gosselin Communications sent invoices for her work to the Lafleur agency at the rate of \$60 per hour.<sup>112</sup> There was no evidence of PWGCS questioning, challenging or verifying the invoicing for the Bluenose project for the number of hours worked, or for the hourly rates being charged.

A third example is Gosselin Communication's management of the \$125,000 sponsorship for the City of Ste-Hyacinthe's 250th Anniversary. Gosselin Communications was paid a \$15,000 commission, calculated at 12% of the amount of the sponsorship and invoiced 569 hours for work which presumably was over and above what should have been covered by the commission, described as "frais de gestion" (management fees) or "frais de coordination et de gestion" (administration and management fees), for an additional \$53,000. This included more than 94 hours claimed on behalf of the Gosselin team manager, Enrico Valente.<sup>113</sup> In his testimony before this Commission, Mr. Valente estimated he had put in not more than 17 to 20 hours on the file.<sup>114</sup> There is no reason to believe that the \$15,000 commission would not fully cover the cost of managing this particular sponsorship, which involved no creative work. **The Commission concludes that the \$53,000 charged by Gosselin Communications on an hourly basis was undeserved. The question of whether it was entitled contractually to charge as it did is left to the courts to decide.**

After the first two years, a practice was adopted of including estimated production costs in virtually every contract with a communication agency. The production costs were sometimes determined as a percentage of the total value of the sponsorship, and little effort was made to assess what additional costs might be incurred by the agency.<sup>115</sup> This produced the result that production costs became a more important source of revenue to the communication agencies than the commissions, and the commissions really covered no services at all. In almost every case, the agency charged almost exactly the full amount of the estimated production costs.

## 6.14

### Promotional Items and Free Tickets

Prior to the absorption of PRPCSS by CCSB, the former contracted directly with suppliers to manufacture or purchase promotional items without the intervention of communication agencies to manage the contracts. Once procurement was taken over by CCSB, the practice was to have agencies purchase promotional items and to be paid a commission for doing so. Since the agency would always acquire the promotional items by way of a subcontract, according to the standard contract used by the personnel at CCSB, the commission payable to the agency for handling the subcontract was 17.65%, instead of the standard rate of 12% or 15%. Other than the paperwork involved in the subcontract, in most cases virtually no services were provided by the communication agency in exchange for the commission. of 17.65%.

When Jean Lafleur testified before the Commission, he was pressed to explain the value added by Lafleur Communication when purchasing promotional items, in exchange for the commission paid by PWGSC. Essentially, his testimony was that regardless of whether value was added or not, the PWGSC contract authorized the communication agency to collect a commission on the price of the promotional items purchased from a third party. According to Mr. Lafleur, it was a matter of respecting the contract rather than a question of exactly what and how much work was done in

exchange for the commission: “Avec respect, monsieur le commissaire, le contrat ne stipule pas qu’il doit y avoir un peu, beaucoup ou pas de travail.” (With respect, Commissioner, the contract does not stipulate that there should be a little work, a lot of work, or no work at all.)<sup>116</sup>

He was unable to provide details of the work done by the agency for any particular promotional items contract, but said that, as a general rule, when the merchandise was delivered it would be verified, looked at, counted and checked for quality and to see if the colours were correct. He said that his son, Éric Lafleur, as vice-president of Lafleur Communication, would check the promotional items delivered by the subcontractor, Publicité Dézert,<sup>117</sup> which Éric Lafleur himself owned and ran for a time from the same premises as Lafleur Communication. In cases where the agency invoices added hourly charges as well, Mr. Lafleur explained that the agency commission related to the receipt and delivery of materials to PWGSC, but that handling, packaging and checking were additional charges.<sup>118</sup>

Mr. Lafleur confirmed that he billed Éric Lafleur’s time for this kind of handling and packaging at \$245 an hour, whereas the cost to Lafleur Communication for Éric Lafleur’s time, as reflected by his salary, was \$40 per hour.<sup>119</sup> When asked whether \$245 per hour properly reflected the value of the work done by Éric Lafleur, a young man with only four years’ experience, Mr. Lafleur relied again on the terms of the PWGSC contract: “Si on avait appliqué...la mauvaise terminologie pour une personne, il y a quelqu’un à Travaux publics qui nous l’aurait dit. Alors, Éric était le Account Director. Alors on a chargé le taux d’un Account Director.” (If we had applied the wrong—the wrong terminology for a person, there was someone at Public Works who would have told us that. Éric was the Account Director. So, we charged the rate for an Account Director.)<sup>120</sup> The PWGSC contract specified that the time of an Account Director would be paid at \$245 per hour.

Whether or not the Lafleur agency was within its legal rights to charge PWGSC \$245 per hour for routine handling of merchandise purchased from the company owned by the same person doing the handling is a question which the Commission will leave to the courts. From the point of view of public administration, the failure of personnel at PWGSC to challenge or question such excessive charges cannot be excused.

There was additional mismanagement due to the fact that the agencies engaged to act on behalf of the Government of Canada failed to seek competing bids for the subcontract as the standard contract stipulation requires. The relevant clause reads as follows:

For requirements estimated over \$30,000 GST included, the agency will, whenever it requires goods and services from outside suppliers or from its affiliated companies or modules, obtain competing bids from no less than three outside suppliers, firms or individuals; and will submit such bids to the Contract Authority for approval together with a rationale for its choice of supplier, before entering into subcontractual arrangements.

This condition may be waived if prior approval is given by the Contract Authority in writing.<sup>121</sup>

Although the Commission takes into account evidence of Lafleur Communication routinely obtaining Mr. Guité's approval to proceed without competing bids, which he says he granted because of "urgency," there was seldom any real urgency. In any event, the Lafleur agency usually assured Mr. Guité that a competitive price would still be obtained from the subcontractor, although there is no evidence that in fact it was doing so.<sup>122</sup>

It must be remembered that in most cases the subcontract was with a related company, such as Lafleur Communication's transactions with Publicité Désert, or the Gosselin agency's purchases from subcontractors owned by Mr. Gosselin's wife or son. The related company which would itself expected to earn a profit margin on the acquisition and resale of acquisition of the

promotional items needed. On average, Publicité D  zert charged a 100% markup.<sup>123</sup> Most of Gosselin's purchases of promotional items for PWGSC were subcontracted to Centre de placement de professionnels en communications, inc. (CPPC), belonging to Mrs. Gosselin. On average, CPPC took a 22% markup on clothing and 96% on all other promotional items.<sup>124</sup> As already mentioned, the Lafleur or Gosselin agencies in turn added a commission when billing PWGSC for the items purchased. This led to what can only be described as blatant overcharging for these items, as appears from the following examples.

## 6.15

### Examples of Overcharging

In August 1997, an amendment to an existing PWGSC contract with Lafleur Communication added a number of sponsorship events and called on the Lafleur agency to purchase "Items Promotionnels" for \$680,000.<sup>125</sup> By the time the contract amendment was signed, Lafleur had already invoiced PWGSC for five promotional items under the contract, such as 5,000 Bluenose Christmas ornaments at a cost of \$50,000.<sup>126</sup> Publicit   D  zert had paid \$5 for each ornament, and resold them to Lafleur Communication for \$10 per ornament. The Lafleur agency passed the \$10 price along to PWGSC, adding a commission of \$7,500 and billed PWGSC additional hours for employee time handling the transaction.<sup>127</sup> It is difficult to imagine how any appreciable number of hours of work could be attributed to a simple purchase of Christmas ornaments, or to understand why PWGSC did not itself simply buy the ornaments directly from the supplier. We know that PWGSC employees were experienced in the purchase of goods and services. Mr. Guit   testifies that he had limited staff and that acquiring promotional items for the PMO tended to be urgent; however, he had some difficulty explaining the urgency for the Christmas ornaments for which Publicit   D  zert invoiced Lafleur Communication in April 1997, and for which Lafleur invoiced PWGSC in June 1997.<sup>128</sup> If any time of the Lafleur agency's employees was actually devoted to this transaction, it was adequately compensated by the commission.

The Commission also heard evidence about 24 “Bluenose jackets” acquired by PWGSC at \$675 each plus 15% commission by way of a sponsorship contract with Lafleur Communication. The latter subcontracted the procurement of the jackets to Publicité D  zert, which purchased them from a supplier for no more than \$240 each,<sup>129</sup> and then had them embroidered and waterproofed for much less than the \$435 added to the final price. When he testified,   ric Lafleur was unable to say what Publicit   D  zert’s profit had been per jacket, but he agreed that the additional costs would not have been more than \$250.<sup>130</sup>

The Commission heard no evidence about who received the Bluenose jackets after they had been delivered to Mr. Guit   at PWGSC, or for what purpose they had been acquired. They had been given serial numbers starting with 00I. According to Huguette Tremblay and   ric Lafleur, jacket number 00I was reserved by Mr. Guit   for the Prime Minister of Canada.<sup>131</sup> Mr. Chr  tien testifies that although he might have received a Bluenose jacket, he does not remember receiving one, and is sure that he has never used a Bluenose jacket. He says in his testimony that:

I have received a lot of jackets because when a Prime Minister will go anywhere, in a college or at a celebration, there would be a jacket distributed to the organizers. There was always a gesture where I received jackets and I have dozens and dozens of them either at home or in the archives.<sup>132</sup>

Exactly how the Bluenose jacket serial number 00I promoted Canadian unity remains unexplained.

Lafleur Communication also invoiced PWGSC \$202,800 plus 15% commission for 1,014 copies (\$200 per copy) of a fine art lithograph of the Bluenose. Although Lafleur Communication was invoiced for the prints by the Bluenose Trust, the covering letter to Jean Lafleur from the Hon. Wilfred P. Moore, Q.C., the Chairman of the Trust, says that the prints were all shipped directly to Mr. Guit  .<sup>133</sup> We have no evidence that the \$30,420 commission

paid to Lafleur was for anything more than receiving and paying the Bluenose Trust invoice, and then invoicing PWGSC. Nor do we know who were the fortunate recipients of these valuable lithographs, especially the 50 or so copies that were very nicely framed by Mrs. Gosselin at Mr. Guité's request.

The evidence before the Commission shows that PWGSC paid for a wide variety of promotional items: pens, coat-of-arms plaques, garment bags, gift-boxed watches, sports watches, golf caps, polo shirts, denim shirts, coat-of-arms cufflinks, \$250 clocks, badges, \$62 alarm clocks, golf and other umbrellas, deluxe umbrellas, windbreakers, t-shirts, leather waist-packs, money clips, \$650 videos, \$50 travel bags, "la vie au Canada en 1880" (Life in Canada in 1880) gift packs, ties, leather photo albums and frames, lanyards (for name tags), sports bags with wheels, briefcases, patio umbrellas, leather card-holders, leather writing cases, golf-tee holders, putter cases, gift-boxed pencils, Mag-lites, gold-buckled belts, decorative teaspoons, key cases, and combination leather and felt jackets and autographed golf balls.<sup>134</sup> However, the Commission heard little evidence of what these items were to be used for. Mr. Guité testified that "60 to 70 per cent of the promotional items went to PMO."

When Huguette Tremblay, who worked as Mr. Guité's assistant, testified, she was shown a list of some 31 "Government of Canada" promotional items for 1997, including the Bluenose jackets.<sup>135</sup> She confirms having received delivery of most of the items, which she then divided according to whether they would stay at PWGSC or be delivered to the Prime Minister's Office. Generally speaking, a certain number of each item would go to the PMO, based on written instructions from Mr. Guité, or, on at least two occasions, Jean Carle's selection. The promotional items were put on display in the PWGSC offices by Éric Lafleur, and Mr. Carle would arrive and make his choices, a process Ms. Tremblay referred to at the time as the "government garage sale."<sup>136</sup> Éric Lafleur testifies that most of the 28 items listed on two October 1996 Publicité Désert invoices to Lafleur Communication totalling \$298,907, were chosen by Mr. Carle.<sup>137</sup> The latter testifies he only went once to the PWGSC offices to choose promotional items, which he describes as:

[Unofficial Translation]

...it could be 200 travel alarms, it could be 250 umbrellas, it could be 150 pens, like that, 200 watches, but not expensive watches. So, we're talking about approximately 20 items from a table where there must have been maybe 100 on display... We had rain jackets made, yes, jackets...<sup>138</sup>

Mr. Carle denies having ordered a Bluenose jacket, and says that he has no knowledge of such a jacket being delivered to the Prime Minister's Office.<sup>139</sup>

Ms. Tremblay also tells the Commission that PWGSC warehoused its accumulation of promotional items on its own premises or paid the communication agencies to store the items.<sup>140</sup> We have heard or seen little or no evidence of what PWGSC or the PMO ultimately did with these promotional items. But if they were used outside of Canada in connection with the Prime Minister's travels and trade missions, which would explain Mr. Carle's involvement, then their contribution to the cause of national unity and federal visibility within Canada is most certainly in doubt.

## 6.16

### Example—Grand Prix du Canada Tickets

In some cases, sponsorship contracts were also used to purchase tickets to sponsored events. The most astounding example presented to the Commission was in the context of the management of the 1998 Grand Prix du Canada by Groupaction Marketing Inc. Groupaction had the contract for that year only, after Jacques Villeneuve won the Formula I World Championship in 1997. As a result, tickets to the 1998 Grand Prix were in demand like never before or since.

The evidence before the Commission indicates that the original arrangement negotiated between Groupaction and the Grand Prix organizers was for a \$700,000 sponsorship, which would have entitled Groupaction to a commission of \$105,000, plus \$50,000 in production costs.<sup>141</sup> In January 1998, Groupaction initially asked for 74 three-day tickets (passes) for the event, but the number of tickets requested by Groupaction increased

periodically during the months prior to the signing of the contract with the promoter on May 26, 1998.<sup>142</sup> Groupaction's letters to the Grand Prix organizers indicate that the additional ticket demands were from Groupaction's "partenaire dans ce dossier" (project partner).<sup>143</sup> The final number requested was 230 three-day tickets, worth \$264,000.<sup>144</sup> This was far beyond what the promoter was prepared to supply for free. The May 26, 1998, contract therefore increased the sponsorship amount to \$900,000, and increased production costs to \$114,000.<sup>145</sup> The increased amounts for sponsorship and production costs were the same as the total ticket price, namely \$264,000.

When Jean Laflamme, Grand Prix vice-president for Finance and Administration, testified before the Commission, he agreed that production costs had not increased from \$50,000 to \$114,000, and that the increases to both the sponsorship amount and the production costs were to cover the price of the tickets.<sup>146</sup>

The most expensive of the three-day event tickets were worth \$2,800 or \$1,400 each ("paddock club" or "loges restaurant," respectively).

Witnesses appearing before the Commission were unable to say to whom all the tickets were given, but the Commission deduces from the evidence that they were distributed by Mr. Guité to his family and friends, personnel at CCSB, and various Liberal politicians and executives of Crown Corporations. Jean Brault, Groupaction's president, testifies that he had no knowledge of the 230 three-day tickets being delivered to Groupaction; Groupaction had purchased its own tickets.<sup>147</sup> It is probable that they were delivered directly to Mr. Guité and distributed according to his directions. Since Groupaction charged a 17.65% commission on production costs, it earned 17.65% on \$64,000 worth of tickets (the increased production costs), and 12% on the sponsorship amount. This means that Groupaction earned a \$24,000 commission on the tickets that accounted for the increased sponsorship amount (\$200,000). Mr. Brault says that he cannot confirm how the tickets were used by the Government of Canada, but he notes that all the seats were occupied at the event.<sup>148</sup> Mr. Guité agrees that the increased sponsorship amount and production costs were precisely designed to "bury" the costs of the \$264,000 in "free" tickets.<sup>149</sup>

The presence at the Grand Prix in 1998 of the beneficiaries of free tickets acquired at the expense of the Government of Canada cannot have contributed in any significant way to the promotion of national unity. The use of the free tickets by the beneficiaries of Mr. Guité's largesse created an advantage or benefit for which the Government of Canada obtained no corresponding compensation.

## 6.17

### Communication Canada

In 1998, responsibility for the Canada Information Office (CIO) was transferred from Heritage Canada to PWGSC, and consideration was given to the possibility of integrating all communication services of the Government, including sponsorships and advertising, under one roof at an expanded CIO. Since this was what is called a "machinery of government" issue requiring the approval of the Prime Minister, discussions of the subject involved not only the Minister of PWGSC but also the PMO and the PCO. The opinion of Mr. Pelletier, according to Mr. Quail, was that any transfer of the Sponsorship Program to new management at the CIO should be delayed until after the retirement of Mr. Guité in August 1999. Mr. Quail would have preferred that the amalgamation of communication services take place sooner rather than later.<sup>150</sup> Mr. Pelletier's wishes seem to have prevailed.

In a memorandum dated April 14, 2000, Mr. Mel Cappe, as Clerk of the Privy Council, wrote to Mr. Chrétien, requesting his approval of the transfer of certain responsibilities formerly exercised by CCSB to the CIO. This was the beginning of a gradual transition that culminated, on September 1, 2001, in the creation of Communication Canada, which assumed all of the responsibilities of the CIO—including those transferred to it from CCSB, which effectively ceased to exist. Communication Canada took over the management of the Sponsorship Program.

Mr. Guy McKenzie was appointed Executive Director of Communication Canada in June 2001. He possessed long experience in government administration generally, including program development and implementation. One of his first decisions in his new position was to advise Pierre Tremblay,

who had been acting as interim manager of the Sponsorship Program, that his contract would not be renewed at its expiration on December 31, 2001. Mr. Tremblay understood the message he was being given and resigned on November 16, 2001.<sup>151</sup> This left Mr. McKenzie free to reorganize the Program on a basis consistent with his experience and usual government practices, and to engage personnel with the training and experience needed to accomplish the Program's objectives. None of the former personnel of CCSB handling sponsorship files was retained.<sup>152</sup>

The new team at Communication Canada was aware that many of the problems of the past, which had been revealed in an internal audit conducted in 2000, had been due to the lack of clearly defined policy objectives and guidelines, including the absence of criteria for access to the benefits of the program.<sup>153</sup> A new sponsorship solicitation process had been developed early in 2001, and guidelines governing the management of sponsorship files had been adopted and were in the process of being implemented. On January 25, 2002, the communication agencies which in May 2001 had been selected to manage sponsored events were convened to meet representatives of Communication Canada, who explained to them the requirements of the new guidelines.<sup>154</sup>

All of this, presented in the form of an "action plan," was duly approved by the new Minister of PWGSC, the Honourable Don Boudria, on February 25, 2002. The action plan provided a more precise definition of the objectives and priorities of the Sponsorship Program, imposed new requirements for the contents of a sponsorship proposal, and foresaw closer follow-up and supervision of more rigorous administrative and financial procedures.<sup>155</sup>

It is reasonable to assume that if the guidelines and procedures introduced in 2001 to manage the Sponsorship Program had been in place from its inception, the mismanagement and abuses that occurred from 1996 to 2000 would not have been possible.

In spite of the enthusiasm and strenuous efforts of Mr. McKenzie and his team at Communication Canada to reform the Sponsorship Program, political developments were overtaking their efforts. In May 2002, the

Auditor General made public her first report on the three Groupaction contracts, which became the subject of a police investigation, and announced her decision to audit the entire program. Questions were being addressed to the Government in the House of Commons and in the media that required an immediate response. The Honourable Ralph Goodale, the newly appointed Minister of PWGSC, took only a few hours to conclude on May 27, 2002, that a moratorium of the Sponsorship Program should be ordered to permit him to analyze the situation.<sup>156</sup>

The moratorium lasted five weeks, during which Communication Canada at Mr. Goodale's request, worked out the details of an interim Sponsorship Program to be administered entirely by its own personnel, without the intervention or assistance of communication agencies. Mr. Goodale had come to the conclusion, within 24 hours of being asked by the Prime Minister to "fix" what was wrong with the Sponsorship Program, that the contracting out of the administration of a government program of this kind was "not appropriate in the circumstances." His testimony on this subject is eloquent:

The Hon. R. Goodale: That night, I met with my political staff to do the necessary disengagement from being House Leader and the engagement to being Minister of Public Works. That all had to be accomplished in a very short span of time. I spent a little time with the officials that night from Public Works and from Communication Canada. I met with them in more detail the next morning, trying to brief myself as rapidly as I could on the detail of the issues before me.

The one administrative issue that stood out very quickly as something, to my mind, that needed correction was the way in which the Sponsorship Program had apparently been managed. In those briefings the night before and the morning of Monday, the 27th, I became familiar with the fact that the administration was effectively contracted out.

.....

To third-party communications firms that were paid commissions to administer the program. That struck me, quite frankly, as not appropriate in the circumstances and I immediately began to turn my mind to how to run a program of this nature without the intervention of third parties.<sup>157</sup>

Evidently, what was immediately apparent to Mr. Goodale had not occurred to his predecessors as Minister, nor had it been apparent to Mr. Pelletier when the Program was initiated in 1996.

On July 3, 2002, the Sponsorship Program was resumed on a trial basis, using an increased number of personnel from Communication Canada. Even taking into account the cost of the new personnel, the elimination of communication agencies resulted in substantial savings for the Government.<sup>158</sup>

In the meantime the Prime Minister had asked the Honourable Lucienne Robillard, President of the Treasury Board, to study the Sponsorship Program “to determine how [it] could be better managed to ensure value for money and to make recommendations before the return of the House in September. She reported to him on September 5, 2002, with a series of recommendations for better management, delivery, oversight and transparency, all of which had formerly been, apparently, deficient. She added that in view of the preparation and the Treasury Board approvals required, the earliest launch of the revised program would be four months later. From this it may be deduced that the time required for the launch of a new program is at least four months, to allow for necessary planning and approvals.<sup>159</sup> Mr. Chrétien accepted these recommendations and approved the renewal of the Program for one year. This resulted in an announcement of the Sponsorship Program on December 17, 2002, which appears to be the first time it was made known in a formal way to the general public.

Communication Canada proceeded to manage the Sponsorship Program until it was cancelled in December 2003, much to the regret of the personnel of Communication Canada, who are firmly convinced of the benefits to the people of Canada of a well-defined program of this kind when it is administered properly by trained public servants.<sup>160</sup>

Communication Canada was itself disbanded in March 2004.

## Endnotes to Chapter VI

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- <sup>1</sup> RSC 1985, c. F-11.
  - <sup>2</sup> “Contracting Policy,” to be found at [www.tbs-sct.gc.ca/pubs\\_pol/dcgpubs/contracting/contractingpol\\_e.asp](http://www.tbs-sct.gc.ca/pubs_pol/dcgpubs/contracting/contractingpol_e.asp).
  - <sup>3</sup> “Appendix Q – Supplementary Policy and Guidelines with Respect to Contracting Procedures for Public Opinion Research and Advertising Services,” Exhibit P-I23B, pp. 432-440.
  - <sup>4</sup> Government Contracts Regulations, SOR 87-402, section 6, and Contracting Policy, paras. 10.6.5 to 10.6.7.
  - <sup>5</sup> Financial Administration Act, s. 34(I)(a); Testimony of Ms. Fraser, Transcripts vol. I, pp. 136-137 (OE), pp. 141-143 (F).
  - <sup>6</sup> “Policy on Delegation of Authorities,” “Procedural Requirements,” section 3 found at [www.tbs-sct.gc.ca/Pubs\\_pol/dcgpubs/TBM\\_I42-2-I-I\\_e.asp](http://www.tbs-sct.gc.ca/Pubs_pol/dcgpubs/TBM_I42-2-I-I_e.asp).
  - <sup>7</sup> Contracting Policy, section 12.3.1.
  - <sup>8</sup> Contracting Policy, section I.
  - <sup>9</sup> See, for example, Testimony of Mr. Parent, Transcripts vol. 32, pp. 5500-5502, 5504-5505 (OF); pp. 5500, 5504 (E); Testimony of Mr. Myer, Transcripts vol. 31, pp. 5297-5298, 5300-5305 (OE), pp. 5300-5301, 5304-5309 (F). Exhibit P-54, pp. 6-8. Testimony of Mr. Parent, Transcripts vol. 32, pp. 5504-5505 (OF), pp. 5502-5503 (E); Testimony of Mr. Lauzon, Transcripts vol. 26, pp. 4319-4325, 4345-4346 (OF), pp. 4319-4324, 4342-4343 (E).
  - <sup>10</sup> Testimony of Mr. Cutler, Transcripts vol. 13, pp. 2146-2147, 2119-2120, 2110 (OE); pp. 2151-2152, 2121-2123, 2112 (F).
  - <sup>11</sup> Exhibit P-23(A), tab B, p. 4.
  - <sup>12</sup> Testimony of Ms. Marcoux, Transcripts vol. 26, pp. 4455-4456 (OF), pp. 4447-4448 (E); Testimony of Ms. Maltais, Transcripts vol. 30, pp. 5207-5208 (OF), pp. 5199-5200 (E).
  - <sup>13</sup> Testimony of Mr. Guité, Transcripts vol. 37, p. 6266 (OE), p. 6270 (F); Testimony of Mr. Guité, Transcripts vol. 34, pp. 5920-5921 (OE), pp. 5931-5932 (F).
  - <sup>14</sup> Testimony of Mr. Jean Lafleur, Transcripts vol. 75, pp. 13157-13162 (OF), pp. 13146-13151 (E).
  - <sup>15</sup> Exhibit P-I06A, tab 13, pp. 91-98.
  - <sup>16</sup> Testimony of Mr. Pelletier, Transcripts vol. 71, pp. 12361, 12363, 12366 (OF), pp. 12356-12358, 12361(E).
  - <sup>17</sup> Exhibit P-I06(A), tab 12.
  - <sup>18</sup> Exhibit P-I06(A), tabs 14, 15.
  - <sup>19</sup> Exhibit P-I06(A), tab 16.
  - <sup>20</sup> Exhibit P-216.
  - <sup>21</sup> Exhibit P-I06(A), tab 17, p. 124.
  - <sup>22</sup> Testimony of Mr. Chrétien, Transcripts vol. 72, pp. 12592-12594 (OF), pp. 12578-12580 (E).

- <sup>23</sup> Testimony of Mr. S. Dion, Transcripts vol. 62, p. 10884 (OF), pp. 10883-10884 (E); Testimony of Mr. Coderre, Transcripts vol. 60, pp. 11032-11034 (OF), pp. 11025-11026 (E); Testimony of Ms. Robillard, Transcripts vol. 65, pp. 11252-11253, 11248-11249 (OF), pp. 11250-11251, 11246-11247 (E); Testimony of Mr. Massé, Transcripts vol. 64, pp. 11196-11197, 11212 (OF), pp. 11195-11196, 11209 (E); Testimony of Mr. Cauchon, Transcripts vol. 65, pp. 11297-11299, 11301-11302 (OF), pp. 11292-11293, 11295-11296 (E); Testimony of Mr. Pettigrew, Transcripts vol. 66, p. 11337 (OF), p. 11336 (E); Testimony of Mr. Martin, Transcripts vol. 73, pp. 12767-12770 (OF), 12776-12779 (F); Testimony of Mr. Goodale, Transcripts vol. 128, pp. 24079-24081 (OE), pp. 24080-24081 (F).
- <sup>24</sup> Testimony of Mr. Guité, Transcripts vol. 34, pp. 5937-5938 (OE), pp. 5950-5951 (F).
- <sup>25</sup> Testimony of Mr. Guité, Transcripts vol. 33, p. 5673 (OE), p. 5682 (F); Exhibit P-87(B), p. 390; Testimony of Ms. Marcoux, Transcripts vol. 26, pp. 4493-4496 (OF), pp. 4482-4485 (E).
- <sup>26</sup> Testimony of Mr. Guité, Transcripts vol. 33, pp. 5669-5670, 5707-5708 (OE), pp. 5676-5677, 5720-5721 (F).
- <sup>27</sup> Testimony of Mr. Guité, Transcripts vol. 37, pp. 6302-6303 (OE), pp. 6310-6312 (F).
- <sup>28</sup> Testimony of Mr. Guité, Transcripts vol. 33, pp. 5674-5675 (OE), pp. 5677-5678 (F).
- <sup>29</sup> Exhibit P-208(D), p. 115.
- <sup>30</sup> Testimony of Mr. Guité, Transcripts vol. 33, pp. 5673-5674 (OE), pp. 5681-5682 (F); Testimony of Mr. Guité, Transcripts vol. 33, pp. 5676-5677 (OE), pp. 5685-5686 (F).
- <sup>31</sup> Testimony of Mr. Pelletier, Transcripts vol. 71, pp. 12390-12393 (OF), pp. 12383-12385 (E).
- <sup>32</sup> Testimony of Mr. Guité, Transcripts vol. 33, pp. 5669, 5676 (OE), pp. 5677, 5686 (F); Testimony of Mr. Guité, Transcripts vol. 34, pp. 5858, 5861-5862 (OE); pp. 5863-5864, 5868-5869 (F); Testimony of Mr. Guité, Transcripts vol. 35, pp. 5973-5974 (OE), pp. 5975-5976 (F).
- <sup>33</sup> Testimony of Mr. Guité, Transcripts vol. 33, pp. 5667-5668 (OE), p. 5675 (F).
- <sup>34</sup> Testimony of Mr. Pelletier, Transcripts vol. 71, pp. 12460-12462 (OF), pp. 12447-12449 (E).
- <sup>35</sup> Testimony of Mr. Pelletier, Transcripts vol. 71, pp. 12448-12450 (OF), pp. 12436-12438 (E).
- <sup>36</sup> Testimony of Mr. Guité, Transcripts vol. 35, p. 6116 (OE), p. 6128 (F).
- <sup>37</sup> Testimony of Mr. Guité, Transcripts vol. 35, p. 6116 (OE), p. 6128 (F); Testimony of Mr. Guité, Transcripts vol. 37, pp. 6460-6461 (OF), pp. 6484-6486 (E); Testimony of Mr. Guité, Transcripts vol. 110, pp. 20250-20252 (OE), pp. 20264-20266 (F).
- <sup>38</sup> Testimony of Mr. Guité, Transcripts vol. 111, pp. 20320, 20322 (OE), pp. 20325, 20326-20327 (F); Testimony of Mr. Guité, Transcripts vol. 110, p. 20212 (OE), p. 20223 (F).
- <sup>39</sup> Testimony of Mr. Pelletier, Transcripts vol. 71, pp. 12390-12393 (OF), pp. 12383-12364 (E).
- <sup>40</sup> Testimony of Mr. Pelletier, Transcripts vol. 71, p. 12398 (OF), pp. 12389-12390 (E).
- <sup>41</sup> Testimony of Mr. Pelletier, Transcripts vol. 129, p. 24496 (OF), p. 24481 (E).
- <sup>42</sup> Testimony of Mr. Pelletier, Transcripts vol. 71, pp. 12402-12403 (OF), 12393-12394 (E).
- <sup>43</sup> Testimony of Mr. Pelletier, Transcripts vol. 71, pp. 12402-12403 (OF), pp. 12393-12394 (E).
- <sup>44</sup> Exhibit P-78.
- <sup>45</sup> Testimony of Ms. Bouvier, Transcripts vol. 25, pp. 4145, 4159-4160, 4162-4163 (OF), pp. 4142, 4155, 4158-4159 (E).
- <sup>46</sup> Testimony of Mr. Gagliano, Transcripts vol. 67, pp. 11588-11589, 11639-11640 (OF), pp. 11584, 11632 (E); p. 11652-11653 (OF), pp. 11651-11652 (E).

- <sup>47</sup> Testimony of Mr. Gagliano, Transcripts vol. 67, pp. 11594, 11597-11599 (OF), pp. 11589, 11592-11593 (E); Testimony of Mr. Gagliano, Transcripts vol. 68, pp. 11653, 11795-11809 (OF), pp. 11652-11653, 11785-11796 (E).
- <sup>48</sup> Testimony of Mr. Gagliano, Transcripts vol. 68, pp. 11814-11817, 11844-11845 (OF), pp. 11804-11805, 11830-11831 (E).
- <sup>49</sup> Testimony of Mr. Quail, Transcripts vol. 39, pp. 6706-6707(OE), pp. 6709-6710(F).
- <sup>50</sup> Testimony of Mr. Stobbe, Transcripts vol. 40, pp. 6899-6901 (OE), pp. 6901-6904 (E).
- <sup>51</sup> Testimony of Mr. Guité, Transcripts vol. 108, p. 19786 (OE), 19799 (F); Testimony of Mr. Dingwall, Transcripts vol. 60, p. 10594-10597 (OE), pp. 10600-10604 (F).
- <sup>52</sup> Testimony of Mr. Guité, Transcripts vol. 33, p. 5669 (OE), p. 5677 (F).
- <sup>53</sup> Testimony of Mr. Quail, Transcripts vol. 40, pp. 6883-6885 (OE), pp. 6884-6886 (F).
- <sup>54</sup> Testimony of Mr. Stobbe, Transcripts vol. 40, pp. 6897-6898 (OE), pp. 6900-6901 (F).
- <sup>55</sup> Testimony of Mr. Guité, Transcripts vol. 33, pp. 5674-5675 (OE), pp. 5682-5683 (F).
- <sup>56</sup> Testimony of Mr. Quail, Transcripts vol. 39, pp. 6756-6757(OE), p. 6765(F).
- <sup>57</sup> Testimony of Mr. Quail, Transcripts vol. 39, pp. 6729, 6844-6847 (OE), pp. 6734, 6865-6867 (F).
- <sup>58</sup> Exhibit P-23(A), tab IA (7121827).
- <sup>59</sup> Exhibit P-23(A), tab IB (7121838).
- <sup>60</sup> Exhibit P-104, p. 15.
- <sup>61</sup> Testimony of Mr. Guité, Transcripts vol. 38, pp. 6520-6522 (OE), pp. 6524-6525 (F); vol. 108, pp. 19642-19643 (OE), pp. 19642-19644 (F).
- <sup>62</sup> Exhibit P-186(B), pp. 216-217.
- <sup>63</sup> Exhibit P-186(B), p. 218.
- <sup>64</sup> Testimony of Mr. Dingwall, Transcripts vol. 60, pp. 10599-10600 (OE), p. 10605 (F).
- <sup>65</sup> Exhibit P-23A tab C (7121915).
- <sup>66</sup> Testimony of Mr. Guité, Transcripts vol. 33, pp. 5643, 5653-5655 (OE); pp. 5647-5648, 5658-5661 (F).
- <sup>67</sup> Exhibit P-23A, tab C (7121875).
- <sup>68</sup> Exhibit P-104, tab I; Exhibit P23(A), tab D.
- <sup>69</sup> Exhibit P-120(C), tabs 12, 18.
- <sup>70</sup> Testimony of Mr. Quail, Transcripts vol. 39, pp. 6834-6836 (OE), pp. 6853-6855 (F).
- <sup>71</sup> Testimony of Mr. Pelletier, Transcripts vol. 71, pp. 12489-12490 (OF), pp. 12473-12474 (E); Testimony of Mr. Gagliano, Transcripts vol. 68, pp. 11734-11737 (OF), pp. 11728-11731 (E).
- <sup>72</sup> Testimony of Mr. Gagliano, Transcripts vol. 68, pp. 11741-11742 (OF), p. 11735 (E).
- <sup>73</sup> For example, see Testimony of Mr. Guité, Transcripts vol. 108, pp. 19645-19646 (OE), pp. 19646-19647 (F).
- <sup>74</sup> Exhibit P-23A, tab 2A (7122008).
- <sup>75</sup> Testimony of Mr. Guité, Transcripts vol. 108, p. 19644 (OE), pp. 19644-19645 (F); Testimony of Mr. Guité, Transcripts vol. 33, pp. 5677-5678 (OE), p. 5687 (F).
- <sup>76</sup> Testimony of Mr. Gagliano, Transcripts vol. 67, p. 11590 (OF), p. 11585 (E); Testimony of Mr. Gagliano, Transcripts vol. 68, pp. 11705-11706 (OF), pp. 11701-11702 (E); Testimony of Ms. Roy, Transcripts vol. 22, pp. 3637-3641 (OF), pp. 3637-3641 (E).

- <sup>77</sup> Testimony of Ms. Roy, Transcripts vol. 23, pp. 3708-3709, 3778-3779 (OF), pp. 3709, 3772-3773 (E).
- <sup>78</sup> Testimony of Mr. Bilodeau, Transcripts vol. 46, pp. 7917-7918 (OF), pp. 7882-7884 (E).
- <sup>79</sup> Testimony of Mr. Guité, Transcripts vol. 34, pp. 5920-5923 (OE), pp. 5931-5934 (F).
- <sup>80</sup> Exhibit P-I05B, tab 5.
- <sup>81</sup> Testimony of Mr. Gagliano, Transcripts, vol. 68, pp. 11783-11784 (OF), pp. 11773-11774 (E).
- <sup>82</sup> Testimony of Ms. Maltais, Transcripts vol. 30, p. 5196 (OF), pp. 5188-5189 (E).
- <sup>83</sup> Testimony of Ms. Maltais, Transcripts vol. 30, p. 5196 (OF), p. 5189 (E).
- <sup>84</sup> Testimony of Mr. Quail, Transcripts vol. 39, pp. 6816-6819 (OE), pp. 6832-6835 (F); Testimony of Ms. Marcoux, Transcripts vol. 26, p. 4478 (OF), pp. 4467-4468 (E).
- <sup>85</sup> Testimony of Ms. Marcoux, Transcripts vol. 26, pp. 4478-4485 (OF), pp. 4468-4474 (E); Testimony of Mr. Guité, Transcripts vol. 37, pp. 6419-6421 (OE), pp. 6439-6441 (F).
- <sup>86</sup> Testimony of Ms. Roy, Transcripts vol. 22, pp. 3655-3664 (OF), pp. 3647-3655 (E).
- <sup>87</sup> Testimony of Ms. Roy, Transcripts vol. 22, pp. 3667-3668 (OF), p. 3659 (E).
- <sup>88</sup> Testimony of Ms. Roy, Transcripts vol. 23, pp. 3768-3769 (OF), p. 3764 (E).
- <sup>89</sup> Testimony of Mr. Hayter, Transcripts vol. 122, pp. 22829-22830 (OE), pp. 22836-22837 (F); Testimony of Mr. Hayter, Transcripts vol. 123, p. 23032 (OE), pp. 23036-23037 (F).
- <sup>90</sup> Testimony of Mr. Hayter, Transcripts vol. 122, pp. 22851-22852 (OE), pp. 22860-22861 (F).
- <sup>91</sup> Exhibit P-412, p. 213.
- <sup>92</sup> Testimony of Ms. Tremblay, Transcripts vol. 87, pp. 15368-15370 (OF), pp. 15364-15365 (E); Testimony of Mr. Parent, Transcripts vol. 87, pp. 15388-15390 (OF), pp. 15381-15382 (E).
- <sup>93</sup> Testimony of Mr. Gagliano, Transcripts vol. 131, pp. 24950-24955 (OF), pp. 24945-24950 (E).
- <sup>94</sup> Exhibit P-265(A), Index preceding p. I; Testimony of Mr. Gosselin, Transcripts vol. 82, p. 14685-14687, 14692-14694 (OF), pp. 14666-14668, 14672-14675 (E).
- <sup>95</sup> Testimony of Mr. Hayter, Transcripts vol. 122, pp. 22847-22848 (OE), pp. 22856-22857 (F).
- <sup>96</sup> Testimony of Mr. Quail, Transcripts vol. 39, pp. 6804-6805 (OE), pp. 6818-6819 (F).
- <sup>97</sup> Exhibit P-123(A), p. 322.
- <sup>98</sup> Testimony of Mr. Neville, Transcripts vol. 41, pp. 7009-7014 (OE), pp. 7011-7016 (F).
- <sup>99</sup> Testimony of Mr. Lafleur, Transcripts vol. 79, pp. 13852-13858 (OF), pp. 13846-13852 (E); Testimony of Mr. Gosselin, Transcripts vol. 83, pp. 14752-14753, 14761-14765 (OF), pp. 14749-14750, 14758-14761 (E).
- <sup>100</sup> Testimony of Ms. Cumming, Transcripts vol. 88 (Part I), pp. 15547-15560 (OE), pp. 15549-15565 (F).
- <sup>101</sup> See, for example, Exhibit P-219(A), pp. 124-131, 129-130.
- <sup>102</sup> Exhibit P-216(B), p. 10.
- <sup>103</sup> According to the testimony heard by the Commission, these “maquettes” or “mock-ups” were the models or samples created before the final decision was made on any given sign, brochure or promotional item.
- <sup>104</sup> Exhibit P-219(A), pp. 34-35, 43.
- <sup>105</sup> Testimony of Mr. Jean Lafleur, Transcripts vol. 76, p. 13432 (OF), p. 13420 (E).
- <sup>106</sup> Testimony of Mr. Jean Lafleur, Transcripts vol. 77, pp. 13467-13473 (OF), pp. 13461-13466 (E).
- <sup>107</sup> Exhibit P-216(B), p. 10; Exhibit P-219(A), pp. 115-116.
- <sup>108</sup> Exhibit P-216(B), p. 10.

- <sup>109</sup> Exhibit P-257(A), pp. 53-57.
- <sup>110</sup> Exhibit P-257(B), p. 3; Exhibit P-272, p. 2; Exhibit P-277(A), pp. 6, 8, 21, 33 (for a total of 1,188 hours).
- <sup>111</sup> Testimony of Mr. Gilles-André Gosselin, Transcripts vol. 84, pp. 14931-14936 (OF), pp. 14929-14933 (E).
- <sup>112</sup> See, for example, Exhibit P-277(A), p. 66; Exhibit P-272, p. 2.
- <sup>113</sup> Exhibit P-261, pp. 33, 39, 54, 112, 125; Exhibit P-261, pp. 45-47, 109.
- <sup>114</sup> Testimony of Mr. Valente, Transcripts vol. 85, p. 15180 (OF), p. 15167 (E).
- <sup>115</sup> Testimony of Mr. Coffin, Transcripts vol. 106, pp. 19325-19327 (OE), pp. 19328-19331 (F).
- <sup>116</sup> Testimony of Mr. Jean Lafleur, Transcripts vol. 75, p. 13190 (F), p. 13176 (E).
- <sup>117</sup> Testimony of Mr. Jean Lafleur, Transcripts vol. 75, pp. 13195-13196 (F), pp. 13180-13181 (E).
- <sup>118</sup> Testimony of Mr. Jean Lafleur, Transcripts vol. 75, pp. 13216-13217 (F), p. 13199 (E).
- <sup>119</sup> Testimony of Mr. Jean Lafleur, Transcripts vol. 77, p. 13517 (OF), p. 13508 (E).
- <sup>120</sup> Testimony of Mr. Jean Lafleur, Transcripts vol. 78, p. 13764 (OF), 13749-13750 (E).
- <sup>121</sup> See, for example, Exhibit P-219(A), p. 10.
- <sup>122</sup> Exhibit P-226, pp. 199-202.
- <sup>123</sup> Exhibit P-428(A), p. 82.
- <sup>124</sup> Exhibit P-428(A), p. 93.
- <sup>125</sup> Exhibit P-226, pp. 82-85.
- <sup>126</sup> Exhibit P-226, p. 87.
- <sup>127</sup> Exhibit P-226, pp. 87-89.
- <sup>128</sup> Exhibit P-226, p. 88.
- <sup>129</sup> Exhibit P-226, p. 133.
- <sup>130</sup> Testimony of Mr. Éric Lafleur, Transcripts vol. 80, p. 14176 (OF), p. 14161 (E).
- <sup>131</sup> Testimony of Mr. Éric Lafleur, Transcripts vol. 80, p. 14168 (OF), 14154 (E); Testimony of Ms. Tremblay, Transcripts vol. 20, p. 3220.
- <sup>132</sup> Testimony of Mr. Chrétien, Transcripts vol. 72, p. 12669 (OE), p. 12674 (E).
- <sup>133</sup> Exhibit P-108, pp. 97, 98.
- <sup>134</sup> Exhibit P-266, pp. 23, 24, 155; Exhibit P-351, p. 32; Testimony of Ms. Tremblay, Transcripts vol. 20, pp. 3223-3224 (OF), pp. 3216 (E); vol. 21, pp. 3436-3437 (OE), pp. 3436-3437 (F); Testimony of Mr. É. Lafleur, Transcripts vol. 80, pp. 14185-14186 (OF), pp. 14170-14171 (E); Testimony of Mr. Guité, vol. 110, p. 20087 (OE), pp. 20088-20089 (F).
- <sup>135</sup> Exhibit P-64(A), pp. 153-155; Testimony of Ms. Huguette Tremblay, Transcripts vol. 20, pp. 3217-3218 (OF), pp. 3210-3211 (E).
- <sup>136</sup> Testimony of Ms. Tremblay, Transcripts vol. 20, pp. 3221-3225 (OF), 3214-3217 (E).
- <sup>137</sup> Exhibit P-226, pp. 23-24; Testimony of Mr. Éric Lafleur, Transcripts vol. 80, p. 14087 (OF), p. 14081 (E).
- <sup>138</sup> Testimony of Mr. Carle, Transcripts vol. 70, p. 12225 (OF), p. 12215 (E).
- <sup>139</sup> Testimony of Mr. Carle, Transcripts vol. 70, pp. 12225-12226 (OF), pp. 12215-12216 (E).
- <sup>140</sup> Testimony of Ms. Tremblay, Transcripts vol. 20, pp. 3205-3206, 3214-3215, 3239-3240 (OF), pp. 3200, 3208, 3229-3230 (E).

- <sup>141</sup> Testimony of Mr. Brault, Transcripts vol. 9I, pp. 16085-16087 (OF), pp. 16080-16083 (E); Exhibit C-309, p. 255-256.
- <sup>142</sup> Exhibit C-309, pp. 126-127, 132-134, 164.
- <sup>143</sup> Exhibit C-309, pp. 132-134.
- <sup>144</sup> Exhibit C-309, p. 164.
- <sup>145</sup> Exhibit C-309, pp. 33-40.
- <sup>146</sup> Testimony of Mr. Laflamme or Mr. Spalding, Transcripts vol. 10I, pp. 18243-18244 (OF), p. 18229 (E).
- <sup>147</sup> Testimony of Mr. Brault, Transcripts vol. 9I, pp. 16097-16100 (OF), 16091-16094 (E).
- <sup>148</sup> Testimony of Mr. Brault, Transcripts vol. 9I, p. 16109 (OF), 16102 (E).
- <sup>149</sup> Testimony of Mr. Guité, Transcripts vol. 110, pp. 20099-20100 (OE), pp. 20101-20102 (F).
- <sup>150</sup> Testimony of Mr. Quail, Transcripts vol. 39, pp. 6824 (OE), p. 6841 (F).
- <sup>151</sup> Exhibit P-127(A), tab A, para. 17; Exhibit P-127(D), p. 1169-1170.
- <sup>152</sup> Testimony of Ms. Tremblay vol. 20, pp. 3145-3146 (OF), pp. 3144-3145 (E); Testimony of Ms. Larose, Transcripts vol. 27, p. 4642 (OF), pp. 4695-4696 (E); Testimony of Mr. Lauzon, Transcripts vol. 25, pp. 4255, 4257, 4312-4313 (OF), pp. 4244, 4246, 4295; Testimony of Ms. Roy, Transcripts vol. 21, pp. 3465-3466 (OF), pp. 3459-3460 (E); Testimony of Mr. Myer, Transcripts vol. 3I, pp. 5267-5268, 5297 (OE), pp. 5267-5268, 5301 (F).
- <sup>153</sup> Testimony of Mr. McKenzie, Transcripts vol. 42, pp. 7229-7231 (OF), pp. 7229-7231 (E); Exhibit P-127(A), tab A, paras. 21, 22; Testimony of Mr. McKenzie, Transcripts vol. 42, pp. 7099-7100 (OF), pp. 7099-7100 (E).
- <sup>154</sup> Testimony of Mr. McKenzie, Transcripts vol. 42, pp. 7124-7126 (OF), pp. 7125-7127 (E).
- <sup>155</sup> Exhibit P-127(D), tab BII, p. 1353.
- <sup>156</sup> Testimony of Mr. Goodale, Transcripts vol. 128, pp. 24086-24088 (OE), pp. 24086-24089 (F).
- <sup>157</sup> Testimony of Mr. Goodale, Transcripts vol. 128, p. 24086 (OE), pp. 24086-24087 (F).
- <sup>158</sup> Testimony of Mr. G. Pelletier, Transcripts vol. 42, p. 7162 (OF), p. 7162 (E).
- <sup>159</sup> Exhibit P-196(B), pp. 231-234.
- <sup>160</sup> Testimony of Mr. McKenzie, Mr. G. Pelletier, and Ms. Viau, Transcripts vol. 42, pp. 7171-7173 (OF), pp. 7171-7173 (E).

