



**HOUSE OF COMMONS
CANADA**

**THE MULRONEY-SCHREIBER AFFAIR -
OUR CASE FOR A FULL PUBLIC INQUIRY**

**Report of the Standing Committee on
Access to Information, Privacy and Ethics**

**Paul Szabo, MP
Chair**

APRIL, 2008

39th PARLIAMENT, 2nd SESSION

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THE STANDING COMMITTEE ON ACCESS TO INFORMATION, PRIVACY AND ETHICS

has the honour to present its

FIFTH REPORT

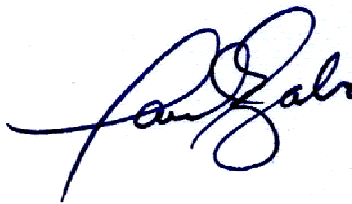
Pursuant to its mandate under Standing Order 108(2), the Committee has studied the Mulroney Airbus settlement and has agreed to report the following:

CHAIR'S FOREWORD

As Chair of the Ethics Committee, I want to thank the permanent members of the Committee and the other Members of Parliament who participated in the hearings for their support and efforts in discharging our collective responsibilities.

As well, no Parliamentary Committee can function properly without the experience, expertise and support of House of Commons and Library of Parliament personnel. Our clerks, legal advisors, research analysts, translators and other technical and support personnel were invaluable in helping us to organize and present our hearings directly to the people of Canada. I am extremely grateful for their exceptional efforts under some of the most challenging and historic circumstances ever experienced in the Parliament of Canada.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Paul Szabo". The signature is fluid and cursive, with the first name "Paul" and last name "Szabo" clearly distinguishable.

Paul Szabo, MP
Chair

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INTRODUCTION

In a lawsuit commenced 22 March 2007 against the Right Honourable Brian Mulroney, Mr. Karlheinz Schreiber filed an affidavit sworn 7 November 2007, wherein he claimed that he and Mr. Mulroney had an agreement, in which Mr. Schreiber paid \$300,000 for lobbying services.

Concerns arose within the media, as well as among Parliamentarians, about the cash transaction between Mr. Mulroney and Mr. Schreiber and correspondence sent by Mr. Schreiber to Prime Minister Harper in this regard. On 9 November 2007, Prime Minister Harper announced that he would appoint an independent and impartial third party to review what course of action might be appropriate given Mr. Schreiber's new allegations. On 12 November 2007, Mr. Mulroney issued a statement to the Canadian press asking the government to launch a full-fledged public commission of inquiry into the Airbus affair.

Prime Minister Harper announced on 14 November 2007 the appointment of Professor David Johnston, President of the University of Waterloo, as Independent Advisor to conduct an impartial review of allegations respecting the financial dealings between Mr. Schreiber and Mr. Mulroney and to make recommendations for an appropriate mandate for a public inquiry.

Pursuant to the following motion, the House of Commons Standing Committee on Access to Information, Privacy and Ethics (the Committee) agreed on 22 November 2007 to study the Mulroney Airbus Settlement:

That in order to examine whether there were violations of ethical and code of conduct standards by any office holder, the Standing Committee on Access to Information, Privacy and Ethics review matters relating to the Mulroney Airbus settlement, including any and all new evidence, testimony and information not available at the time of settlement and including allegations relating to the Right Hon. Brian Mulroney made by Karlheinz Schreiber and, in particular, the handling of allegations by the present government including the circulation of relevant correspondence in the Privy Council Office and Prime Ministers Office; that Karlheinz Schreiber be called to be a witness before the committee without delay; and that the committee report to the House its findings, conclusions and recommendations thereon.

The Committee held hearings from 29 November 2007 to 25 February 2008 and, in addition to the testimony of 12 witnesses over 27 hours of hearings, received a significant amount of documentation from its various witnesses. During the course of the Committee's study, Professor Johnston issued a report containing his recommendations for what he believed to be an appropriate mandate for a public inquiry into the allegations respecting financial dealings between Mr. Schreiber and Mr. Mulroney¹.

1 David Johnston, Report of the Independent Advisor into the Allegations Respecting Financial Dealings Between Mr. Karlheinz Schreiber and the Right Honourable Brian Mulroney, 9 January 2008, http://www.pco-bcp.gc.ca/index.asp?lang=eng&page=information&sub=publications&doc=ria-rci/table_e.htm, accessed 5 March 2008.

WHAT WE HEARD

During the course of this study, the Committee heard testimony about European and Canadian companies, lobbying endeavours, large commissions and fees, and a number of Canadian politicians. The story that emerged is a complex set of events that spans more than a decade, starting in the late 1980s. Our findings comprise many inconsistencies and contradictions, and in an effort to assist readers of this report in understanding what we heard, we have attempted to review the key areas that were brought to our attention, highlight the discrepancies, and summarize them in a chronological fashion.

The Airbus Purchase

In the chronology of events considered during this study, one of the earliest was the 1988 purchase of 34 Airbus aircraft by Air Canada. Airbus Industrie, a European aircraft manufacturer, paid International Aircraft Leasing (IAL), a Liechtenstein company controlled by Karlheinz Schreiber, a substantial commission for the deal, believed to be approximately \$20 million. Although some members expressed the view that these matters were on the periphery of the terms of reference of the Committee's study, several witnesses addressed them.

Even before the transaction took place, there had been controversy arising from the replacement of a majority of the Air Canada board of directors by the Conservative government under Brian Mulroney. One of the new board members, Frank Moores, was appointed to the Air Canada board of directors in March 1985, although he later resigned from that position after reports of conflict of interest. According to Mr. Schreiber, the appointment of Mr. Moores, who at the time ran a government relations firm called Government Consultants International Incorporated (GCI), was a clear signal that he had the backing of the Canadian government. Mr. Mulroney, however, addressed the question of Mr. Moores' appointment as follows:

I do know that Mr. Moores is the former Premier of Newfoundland, a former member of this House, chair of the transport committee, I think. I think that Mr. Moores was appointed because he was the Newfoundland representative on the board. These were recommendations made by the Minister of Transport to cabinet, and we acted on them. Mr. Moores was appointed, I think for a few months, and then withdrew and retired, not because he was representing Airbus but because he had a conflict because he had an economic association with Wardair. So he had to resign. Of his own volition, he announced his conflict and stepped down within months. (13 December 2007)

As early as January 1995, the RCMP began to make inquiries into allegations that illegal payments had been made to officials in Canada with respect to the Airbus purchase. Later that year, the inquiry developed into a full criminal investigation into the Airbus deal. Aside from fraud charges that were laid, and ultimately dismissed, against Eurocopter

Canada Limited ("Eurocopter"), a subsidiary of Messerschmitt-Bolkow-Blohm GmbH (MBB), the investigation was eventually closed in April 2003 without any other charges being laid.

Professor Johnston, in his report, concluded that the integrity concerns raised by the cash payments disclosed more recently from Mr. Schreiber to Mr. Mulroney do not warrant a lengthy inquiry into matters that have been investigated by the RCMP since 1995:

The RCMP, with knowledge of the cash payments and Mr. Schreiber's assertion that he made an agreement with Mr. Mulroney just before the latter left the prime minister's office, determined there was insufficient evidence to proceed with any charges. The information set out in Mr. Schreiber's November 7, 2007 affidavit caused the RCMP to review its file to determine whether there was any new evidence. After careful review, the RCMP concluded that there was nothing new. As there was no significant new information in Mr. Schreiber's affidavit, its file at this time remains closed. I have not been presented with or discovered any further evidence beyond that known to the RCMP.²

Although Mr. Schreiber indicated to the Committee that he was never interviewed by the RCMP on the Airbus matter, this suggestion was refuted by spokespersons for the RCMP in the media, and by information contained in the Johnston report.³

The Bear Head Project

In November 1985, Bear Head Industries (BHI), a wholly-owned subsidiary of Thyssen Industrie AG (Thyssen) was formed to work toward the establishment of a light armoured vehicle facility in Cape Breton, Nova Scotia. This project (referred to as the "Bear Head Project") was promoted by Mr. Schreiber, the Chairman of BHI, who was already lobbying in Ottawa for it.

On 27 September 1988, the federal government signed an Understanding in Principle with BHI to support the Bear Head project, but later it was cancelled by the Mulroney government. Although the project had been cancelled before Mr. Mulroney left office, Mr. Schreiber believed it was still alive. In a May 1992 letter, Mr. Schreiber urged Mr. Mulroney to move the project to Quebec, but this never occurred. As Norman Spector, the columnist who served as Chief of Staff to then Prime Minister Mulroney in the early 1990s, testified, it refused to die "even after Mr. Mulroney killed it." (5 February 2008).

2 *Ibid.*, p. 18

3 *Ibid.*, p. 18 (footnote 10)

Greg Alford, former President of Government Consultants International Incorporated (GCI), testified that Bear Head Industries was his client when he was with GCI:

My line of report in Bear Head Industries was from my area of responsibilities, which were domestic projects, Canadian projects. The chairman of Bear Head Industries, as appointed by our German parent company, was Mr. Schreiber and Mr. Schreiber had a greater involvement in international projects. (12 February 2008)

Mr. Mulroney's evidence was that his dealings with Mr. Schreiber had really begun with the Bear Head project, and that he regretted its eventual failure:

I really had no significant dealings with him until he became a strong promoter of a project in Nova Scotia that came to be known as the Bear Head project. It involved the establishment of a plant to build Thyssen light armoured vehicles. I was supportive of the project, as I believed that it was sound and would contribute to the economic development of eastern Nova Scotia, which, in light of the closures in Glace Bay and Cape Breton, desperately required jobs. But ultimately, after a detailed study by government officials, it was concluded that the direct cost to the government of \$100 million was simply more than the government at that time could afford, so the cabinet later made the decision not to approve it. I was genuinely disappointed that we were unable to complete this important job-creating project in the region. (13 December 2007)

The Commissions

The evidence received by the Committee focussed on two major commission payments that were in dispute, one flowing from each of the transactions discussed above: the Airbus deal, and the Bear Head Understanding in Principle.

Part of the reason for Canadians' continuing interest in the Airbus deal is the sizeable commissions that are known to have been paid to IAL in relation to the sale of Airbus aircraft to Air Canada. As trustee of IAL, according to his own evidence and that of Giorgio Pelossi, who was his accountant/financial adviser from 1969 to 1991, Mr. Schreiber benefited personally from the commissions, and was involved in the disposition of the Airbus commission. Mr. Schreiber described the commissions as a normal part of doing business, as payments based on success:

It is not money you spend or do; it is money based on success. It was a commission. Do you understand? No business, no commission. In other words, the official agreement was made with Airbus through a company, IAL, which is the trust company in Liechtenstein. By the way, it doesn't belong to me. This is another one, and it is not even necessary, because you could have been there and could have been the trustee for Airbus, or GCI.

Now, when the success is there and you get your commission on the business, if GCI wants to be paid in Switzerland — and this was stated, by the way, by the RCMP at the beginning as well — it's not illegal. (4 December 2007)

As Stevie Cameron, a journalist, author and blogger who has published on the Mulroneys Airbus libel settlement and related issues, told the Committee:

I've tracked the money trail. I think it was perhaps a bit more than \$10 million on each side, but it was the entire truck of money for those payments, those secret commissions. ... The money was divided between Europeans and Canadians. The Canadians who received it were Gerry Doucet, Fred Doucet, Gary Ouellet, and Frank Moores, and a few other people also to my memory received it. ... I think Mr. Pelossi told you this morning, if I'm not mistaken, that Mr. Schreiber told him — this is what somebody said to somebody, so take that for what it's worth — that a quarter was for Mr. Strauss, a quarter was for Mr. Mulroneys, a quarter was for the Canadian lobbyists and a quarter was for the Europeans involved in the case. (14 February 2008)

Allegations about where the money went after it was paid to IAL surfaced over the course of the Committee's hearings. The two streams of commission moneys, Airbus and Bear Head, were also confusingly overlapping, at least according to some witnesses. Mr. Schreiber had this to say in his last appearance before the Committee:

All the documents are bank documents and they are all in the possession of the RCMP and of the German authorities. So there is no secret where the money went. The point is what you don't understand, it's very simple. There was all the money that was GCI money. That's number one. Then it was split with the Europeans and the Canadians because the Europeans wanted something from the cake, and this involved some politicians in France and Germany. (25 February 2008)

Mr. Schreiber also testified that he had been asked to forward "GCI money" to Mr. Mulroneys lawyer in Switzerland, as a payment related to the Airbus deal.

[Fred] Doucet asked me to make sure that from the GCI money, money goes to the lawyer in Geneva for Mr. Mulroneys. You don't have the feeling from me that I can easily be shocked, but I was. I said, "What are you talking about? Why the hell would one send money to a lawyer in Geneva for Mr. Mulroneys? What for?" And now came this unbelievable answer. He said, "For Airbus." I hear myself even today asking, "What the hell has Mulroneys to do with Airbus?" His answer was, "Are you naive?" So I said, okay, I'll leave it this way, and I went to Frank Moores and said, "Frank, I want to know from you ... You know this is a deal between the European partners from Airbus and governments. What the hell is he talking about?" Frank Moores said to me, "Leave it with us. Don't talk about it. You have nothing to do with all this." (6 December 2007)

Both Mr. Doucet and Mr. Mulroneys vehemently deny this allegation. In Mr. Mulroneys words:

I never received a cent from anyone for services rendered to anyone in connection with the purchase by Air Canada from Airbus of 34 aircraft in 1988. I have never had a lawyer in Geneva, or elsewhere in Switzerland, except to defend myself against the false charges laid against me in 1995. (13 December 2007)

Greg Alford also testified that Mr. Schreiber's allegations were untrue, as Airbus was not a client of GCI or of Frank Moores. This denial is contradicted by media accounts that Mr. Moores did lobby on behalf of Airbus Industrie, and did receive moneys connected with the Airbus deal from Mr. Schreiber. Mr. Schreiber read into the Committee's record a 1988 letter from GCI, in the name of Frank Moores, to Dr. Franz Josef Strauss, who was Chairman of Airbus Industrie in the late 1980s. In the letter, Mr. Moores asked Dr. Strauss for his help with a problem that had arisen involving a deficiency guarantee, that threatened the potential sale of 33 aircraft to Air Canada (4 December 2007).

Mr. Alford did, however, state that Thyssen was a client of GCI, and Bear Head was a wholly-owned Canadian subsidiary of Thyssen. According to the evidence received by the Committee, Thyssen paid a \$4 million commission as a result of the signing of the 27 September 1988 Understanding in Principle by the Government of Canada to support the Bear Head project. This money was distributed by Mr. Schreiber, and his evidence was that part of it became the source of the funds he used to make his cash payments to Mr. Mulroney.

The cash, as I said earlier, was from the accounts where money went to GCI. Since the project collapsed, from the \$4 million, from Thyssen, for my share I kept \$500,000 as a reserve in case I could do something with the project in the future. Britan stands for Brian Mulroney and the Cape Breton Bear Head project. I think it must have been a couple of weeks after my meeting with Mr. Mulroney at Harrington Lake, when I had identified with the banker in Zurich what money was available in Frankfurt, and I said "Okay, open a Britan account and transfer it there." (6 December 2007)

Ms. Cameron's investigation allowed her to confirm the existence of the Britan account and withdrawals from it that roughly match the sequence of events described by Mr. Schreiber.

[B]y the time that Harvey [Cashore] and I finished this book and it was published in 2001, all we knew was what this committee knows now. We knew that the diaries of Mr. Schreiber and the bank accounts we had showed money put into the Britan account of \$500,000, and then it showed the meetings that were set up between the men — that you all know about — and it showed the withdrawals of the \$300,000 in four parts: \$100,000; \$100,000; \$50,000; \$50,000, and then the \$200,000 remained in the account. (14 February 2008)

The Mulroney/Schreiber Cash Transaction

The Agreement

The agreement between Mr. Schreiber and Mr. Mulroney in 1993/1994 was one of the most contentious issues before the Committee. Mr. Schreiber, in his testimony, insisted that an agreement between the two men was reached at Harrington Lake, the official summer residence of the Prime Minister, on June 23, 1993 while Mr. Mulroney was still

Prime Minister. The agreement, according to Mr. Schreiber, was that Kim Campbell would form the next majority government and that when Mr. Mulroney was back in his law firm in Montreal, he would be in a good position to help get the Bear Head project completed in Canada on behalf of Thyssen Industries. However, even when Ms. Campbell did not form a government in 1993, Mr. Schreiber stated that he thought he still could use the assistance of Mr. Mulroney in the future. When it became apparent that this would not be the case, Mr. Schreiber sued Mr. Mulroney for a return of the money.

In his November 2007 affidavit, Mr. Schreiber stated that the terms of the agreement reached at Harrington Lake were that Mr. Mulroney would support Mr. Schreiber's efforts in obtaining approval of the establishment of a production facility for light armoured vehicles by BHI. It was also discussed that if matters got difficult in the province of Nova Scotia, then Mr. Mulroney would assist in moving parts of the project to the province of Quebec.

Mr. Schreiber also informed the Committee that Mr. Fred Doucet, a former senior advisor to Prime Minister Mulroney and government lobbyist thereafter, had told him that Mr. Mulroney was in desperate financial shape and needed money badly and that Mr. Schreiber should help him:

Because Fred Doucet told me that he is in desperate shape and needed money so badly that I should help him. There was a great mess because he and his wife had sold some furniture from 24 Sussex, which everybody knows, and the furniture belonged to the government and they had to undo the deal, though it was very obvious somebody was spurning there. And, yes, there was more than one reason. One was a bad project, and the other one was that he was helpful in the unification of Germany. Those were the two reasons, when I went to Harrington Lake. (29 November 2007)

However, in his testimony before the Committee, Mr. Doucet denied having made any such suggestion to Mr. Schreiber. Mr. Doucet did, however, provide the Committee with a document dated February 4, 2000 that purported to outline the mandate accepted by Mr. Mulroney pursuant to his agreement with Mr. Schreiber:

I met again with Mr. Schreiber in my office in Ottawa in early February 2000 where I presented him with a written statement on the mandate consistent with what he had represented it to be and on which Mr. Mulroney concurred. In this draft mandate statement I left open, by way of a blank, the identification of the companies responsible for the mandate and the fees to cover services and expenses. In his own handwriting Mr. Schreiber wrote the following: Bayerische Bitumen-Chemie, Koutering, and Bitucan Calgary. I circled the two company names identified by Mr. Schreiber as the mandating companies. The balance of the handwriting on the mandate document is mine, recording the rest of the information given to me by Mr. Schreiber. I asked him what the fee was. He told me that the fee to cover services and expenses had been set at \$250,000. (12 February 2008)

Mr. Schreiber, for his part, denies everything that was written on this document, with the exception of the date. He stated that the document was completely filled out by Mr. Doucet and that he was simply asked to sign it, something he refused to do.

Mr. Mulroney, in his testimony, stated that the agreement with Mr. Schreiber took place on 27 August 1993, when he was no longer Prime Minister and had resumed the practice of law in Montreal. According to Mr. Mulroney, Mr. Schreiber asked him to serve as an international consultant promoting Thyssen military vehicles. Mr. Mulroney agreed that this kind of global activity was something that he could do, provided it did not relate to Canadian representation. The meeting at Harrington Lake was simply a farewell courtesy call on the part of Mr. Schreiber, and no future business arrangements had been discussed with Mr. Schreiber at that time.

With respect to the amount of money that changed hands between Mr. Schreiber and Mr. Mulroney, while the February 2000 document provided by Mr. Doucet indicates that the amount was \$250,000, Mr. Schreiber claims that he paid Mr. Mulroney \$300,000 in three cash installments of \$100,000 each. Mr. Mulroney, however, contends that he was paid \$75,000 a year for three years' work; a total of \$225,000. Neither gentleman provided documentary evidence (e.g. receipts, invoices, expense records) in support of his claim. Mr. Mulroney told the Committee that he placed the money he received in a safety deposit box in New York and the safe in his home in Montreal.

Mr. Mulroney stated that in 1999 he voluntarily declared the full amount of cash received as income to Quebec and federal tax authorities, choosing not to deduct the \$40,000 he says he incurred in expenses:

In August 1999, Mr. Schreiber was arrested in Toronto under an international warrant and charged in Germany with corruption, fraud, bribery, and income tax evasion. Although, Mr. Chairman, I had learned four years earlier to be highly skeptical of some charges made by governments against private citizens, this stunning new development put in serious doubt my relationship with him. I thought the best way to deal with this situation was to declare the entire amount as income, although I had only used it for expenses — absorbing the expenses myself and compensating myself for the fees to which I was entitled. (13 December 2007)

In terms of the amount at issue, Mr. Lavoie, communications director for Brian Mulroney until November 2007, stated that after finding out from media reports that \$300,000 had changed hands between Mr. Schreiber and Mr. Mulroney, he proceeded to address media questions on the basis of this amount because he never discussed specific amounts with Mr. Mulroney, at any time:

I was informed in the spring of 2000 by Mr. Mulroney's lawyer that Mr. Mulroney had received what was described to me as a retainer. I was told that that payment had been made to him in cash by Mr. Schreiber and that it had been made in three instalments. I didn't ask exactly how much money was involved, but I asked what order of magnitude we were talking about. I was told three times that the matter involved tens of thousands of dollars. (7 February 2008)

Media reaction to Mr. Mulroney's testimony to the Committee has included questions as to the plausibility of Mr. Mulroney doing international consulting work to promote Thyssen's LAV technology in places such as China and Russia. It has been

widely reported in the media that, in interviews with *The Globe and Mail* and CBC, a former Thyssen executive and a spokeswoman for the company have said they are not aware of the lobbying that Mr. Mulroney claims to have done for Thyssen in China, Russia and France between 1993 and 1994. In his evidence before the Committee, Mr. Mulroney indicated that he did not see himself as an employee of Thyssen, but as “an international consultant”. (13 December 2007)

The Meetings

Mr. Schreiber and Mr. Mulroney agree that they met at Harrington Lake on June 23, 1993, in a hotel in Mirabel, Quebec on August 27, 1993, at the Queen Elizabeth Hotel in Montreal in December 1993, and then at the Pierre Hotel in New York in December 1994. They also agree that at the latter three meetings, Mr. Mulroney accepted cash payments from Mr. Schreiber.

It was Mr. Schreiber’s testimony that all of the meetings were arranged by Mr. Fred Doucet and that he even attended the meeting in New York. According to Mr. Doucet, however, he only arranged the Mirabel and New York meetings, in both cases at the request of Mr. Schreiber. Mr. Doucet felt that he was asked to arrange the meetings because he was a link between Mr. Schreiber, who was a previous client, and Mr. Mulroney, who had been a previous employer.

Both Mr. Mulroney and Mr. Doucet told the Committee that at the New York meeting, Mr. Mulroney reported in great detail for at least an hour about his ongoing consultancy work with respect to the promotion of Thyssen military vehicles in the international arena. Specifically, Mr. Mulroney indicated that he had made visits to China, Russia, Europe and throughout the United States exploring the prospects of selling Thyssen peacekeeping vehicles either for national needs or for use in international peacekeeping initiatives.

Mr. Schreiber, however, informed the Committee that no oral briefing was received at this meeting. He also explained that it would not be possible to travel internationally to sell armoured vehicles given that there was no plan to build the vehicles, and as such, there were no vehicles to sell.

Further to his testimony about the meeting in New York, Mr. Mulroney informed the Committee that Mr. Schreiber was there to attend a dinner with the Honourable Allan MacEachen and that he planned to attend, as did Mr. Mulroney, a lunch or dinner party for Elmer MacKay who had just gotten married. Both Mr. MacEachen and Mr. MacKay disputed this recollection. In a letter to Mr. Mulroney dated 30 January 2008, Mr. McEachen states that the facts pertaining to him in this regard are false. He has never been in New York City at the same time as Mr. Schreiber, he did not have dinner with Mr. Schreiber in New York, and he has never stayed at or been in the Pierre Hotel.

Mr. MacKay told the Committee that there was no wedding-related lunch or dinner set up in New York:

In the fall of 1994 Karlheinz Schreiber and his wife Barbel kindly invited Sharon and I to meet them in New York. We hadn't seen them since our wedding. While having lunch in the restaurant in The Pierre Hotel Mr. Mulroney and Fred Doucet arrived. We had no idea they were even in New York. They stayed briefly and departed I believe for the airport. That was the last we saw of them and that is another huge exaggeration, a wedding reception indeed. (25 February 2008)

The Airbus Settlement Agreement

In the fall of 1995, the Government of Canada sought the assistance of authorities in Switzerland by means of a Letter of Request in relation to the criminal investigation (related to the Airbus deal) being conducted by the RCMP. The Letter stated that the RCMP had commenced a criminal investigation pursuant to section 121(1) of the *Criminal Code*, "Frauds on the Government" or bribing government officials.

In his testimony before the Committee, former Justice Minister the Honourable Allan Rock explained that a letter of request is an investigative tool used to obtain information from another country that may be helpful in a police investigation. It explains to the foreign state what is being investigated, the allegations, the information available to date and the assistance being sought. It is the practice of the International Assistance Group (IAG), of the Department of Justice, to transmit requests to foreign authorities by Canadian police services for assistance in investigations. The Canadian police service in question prepares the letter of request for the cooperation of the foreign police, brings it to the IAG, and the lawyers there ensure that it is in the appropriate form for the foreign government. The Request for Assistance in this case was initiated and drafted by the RCMP and signed and sent by the International Assistance Group of the Department of Justice on 29 September 1995

According to testimony provided by the Right Honourable Brian Mulroney, the 1995 Letter of Request was completely flawed and based solely on media speculation. Specifically, Mr. Mulroney alleged that two RCMP officers were instructed by RCMP Commissioner Murray to seek information from Stevie Cameron, an investigative journalist, because they had nothing on Airbus but that Ms. Cameron seemed to have information that might be of assistance. According to Mr. Mulroney, it was largely on the basis of Ms. Cameron's files that the RCMP initiated their investigation. However, in her testimony before the Committee, Ms. Cameron stated that while she was interviewed a number of times by two RCMP officers, starting in January 1995, the only thing she volunteered was newspaper stories and clippings, information that was already publicly available. She stated that she was pretty careful about this as she was taking direction from her editors and her lawyer.

On 20 November 1995, Mr. Mulroney launched a \$50 million libel action against the Attorney General of Canada and the RCMP for false allegations made against him in the Government's Letter of Request to Switzerland in relation to the RCMP Airbus investigation. The lawsuit was eventually settled in an agreement reached between the Government of Canada and the RCMP and Mr. Mulroney in January 1997.

The issue of Mr. Mulroney's dealings with Mr. Schreiber was raised during Mr. Mulroney's examination under oath as part of the libel lawsuit proceedings. The matter was of interest to the Committee because of the cash exchange that took place between the two men between August 1993 and December 1994 and the fact that Mr. Mulroney in his examination on discovery stated that he had never had any dealings with Mr. Schreiber. According to Mr. Mulroney, this testimony was accurate as it was clearly referring to the sale of Airbus aircraft and his time in government. Mr. Mulroney noted that according to the law of Quebec at the time, where a statement of defence has not yet been filed, questions asked of the plaintiff can only pertain to the allegations in the statement of claim, which in this case were that Mr. Mulroney had received bribes during his time as Prime Minister in relation to Airbus.

Mr. Rock, who was the Minister of Justice and Attorney General of Canada at the time the case was settled, did, however, inform the Committee that it was his view that had there been disclosure of the cash payments by Mr. Schreiber to Mr. Mulroney this would have had a dramatic effect on the libel lawsuit litigation. Mr. Rock stated that follow up questions would have been asked, and documents would have been requested, including bank accounts, safety deposit box records and perhaps tax returns. Mr. Rock also speculated that the settlement agreement might have been reached on a different basis had the cash payment transaction been known at the time:

Had we known about the cash and the circumstances in which it was paid, it would have had a very significant effect on the litigation. I'll point out that this case was all about reputation. Mr. Mulroney complained that the language used affected his reputation. But the disclosure of the cash payments also had that effect, and had that disclosure been in 1996 or 1997, before this case was settled, we would have been dealing with a very different set of facts. Either we would have pursued questions, as this committee is doing, about documents, about records, about witnesses — to find out where the trail led — or we might have settled the case because the language was inappropriate. But as I said, perhaps that settlement would have been on very different terms. (5 February 2008)

In response to questions about Department of Justice memoranda that seemed to suggest that the Department had considered trying to get the settlement money back after learning about the cash transaction, Mr. Rock stated that he did not know what happened in that regard; however, he did know of a procedure that one can invoke to ask a court to set aside a settlement agreement, such as the one reached in 1997, where it is argued that it was reached on the basis of something less than full disclosure.

There appeared to be some dispute, as well, between Mr. Mulroney and Mr. Rock concerning the basis for the settlement agreement and the extent to which knowledge of the commercial relationship between Mr. Schreiber and Mr. Mulroney could have factored into the decision to settle. Mr. Mulroney stated that the Government initiated the settlement because there was no case, it was a hoax and a complete fabrication that had nothing to do with whether they knew or not about the cash transaction between Mr. Schreiber and himself. Mr. Rock, however, pointed out that the settlement did not apologize for the investigation, which continued after 1997. It was the language used in the letter that was the essential harm and it was for this reason that the Government apologized and agreed to pay costs. The settlement agreement specifically stipulated that it did not stop the RCMP's ongoing criminal investigation into Airbus nor did it grant anyone, including Mr. Mulroney, effective immunity from such an investigation.

Mr. Rock agreed with Mr. Mulroney that the government initiated the final settlement discussions, but disagreed about the state of the defence's case:

Shortly before trial, the Department of Justice learned that a member of the RCMP had disclosed to a third party, sometime in late 1995, the fact that the letter of request included the name of Mr. Mulroney. Counsel advised me that this unauthorized disclosure, if entered into evidence at the trial, would destroy our first defence — namely the defence of privilege — and weaken our second defence, which had to do with the publication. In those circumstances, I instructed counsel to reopen negotiations to see whether the litigation could be settled, and those negotiations resulted in the settlement agreement that Solicitor General Herb Gray and I announced on 7 January 1997. (5 February 2008)

Key Communications Between Mr. Schreiber and Mr. Mulroney

Mr. Schreiber provided the Committee with several volumes of documents, including his correspondence with Mr. Mulroney, of which some items were discussed during his appearances before the Committee. Of particular interest was his 20 July 2006 letter to Mr. Mulroney. That letter refers to a “very painful misunderstanding” between the two men relating to the ‘Bear Head Project’. In it, Mr. Schreiber describes himself and Mr. Mulroney as innocent victims of a vendetta of which Mr. Mulroney is still the “prime target”. Mr. Schreiber tenders his “profuse apologies” for the “misleading, erroneous and unfair characterization” of their business relationship as depicted on the CBC program, *the fifth estate*. Mr. Schreiber described Mr. Mulroney, in the letter, as having been the “best advocate I could have retained”.

Mr. Schreiber explained to the Committee that the letter had been drafted at the suggestion of his friend, the Honourable Elmer MacKay, who had asked for the letter in order to assist Mr. Mulroney. Mr. Schreiber's understanding was that the letter was to be presented to Mr. Harper by Mr. Mulroney as evidence of a truce between Messrs. Schreiber and Mulroney. As Mr. Schreiber explained:

[Mr. MacKay] is one of the nicest people I know and a hell of a good friend. He had nothing more in mind than to help me, and he believed what Brian Mulroney told him when he asked him to do that letter. He needed it so badly to prove to Mr. Harper that we were in good standing after this horrible broadcast of *the fifth estate* called "Money, truth and spin," and he would never be able to help me if that were not resolved. So I was very reluctant to give this letter, to be quite frank with you. But in my situation, and since I still wasn't sure how far Mr. Mulroney goes in all these lies, I agreed. And it was a shock for me when Prime Minister Harper said publicly on television that Mr. Mulroney never spoke with him about me or my letter. (29 November 2007)

Mr. Mulroney denied having solicited a letter for this or any other purpose. Mr. MacKay, on the other hand, agreed that he had prepared a draft for Mr. Schreiber's use, but disagreed with Mr. Schreiber about the purpose of the letter. The text of the letter only partly reflects Mr. MacKay's suggested language. In Mr. MacKay's view, he had reluctantly attempted to act as a mediator, ultimately unsuccessful, attempting to assist two friends to resolve their differences, and it was in that context that he had offered the draft letter to Mr. Schreiber. Mr. MacKay told the Committee:

For a long time I had almost incessant telephone calls from both these men, both my friends, not wanting to talk about sports or business or public affairs, but only to complain about each other. Each one would ask "What's the other doing? What's he thinking? What's he saying"? Finally, I got to the point where I wanted to see this thing come to an end one way or the other, legal affairs, personal affairs, I thought the least I could do as a friend for both of them was to suggest the obvious thing, how about an apology?... That letter that Mr. Schreiber sent to Mr. Mulroney as far as I know had no quid pro quo. I didn't know exactly when he sent it. I didn't compose it. I think he wrote it after he received my suggested memo. I don't know what was in their minds.

Another point of controversy relating to communications between Messrs. Schreiber and Mulroney relates to a claim by Mr. Schreiber that he had been asked to provide an affidavit indicating that he had never paid Mr. Mulroney. Mr. Schreiber said:

To be quite frank with you, this is how the trouble started, when I refused to sign such an affidavit that Mr. Mulroney never received any payment or whatever from me. From that time on, I got pretty lousy treatment—for example, through Luc Lavoie. (6 December 2007)

According to Mr. Schreiber's 7 November 2007 affidavit, his lawyer, Mr. Hladun, received several requests from Mr. Mulroney and his lawyer, Gerald Tremblay, asking for a letter or affidavit confirming that Mr. Mulroney had not solicited or received compensation of any kind from Mr. Schreiber.

Mr. Mulroney denied this.

Neither I nor anyone on my behalf ever asked Mr. Schreiber or his lawyer to perjure themselves or otherwise lie about the payments received from him. (13 December 2007)

Mr. Mulroney, in his appearance before the Committee, quoted Mr. Hladun, Mr. Schreiber's lawyer⁴, as having said that his conversations about payments by Mr. Schreiber to Mr. Mulroney were limited to within the context of the Airbus matter.

I [Robert Hladun] have never had a conversation with Brian Mulroney about compensation. The only conversations I had with anyone were in the context of and limited to the allegations of improper payments made as referenced in the September 1995, Letter of Request delivered by the Canadian government to the Swiss authorities, in what became known as the "Airbus" case. My retainer was directed to the allegations stated in that Letter of Request. (13 December 2007)

In his 8 May 2007 letter to Mr. Mulroney, which includes the line "This is my last warning", Mr. Schreiber indicated that he was prepared to disclose, among other things, that he had been asked through his lawyers to commit perjury to protect Mr. Mulroney. Although at some points in his evidence Mr. Schreiber told the Committee that he would not have perjured himself as requested, at other times he indicated that he would have signed anything, even a false document, in order to comply with Mr. Mulroney's wishes: "when Brian Mulroney said he needed it for the Prime Minister to fix the whole thing and go to an inquiry, yes, I would sign anything." (6 December 2007)

Communications Involving the Privy Council Office and the Prime Minister's Office

As part of the motion that formed the basis of this study, the Committee was also interested in the correspondence between Mr. Schreiber and the current prime minister, the Right Honourable Stephen Harper. This topic was also addressed in Professor Johnston's report, in which it was noted that Mr. Schreiber's letters to the Prime Minister were among over 1.7 million items of correspondence treated by the Executive Correspondence Services (the "ECS"), which is the correspondence management group within the Privy Council Office (the "PCO"), between 2006 and 2007.

These letters were vetted and categorized in accordance with the ECS's standard procedure and were tracked using its automated Correspondence Management Information System. Of the 16 letters received, 10 of the letters remained under the ECS's control and were filed without any response. One was filed without response on the advice of the PCO. Receipt of another was acknowledged, and it was forwarded on to the Department of Justice for information purposes.

⁴ In his testimony, Mr. Mulroney indicated that the quote was from a 2005 interview Mr. Hladun had given the CBC.

Mr. Schreiber testified before the Committee that he had received one reply from the Prime Minister's office: an acknowledgement of his letter dated 16 January 2007, which was a long letter with a subject line reading "Political Justice Scandal". In it, he enclosed a letter he had received from then Justice Minister Vic Toews, and complained that the concerns and allegations he raised in that letter had not been taken seriously by the Minister.

Four of Mr. Schreiber's letters (June 16, 2006, August 23, 2006, May 3, 2007 and September 26, 2007) were sent to the Prime Minister's Correspondence (the "PMC"), unit within the Prime Minister's Office, for review and comments. The PMC did not provide the ECS with any direction on how to handle the correspondence.

According to the Johnston report, the PCO, ECS and PMC, following their respective standard procedures, reviewed Mr. Schreiber's letters in the normal course and all three departments determined that the letters that they reviewed should not be sent to Prime Minister Harper for his review.⁵

5 Johnston report, p. 15-17.

WHAT WE FOUND AND RECOMMENDATION

As noted at the beginning of this report, the testimony received by the Committee in relation to the Mulroney Airbus settlement revealed many material inconsistencies and contradictions. The Committee heard witness statements that could not be reconciled with other witness testimony, and in some cases, witness accounts of certain incidents were challenged by persons outside the Committee hearing process. Given the passage of time in relation to these events, the fact that some of the participants are deceased, and the vast array of documentation, much of which has yet to be obtained, let alone fully examined, it is difficult to completely resolve such inconsistencies. The Committee's work has served to raise the principal issues that require further examination and brought to public attention the testimonies of the two principal participants, Mr. Karlheinz Schreiber and the Right Honourable Brian Mulroney.

It is now time for a public inquiry to utilize the full array of powers at its disposal, such as forensic, investigative and legal resources, in order to fill the information gaps, evaluate all of the evidence, and derive findings of fact. The inquiry will be able to examine its eventual findings in the light of the ethical standards of conduct and legal stipulations that existed at the time these events took place.

With respect to the scope of the inquiry, the Committee is cognizant of the findings of Professor David Johnston in his report to Prime Minister Harper in January 2008. It was the conclusion of Professor Johnston that a lengthy inquiry is not warranted into matters that have already been investigated by the RCMP since 1995, nor should there be an inquiry with respect to facts already known. The Committee does not agree, however, that a politically charged inquiry such as this should be limited in scope. On the contrary, we believe that a broad mandate should be granted the Commissioner so that he or she is not unduly limited in terms of the scope of the inquiry.

The Committee therefore recommends:

RECOMMENDATION 1

That the Government appoint a commissioner of inquiry pursuant to Part 1 of the *Inquiries Act* at the earliest possible date and that the commissioner be granted a broad mandate to inquire into the Mulroney-Schreiber Affair.

APPENDIX A LIST OF WITNESSES

Organizations and Individuals	Date	Meeting
House of Commons Rob Walsh, Law Clerk and Parliamentary Counsel	2007/11/27	4
As an individual Karlheinz Schreiber,	2007/11/29	5
As an individual Karlheinz Schreiber,	2007/12/04	6
As an individual Karlheinz Schreiber,	2007/12/06	7
As an individual Karlheinz Schreiber,	2007/12/11	8
As an individual Right Hon. Brian Mulroney, P.C.	2007/12/13	10
As individuals Hon. Allan Rock, Norman Spector	2008/02/05	13
As individuals Luc Lavoie, François Martin	2008/02/07	14
As individuals Greg Alford, Fred Doucet, Hon. Marc Lalonde	2008/02/12	15
As an individual Giorgio Pelossi,	2008/02/14	16
As an individual Stevie Cameron,	2008/02/14	17

APPENDIX A LIST OF WITNESSES

Organizations and Individuals	Date	Meeting
As individuals	2008/02/25	18
Hon. Elmer MacKay, Karlheinz Schreiber		

APPENDIX B LIST OF BRIEFS

Organizations and Individuals

Tellier, Paul

APPENDIX C REFERENCES

GREG ALFORD

Greg Alford was an aide to former Premier Frank Moores in Newfoundland. He later worked with Mr. Moores in Ottawa at Government Consultants International (GCI). Mr. Alford was responsible for handling the Bear Head file for GCI and his area of responsibility was domestic projects.

STEVIE CAMERON

Stevie Cameron is a journalist, author and blogger who has published extensively on the Mulroney Airbus libel settlement and related issues. Her books, *On the Take* and *The Last Amigo* (the latter written with Harvey Cashore), have been extensively cited in media and other accounts of the matters that gave rise to the Committee's study.

FRED DOUCET

Fred Doucet was a senior advisor to former Prime Minister Brian Mulroney, and was also his chief of staff when Mr. Mulroney was the leader of the Official Opposition. In this role, Mr. Doucet was responsible for international initiatives and summits for the office of the Prime Minister. Since leaving the government in 1988, he has carried on business under the name of Fred Doucet Consultants International (FDCI).

GERRY (GERALD) DOUCET

Gerry Doucet, brother of Fred Doucet, was a founding partner in the Ottawa lobby firm Government Consultants International (GCI).

MARC LALONDE

Marc Lalonde was a Member of Parliament for over 11 years between 1973 and 1984. He was in Cabinet for virtually that entire period, filling roles including Minister of Finance; Minister of Energy, Mines and Resources; Minister of Justice and Attorney General of Canada; Minister of State (Federal-Provincial Relations); Minister responsible for the Status of Women; Minister of Amateur Sport; and Minister of National Health and Welfare. Mr. Lalonde has acted as lawyer and adviser to Mr. Schreiber, and he recently put up bail for Mr. Schreiber.

LUC LAVOIE

Luc Lavoie, former communications director for Brian Mulroney, is currently an executive vice-president of Quebecor Inc. He resigned as Mr. Mulroney's spokesperson in November 2007.

ELMER MACKAY

Elmer MacKay was a Member of Parliament for 21 years between 1971 and 1993. He filled a number of Cabinet roles, including Minister responsible for Canada Mortgage and Housing Corporation, Minister for the Atlantic Canada Opportunities Agency Act, Minister of Public Works, Minister of National Revenue, Solicitor General of Canada, and Minister of Regional Economic Expansion.

FRANÇOIS MARTIN

François Martin is a former chef/manager of the Prime Minister's residence at 24 Sussex, having held that position for four years while Mr. Mulroney was in office, until he resigned in 1989.

FRANK MOORES

Frank Moores, former Member of Parliament and Premier of Newfoundland, incorporated Government Consultants International (GCI) in 1985. He was also appointed to the Board of Air Canada in 1985, but resigned soon thereafter following reports of a conflict of interest.

GARY OUELLET

Gary Ouellet, now deceased, was the third partner in the Ottawa lobby firm Government Consultants International (GCI), joining after the founding partners Gerry Doucet and Frank Moores.

ALLAN ROCK

Allan Rock was a Member of Parliament from 1993 to 2003. During his 10 years in Parliament, Mr. Rock served in several Cabinet positions, including as Minister of Justice and Attorney General of Canada, Minister of Health and Minister of Industry. In November 1995, when Mr. Mulroney launched a \$50 million libel action against the Attorney General of Canada and the RCMP for false allegations made against him in the Government's Request for Assistance to Switzerland in relation to the RCMP Airbus investigation, Mr. Rock was Minister of Justice and Attorney General of Canada.

GIORGIO PELOSSI

Giorgio Pelossi, resident of Switzerland, was Karlheinz Schreiber's accountant and money manager from 1969 to 1991.

NORMAN SPECTOR

Norman Spector is currently a *Globe and Mail* columnist. His columns also appear in *Le Devoir*, the *Vancouver Sun* and the *Victoria Times-Colonist*. Mr. Spector was the Secretary to the Cabinet for Federal-Provincial Relations from August 1986 until August 1990, when he became Chief of Staff to then Prime Minister Brian Mulroney. Mr. Spector contributed an afterword to William Kaplan's book, *A Secret Trial: Brian Mulroney, Stevie Cameron and the Public Trust*.

FRANZ JOSEF STRAUSS

Franz Josef Strauss, long-time premier of Bavaria, was one of the moving forces behind the creation of Airbus Industrie, serving as its Chairman in the 1980s until his death in 1988.

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this Report.

A copy of the relevant Minutes of Proceedings ([Meetings Nos. 4, 5, 6, 7, 8, 9, 10, 13, 14, 15, 16, 17, 18, 23 and 24](#)) is tabled.

Respectfully submitted,

Paul Szabo, MP
Chair

Conclusions and Recommendations on Airbus Libel Settlement and Related Matters Study of the Government Members of the Access to Information, Privacy and Ethics Committee

Despite our original preference for a non-partisan public inquiry, the Government members of our Committee have, nevertheless, participated faithfully in the hearings precipitated by the Opposition. We have asked the hard questions of every witness who appeared with an eye to determining the truth of what transpired between Mr. Karlheinz Schreiber and the Right Honourable Brian Mulroney. Canadians would expect no less of us.

Certain allegations of impropriety on the part of Mr. Mulroney were made public last November by Mr. Schreiber in a civil complaint filed before an Ontario Court. Mr. Schreiber has since admitted that he is motivated in his actions by a desire to avoid extradition to Germany to face serious criminal charges. In fact, Mr. Schreiber testified before us that he would even sign a false document, if that would help further his efforts to avoid deportation (Dec. 6, 2007.)

Yet, despite hearing ten full hours of personal testimony and receiving hundreds of pages of documents from Mr. Schreiber, and additionally hearing testimony from Mr. Mulroney and a number of other witnesses, **no evidence of any wrong-doing on the part of Mr. Mulroney was ever produced.**

Ironically, the only wrong-doing that we became aware of was on the part of Mr. Schreiber himself, who admitted to importing large quantities of cash without reporting that fact to Canadian Customs authorities.

Airbus Libel Case Settlement

The Opposition insisted that as part of our study we examine the Airbus Libel case settlement between Mr. Mulroney and the former Liberal Government. As Allan Rock, Minister of Justice at the time of the settlement testified before us, the now public information about the business relationship between Mr. Mulroney and Mr. Schreiber, while it could have impacted the terms of the settlement, did not change the essential reason for the decision to settle.

Mr. Rock testified, "The advice I had from the department, with which I agreed, was that the gist of the reason we apologized to Mr. Mulroney was the language used in the letter of request, and if you read that language, you'll see it was conclusory. It asserts as a matter of fact that there was criminal activity. That's why an apology was given." Further, he testified, "...regarding who is responsible for the \$2.1 million, the government acknowledged that the letter should not have been sent in that language. **It was the language used that was the essential harm here, and it was for that reason we apologized and agreed to pay costs.**"

Given that a decade-long RCMP investigation into the Airbus purchase which proceeded well past the date of the libel settlement found no evidence of criminal wrong-doing, and given the lack of any new evidence before our Committee, it must be concluded that the settlement reached with Mr. Mulroney was appropriate.

Code of Conduct

Two issues of special concern to our Committee, involving the conduct of a Public Office Holder, were raised during our study. First, whether an agreement was reached between Mr. Schreiber and Mr. Mulroney before he left office. And, second, whether Mr. Mulroney ever lobbied the Canadian government on Mr. Schreiber's behalf.

On the first point, Mr. Mulroney was emphatic that no agreement was ever reached at Harrington Lake on June 23, 1993, while Mr. Schreiber's said that at the June 23 meeting they generally agreed to work together after Mr. Mulroney left office, but they did not discuss details of a contract, such as fees to be paid. On December 4, 2007, Mr. Schreiber stated, "So it was an agreement in principal that we would work together, but on that day--it would be completely unfair for me to say anything else, and it would not be the truth--we did not speak about money." Mr. Schreiber produced no evidence to back up his allegation that an agreement was formalized on June 23, 1993.

On the second point, Mr. Mulroney and Mr. Schreiber both clearly testified that Mr. Mulroney never violated any of the specific clauses of the (1985) Code of Conduct for Public Office Holders. Mr. Mulroney further testified that he was contracted to lobby internationally and a written description of their agreement, that both Mr. Doucet and Mr. Schreiber acknowledged as legitimate, supports this testimony. Additionally, Mr. Schreiber's testimony and on-going legal action claiming that Mr. Mulroney never did any work for him, domestically or otherwise, undermines any allegation that Mr. Mulroney lobbied the federal government in violation of the Code of Conduct.

PMO Correspondence

The Opposition asked our Committee to examine the handling of Mr. Schreiber's correspondence by the Privy Council Office and the Prime Minister's Office. Although Mr. Schreiber has attempted to communicate with the Prime Minister regarding his pending extradition, our study found no evidence to contradict the Prime Minister's statement that he has never personally communicated with Mr. Schreiber. Indeed, under questioning Mr. Schreiber acknowledged that he has never spoken to the Prime Minister and has no evidence to suggest that the Prime Minister has ever personally seen any of his correspondence.

Questions Involving Cash Payments

While there was no evidence of wrong-doing produced for our Committee, we did hear testimony that Mr. Mulroney accepted large cash payments from Mr. Schreiber, that he did not deposit that cash in a financial institution, and that he did not report the payments as income and pay tax until approximately six years later.

Canadians were certainly left with a bad taste in their mouths when they learned a former public office holder took large cash payments. While there may have been nothing illegal about the transactions, his actions certainly created the appearance of conduct that falls below the standard we expect of former Prime Ministers, as Mr. Mulroney himself acknowledged with regret in his testimony.

A Public Inquiry

Mr. Schreiber's allegations were the catalyst for this study and the original call for a public inquiry. And, through our months of highly publicized study, including live national television coverage, Mr. Schreiber has certainly been given the public forum he desired to air his grievances and present any evidence of wrong-doing. However, the testimony we did hear from Mr. Schreiber was often unsubstantiated, sometimes inconsistent and, by his own admission, driven by ulterior motives.

As such, it is unclear what, if any, new evidence Mr. Schreiber could provide to a public inquiry, that he has not already provided to our Committee. In fact, Mr. Schreiber testified that he has already provided our Committee with all the information he has. Our Committee was mandated, *"to examine whether there were violations of ethical and code of conduct standards by any office holder."* We did not find any ethics or code of conduct violations based on the evidence Mr. Schreiber provided.

Further, we heard no evidence of criminal wrong-doing by any public office holder. Given that RCMP could also find no evidence of criminal wrong-doing after a lengthy, international investigation, we can see no basis for a public inquiry being mandated to examine such matters.

While a narrow ethics question may still be outstanding – whether Mr. Mulroney reached an agreement to provide services while he was still Prime Minister – we are doubtful that probing this particular question further would be in the public interest. Even in the unlikely circumstance that new evidence was to come to light indicating there was a basis to the allegation, it is unclear what remedy could be sought.

Certainly any reform required to prevent a possible ethical breach of this particular type in the future has long since been established. Under the reforms introduced by this Government in the Accountability Act, the Code of Conduct for Public Office Holders is far more comprehensive and is now administered by an independent Ethics Commissioner rather than by the Prime Minister personally, as it was during Mr. Mulroney's tenure.

We believe that a public inquiry, which is a process by which facts are determined, the public informed and recommendations for corrective action considered, would have been the more effective and useful forum within which to examine Mr. Schreiber's allegations when they were first raised last Fall. However, the fact is our Committee has now completed an examination of the allegations and found no evidence of any wrong-doing by any public official.

Recommendation #1

Therefore, given:

- **The lack of any evidence of wrong-doing; and,**
- **That it is unlikely that any substantial new evidence will be produced;**

We recommend that, should the Government deem an inquiry necessary, the terms of reference for the inquiry should be restricted to examining those questions that will lead to recommendations designed to guide the decisions made by public office holders after they have left office.

BLOC QUÉBÉCOIS SUPPLEMENTARY OPINION

Although the report of the Standing Committee on Access to Information, Privacy and Ethics reflects the opinion of the Bloc Québécois as regards the Mulroney-Airbus affair, the Bloc feels it necessary to append a supplementary opinion to the report.

1 – Why did Brian Mulroney make this error?

When he appeared before the ethics committee, former prime minister Brian Mulroney admitted he made “a serious error in judgment” and that it was his “biggest mistake in life.” And he said so several times. But he never said **why** he made that error.

Why did he accept so much cash from one of the most powerful lobbyists under his government? Why did he do it? What was clouding his judgment at the time? How did he rationalize taking 75 or 100 \$1,000 bills? Why did he accept the money in cash? Brian Mulroney must be asked these questions.

Was it a lack of money? Was it greed?

When the public learns that a prime minister, who had just left office, accepted \$225,000 or \$300,000 from a powerful lobbyist and businessman who had obtained contracts worth at least \$2 billion from the government of that prime minister, it is not surprising that they think the money was awarded in return for services rendered.

2 - Brian Mulroney tried to show that he did nothing illegal, rather than correct the negative perception of his actions

Brian Mulroney kept his error quiet for a long time.

He took five years to report the money as income.

And he didn't publicly admit to his error until December 2007, 14 years after the fact!

Brian Mulroney owes Canadian taxpayers an explanation. He bears the burden of proof. In the circumstances, it turns out to be a very heavy burden of proof.

Although many public allegations were made, in his testimony he said nothing to correct the negative perception that his “biggest mistake in life” had on the senior position he held. To the contrary.

Brian Mulroneu tried to convince us there was no evidence he had done anything illegal rather than give a credible explanation and correct the negative perception of his actions.

3 - Brian Mulroneu should have corrected the negative perception

If Brian Mulroneu had wanted to correct the negative perception that his error in judgment created, he should have showed the utmost transparency.

For example, to justify keeping the money for himself rather than handing it over to his law firm, which is general practice, he invoked a specific paragraph in his contract allowing him to personally retain the benefits of some contracts. When we asked to see a copy of the contract, he produced a sheet of paper with nothing on it but a single paragraph, without any reference to where it came from.

When he should have shown complete transparency, Brian Mulroneu failed to produce any other evidence to prove that the paragraph was part of his contract and that it was in effect at the time in question.

The least he could have done was produce an affidavit from his firm’s associate manager attesting that the paragraph was indeed part of his contract and in effect between 1993 and 1998. A public inquiry should verify this.

4 – Schreiber did not always pay in cash

Brian Mulroneu said that Karlheinz Schreiber always paid in cash, while many other witnesses told us the opposite, including Marc Lalonde, who was clear and straightforward. He said he was paid in the usual way by cheque or bank draft.

In short, Brian Mulroneu erred when he said that Karlheinz always paid in cash.

Marc Lalonde also added that it made no sense to sell armoured vehicles to China.

5 – A mysterious contract

The very nature of the contract is questionable. Both explanations are equally unbelievable, but Brian Mulroney's is the most far-fetched. It is absolutely unbelievable that he travelled the world selling armoured vehicles to countries such as China, a country he himself banned selling arms to. It is therefore not surprising that there is nobody in the world who is still alive who can confirm his version.

Karlheinz Schreiber's version is equally hard to believe: how could the former prime minister of Canada be hired to carry out a mandate that no one knew about? No one in Canada has ever heard about the meetings Brian Mulroney held to influence the building of an armoured vehicle factory, let alone in Canada. This includes the former vice-president of Thyssen in Canada, Greg Alford.

In any event, how could a Conservative lobby a Liberal government?

Furthermore, this version contravenes the Code of Ethics in force at the time.

6 - A timely tax return

Brian Mulroney's 1999 tax return was prepared in a mad rush just as Karlheinz Schreiber was arrested for the first time to be extradited. As if to hide information that might come out. Five years after first receiving the money, four years after the last payment.

If we believe Brian Mulroney's and Fred Doucet's version, in January 2000, at the same time, Mr. Doucet asked Mr. Schreiber to sign a contract, the purpose of which seemed to be to publicly agree on the amount, nature and mandate of the contract. As if this information was never clear, as if they had to agree on a public version of events, as if these conditions were never negotiated beforehand.

Why pay taxes on these expenses if it is not because no document exists and no expenses were ever made?

7 – If this transaction was a bribe, Mulroney and Schreiber would not have acted differently

Two people, the first, the most influential politician in Canada in eight years, the second, one of the most powerful lobbyists who obtained contracts worth billions of dollars from the first. The second paid money to the first, in cash, in \$1,000 bills, in a hotel room, without signing a contract. No written mandate, no receipt, no report, no summary. The money was not deposited in a bank account but placed in a safe. No tax form. Absolutely no trace of the money.

It should be pointed out that \$1,000 bills have since been banned because of their connection to organized crime.

Five years later, when the legal authorities got involved, the person who took the money got scared and filed an income tax report. The two tried to agree on the name of the representatives, the amount and the mandate. This failed.

A few years later, the person who paid the money, the powerful lobbyist, asks a favour from the person who received the money, the influential politician: help him get out of his extradition. Faced with the first's lack of willingness, the second takes legal action based on some excuse or another.

If Mulroney wanted to be paid for the many contracts his government awarded Schreiber, he would not have acted differently.

This is what the public believes and this is why a public inquiry must be held.

Recommendation

The above seven key considerations require Brian Mulroney and Karlheinz Schreiber to provide solid evidence to prove that the \$225,000//\$300,000 was not a payment for services rendered or a thank you for the contracts Karlheinz Schreiber obtained from Brian Mulroney's Conservative government.

A public inquiry must be launched as quickly as possible, with as broad a mandate as possible, and it must absolutely require proof. Brian Mulroney will have to testify, and this time, he will have to do so under oath.

Taxpayers have a right to know whether their taxes directly or indirectly paid for commissions so that large foreign corporations could obtain contracts from Brian Mulroney's Conservative government. They have the right to know whether they overpaid for goods (because the commissions were so high) or whether they paid for inappropriate goods and services because the lobbyists were more influential and powerful than the companies offering the best products and services.

Supplementary Report of the New Democratic Party to the Report to Parliament by the Ethics Committee, on the Study of the Mulronev Airbus Settlement

While the NDP members of the Committee agree that the body of the report accurately reflects the testimony given by witnesses and the inconsistencies in testimony that justify a full public inquiry with a broad mandate, we believe the report is incomplete and deficient in that it does not recommend that the Government takes steps to re-coup the \$2.1 million dollars paid to Brian Mulronev as settlement of the defamation lawsuit he brought against the Government of Canada.

We therefore submit that the Report should have included a second recommendation as follows:

“That the Department of Justice should ask a court to set aside the \$2.1 million dollar settlement in the Mulronev Airbus defamation lawsuit on the grounds that Mr. Mulronev did not disclose the full extent of his financial relationship with Karlheinz Schreiber.”

