



House of Commons
CANADA

Standing Committee on Public Accounts

PACP • NUMBER 030 • 1st SESSION • 38th PARLIAMENT

EVIDENCE

Monday, April 18, 2005

—
Chair

Mr. John Williams

All parliamentary publications are available on the
"Parliamentary Internet Parlementaire" at the following address:

<http://www.parl.gc.ca>

Standing Committee on Public Accounts

Monday, April 18, 2005

• (1535)

[English]

The Chair (Mr. John Williams (Edmonton—St. Albert, CPC)): Good afternoon, everybody.

The order of the day, pursuant to Standing Order 108(3)(g), is chapter 5, “Management of Public Opinion Research”, of the November 2003 report of the Auditor General of Canada, referred to the committee on February 10, 2004.

Our witnesses today are, from the Office of the Auditor General, Ms. Sheila Fraser, the Auditor General of Canada; and Ms. Louise Bertrand, the principal at the office. As individuals, we have before us Mr. Allan Cutler, Mr. Peter Daniel, Mr. David Herle, Mr. Warren Kinsella, and Ms. Terrie O’Leary.

I’m not sure, but I think there’s a good chance some people have some lawyers present here. The rules, of course, are that if they have, they may confer with the lawyers, but no questions will be addressed to any legal counsel, nor will legal counsel be allowed to address the committee. Those are the rules under which we operate.

I have no idea what’s coming, but there a couple of things.

Is it the intention of the committee that the witnesses be sworn in? Just let me ask the question.

Mr. MacKay.

Mr. Peter MacKay (Central Nova, CPC): Mr. President, as we commence this hearing, I would suggest and would in fact move that we have all witnesses—with the exception of our Auditor General, Sheila Fraser—give sworn testimony, so that the testimony is given under oath.

The Chair: Okay. Is it agreed that the witnesses be sworn in?

Some hon. members: Agreed.

The Chair: Madam Clerk, can you arrange for that, please?

Mr. Allan Cutler (As an Individual): The evidence that I shall give on this examination shall be the truth, the whole truth, and nothing but the truth, so help me God.

Mr. Peter Daniel (As an Individual): The evidence I shall give on this examination shall be the truth, the whole truth, and nothing but the truth, so help me God.

Mr. David Herle (As an Individual): The evidence I shall give on this examination shall be the truth, the whole truth, and nothing but the truth, so help me God.

Ms. Terrie O’Leary (As an Individual): The evidence I shall give on this examination shall be the truth, the whole truth, and nothing but the truth, so help me God.

Mr. Warren Kinsella (As an Individual): The evidence I shall give on this examination shall be the truth, the whole truth, and nothing but the truth, so help me God.

The Chair: Thank you very much.

This is a statement I used to read out to our witnesses every time last year, and I think I’ll just do it again this time:

“The refusal to answer questions or failure to reply truthfully may give rise to a charge of contempt of the House, whether the witness has been sworn in or not. In addition, witnesses who lie under oath may be charged with perjury.”

That comes from *House of Commons Procedure and Practice*, Marleau and Montpetit, page 862.

Now I have a couple of other observations. We’ve had some correspondence from people on behalf of some of the witnesses, saying they’re a little bit concerned about what we’re going to be talking about. Of course, the clerk had advised our witnesses that we’re dealing with chapter 5 of the Auditor General’s report, tabled on February 10, 2004. That has always been sufficient; therefore, I expect that would have been sufficient notice as to what the discussions are. At the same time, for the committee members, there is a rule of relevance in this place. Therefore, these are the two issues I think we need to bear in mind as we move forward.

Without any further ado, Madam Auditor General, Ms. Fraser, you have an opening statement.

Ms. Sheila Fraser (Auditor General of Canada): Thank you, Mr. Chair.

We are pleased to appear today before the committee to further discuss chapter 5 of our November 2003 report. As you mentioned, I am accompanied by Louise Bertrand, principal.

We found the federal government was managing its public opinion research activities adequately. For the most part roles, responsibilities, and procedures were clear.

The activities were centrally coordinated, as required by policies. Selection of suppliers for standing offers followed the competitive process. The program coordination and contracting activities for public opinion research were managed as two separate functions with appropriate segregation of duties.

[Translation]

However, Public Works and Government Services Canada needed to improve its management of standing offers and call-ups for public opinion research. This would better ensure consistency with the rules in place for documenting the rationale for existing standing offers, establishing call-up limits, calling for bids from the list of qualified suppliers for large contracts, and documenting the rationale for awarding a contract to any one supplier of the several on the list.

We found that Communication Canada and departments did not always establish clear objectives for the results of public opinion research projects. For about 20 per cent of the projects in our sample, departments did not demonstrate why they needed the research or how they would use the results. We are also concerned about the use of public funds in some cases to acquire syndicated studies on voting intentions and party image. This was clearly in violation of the guidelines then in place.

We also concluded that Communication Canada needed to continue working with departments to make public more reports on custom public opinion research within the required timeframe.

• (1540)

[English]

At the time of our audit, some changes needed to be made to public opinion research activities. In June 2003, the Minister of Public Works and Government Services announced changes to the department's contracting process for public opinion research. PWGSC and Communication Canada were working to put in place new standing offers and supply arrangements. The new instruments were expected to have call-up limits and to promote competition among suppliers. We have not audited the new contracting process.

I would note that following the government's announcement on December 13, 2003, to disband Communication Canada, the responsibility for coordinating public opinion research activities was transferred to the Government Information Services Branch of Public Works and Government Services Canada.

Mr. Chair, that concludes our opening statement. We would be pleased to answer any questions the committee may have on our chapter.

The Chair: Thank you, Ms. Fraser.

Now, Mr. Kinsella is the only other person who has given me an opening statement. However, even in the absence of a written statement, Mr. Cutler, do you want to make an opening statement?

Mr. Allan Cutler: Yes, I'd like to make just a very brief one.

The Chair: Okay, Mr. Cutler.

Mr. Allan Cutler: I just want to make two comments, and they're actually not on public opinion research per se.

The first comment is with regard to the April 2005 report of the Standing Committee on Public Accounts. In particular, I would like to thank the members of the committee, all of you, for expressing regret for the treatment I had to endure. This is the only formal or informal acknowledgement that I have received, and it really has been appreciated by me.

From my former minister on through the senior bureaucracy, I've heard nothing but silence. My opinion on this is that I'm still regarded as an embarrassment for having reported the situation. The informal gossip indicates that they still believe that I deserved to get what I got. You are the only people who have acknowledged that there was a price to be paid, and again, it's very much appreciated.

My second comment is in regard to my appearing here. As you know, this is the third scheduled time, and it finally has arrived. The first two times I was quite easily able to make arrangements. In order to be here today, I cancelled a minor medical procedure that had been scheduled for me six months ago. Unfortunately, the waiting list is now eight months, so I'm scheduled now for December. However, I made that as a willing decision because I think my attendance here, upon your request, is important.

That ends my opening statement. Thank you very much, and thank you all for supporting me.

The Chair: Thank you very much, Mr. Cutler. We do hope in terms of your medical procedure that it is not serious and that you can get it back on track at an earlier opportunity. Perhaps you can talk to doctors and explain to them why you had to cancel, and perhaps they will have some leniency on you.

Mr. Allan Cutler: I tried that first. It did not work.

Some hon. members: Oh, oh.

The Chair: It's not under debate today, so we're not going to go down that road.

Mr. Kinsella, you have an opening statement that has been distributed. If you'd like to read it, please do.

Mr. Warren Kinsella: Thank you, Mr. Chair.

Honourable members, I was going to start by asking that I be sworn, but Mr. MacKay beat me to it.

At the outset, I'd like to state that it was not my preference, nor I presume the preference of the members of the committee, that I would appear here under subpoena. I did not wish to anger members of Parliament or show them any disrespect, and I regret angering members of the committee in any way. My reasons for declining earlier invitations to attend were genuine and are contained in the letter that I sent to you dated April 7.

There's another reason why I did not wish to appear before you today. While I am not enthusiastic about Prime Minister Martin, or many of the people around him, I'm very enthusiastic, as are my wife, my business partners, and my clients, that I maintain as great a distance as possible from political controversies such as the one you are now investigating.

Now that I'm here before you, however, I'll endeavour to answer your questions to the best of my ability. I brought with me a number of documents that were sent to the clerk last week, which he indicated would be covered by the summons that I received. I understand that those have not been translated, so I cannot rely upon those. I will attempt to answer whatever questions you have. All of the documents, save one, were sent to the Gomery commission. But to my surprise, I did not receive any questions about any of them. I hope you will forgive me if my recollection of events of a decade ago is not as precise as we would all like.

Here is my statement, which I have timed as five minutes.

In 1990, while practising law in Ottawa, I was recruited to the staff of Jean Chrétien, who was then the newly elected leader of the Liberal Party of Canada. As special assistant, one of my duties was helping to prepare Liberal members of Parliament for question period, including the member for Lasalle—Émard, with whom, I might add, I had a professional relationship. During the national election campaign of 1993, I helped to manage the Liberal Party's so-called war room. In that capacity, I assisted prominent Liberals like Mr. Martin and cooperated with many of the people who worked for him. Following that campaign, I was offered a number of positions and accepted one as the executive assistant to David Dingwall, Minister of Public Works and Government Services. I became Mr. Dingwall's EA on the day the new government was sworn in, in November 1994, and stayed with him until February 1996, shortly after he became the Minister of Health. We generally enjoyed a good relationship with the office of the Minister of Finance.

Mr. Dingwall had an enormous department, one of the largest in government. Along with PWGSC, he was the minister responsible for a regional development agency, Canada Post, CMHC, the Mint, and many other agencies. We were very busy. Among my responsibilities, as Mr. Dingwall's EA, was dealing with advertising and polling matters. As members of this committee will be aware, the Liberal Party made a number of commitments with respect to advertising and polling in the 1993 election campaign. On the day the new government was sworn in, in fact, Mr. Chrétien reaffirmed those commitments at Rideau Hall. On December 20, 1993, the Prime Minister sent a letter to his cabinet telling them "to minimize expenditures" for polling and advertising until new guidelines were in place.

In another letter the Prime Minister sent to his cabinet on May 9, 1994, he stated that "contracting procedures must follow a competitive process similar to procurement of other services purchased by the government". Those two letters then became our mandate in 1994 and 1995: first, cutting spending on polling and advertising; and second, creating a competitive process for those things for the first time in Canadian history. With the assistance of a dedicated team of public servants at PWGSC, Treasury Board, and PCO, I believe we did that.

By the summer of 1994, all of cabinet, including Mr. Martin and Mr. Chrétien, had passed guidelines to govern a competitive and a cost-effective process for the procurement of polling and advertising. By June of 1995, we were proud to report to Treasury Board that we had radically cut spending on ads and polls. In the last full fiscal of the previous administration, for example, advertising spending was

\$117 million. In our first full fiscal, we reduced spending on advertising to \$30 million, an \$87 million reduction. In the last fiscal of the previous regime, public opinion research was at least \$14 million. The public servants told us that many projects were not accounted for, so the figure may be higher. In our first full year, we reduced polling spending to \$4 million, a \$10 million reduction.

• (1545)

We also decided to place polls in the National Library so anyone could read them without having to go through an access to information process.

We dismissed the Conservative Party representatives who oversaw advertising procurement and who actually physically worked alongside bureaucrats, and we aggressively policed the guidelines with the help of Treasury Board, PCO, and the PMO.

I want to stress that we acted against many departments, not just Finance. These included Justice, Health, Industry, and Agriculture.

I also stress that we did not do these things on our own. We did them with the assistance of many public servants, including our deputy minister, Ranald Quail; his ADMs, Rick Neville, Jim Stobbe, and Mike Church; and yes, Chuck Guité.

While it may be contrary to the conventional view, we found that Mr. Guité did a good job—as good a job as he had done under the previous Conservative administration. And if it matters, I can tell you that his name never appeared on any of the confidential reports I received from Public Works' internal police force.

Following competitions for the procurement of goods and services, we would typically receive complaints. Often the complaints made by losing bidders would go nowhere. Sometimes they would be leaked to the opposition or to the media or result in litigation, or they would come to us through other departments or PMO or PCO or Treasury Board. In every case, every official complaint was thoroughly investigated.

I was at PWGSC for all of 1994 and 1995. In both those years, we received a number of complaints about the procurement of polling and advertising services by and for the Department of Finance. Those complaints related to the Earncliffe Strategy Group.

This binder, which some of you have, relates to the 1995 situation, and the letter within relates to the 1994 situation. It's a confidential letter from me to Ms. O'Leary, and this section sums it up best:

Terrie, all of this spells trouble, and you know it. The competition was flawed, the payment is excessive, the work probably is not needed, and the research community can be fully expected to blow the whistle on the "political" connections here.

Those two sentences best describe, in my view, too much of the relationship between Finance and Earncliffe in 1994 and 1995: flawed competitions, excessive payments, unnecessary work, and political connections.

That is my statement. I apologize that it was so long.

In conclusion, I will only say that it is well known that I am not enthusiastic about Mr. Martin or the people around him. However, I state on the record and under oath that I did not participate in the investigations of Earncliffe and Finance because I disapproved of Mr. Martin and his people; in fact, I came to disapprove of Mr. Martin and his people because of what I learned in those investigations.

I am not here to rehash old battles. I am here today because this committee compelled me to be here, under subpoena. I can assure you that I did not and do not wish to be here today.

By way of conclusion, in the case of Earncliffe and Finance a decade ago, we were asked to investigate, we did investigate, we substantiated many of the complaints we received, and we made a report, which is now ten years old, and which you will have before you shortly.

You will forgive me now for being cynical as to whether anything will happen now, ten years after the fact. Despite that, I look forward to your report and to your questions.

Thank you.

• (1550)

The Chair: Thank you, Mr. Kinsella.

You have made mention that some people have your binder that you made reference to. I believe, as the chair, I'm the only person who has that binder, and there was some documentation you had given to us that we have been unable to translate in time. Therefore, it is not available to the committee at this point in time but will be as soon as it is translated.

Am I correct in saying I'm the only person who has this binder?

Mr. Warren Kinsella: I don't know, sir.

The Chair: How many binders did—

Mr. Warren Kinsella: I arranged for a number of binders to be sent over this morning.

The Chair: I understand that I have one, the law clerk has one, and translation has one. So those are all the copies of this binder. And as I said, we'll have it available to other members when it can be made available.

Mr. MacKay, you're first.

Point of order?

Hon. Shawn Murphy (Charlottetown, Lib.): Are these documents from the Department of Finance or from Mr. Kinsella himself?

The Chair: We just received—

Hon. Shawn Murphy: We went through this before, as you'll recall, Mr. Chairman, back about nine months ago. Somebody came in with a very inflammatory summary about... I forget the name of the witness. You probably remember yourself.

If these are Finance documents, I don't think there is any merit to my complaining; but if they're just Mr. Kinsella's—

The Chair: Okay, let me just go through and—

Hon. Shawn Murphy: I think it should be reviewed by perhaps the law clerk and he can go over it at his pleasure.

The Chair: As I say, I'm basically looking at this for the first time as well, but we have talking points for oral briefings to the minister from October 1995; a memorandum to the minister regarding Earncliffe; corporate structure of Earncliffe; news stories; undated Finance talking points about Earncliffe; guidelines in contracting for communications, public opinion research, and advertising....

Have I pretty well given an overview of what's in here, Mr. Kinsella, or what else is in here?

• (1555)

Mr. Warren Kinsella: Yes, sir.

The Chair: That's pretty well it. There are requests for proposals. There is a letter to David Dingwall, Minister of Public Works, from Ralph Goodale, and there are a few other things. So it's a thick binder that seems to cover a number of different issues. But as I say, I'm unable to distribute it at this point in time.

Hon. Shawn Murphy: Again, I would ask, Mr. Chairman, that the matter be reviewed by legal counsel. I think that's a fair comment. He's agreed to do that.

The Chair: Very good. Anything that's pertinent will be translated and made available to all.

Mr. MacKay, eight minutes.

Mr. Peter MacKay: Thank you, Mr. Chair, and to all the witnesses.

I'd like to begin by asking Ms. O'Leary a few questions, if I might. I expect all of you will be giving very forthright and clear testimony in response to questioning.

Ms. O'Leary, in your role within the office of the Minister of Finance you were involved in contracting, and in fact I would suggest you were very much front and centre in the decision-making that went on as to which firms would be contracting with the office of the Minister of Finance, that is, Paul Martin, at the time. Is that correct?

Ms. Terrie O'Leary: No, that is not.

Mr. Peter MacKay: You at no time had any decision-making authority or discussed contracts with the now Prime Minister during your tenure at the ministry?

Ms. Terrie O'Leary: Absolutely. I had no decision-making authority and no involvement in contracting with the Department of Finance.

Mr. Peter MacKay: All right.

You did not meet regularly with the minister? You did not meet regularly with other officials from other departments with a view to determining which firms would receive contracting business?

Ms. Terrie O'Leary: No, I did not.

Mr. Peter MacKay: I'd like to turn to Mr. Kinsella.

Mr. Kinsella, are you in agreement with Ms. O'Leary, to the best of your knowledge?

Mr. Warren Kinsella: I can't describe what her authority was, properly given to her by her minister, but I certainly met with Ms. O'Leary on different occasions to deal with problems associated with suppliers for services to her department.

Mr. Peter MacKay: I'd like to draw your attention, Mr. Kinsella, to a memo you wrote July 24, 1995—

The Chair: Mr. MacKay, is that memo readily available to all members of the committee?

Mr. Peter MacKay: If it hasn't been tabled already, Mr. Chair, I'm prepared to table that memo.

The Chair: Is it in both official languages?

Mr. Peter MacKay: Yes, I believe we have a copy of that.

The Chair: Do we have a copy of it? When did we get a copy of it?

Okay, let's get the message out to distribute it. We have it in two languages here, so I'll just wait a minute until it's distributed.

Are you going to be bringing forth other documents, Mr. MacKay?

Mr. Peter MacKay: I do have a number of documents.

The Chair: Well, why don't we just get them all distributed at the same time?

Mr. Peter MacKay: All right, we can do that.

The Chair: Yes, because if we're going to spend all the time just waiting for documents to be distributed, we're not going to get anywhere.

Okay, who's bringing forth documents?

Mr. Peter MacKay: We have four documents.

The Chair: Does anybody else have documents for distribution?

Mr. Allison, do you have documents for distribution too?

Does anybody else?

Do you have documents for distribution, Mr. Sauvageau?

[*Translation*]

Mr. Benoît Sauvageau (Repentigny, BQ): Is there a requirement to provide you with the documents we quote?

[*English*]

The Chair: Yes, it's preferable. If you're quoting from documents, you should be prepared to table the documents, I think. I can't see any reason.... All members should be apprised of the same information. I think that's important.

Mr. Lastewka.

•(1600)

Hon. Walt Lastewka (St. Catharines, Lib.): When the questioners are questioning, could you also have it referred to which item in the—

The Chair: Absolutely. Any time you're referring to a document, they will have to make sure—

Hon. Walt Lastewka: Plus, what is the area under chapter 5 that he's referring to?

The Chair: You mean the relevance situation?

Hon. Walt Lastewka: Yes.

The Chair: As I say, the question will be either relevant in itself or, if it's not relevant, we'll deal with it. I don't think every question has to be referred back to the actual chapter.

Mr. Sauvageau.

[*Translation*]

Mr. Benoît Sauvageau: Mr. Chairman, I'll table the documents but I won't have them circulated. There are documents in English and documents in French. The clerk can have those that I quote translated.

[*English*]

The Chair: Okay.

It will be translated and distributed in due course, if they're referred to at the committee. They're fairly extensive documents. If they're not referred to, I don't think we'll bother to translate them, but we have them anyway.

Okay, are we ready, Mr. MacKay? We'll get started again. Please make specific reference to the document you're referring to, so everybody can see where you're coming from—

Mr. Peter MacKay: Sure.

The Chair: —and then go for it. Remember, as Mr. Lastewka said, relevance is an issue.

Mr. Peter MacKay: Mr. Chair, in fairness to the witness, Mr. Kinsella, might we provide him with a copy of this? It's a July 24, 1995, memo to Chuck Guité, Director, Advertisement and Public Opinion Research Branch. It is titled, "Re: Leakage—Finance". I'd be glad to provide him with my copy.

The Chair: I would hope we wouldn't have too many documents flying around here all the time. I would hope we'd have enough copies for the witnesses as well as all the members. It's hard to expect a witness to comment on something if we can't give them a copy so they can see it in front of them.

Mr. MacKay, you're on again.

•(1605)

Mr. Peter MacKay: Mr. Kinsella, are you familiar with this document? Can you tell us who the author of this document is?

Mr. Warren Kinsella: I am.

Mr. Peter MacKay: You're the author of this document.

Would you read from that document, please, beginning with "Mr. Guité"?

Mr. Warren Kinsella: Mr. Guité,

I was advised by the ADM Corporate Services on July 21, 1995 of the following figures. They were provided to Mr. Neville by a colleague at Finance.

None of these procurements were conducted through PWGSC, contrary to Cabinet-approved guidelines. This is simply unacceptable.

Would you like me to read the columns?

Mr. Peter MacKay: Yes, please.

Mr. Warren Kinsella: Number one, Dec. 94 - Oct. 5/95

\$219,000 value

91,000 spent

And I think the corresponding column is under "Anderson" on the right-hand side of the page:

Dec. 15/94 - March 31/95

\$74,000 value

73,000 spent

Number two, Sept. 93 - June 94

\$29,900 - TBS issued

—which would be Treasury Board Secretariat—

50,000 - amendment

75,000 spent

The second column: April 19/93 - March 31/94

\$35,000 value

33,000 spent

Number three, on the second page: July 12 - Aug. 15

—without a corresponding year— \$29,900 value

27,000 issued

The second column: Jan. 10/94 - Jan. 31/94

\$27,000 value

21,000 amendment

48,000 spent

Number four, Sept. 1/94 - Oct. 31/94

\$45,000 value

40,000 spent

I require an immediate explanation as to how the department in question was permitted to breach the guidelines in this way, and what is being done to remedy this situation.

Thank you.

And it was copied to Ran Quail, Jim Stobbe, Rick Neville, and Art Silverman.

The Chair: And that was the memo dated July 24, 1995.

Mr. MacKay.

Mr. Peter MacKay: Mr. Kinsella, this is just so we're clear. You stated these were contracts awarded to Earncliffe and Anderson that you describe as having been conducted through Public Works and Government Services Canada contrary to cabinet...and not conducted through the proper procurements, to use your words.

Mr. Warren Kinsella: I think what it says—if I'm interpreting my own words correctly—is that they weren't conducted through Public Works, nor, as a consequence, were they done as per the cabinet-approved guidelines.

Mr. Peter MacKay: Now, it's noted at the top, in quotation marks, "Leakage"—Finance, so these are contracts, presumably, that were awarded in reference to the Department of Finance. Is that correct?

Mr. Warren Kinsella: Yes.

Mr. Peter MacKay: Mr. Kinsella, in your opening statement you also referenced a letter. I don't know that we have a copy. You may have tabled a copy of this letter as well, relating to a similar situation in 1995, in which you address it to Ms. O'Leary and you quoted from yourself:

"Terrie, all of this spells trouble, and you know it. The competition was flawed, the payment is excessive, the work probably isn't needed, and the research community can be fully expected to blow the whistle on the 'political' connections here."

What were you referring to, Mr. Kinsella?

Mr. Warren Kinsella: Mr. Chairman, it refers to the paragraphs that preceded it in this letter dated November 25, 1994.

I don't know—am I permitted to read this or refer to this?

The Chair: Yes. Mr. MacKay has two minutes left, and you can read the paragraph pertaining to that statement.

Mr. Warren Kinsella: There are a few. There are some introductory paragraphs about my difficulty in getting back to Ms. O'Leary about phone calls she had been making about some contracts to me in November of 1994. This is what it reads:

As you know, the Earncliffe Strategy Group and Anderson Strategic Research had been providing communications advice and public opinion research services to the Department of Finance under the previous government. We are told that the firm continued to work for the new government. In December 1993, a sole source contract was awarded by your Department to Anderson Strategic Research to conduct focus groups relating to the upcoming budget. This contract attracted complaints from many firms in the research industry.

Bruce Anderson, who we understand now forms part of the Earncliffe Strategy Group, received another sole source contract of approximately \$29,000 in May 1994 to design and analyze results of a survey on the GST. Insight Canada Research was contracted to do only the field work.

In August, 1994, as we both know, Finance requested that this department—

• (1610)

The Chair: Are you reading the whole thing, Mr. Kinsella?

Mr. Peter MacKay: Mr. Kinsella, you've referred in this paragraph that you included in your opening statement to concerns that someone would blow the whistle on the political connections here. What were you talking about?

Mr. Warren Kinsella: Actually, sir, the letter to Ms. O'Leary is 1994, it's not 1995.

Mr. Peter MacKay: That's not my question. My question was the political connections that you reference in this letter to Ms. O'Leary.

Mr. Warren Kinsella: My concern, our concern, was that contracting guidelines were not being followed and discretion was being exercised in such a way that could give rise to complaints to the—

Mr. Peter MacKay: Do you agree with Ms. O'Leary's statement just given here under oath that she, in her capacity working with Mr. Martin, never had anything to do with contracting through the Department of Finance and your department? Do you believe that she never in any way interfered or involved herself in contracting decisions? Do you accept that?

Mr. Warren Kinsella: I don't accept that she was not interested in the subject. This letter is evidence of that. I would not have sent this letter had she not been phoning me about contracting.

Mr. Peter MacKay: She was phoning you?

The Chair: Thank you very much, Mr. MacKay.

Monsieur Sauvageau, *s'il vous plaît, huit minutes.*

[Translation]

Mr. Benoît Sauvageau: Good day, ladies and gentlemen. Thank you for accepting our invitation.

I'll put my first question to Ms. O'Leary.

On November 25, 1994, did you receive a letter from Mr. Kinsella?

[English]

Ms. Terrie O'Leary: Yes, I did.

[Translation]

Mr. Benoît Sauvageau: Would you repeat what you said to Mr. MacKay, namely that you in no way took part in the awarding of the advertising contracts?

[English]

Ms. Terrie O'Leary: I did not participate in any decisions about contracting. I had discussions about contracts. I was not disinterested in issues involving the need for us to get on with the work at hand at Finance. As Mr. Kinsella and Mr. MacKay well know, the Treasury Board guidelines were not passed until May 1994. The Treasury Board guidelines are the ones that were adhered to by the Department of Finance. I think we were one of the first departments that actually asked for a competitive process to be on the open bidding system, and we were not disinterested at all in making sure that we had suppliers that had bid competitively for contracts. But I was not involved in the decisions or any of the discussion about contracting.

[Translation]

Mr. Benoît Sauvageau: In a memorandum from Terrie O'Leary dated May 30, 1994, a copy of which I have given to the chair, one may read the following:

[English]

Just wanted to outline some suggestions from myself and the Minister regarding the proposal for our 1994 Retail Debt Strategy.

[Translation]

The reference to myself does not refer to you, even though the document contains your signature.

I'll put my following questions to Mr. Kinsella.

In the memorandum I have just quoted from, Ms. O'Leary suggests four firms: EKOS, Environics, Goldfarb and Insight. In your opinion, is it correct to state that Paul Martin's office claimed the right to choose its suppliers for research and communications services?

[English]

Mr. Warren Kinsella: They were certainly giving strong hints. That memorandum was not received directly by us. It was sent to us by officials within the Department of Finance who objected to this type of practice.

[Translation]

Mr. Benoît Sauvageau: It is a known fact that the Department of Finance is a central agency with a great deal of influence, including influence on the budgets provided to other departments.

Were you witness to any threats or references from Ms. O'Leary similar to the following: "Let us choose our agencies if you want to keep your budget?" Is this an urban legend or have you ever heard any remarks to this effect?

[English]

Mr. Warren Kinsella: For example, I received a phone call from an individual a few minutes before I came here indicating that Mr. Dingwall would disavow everything that I had to say here today. So that wasn't from Ms. O'Leary, but I would consider that to be an inappropriate statement.

• (1615)

The Chair: If he didn't know what you were going to say, how could he disavow it before you said it?

Mr. Warren Kinsella: Perhaps people are nervous, sir.

[Translation]

Mr. Benoît Sauvageau: Interesting.

In the matter of the Canada Savings Bonds, did Mr. Martin's office display this kind of attitude? Do you remember meeting Ms. O'Leary in an attempt to explain to her how it was supposed to work? Do you remember Ms. O'Leary telling you that the Department of Public Works regretted its behaviour relating to the Canada Savings Bond issue or something to that effect?

[English]

Mr. Warren Kinsella: In my evidence before the Gomery commission I recalled, because it was an unusual circumstance, that we had a meeting of executive assistants at a facility near Billings Bridge. I don't know Ottawa as well as I used to, but there was a facility there, and this dispute about the Canada savings bond assignment was taking place at that time. Officials were exchanging heated letters back and forth. That's not an unusual circumstance. Officials often disagree.

My minister asked me to speak to Ms. O'Leary around that time. I approached her at that meeting, and I remember it because the circumstances were unusual. I kind of knelt down beside her, much like a supplicant, in order to get her attention and attempt to make our case. She would not look at me, and it was evident that she was quite angry with me or with us. So I went back and reported to my minister that he would need to move it to the next level, which I believe he did. I can't even recall what the outcome of that dispute was. There were a few.

[Translation]

Mr. Benoît Sauvageau: I see.

Mr. Kinsella, last Thursday, the Prime Minister told the House of Commons that he had always followed procurement rules and that he was not aware of any occasion where his department or staff were told that they were not respecting contracting rules. Do you consider that the Prime Minister was telling the truth when he made this statement in the House last April 14?

Mr. Warren Kinsella: In my opinion, Mr. Martin was aware of the contract situation and the problems.

[*English*]

He was aware of the situation, of the problems that were taking place.

[*Translation*]

Mr. Benoît Sauvageau: Do you remember this, or do you have documents or evidence? Do you have something that would provide details or evidence of what you have just told us?

[*English*]

Mr. Warren Kinsella: All of those documents were tabled with the Gomery commission. Many of them you have before you now.

[*Translation*]

Mr. Benoît Sauvageau: I see, thank you.

I have questions for each, but I will continue with Mr. Cutler, if I may.

I'd like to talk to you about the open contract, I believe that that is the term used in French for what is described as the retainer with Earncliffe. You tabled before the committee a memo dated December 5, addressed to Mario Parent. You state that only Earncliffe is able to win this contract, this retainer, since the criteria are very strict.

What exactly were these criteria favouring only a single firm, that of Mr. Herle?

[*English*]

Mr. Allan Cutler: To the best of our ability, we used the process to keep it as open as we could. We did use the open bidding system. My expectation that they would be the only bidder was fulfilled, as it happens. There was a dispute as to a retainer. There was a strong discussion from the Department of Finance—and I think Mr. Daniel would probably recall it—that it was a cost-effective approach to doing this contracting.

There was a disagreement between him and myself because it did not make for sound contracting, in my opinion—and my opinion hasn't changed over the years. I lost the battle. It went up the ranks, and the decision was made that it would go out on a retainer basis, and under the retainer basis there was no other viable bidder because nobody else would know how much work was involved in the situation.

I cannot state that this was a political situation...other than a strong disagreement among bureaucrats as to the best route to buy.

Mr. Daniel might be able to add to that.

• (1620)

The Chair: Mr. Daniel, any comment?

Mr. Peter Daniel: Yes.

This contract was done so that we could cap our costs. We had an open-ended, demand-driven situation in place. As the manager of the budget, I wanted to cap my costs. This was the first time a retainer contract had been attempted, but there's nothing that says it can't be done, no rule against it. It's a matter of judgment based on the

situation and the amounts involved. We knew from experience about how many hours would be involved in the preparation of both the economic statement and the budget.

Remember, this was 1994-95, before the deficit-buster budget in 1995. This was a massive effort on the part of the government—not just the Department of Finance, but all of the departments of government. We prepared an economic statement in the fall of 1994. This was a little unusual, in that it went far beyond what up until then had been a rather short and simple statement by the Minister of Finance in the fall. It was quite detailed and set the stage for the budget the following year, which was a massive budget that involved cuts to every department in the Government of Canada except two.

We work nights and weekends at Finance, and we ask the people who work there to put in the same hours. I have to run a budget, and it was a judgment that this would be a way to cap the costs. So we had this dispute.

The Chair: Thank you.

I was taken aback by your comment, Mr. Kinsella, about this phone call that you just received before you came here. So I'm going to ask the law clerk to tell us what he thinks of this issue.

Mr. Rob Walsh (Law Clerk and Parliamentary Counsel, House of Commons): Mr. Kinsella, as I recall your testimony a few moments ago, you recounted that a certain person had phoned you and told you that Foreign Minister Mr. Dingwall would disavow anything you said at committee. Do I recall your testimony correctly?

Mr. Warren Kinsella: One thing in particular, yes.

Mr. Rob Walsh: Pardon me?

Mr. Warren Kinsella: One thing in particular, yes.

The Chair: What is the one thing in particular?

Mr. Warren Kinsella: The document that you have before you, Mr. Chairman. It is an advice-to-minister document dated October 1995, to the effect that the Prime Minister's Office would apply some pressure to Mr. Dingwall to issue or make a statement to contradict what I say, or to contradict that document.

Mr. Rob Walsh: When I first heard the comment made earlier, I was concerned that this was an indication to disavow anything Mr. Kinsella said, whatever it might be. It would appear now, from what Mr. Kinsella has said, that it referred to a particular document, indicating that the minister might wish to contradict Mr. Kinsella, or disagree with him, with respect to this document.

Let me say, Mr. Kinsella, what your earlier comment gave rise to was a concern that a third party may have attempted to intimidate you by threatening to discredit you in your testimony. To tell you this before you testified, not knowing what you were going to say, was something I could only understand to be a form of intimidation.

Mr. Warren Kinsella: I took it as intimidation, whether it was specific or general. That's why I raise it here.

Mr. Rob Walsh: Sorry, I can't hear what the witness said.

The Chair: He said that he took it to be intimidation specific or general, and that's why he raised it here.

Mr. Rob Walsh: Mr. Chairman, as you and members of the committee well know, witnesses are entitled to come freely to committees, and to testify without fear of any reprisals or adverse actions being taken against them. The text to which you earlier referred, Marleau-Montpetit, page 863, says that "Tampering with a witness or in any way attempting to deter a witness from giving evidence at a committee meeting may constitute a breach of privilege."

I remind the committee of these words and say to all witnesses that if any of you are ever made to feel that you are being tampered with, or in any way being deterred, you should bring this to the attention of the chair of the committee, so that the committee may take the matter under advisement.

•(1625)

The Chair: Mr. Kinsella, do you feel that you are in any way, shape, or form constrained in your answers to this committee by virtue of this telephone call?

Mr. Warren Kinsella: No, sir.

The Chair: Okay. On that basis, we will proceed. However, the committee may wish to bring it up. I don't think we're going to spend this committee meeting debating the issue at hand. I think we'll refer this to a subsequent meeting to be discussed.

Mr. MacKay, do you have something to say on this?

Mr. Peter MacKay: On this particular point, I wonder if the chair might query Mr. Kinsella as to the source of that call. But more importantly, he's referenced now to the entire committee a document he's tabled. As far as I understand it, members of the committee have not received that document. So for the purposes of further questioning, as you've alluded to, I would suggest that should be circulated.

The Chair: It will be once it's translated, Mr. MacKay.

Mr. Peter MacKay: I wonder if you might seek consent from members that it be circulated without translation.

The Chair: Okay. A member has asked if we have—I'm reluctant to seek unanimous consent, but of course if somebody asks that I do, then I will. I've done it before. It's been pointed out quite specifically that the rules are that documents be in both languages, without seeking unanimous consent.

Is there unanimous consent to table this document?

Hon. Shawn Murphy: I think that these documents should be reviewed by the legal clerk on the issue. This was my point before, Mr. Chairman.

You said before, Mr. Chairman, that we're going to restrict this investigation to the auditor's report. Obviously you're not doing that. We're getting into some old battle here—I don't know where it's going. I think that some of the stuff should be reviewed by our legal counsel. We're getting into clandestine phone calls, threats, meetings....

I know it's difficult for you, Mr. Chairman, because this is a very unusual procedure, in that usually the witnesses are chosen by you in conjunction with the Auditor General and the clerk. But in this case, that's not the case. You're not involved in this—and I know you're not—but we have to respect procedure here.

I think I would ask, Mr. Chairman, that they be reviewed by Mr. Walsh.

The Chair: I agree. I see that this one is actually marked "secret". Therefore, as I said before, they are decisions. The law clerk will express an opinion to me, and I will communicate if there are any concerns about the distribution of the documents. This one is actually marked "top secret" and therefore it should be reviewed before it is made a public document.

At this time we're dealing with the issue of the phone call. As I said, we will deal with that specifically at a steering committee or a full meeting of the committee at a later time, because Mr. Kinsella has assured this committee that he does not feel in any way, shape, or form constrained in his answers.

Let me ask, has anybody else received any phone calls? Does anybody else feel constrained in their answers? There being none, we will proceed.

Mr. Murphy, eight minutes.

Hon. Shawn Murphy: Thank you very much, Mr. Chairman.

My first question is to the Auditor General. I've read your report. I read it quite some time ago. I re-read it and I listened to your comments today. Correct me if I'm wrong. The summary is reasonably favourable, but you did find some reason for concern that you made certain recommendations. I'll just quote your second paragraph:

We found that the federal government was managing its public opinion research activities adequately.

And also,

For the most part roles, responsibilities, and procedures were clear.

Although you did go on and make certain recommendations, and your report now is two years old, have you or your department made any follow-up to ascertain whether or not these recommendations were accepted and agreed to by management, and followed up and corrective action taken?

Ms. Sheila Fraser: Yes, Mr. Murphy's summary of our report is accurate. And no, we have not done a follow-up audit as yet. We are planning to do one at some point in the future, but we haven't determined that yet.

Hon. Shawn Murphy: My next question is to Mr. Daniel.

I'm not totally clear on your evidence. Were you involved in contracts with the Department of Finance at this point in time?

•(1630)

Mr. Peter Daniel: Which point in time, sir?

Hon. Shawn Murphy: I'll ask you to tell us what your job description was during this period.

Mr. Peter Daniel: I was the Assistant Deputy Minister of Finance from the fall of 1994 until the end of the summer in 1997.

Hon. Shawn Murphy: Insofar as the audit, which takes the period of, I think, 1999 to 2003—

Mr. Peter Daniel: I wasn't in Canada during that period. I was working abroad.

Hon. Shawn Murphy: But the issue has been raised, Mr. Daniel, and you were the assistant deputy minister at the time.

There has been an allegation of violation of the Treasury Board guidelines. I'll put the question to you. You were the assistant deputy minister. Are you aware of any violation of Treasury Board guidelines in the issuance of any of these public research...?

Mr. Peter Daniel: In what period, sir?

Hon. Shawn Murphy: This would be the period—

Mr. Peter Daniel: The period that I was there? No, sir. There were disputes, and I think those have been well documented.

Hon. Shawn Murphy: Were you aware of any violations of the Public Administration Act?

Mr. Peter Daniel: Not to my knowledge.

Hon. Shawn Murphy: Perhaps I'll ask you to elaborate. You say there were disputes. Would this have been disputes between bureaucrats or between departments?

Mr. Peter Daniel: There was a dispute between the Department of Finance and the Department of Public Works at the time, and specifically the section of the Department of Public Works that was responsible for the contracting of advertising in particular, and to a lesser degree public opinion research.

Hon. Shawn Murphy: And your evidence is that Treasury Board guidelines were followed.

Mr. Peter Daniel: We were in an open bidding system—a competition—for the Canada savings bonds that were referred to here. This was a full-blown competition among quite a number of firms. It was done through a panel process, which was the procedure at the time. The result at the end was a contract to be awarded through the public works department—which was the way it worked at the time—and the finance department then used that contracting authority to deal with the contractor to carry out the work.

Hon. Shawn Murphy: Now can you tell me, insofar as the finance department was concerned, who had carriage of this process and who actually made the final decision?

Mr. Peter Daniel: The final decision was made by a panel, and there were members from the Department of Finance on it. There were members from the advertising and public opinion research sector—it was called APORS, I think, at the time. There were two finance representatives, I think two from APORS, and there were private sector representatives, neutral parties, on the panel that made the decision. The decision is documented. There are documents, a point system, regular procedure for evaluating proposals for an advertising contract.

Hon. Shawn Murphy: Now, as far as you're concerned, do you have any concerns about the process being bona fide or about the proper procedures being followed?

Mr. Peter Daniel: We were following the procedures in place at the time. The competition was conducted under the auspices of Public Works and Government Services. That's the way it worked at the time. It ran these panels. It ran the process. It ran the open bidding system. We were the client, and Public Works was acting for us.

Hon. Shawn Murphy: I have one question for you, Mr. Cutler, and it's a curious one. Perhaps you're one of the few who can answer

it on the panel here. It's been alluded to before by you, by Mr. Guité, and confirmed by Mr. Kinsella that pre-1993, the situation when the Conservatives were there was that they had actual appointees working with the bureaucrats to determine the advertising agencies picked. Is that correct?

Mr. Allan Cutler: That is my understanding, but the selection by Treasury Board guideline called for that group to determine who the agencies were. Their role, as I understood it, was also to look at the ads and make certain the ads conformed to bilingual standards and Canada wordmark, make certain that it was appropriate to actually send them out. It was a broader role than just choosing the firms.

Hon. Shawn Murphy: And this group was called the Advertising Management Group?

Mr. Allan Cutler: At that time it was, yes.

• (1635)

Hon. Shawn Murphy: And how many Conservative appointees would be in this group?

Mr. Allan Cutler: I think there was one English one and one French one.

Hon. Shawn Murphy: And would they actually work right in the public works department?

Mr. Allan Cutler: They did not work within the normal department. They were situated in a different location, and they were a small group.

Hon. Shawn Murphy: But they would work right beside the public service.

Mr. Allan Cutler: Yes. They had very little influence over the contracting per se. They would tell who the firm was—

Hon. Shawn Murphy: So they would select the firm, but the actual contract would be done by a separate department.

Mr. Allan Cutler: That's right. The validation of the pricing and making certain that the terms and conditions were proper was pretty much autonomous.

Hon. Shawn Murphy: And that procedure was discontinued when?

Mr. Allan Cutler: December 1994.

Hon. Shawn Murphy: Mr. Chairman, I've nothing further.

The Chair: Thank you very much, Mr. Murphy.

Mr. Christopherson, go ahead, please, for eight minutes.

Mr. David Christopherson (Hamilton Centre, NDP): Thank you, Chair, and thank you all very much for your submissions today.

I want to come back to the phone call that Mr. Kinsella received. I understand the point that if you feel constrained that affects the testimony, but as I understood the law clerk, even the attempt to constrain someone's testimony here is a problem.

Mr. Kinsella, who called?

Mr. Warren Kinsella: Mr. Chairman, can I communicate that to you in private?

The Chair: I was just having a discussion with the law clerk, and I was going to ask you to deliver that information to me in private. You have been asked it in a public forum, and I think what I would ask you to do, Mr. Kinsella, if it's okay with you, Mr. Christopherson, is to deliver it to me in private, and I will take it to the steering committee in private, and then we can bring it back to the main committee at a later time.

Is that okay with you, Mr. Christopherson?

Mr. David Christopherson: Yes.

The Chair: Okay, you will deliver that to me at the end of the meeting.

Thank you.

Mr. David Christopherson: But I do want to underscore that I think that's pretty serious. I'll be very curious to see who that is and who they might be attached to.

There is another thing I wanted to ask Mr. Kinsella, based on some of his earlier remarks, before I get to other questions I have. You mentioned Ms. O'Leary had called you, I believe, more than once, and I don't remember the direct quote, but you stated that it had to do with contracts. Could you expand on that a little? What was the nature of those phone calls? Could you flesh it out? Because Ms. O'Leary is declaring, of course, if I'm repeating it correctly, that she didn't have anything to do with the decision-making and wasn't actively working on these contracts—my words. But you gave different testimony, and I'd just like you to expand on what that discussion was you had with Ms. O'Leary about specific contracts, if that's what they were.

Mr. Warren Kinsella: The communication I was referring to is best articulated in this letter that I sent to her, dated November 25, 1994, which is before you, but which I can only make partial reference to. She had been phoning me. My wife and I had been attending her grandfather's funeral and there had been a number of calls, plural; I can't tell you how many.

I called her back and was unsuccessful in reaching her, so... "I thought I would put my thoughts to paper today, because time is of the essence", and then the letter goes on for two pages, approximately, to describe the concern that we, defined as the minister and the Prime Minister's Office, had about the nature of the contracting relationship between the Department of Finance and the Earncliffe Strategy Group.

Mr. David Christopherson: Thank you.

Now, Mr. Herle, your role with Earncliffe is what exactly?

Mr. David Herle: I'm not with Earncliffe.

Mr. David Christopherson: Oh, you're with...?

Mr. David Herle: I'm a partner in a company called Veraxis Research and Communications. I was with Earncliffe for 11 years.

Mr. David Christopherson: During the time in question?

Mr. David Herle: Yes.

Mr. David Christopherson: And what was your role there?

Mr. David Herle: Initially I was an employee, and at a certain point I became a partner in the firm.

Mr. David Christopherson: At what point was that?

Mr. David Herle: 1997.

Mr. David Christopherson: If I understand this—and I'm new to this, so please jump in, anybody, chair included, to correct me if I'm wrong on my factual base—the concern is that there's just too cozy a relationship between public polling that was done and....

I should ask one other question to lay the foundation. What was your role in Paul Martin's leadership campaign?

• (1640)

Mr. David Herle: I was the chair.

Mr. David Christopherson: You were the chair.

So we had a lot of polling going on, with questions raised by other people working for ministers, other Liberals, I would presume colleagues, concerned about processes with relation to Earncliffe. You're sort of the key point here, because all of these questionable issues relate to Earncliffe and getting contracts from the Ministry of Finance at the same time that the fellow who's the head of finance is running to be the Prime Minister, and you're chairing that campaign. The issue becomes whether your firm was receiving contracts because there was favouritism there. We'll bring in Ms. O'Leary as part of this, just to round it out—and I'm a little cautious about going there, because you were a couple at the time.

Mr. David Herle: Yes.

Mr. David Christopherson: So part of the concern again is there was a little too much closeness in terms of the business that was happening, and Ms. O'Leary being a key aide to the Prime Minister. All of these pieces are here, and I have to tell you that we need a lot of answers to satisfy...especially given the fact that Mr. Kinsella has now referred to correspondence he put out in the past, and is now making public another document that's pretty damning in what it says.

Unless you can give us good motivation as to why Mr. Kinsella would be lying, I will presume that you and he are telling the truth. If that's the case, we have some serious problems here.

I'll leave that.

On my specific question to you, how is the public to feel comfortable, and how are we to feel comfortable representing the public, that the somewhat questionable polling and contracts that were done wasn't being used to benefit the leadership campaign of Paul Martin in his capacity as a candidate to be leader of the party?

Mr. David Herle: You've said a number of things, sir, and I'm not sure I can even remember all of them, although I took issue with a number of them as I heard them.

Mr. David Christopherson: Well, please correct me.

Mr. David Herle: It would be good to go back piece by piece. It was quite quickly done.

First, you used the term "complaints from departments and ministers", plural, and I'm not aware of that. I'm only aware that Mr. Kinsella had problems. Those are the only problems or concerns I'm aware of.

Your fundamental question is how are you to satisfy the public that questionable polling and contracts were in the public interest. First of all, I'm not sure what you mean by questionable polling, because all the polling we have ever done for the Department of Finance is a matter of public record. You're free to examine it and judge for yourself whether it was in the public interest, but it certainly was not in aid of Mr. Martin's leadership campaign. At the time in question that Mr. Kinsella is making his allegations about, Mr. Martin was not a leadership candidate. This was a newly formed government. Mr. Martin was the Minister of Finance in that government. There might have been a leadership campaign going on in Mr. Kinsella's mind, but certainly not in anybody else's.

The work we did, as I said, is publicly available. Anybody can view it. As I read your own committee's report on chapter 5 of the Auditor General's report, you referred to an Ernst & Young audit that gives—as I read it—a complete clean bill of health to the way public opinion research was conducted throughout that period of time. The Auditor General, in her examination of a later period of time, raises none of these questions. So in my view there's been extensive auditing done of the contracting process, with no concerns raised, and the work itself is readily available publicly.

The Chair: You have thirty seconds.

Mr. David Christopherson: Can I ask what you think about Mr. Kinsella's motivations then? You must be presuming that he's not telling the truth, or at best he has a wobbly memory, but—

The Chair: I'm not sure it's appropriate to ask somebody if somebody else is telling the truth. I don't think that question is allowable, Mr. Christopherson.

Mr. David Christopherson: Okay, let me ask it this way then. Do you agree at all with anything Mr. Kinsella has said, in terms of the concerns he's raised? In other words, if we follow up on every one of these concerns about flawed competitions, excessive payments, unnecessary work, and political connections, your testimony today is that none of that is true.

Mr. David Herle: My testimony today is that I was a supplier to the Government of Canada. I'm not in a position to comment on any of those things. I never saw those memos; I wasn't privy to the discussions between officials.

You do have at your disposal the Auditor General of Canada, who has examined this. You have at your disposal Peter Daniel, who was the assistant deputy minister of the finance department through that period of time, to speak quite authoritatively on that subject.

If you ask me about Mr. Kinsella's motivations, he's as strong a political adversary of Mr. Martin and of myself and of Ms. O'Leary as exists in this country.

• (1645)

The Chair: Thank you very much, Mr. Christopherson.

Mr. Allison, please, eight minutes.

Mr. Dean Allison (Niagara West—Glanbrook, CPC): Thank you, Mr. Chairman.

Mr. Kinsella, do you think that the current Prime Minister would have had any knowledge of contracts in the process and how they worked?

Mr. Warren Kinsella: Yes. Again, I was executive assistant to the minister for a little bit of 1993 and for little bit of 1996 when he was in Health Canada, but all of 1994 and 1995. As I said, we received all kinds of complaints all the time by people who lost competitions. There were many departments involved, and this was one of the departments we received complaints about.

Mr. Dean Allison: Okay, so Mr. Martin was aware.

Mr. Cutler, thank you very much for coming today. I do want to talk to you about the contract. I realize you have extensive knowledge and you've been with the department since 1974. I understand you worked for Chuck Guité. I understand all those things. I also understand you had many concerns with regard to improprieties and contracts, and your opinion was not often taken into consideration. Would that be a fair statement?

Mr. Allan Cutler: Improprieties in contracts?

Mr. Dean Allison: In the way some of the contracts were handled...not all of them, but the way—

Mr. Allan Cutler: Some of the contracts, yes.

Mr. Dean Allison: Okay.

It's also well known that you kept a journal regarding various situations and wrongdoings. In one instance you wrote in your journal, regarding the backdating of contracts, and it's in exhibit A, on the stapled pieces of paper we handed out, and I'll quote:

Once again they are covering up. Contract is dated October 31, 1995. However, actual date should be Nov. 14, 1995.

So it would appear in exhibit B, from your comments, that you were told in many different instances to backdate or falsify documents or contracts. Is that correct?

Mr. Allan Cutler: Yes. The bulk of my concerns in my journal related to advertising, not public opinion research, though there were some concerns with public opinion research. For the most part, public opinion research was allowed to follow normal departmental policies and procedures.

The Chair: Your journal, if I recall, was made public last year.

Mr. Allan Cutler: Oh, very much so.

Mr. Dean Allison: Let me just take this a little further. As an example, I want to address one of the concerns with regard to Earncliffe Research and Communications, at exhibit C. He wrote to Gilbert Miville-Deschêne of legal services regarding the request for a proposal, a retainer fee. Your concern was in regard to Finance's insistence of a \$15,000-a-month retainer fee within the RFP. In his response, which is on the last page, he says, and I quote:

...with respect to this proposed scheme which is of an unusual kind in terms of contracting within this department,...

He further states:

Normally the Department pays for services rendered; if there are no services there should not be any payment made.

In another paragraph he states:

With respect to the competitive process, one can question whether there is in fact a competition when the amount to be paid is already decided; the only elements of evaluation remaining may not be as objective as one could expect.

Is this correct?

Mr. Allan Cutler: Yes, that's correct.

Mr. Dean Allison: In exhibit D that I have here, and this was referenced earlier, from Mario Parent, you stated that Mr. Milville-Deschêne's reply, and I quote: "...reinforces my comments and recommendations regarding the ability to have a fair competition under the proposed "scheme".

You go on to say: Under the present scenario, only Earncliffe or a firm using Earncliffe as a subcontractor would be aware of the actual level of effort required.

In a further paragraph you say: In view of the circumstances and the legal advice received, I will not issue the RFP for a retainer fee unless I receive written instructions to the contrary.

Is this correct?

Mr. Allan Cutler: That's correct.

Mr. Dean Allison: Thank you.

In a handwritten response to you on the memo, Mr. Parent states: "...Chuck recommended that we await Finance Canada's comments...". Did Mr. Guité want to hear back from Finance Canada on what the next step should be in terms of the contract?

Mr. Allan Cutler: That would be my memory, yes.

Mr. Dean Allison: Okay. That should be enough there.

In exhibit E, in another note regarding the same contract, Finance told you this bid was not public opinion research.

Mr. Allan Cutler: It was not public opinion research. This was strategic advice. That had been argued before even the retainer discussion had come, by two of us in that particular area, and we both lost the battle.

Mr. Dean Allison: What kind of strategic advice was this?

Mr. Allan Cutler: My understanding was that it was strategic advice to the minister. That does happen in departments, and if they follow normal procedures that's their prerogative.

•(1650)

Mr. Dean Allison: So you told them once again that your sector could only buy advertising and public opinion research and that you wouldn't amend the RFP. They informed you, then, that Peter Daniel might want the clause in question removed.

Mr. Allan Cutler: That's true.

Mr. Dean Allison: Okay.

Exhibit F... After all your concerns, Mr. Guité approved the issuance of the contract to Earncliffe. On a copy of Mr. Guité's approval memo, you wrote,

This was designated POR even though communications policy/strategy advice was the purpose. The procurement strategy was not recommended as competition may not be "fair". One bidder, Earncliffe.

It is interesting, I guess, to note that there was no date or record of the report that has been done. We tried to get information back. Was that normally the policy as well?

Mr. Allan Cutler: In what way were you trying to get information back? I'm sorry, but I didn't follow that.

Mr. Dean Allison: We're trying to get information back with regard to contracts. Once they were done, would they not be filed with the report?

Mr. Allan Cutler: They should be filed with the report.

Mr. Dean Allison: Is there any knowledge why there would be no record of this report anywhere?

Mr. Allan Cutler: There was a contract issued. I have an electronic copy of it, which I submitted to this committee last March, or a year ago March.

Mr. Dean Allison: I guess the question I have is that it appears here that Finance interfered with the process in terms of how to issue or who some of the firms should be issuing contracts to. Is that correct?

Mr. Allan Cutler: It's a fine nuance, and that's part of the problem, as to whether they were not interfering with the process. We were using the process as the process could be done. In my opinion—and Mr. Daniel knew my opinion—I strongly disagreed with this. This was more of an abuse of the process, using the process and getting a result you expected to get. I was on record as standing my ground and having that belief.

Mr. Daniel was equally strong on this being the cost-effective way to go, but he has already mentioned that and can discuss it for himself.

Mr. Dean Allison: If I could just ask, Mr. Kinsella, what influence do you believe Finance had in issuing contracts to Earncliffe and other related firms?

Mr. Warren Kinsella: I agree with Mr. Cutler in some of his observations. For example, there was an instance that we were aware of. We received a complaint from Joe Thornley, who is a well-known Liberal consultant in Ottawa, as well as others, that the mandatory requirements for a contract regarding strategic communications advice to the Department of Justice in the summer of 1995 had been designed for Earncliffe.

Getting on to what Mr. Cutler is saying, the mandatory requirements—those are the things in the contract that are not allowed to be removed, that are there as conditions of the RFP—stipulated that one of the suppliers had to be a senior consultant with a minimum of ten years experience working for the news media industry. Well, that was Elley Alboim. Another one said it would be desirable that one of the team members should have a legal background. Well, that was Mr. Herle. So as Mr. Cutler has pointed out, it was no surprise to any of us that when that RFP went out, only one firm responded.

The Prime Minister has said many times, and I heard today in the House of Commons, that there was a competitive process. If you want to define that as a competitive process, I suppose it is, but that wasn't our definition. That is setting up the terms of reference in such a way that only one firm can win. That's not fair.

•(1655)

Mr. Dean Allison: Thank you, Mr. Kinsella.

The Chair: Thank you, Mr. Allison.

Mr. Lastewka, please, for eight minutes.

Hon. Walt Lastewka: Thank you, Mr. Chair.

My first question is to Mr. Kinsella. On page two, in paragraph six, he talked about placing the opinion polls in a national library.

Was that a new system that you started, and what was the old?

Mr. Warren Kinsella: The old system, sir, is that the Conservative government required people to go through the laborious process of obtaining public opinion research through the access to information process, which was costly and time-consuming. I recall we had discussions with Mr. Guité, Mr. Stobbe, and Mr. Quail and asked if there was anything special about any of this stuff. They said no, 90% of it wasn't. Some was commercially sensitive, and some related to federal-provincial relations; those are naturally excluded. So we said, why don't we put it in the Library of Parliament? Everybody thought it was a good idea, except for some of the ATIP brokers.

Hon. Walt Lastewka: You mention in the next sentence, "We dismissed the Conservative Party representatives who oversaw advertising procurement, and who actually worked alongside bureaucrats." What do you mean, "worked alongside"? Does that mean you worked in the department?

Mr. Warren Kinsella: They were physically in the department.

I'd actually correct a statement, with respect, that Mr. Cutler made. There weren't two of them; there were three. Early in the new mandate of the new government, my minister moved to dismiss those individuals, with the concurrence of the Prime Minister's Office. There's correspondence before Gomery that reflects that.

Hon. Walt Lastewka: Mr. Cutler, I'm not sure; do you agree with what Mr. Kinsella just said?

Mr. Allan Cutler: Generally, yes. Whether there were two—

Hon. Walt Lastewka: What do you mean, generally?

Mr. Allan Cutler: Well, whether there were two or three, I really didn't know. And he's right, they did dismiss them. What they did, which was my aggravation and my problem, and where everything started for me, was move the contracting into the unit, so the unit had complete control over everything.

Hon. Walt Lastewka: Do you agree that they worked within the department?

Mr. Allan Cutler: Who was—

Hon. Walt Lastewka: Mr. Kinsella said—

Mr. Allan Cutler: Who was working in the department?

Hon. Walt Lastewka: These two or three representatives.

Mr. Allan Cutler: Can they be considered working in the department? No, the Advertising Management Group was a semi-autonomous unit situated within the department, but a contractor is not working for the department; they're still a contractor. Maybe I'm making a hair-splitting argument, but you have to realize I'm a contracting individual, and to me it's important that they were not employees of the crown; they were contractors to the crown.

Hon. Walt Lastewka: I guess we'll have some disagreement there.

Let me carry on to Mr. Daniel. Mr. Daniel, could you just repeat again the years that you were there as assistant deputy minister?

Mr. Peter Daniel: From the fall of 1994 until the late summer, early fall of 1997.

Hon. Walt Lastewka: Did you have, in the 1996 audit or any other audits that made comment on the public opinion research...?

Mr. Peter Daniel: Was I interviewed during the audit? No.

Hon. Walt Lastewka: I'm trying to find out, because some people have said there were a number of things mentioned in audits. I don't remember that, and I'm going to go to the Auditor General after this. Were there items discussed in the—

Mr. Peter Daniel: There was an audit done by Deloitte. I've read the record and I know about it, but was I interviewed during that audit? No.

Hon. Walt Lastewka: Were there comments in audits that said there was a problem with public opinion research?

Mr. Peter Daniel: What kind of problem?

Hon. Walt Lastewka: Audit problems—that it wasn't being done correctly according to rules.

Mr. Peter Daniel: There's a Deloitte audit, and there are some comments in there, but talking about what problems? Do you mean improprieties or problems? There's a difference.

Hon. Walt Lastewka: Let me go to the Auditor General.

In your remarks you mentioned that the roles and responsibilities and procedures were clear and that you found there had been improvements in the work being done in the public opinion research. I'm sticking with chapter 5. You had mentioned some items that needed to be further improved. Did you receive any internal audits or other audits that were critical that public opinion research was not being done in accordance with Treasury Board procedures?

Ms. Sheila Fraser: Mr. Chair, I'd like to specify that our audit covered the period from 1999-2000 to 2002-03. I am aware of an audit that was conducted by Ernst & Young in 1996, I believe, but I do not recall if there were any comments. I think they reviewed public opinion research activities. We don't have a copy of the report here, and I cannot recall what findings they may have had to that. It was not the focus of our audit.

Hon. Walt Lastewka: This is to the Auditor General. In item number three you made a comment that "activities were centrally coordinated, as required by policies". When you say centrally coordinated, is that having a central policy that was being adhered to?

Ms. Sheila Fraser: That is correct. Communication Canada had the responsibility to do a central coordination, largely on the technical issues, and to ensure that the research being done was appropriate, that there was coordination between the various departments, and so on.

Hon. Walt Lastewka: As the government is so large and there are many departments, when I hear centrally coordinated, sometimes people get mixed up that it's being done centrally, rather than it's a policy across all departments. I just wanted to clarify that.

In item 5.16 of your report, in chapter 5, you talked about the fact that after the departments had done their research, it was supposed to be available to the public. Mr. Kinsella mentioned about it being filed in the National Library, and your comment was that 14% of customer surveys were not made public. Was that because the departments had not provided the information for Communication Canada to then make public? Were you able to dig deeper to find out why the departments weren't releasing that? There's an unknown there. Why weren't the departments making it available for Communication Canada to make public?

● (1700)

Ms. Sheila Fraser: We looked at the role that Communication Canada played in ensuring that the policy was respected. The policy was that the research reports were to be made available publicly within three months of completion. We got the 14% from Communication Canada's own records, and we noted in the report in paragraphs 17 and 18 two instances. One was with the Department of Finance, where they indicated that they had received not written reports but rather verbal reports, so obviously there couldn't be a report released publicly. And there was another one in the Canada Information Office where they had received a research report but did not make it public. But we did not go on further to find out the reasons behind that. We were looking more at Communication Canada and whether they were trying to make an effort to get these things published or following up on them.

Hon. Walt Lastewka: Mr. Chair, my concern has been—and Mr. Kinsella mentioned this—that sometimes because of proprietary information or competitive information on suppliers, that's very sensitive, and perhaps that was the reason that 14% showed up. So I guess we'd have to know more about the details.

Thank you.

The Chair: Ms. Fraser, go ahead, please.

Ms. Sheila Fraser: I do not believe that it was because of that, since we saw evidence that showed Communication Canada was following up with departments and trying to get explanations, and they would not have gotten explanations if it was of that nature. We would have seen some evidence of that, but we didn't go ourselves to find out why the reports hadn't been released.

The Chair: Thank you, Mr. Lastewka.

Mr. Fitzpatrick, go ahead, please.

Mr. Brian Fitzpatrick (Prince Albert, CPC): I would like to refer to a document of yours dated May 30, 1994—"1994 Retail Debt Strategy". Are you familiar with that document? Could you read the very first sentence in that document?

Ms. Terrie O'Leary: "Just wanted to outline some suggestions from myself and the Minister regarding the proposal for our 1994 Retail Debt Strategy." And on page 5, I said "we would like you to add to the list so they have the opportunity to bid on work and they might offer a fresh dynamic to the campaign. In any event—"

Mr. Brian Fitzpatrick: That's not—

Ms. Terrie O'Leary: "—I would like to open up the process completely.... It should be noted that...AGM should feel free to add other firms to the list as well."

Mr. Brian Fitzpatrick: That's not what I asked. Madam O'Leary, please, let's stick to the questions I'm asking.

The Chair: Just a second, Mr. Fitzpatrick.

Let's get a little order around here.

That is a public document, I take it, that you're quoting from.

Ms. Terrie O'Leary: Yes, it is.

The Chair: So it's all in the public record. We don't need to read it all right now.

Mr. Fitzpatrick, go ahead, please.

Mr. Brian Fitzpatrick: The minister you're referring to is Paul Martin, the Minister of Finance?

Ms. Terrie O'Leary: Minister Martin, yes.

Mr. Brian Fitzpatrick: And in paragraph three, you also specifically asked that a company by the name of Ekos be added to the list of approved bidders.

Ms. Terrie O'Leary: Ekos, Insight Canada, Goldfarb Research, Environics.

Mr. Brian Fitzpatrick: But Ekos was one of them.

Ms. Terrie O'Leary: Absolutely.

Mr. Brian Fitzpatrick: And they eventually won that contract, did they not?

Ms. Terrie O'Leary: Yes, they did.

Mr. Brian Fitzpatrick: Okay.

Now I want to refer you to paragraph seven of that document as well, and I'd like you to read that, and just paragraph seven.

Ms. Terrie O'Leary: Paragraph seven:

We agree that it makes the most sense for the strategy to be developed by Gingko/Groupe Everest in collaboration with the market researchers, rather than another agency. In addition, Gingko/Groupe Everest should also serve as the project manager/co-ordinator for the public relations firms which are appointed.

● (1705)

Mr. Brian Fitzpatrick: Right.

You had stated at the every outset here.... And there's a bit of a conflict with Mr. Kinsella. Mr. Kinsella expressed concerns about Finance, and you yourself interfered in the process and phone calls and all sorts of things. And you said you had nothing to do with contracts between Finance and Public Works, if I heard that. What in the world do you think this memo's all about that I've just referred to, if that isn't a direct interference in the procurement process?

You're asking to have new companies added to a list when we've already got approved bidders, and one of them happens to get the contract, interestingly enough. Then we've got Groupe Everest in there where you're saying—the way I would interpret that—we should just approve Groupe Everest and their partner without even getting into a process. They should manage the whole operation. Do you not interpret that as some sort of attempt to lobby for contracts?

Ms. Terrie O'Leary: Of course not, sir. And actually if you had read the documentation and knew the history on this file, the whole dispute that we and Finance had with Public Works started off because we were dissatisfied with the work that Ginkgo/Groupe Everest were doing on the Canada savings bond campaign. The fight with Public Works was over a year-and-a-half battle to have a competitive open bidding process because we were dissatisfied—

Mr. Brian Fitzpatrick: But you sure wanted them that year, didn't you?

Ms. Terrie O'Leary: No, we did not.

If you look at the date of the memo, you'll see it was May 30, 1994. They had just won a competitive process that was organized by Public Works. It was after the department had worked with them that they came and sought the support from the minister and the minister's office to have another competition to reopen the bid for Canada savings bonds, because we were very dissatisfied with the work being done by the existing firm. This was May 30, 1994.

If you read the totality of the memo, five pages, there is absolutely no doubt that you would discern from that.... And this memo was sent to the Department of Finance, not to the Department of Public Works. I had nothing to do with officials in Public Works. This memo argues for a full competitive process—add anybody you want to the list, make sure the list is as fulsome as possible, and let anybody who wants to—

Mr. Brian Fitzpatrick: This is a question for Mr. Herle. This is debate.

Mr. Herle, is it not true that the firm you're involved with, Earncliffe, got subcontracting work from Ekos, the firm that received this contract? Yes or no?

Mr. David Herle: No.

Mr. Brian Fitzpatrick: No?

Mr. David Herle: No, we were not a subcontractor. We were part of the original consortium. We were part of the proposal—Ekos, us, and several other advisers, experts on retail debt strategies and on selling investment and savings products.

Mr. Brian Fitzpatrick: Yes or no, did Earncliffe receive any economic benefit from Ekos out of this contract?

Mr. David Herle: We were part of the proposal.

Mr. Brian Fitzpatrick: Economic benefit. Earncliffe benefited economically from this proposal, right?

Mr. David Herle: That's a strangely worded question. We were part of the winning consortium.

Mr. Brian Fitzpatrick: Did Earncliffe receive any money from Ekos—payment?

Mr. David Herle: In the sense that we did work on the Canada savings bond program, yes, we received money for that work.

• (1710)

The Chair: This is your last question, Mr. Fitzpatrick.

Mr. Brian Fitzpatrick: Mr. Herle, it looks to me like your company, Earncliffe, was heavily involved in getting these polling and communications contracts—a fair share of them—and indirectly involved with other partnerships through which there were a lot of

contracts awarded to your company. There are a lot of concerns from other people about the process of it, even some suggestions that some of these things looked like they might even have been wired. On top of it all, I find out that you were the campaign co-chair for Mr. Martin's successful leadership campaign, and you're also the campaign chair for the—

The Chair: Question.

Mr. Brian Fitzpatrick: To me, this looks like one giant conflict of interest, sir. It looks like a huge conflict of interest in every way you want to slice it up.

How can you spin this as not being a conflict of interest?

The Chair: Very well, we'll ask Mr. Herle to give us the answer to that.

Mr. David Herle: I'm quite happy to give the answer, because the fact is, Mr. Fitzpatrick, you might find out that politics isn't always as it seems. For instance, in regard to the Ginkgo/Groupe Everest referred to, the owner of Ginkgo at the time, Perry Miele, is now doing your party's advertising in the election campaign, so that's a Conservative firm—

Mr. Brian Fitzpatrick: How about Groupe Everest?

Mr. David Herle: And you might be interested to know that the senior partner in my research and communications division and the person who was the lead for us on the Canada savings bond project was Bruce Anderson, who was the official pollster for the Progressive Conservative Party in the 1997 election and was the official pollster for the attempt to merge the parties in that odd period back in 2000-2001.

So this is not a question of money going to Liberals. This is a question of Earncliffe being a firm that was highly capable in a number of different areas, that did work that was well respected both in the private sector and in public work, and that happened to have individuals who were active in different political parties in their spare time.

The Chair: Okay, thank you very much, Mr. Fitzpatrick.

Mr. Holland, please, five minutes.

Mr. Mark Holland (Ajax—Pickering, Lib.): Thank you, Mr. Chair.

I have a lot of questions, so I've asked to go twice.

I'm going to start with a very quick preamble. What we've heard, I think, is that we had a process prior to 1993 where essentially there was sole-sourcing, a tremendous amount of money was spent on advertising, and there were a lot of questions. In the period following 1993, there was a period of reform. Although some of the people involved, such as Mr. Guité, were still at the table, the reform did take place such that by the time the Auditor General did her report on this chapter, she had found that, in large part, this area of government was being conducted in a satisfactory manner that was transparent.

As we look at this, and we see that this is the case, and that all the polling data done at that period of time was public—one can take a look at it quite readily, and easily see what was done—we can say, well, why are we going back to this chapter?

I think it's important to say, as a preamble, that currently this committee has an enormous number of chapters, and I refer to the Auditor General on this, that are not being dealt with. This committee, in this process, in its pursuing of a chapter that essentially had previously been dealt with—

The Chair: I'm sorry to interrupt there, Mr. Holland, but as you know, the committee decided to investigate this chapter.

Mr. Mark Holland: I don't deny that, but it's important—

The Chair: You know, we're here to discuss with the witnesses, not discuss the decision of the committee. The committee decided they would look at chapter 5 of the November 2003 report.

Mr. Mark Holland: Mr. Chairman, I don't deny the committee's right and ability, if they so choose, to go down any track they wish. Absolutely. And instead of trying to find out information, they try to make points. This is why we're in a partisan circus right now, and why, in my opinion, when we're dealing with this particular matter, we're calling in witnesses to try to create some kind of...or to relive a rivalry that existed.

I think we're seeing it quite readily in front of us here today. I think the opposition can delight in the fact that they're trying to bring adversaries to thrash it out with one another, and to abuse the power of this committee to try to do that. I have some serious problems with that.

The Chair: Mr. Holland, we're not going to go down this road of abusing the committee and all that stuff. You're part of this committee. The committee made a decision to bring these people here today, and they are here today. Now, we don't need this harangue to the committee. You can ask your questions to the witnesses or I'll move on.

Mr. Mark Holland: I'm going to start, if I may, with Madam O'Leary.

A document had been tabled previously with this committee from the ethics commissioner, I guess as a pre-emptive move that you had done, to establish that you didn't have a conflict with respect to these matters. I don't know if you have that document. I searched for it, but I don't have it in front of me today. I think it's important to underscore the point that during this period of time, you sought clarification from the ethics commissioner to reinforce the fact that you were not involved in contracting. Is that true?

Ms. Terrie O'Leary: Yes, it is. Anybody who has known Mr. Martin for a long time knows that he has always believed that the best way to deal with issues of conflict of interest or perceived conflict is full transparency and full accountability. He was the first member of Parliament to go before a joint committee of the House and Senate and table a complete, transparent disclosure of his own personal assets.

When I came in and was asked to be his executive assistant in the Department of Finance, I had a longstanding relationship with Mr. Hurlle. I had a longstanding friendship with Mr. Martin. I was not involved in any way with the contracting that the Department of Finance did with any suppliers.

As many of you may know, the Department of Finance had an existing contract with Earncliffe before we came into office in

November 1993. They continued with that contract and sought to competitively compete that contract.

Nonetheless, in December 1995 I went to the ethics counsellor and asked for advice on how to handle any continuing allegations, especially that were continuing to be made by one noted adversary of mine—who sits right here—and I received some advice from the ethics counsellor—

The Chair: Madam O'Leary, let me interrupt you.

When you pointed, you were referring to Mr. Kinsella, right?

• (1715)

Ms. Terrie O'Leary: I meant to slide my hand just a bit—

The Chair: For the record, you were referring to Mr. Kinsella.

Ms. Terrie O'Leary: Yes, I was referring to Mr. Kinsella.

The Chair: Thank you.

Ms. Terrie O'Leary: The ethics counsellor, Mr. Wilson at the time, wrote me a letter that said:

Dear Ms. O'Leary:

I am attaching, as promised, a draft letter from you to the deputy, with a copy to Peter Daniel, concerning the competition that Finance has under way for the provision of communications advice.

As we have discussed, you were not involved last year in the contract negotiations with Earncliffe, but we agreed that it would be best to put this in writing for this next tender.

Finally, there is of course no difficulty for you to deal with the firm on an ongoing basis should they win the competition.

As well, there is an accompanying letter that I put on file with Mr. Dodge that day, which said:

Dear Mr. Dodge:

I was not involved last year, as you know, in the department's decision to contract with the Earncliffe Strategy Group for communications advice. I have of course consulted closely with them in their work under the contract.

With a new competition under way, I thought I would put in writing my continued desire not to be involved with the selection process in any way. I would therefore ask that any information on the competition not be provided to me, even for information, until such time as the department has come to a decision.

Mr. Mark Holland: I'm going to come back, because I do have a lot of questions.

Quickly, Mr. Kinsella, I didn't get the benefit, as Mr. MacKay did or the opposition did, of getting some of the things you had written in the past. I am wondering, does the documentation you submitted contain anything beyond the things you have yourself written? In other words, is there supporting documentation to corroborate this? And if there is, is it contained in that, or can you present it? So far, what I've seen are things that are written by yourself.

Mr. Warren Kinsella: Yes. There is in the binders, sir, a memorandum, which I principally authored, which was sent to the minister. All the other documents within it are written by public servants in the Departments of Finance, Treasury Board, and Public Works.

Mr. Mark Holland: I'm going to try to come back to this, but the concern I have is in the statement you made in the opening, in which you said, "while I am not enthusiastic about Prime Minister Martin". That's an incredible understatement, probably one of the largest understatements I've ever heard. You are a stated adversary, you've fought alongside.... And what I think we're hearing right now, and I'll get a chance to question this later, because I have very limited time now, is—

The Chair: It's your last minute.

Mr. Mark Holland: Yes. I need the time to come back to this. I have a lot of concerns with the adversarial nature and relationship that exists between the two of them in letters and what not being presented in the context of that adversarial relationship. I will come back to this when I have more time.

The Chair: Thank you very much.

[Translation]

Mr. Sauvageau, you have five minutes.

Mr. Benoît Sauvageau: I will put my first question to Mr. Herle. As I understood you, Mr. Herle, in your response to Mr. Christopherson, you answered that Canadians were certainly getting their money's worth and that all the documents on the work you have done were available and could be consulted.

Am I correct in my understanding of your answer to Mr. Christopherson? I would like a short answer, please.

[English]

Mr. David Herle: Yes.

[Translation]

Mr. Benoît Sauvageau: I see. You were speaking under oath.

[English]

Mr. David Herle: Yes, it was accurate.

[Translation]

Mr. Benoît Sauvageau: My second question is for Ms. Fraser, the Auditor General. Before, I would like to read a short excerpt from a document from a spokesperson from the Department of Defence at the time. I will read it in English.

[English]

"There were five projects with no reports. Among them were the two focus groups."

[Translation]

Ms. Fraser, in chapter 5, paragraph 5.17, you say :

Communication Canada explained to us that it had been unable to release the results of a few research projects for the Department of Finance Canada because, according to the Department, it had received only verbal reports and had no written reports on these projects.

Is it true that these reports were verbal and that there were no written reports? It would be hard for the people of Canada to consult verbal reports.

Ms. Sheila Fraser: During the period covered by our audit, there were eight research projects in which Earncliffe was involved. Only three of these projects were the subject of written reports. For the five others, there were verbal reports.

Mr. Benoît Sauvageau: I do not have any further questions for you, Mr. Herle.

Mr. Kinsella, in response to one of my questions, you said that in your view the Prime Minister was aware that the department was not following the contracting rules.

Can you be more specific: Were you referring to one contract in particular, to certain contracts or to contracts in general?

[English]

Mr. Warren Kinsella: There was one associated with Earncliffe where Mr. Martin was attempting to reach me at my home and was leaving messages through the Prime Minister's Office switchboard, I think—I urge you to check that—demanding to speak with me.

It was suggested to me by the Prime Minister's Office that I do not get into assistant-to-minister communications, as that was probably not in my best interest nor theirs, so I did not return his calls, which I think made him madder.

But yes, he was calling about the fact that I had communicated to Ms. O'Leary that a particular contract would be stopped, as a consequence of a directive we received from the Prime Minister's Office, until certain questions had been answered.

• (1720)

The Chair: You said "the Prime Minister's Office". Are you talking about Jean Chrétien the Prime Minister or Paul Martin the Prime Minister?

Mr. Warren Kinsella: He was Minister of Finance at the time, ten years ago, and he.... Ministers usually—

The Chair: Okay, I just wanted to clarify who you were talking about.

Mr. Warren Kinsella: I'm not sure about that. My wife and I played the messages over again. We remember receiving phone calls.

[Translation]

Mr. Benoît Sauvageau: Let's talk about Groupe Everest and Claude Boulay now.

The Liberals were elected for the first time in October 1993. Mr. Martin was appointed minister in November 1993. On January 5, 1994 he received a letter from Claude Boulay offering the services of Groupe Everest. This letter was stamped in the office of the minister on February 8, 1994. The dates are important. So, Groupe Everest is offering its services to the Department of Finance.

On February 18, when he supposedly hardly knows him, the Prime Minister in his letter of response starts off with "Dear Claude". He thanks him, and says that he will be sending Mr. Boulay's letter to his regional office.

On February 8, the Department of Finance opens the envelope and on February 18, the Minister responds.

But on February 11, there is a hotline advertising campaign proposed by the Department of Finance, and I quote:

[English]

"The department wishes to enter into a sole-source contract with Everest Communication to run its...."

[Translation]

The proposed budget at the time is assessed at \$400,000.

Do you have some recollection of this episode, where friends were very quickly discovered in Groupe Everest with “Dear Claude”, and a sole source contract of \$400,000 was proposed for the hotline advertising campaign in the 1994 federal budget?

[English]

Hon. Walt Lastewka: Could you tell me what section of chapter 5 he's referring to? I lost it. I'm sorry, I missed a little bit.

The Chair: I think he was talking about the research polling.

Am I correct in that, Mr. Sauvageau?

[Translation]

Mr. Benoît Sauvageau: Yes.

[English]

The Chair: As I said, all the parties here today have been going over everything from about 1990-1993 onward. Nobody has constrained themselves to the period of the Auditor General's report, and we've never done that in any other investigation. As long as you focus on the issue at hand, I feel that the issue and questions are appropriate. The chair has always allowed a fair amount of latitude, although I said at the beginning that relevance is always an issue.

Mr. David Herle: On a point of privilege, Mr. Chairman, what is the issue at hand?

The Chair: The issue at hand, Mr. Herle, is chapter 5 of the Auditor General's—

Mr. David Herle: These questions have nothing to do with chapter 5 of the Auditor General's report.

The Chair: Excuse me. You asked me a question, and you'll wait for the response. Just have a little respect around here.

Mr. David Herle: I'm having as much respect as I'm being given, I think.

The Chair: Just one moment. He asked a question.

The chapter is chapter 5 of the Auditor General's report, which is dealing with public opinion research. I presume everybody has read the chapter. It's a fairly short chapter and the Auditor General has commented on it in her opening statement here. From there, the public opinion research, as I mentioned here, about issues regarding the Department of Finance and other departments, and the propriety and the following of the rules of public opinion research...

These questions by the committee, as I said, are fairly free-wheeling today. Nonetheless, as I mentioned a week or so ago, the Parliament of Canada can inquire into anything it so desires. If you feel that you can't answer the question because you don't have the answer, you can say so.

I have always said to the members, remember that relevance is an issue. But advertising, contracts, public opinion research contracts by the same people for much and such the same subjects seem to be much and such within the same issue that we are debating here today.

I'm going to allow Monsieur Sauvageau to.... Well, his time is actually expired now, but I think he had a question on the floor to Mr. Herle. Also, Mr. Lastewka had a point.

•(1725)

Hon. Walt Lastewka: I didn't want to get into a big contest. I just asked a simple question. I asked Mr. Sauvageau to tell me which section in chapter 5 he is referring to so I could follow it.

The Chair: That's fine. He can answer that question if he wants, Mr. Lastewka, but I do recall that you were also asking questions about 1994 issues to Mr. Kinsella, I believe it was. As I say, no party here has confined itself strictly to the—

Hon. Walt Lastewka: I take objection to that.

The Chair: You can read the record.

Hon. Walt Lastewka: All my questions were attached to public opinion research.

The Chair: Yes, okay.

Mr. Murphy.

Mr. David Herle: Mr. Chairman, I have just one more point.

The Chair: No, no. I'm going to hear from Mr. Murphy next.

Hon. Shawn Murphy: I'm going to contradict Mr. Lastewka. I've been following here for two hours, Mr. Chairman, and despite what Mr. Lastewka said, the only two questions that in any way relate to chapter 5 of the Auditor General's report are the two questions I asked of the Auditor General about her comment about the report and whether or not there is any follow-up.

Mr. Chairman, I'd like the record to reflect that there have been no other questions asked about chapter 5.

The Chair: Mr. Herle, you wanted to say something.

Mr. David Herle: I'm sorry, Mr. Chairman. I did not mean to inflame you.

The Chair: As I say, when I'm speaking, you listen, okay?

Mr. David Herle: I understand that, and I will respect that.

The reason I asked my question about what is at issue is that I think it's pretty obvious to everybody here that there are very strong political motivations behind the questions that are being asked. If there is no objective in the committee's mind about what they are examining, it's very difficult for us, as witnesses, to comport ourselves. For example, Mr. Sauvageau asked me a question. I now realize I should have gone on in much greater detail in answer to his question because he has manipulated his questioning in such a way that it is going to lead to an incorrect conclusion, perhaps, on the part of the committee.

I'm just saying it would be helpful to have some understanding of the nature of this investigation.

The Chair: We always have a chapter of the Auditor General's report before us. I know that in all the investigations I've chaired, it forms the core of the investigation. We do go around the edges and we can move into other areas. Therefore, this particular issue is no different from that.

Mr. Murphy is right, I believe, in saying that the core of the hearing has been ignored, largely. Therefore, as Mr. Murphy also pointed out, the clerk and I, as the chair, had no real input into the witnesses who appear before this committee today. There are reasons for that, if you want to go back to check the record.

This particular meeting has taken on a different flavour from most. I would like to get back to a normal investigation. As I said, sometimes this place gets seized by politics, and this is where we do politics. We make no apologies for doing politics here and being a political place. That is the nature of it. One has to live with that. As I said at a previous meeting, it's better to jaw-jaw than war-war, quoting Winston Churchill. We do a lot of jawing around here. Members and witnesses just have to go along with that.

Mr. Sauvageau, repeat your question briefly, as your time has expired.

[*Translation*]

Mr. Benoît Sauvageau: By Jove! It was a simple enough question.

Mr. Kinsella, do you remember a contract of a value of \$400,000 for Everest Communications described in the following manner:

[*English*]

“The department wishes to enter into a sole-source contract with Everest Communications...”

[*Translation*]

We are talking here about Claude Boulay's firm. There was a response in which it was noted that an amount between \$400,000 and \$500,000 was quite unreasonable. The amount of the contract was brought down to \$30,000 by the Department of Finance. Does this contract ring a bell?

[*English*]

Mr. Warren Kinsella: Yes, it rings a bell, because you're not supposed to do sole-sourced contracts for nearly half a million dollars. We objected to that. It abruptly and mysteriously dropped significantly to the level where you were allowed to do a sole-source contract. In fact, I supplied those documents to the Gomery commission and asked them to ask me about them, because it was the type of thing we objected to and we had concerns about. With some reluctance, Mr. Finkelstein questioned me on that.

• (1730)

[*Translation*]

The Chair: Thank you, Mr. Sauvageau.

[*English*]

Mr. Murphy, please, five minutes.

Hon. Shawn Murphy: Thank you, Mr. Chairman.

I want to go back to Mr. Cutler. There was an issue there that you did raise, and I want to follow up on it. I think you probably hit the nail on the head as to the origins not of this problem, but perhaps of the sponsorship problem. In 1994, after they fired the Conservative appointees, you say they merged the two functions in advertising—the selection of the advertising agency and the negotiation of the

contract—and that led to all kinds of problems. Is that your evidence?

Mr. Allan Cutler: The selection, the contract itself, and in 1995 the added payment as well.

Hon. Shawn Murphy: And is it your evidence that this led to all kinds of problems?

Mr. Allan Cutler: The normal checks and balances that exist within the government had disappeared. I believe that led to the problem, yes.

Hon. Shawn Murphy: I'm off topic here, and I'll admit it.

We didn't have the normal checks and balances that you usually see under the Financial Administration Act and Treasury Board guidelines, and the rest is history.

Mr. Allan Cutler: I agree with you.

Hon. Shawn Murphy: Mr. Cutler, I want to thank you very much for your testimony, not only today but before, and for the work you've done for this committee.

You spent your whole career with Public Works, I believe. It's a very large department. I believe they have approximately 14,000 people and do billions of dollars worth of contracts every year.

From your experience, is this the norm you see in your dealing with Public Works?

Mr. Allan Cutler: No. As I believe I testified the last time I was here, I have worked in my career with a very large number of highly ethical people. This was an anomaly and does not represent the standard of the work done by people in my department in any way, shape, or form, and I would not want their reputation slurred by what went on.

Hon. Shawn Murphy: This was basically a very small group of people?

Mr. Allan Cutler: A very small group.

Hon. Shawn Murphy: And once the normal checks and balances were eliminated, the problems started immediately?

Mr. Allan Cutler: Immediately.

Hon. Shawn Murphy: And then escalated?

Mr. Allan Cutler: And continued to escalate, yes.

Hon. Shawn Murphy: You've never seen anything like this before in Public Works. Have you seen any problems that would be in any way similar?

Mr. Allan Cutler: Everybody in Public Works has come across situations where mistakes have been made—we're not perfect, we're human and we make mistakes—but they're one-offs, and when mistakes are made, there are corrective procedures. Normal corrective procedures are generally followed. When documentation is there, an auditor can pick up the file, pick up the situation, and find out what happened, why it happened, and how we fix the problem. But that's different from a problem that becomes systemic, and this became systemic.

Hon. Shawn Murphy: Mr. Cutler, just go back a year before that, when we had the Advertising Management Group with the Conservative appointees. Was Mr. Bob Byron the chair of this group?

Mr. Allan Cutler: I believe he was, yes.

Hon. Shawn Murphy: And he would be a Conservative appointee?

Mr. Allan Cutler: Yes.

Hon. Shawn Murphy: Do the names Dominic Lasalle, Ross Monk, and Jacques Charbonneau sound familiar?

Mr. Allan Cutler: No, their names don't sound familiar to me.

Hon. Shawn Murphy: Did Mr. Guité work within the Advertising Management Group?

Mr. Allan Cutler: Yes.

Hon. Shawn Murphy: It's my understanding that although they might have had a dotted-line administrative function to the Department of Supply and Services, they reported to Senator Lowell Murray.

Mr. Allan Cutler: Yes, I believe that's right.

Hon. Shawn Murphy: But that was all stopped in 1994, or 1993?

Mr. Allan Cutler: You'd have to ask them. I really had very little to do with it. You're talking about my working knowledge rather than my knowledge of the change in the situation.

Hon. Shawn Murphy: Mr. Daniel, we've heard a lot of innuendo, and I want to go back to you again. I want to ask you what your position is now with the government.

Mr. Peter Daniel: I'm not in the Government of Canada. I left the government two years ago; I'm in the private sector.

• (1735)

Hon. Shawn Murphy: Were you out of the country with the government?

Mr. Peter Daniel: I was out of the country on an assignment. I worked for NATO, in Brussels at headquarters. I was the director of information and press, and latterly the chief of staff to the Secretary General of NATO.

Hon. Shawn Murphy: When you left Finance, what position did you have?

Mr. Peter Daniel: When I left Finance in 1997, I was assistant deputy minister of communications and consultations in the department.

Hon. Shawn Murphy: With respect to the allegations made this afternoon, is it your evidence—you can elaborate if you wish—that all Treasury Board guidelines and all provisions of the Financial Administration Act were followed insofar as these contracts were concerned?

Mr. Peter Daniel: We went to the Department of Public Works, who ran the processes at the time—I think that's been well established—both for the public opinion research and for the advertising contracts. We were in the hands of Public Works as to what we could or could not do.

We put forward our request. We put forward our statement of work. The rest of the process was operated by the Department of Public Works, and I was in their hands with respect to panels. I sat on some panels, as I said, and with respect to adjudication at the end of the process, we took part in that process as one of the participants,

which included private sector representatives who you could say were neutral parties in this process.

There were six panel members: two, two, and two.

The Chair: Thank you, Mr. Murphy.

Mr. MacKay, please. You'll have five minutes.

Mr. Peter MacKay: Thank you, Mr. Chair.

Ms. O'Leary, you gave testimony here at the beginning that said you at no time personally intervened in any of the contracting processes while you were working at the Department of Finance. We've seen a number of memos tabled, including correspondence from Mr. Kinsella, that directly contradicts that. He speaks in one letter to you about breach of guidelines, competition, flawed work, political connections. He speaks at one point of a rigging of a process that had to do with their research in Industry Canada.

I want to ask you a very direct question. Mr. Guité testified before this committee that contracts at the Department of Finance were awarded to certain companies because—and I'm quoting here—"that is the way Paul wanted it done" or "Paul would prefer".

Paul would mean Mr. Martin in that respect, would it not?

Ms. Terrie O'Leary: I don't know. Mr. Guité made that point, not me.

Mr. Peter MacKay: Okay. The individual who was the Minister of Finance at that time was Paul Martin?

Ms. Terrie O'Leary: Yes.

Mr. Peter MacKay: Okay. Now—

Ms. Terrie O'Leary: But I think you asked me a question, did you not?

Mr. Peter MacKay: Yes, I did. I asked you if in fact you—

Ms. Terrie O'Leary: I remember the question. Do you want me to answer it?

Mr. Peter MacKay: —had any involvement whatsoever with contracting that came through the Department of Finance and was then requested of the Department of Public Works.

Ms. Terrie O'Leary: As you well know from many pieces of testimony given here, the Department of Finance and the Department of Public Works had a very difficult set of circumstances to work in.

It's interesting that Mr. Sauvageau referred to Mr. Boulay in the 1994 campaign. Mr. Boulay was very upset that we were going to full and open competitions for the Canada savings bonds campaign we had there.

Mr. Guité fought very assiduously with the department against opening it up to full and open competitions. As a result, in almost everything we tried to do at Finance we ended up in a very aggressive and very argumentative and disagreeable relationship with Public Works. That is the—

Mr. Peter MacKay: Can I interrupt you for just a minute, then? If that was the case, if clearly there was tension that was brewing for years between the Department of Finance and Public Works, isn't it unusual that the minister himself would not be aware and would not address the concerns Mr. Kinsella had expressed to you explicitly in a letter?

Are you telling us that Mr. Martin at no time was made aware of the inquiry and the concerns raised by Mr. Kinsella to you in a letter? Did you never have a discussion with Mr. Martin about that?

Ms. Terrie O'Leary: Yes, I did, but you have to understand that Mr. Kinsella is allowed to have his views, and he held those views for a very long time, his personal beliefs about Mr. Martin that had nothing to do with the business of government.

Mr. Peter MacKay: No, this doesn't have to do with personal beliefs.

Ms. Terrie O'Leary: Of course it does.

The Chair: Mr. MacKay, you have to let....

Ms. O'Leary, you can finish your answer.

Ms. Terrie O'Leary: I was just saying Mr. Kinsella held those personal beliefs about Mr. Martin for a long time. But at this point in time he was the Minister of Finance; he was a member of a cabinet. He had his cabinet colleagues he could talk to and the Prime Minister to talk to.

It is irrelevant what our personal relationship was—

Mr. Peter MacKay: No, I'm not asking you about personal relations, though.

Ms. Terrie O'Leary: We had differences of opinion about—
• (1740)

Mr. Peter MacKay: I'm asking you about specific concerns about contracting practices raised by Mr. Kinsella in a letter. Inappropriate contracting is what he is alluding to.

Ms. Terrie O'Leary: As you well know from the record, Mr. Dodge as well has gone on the record with concerns he had with Mr. Guité over contracting processes the department found very difficult to manage with Mr. Guité over that period of time.

But any discussions or concerns that Public Works had over contracting were directed to the departmental officials—the deputy minister at the time, the assistant deputy minister at the time.

I supported the department's continual fight for an open and competitive process for advertising and public opinion research. It took almost six months after the Treasury Board guidelines were passed in April of 1994 to get an open and competitive process at the Department of Finance. That's what we wanted, that's what Minister Martin demanded, and that's what every supplier who was supplying services to the Department of Finance had to go through: a full, open, competitive process.

Mr. Peter MacKay: I have a question to Mr. Kinsella.

Mr. Kinsella, with the testimony you gave today you tabled a written statement. You edited that document prior to giving your testimony here, correct?

Mr. Warren Kinsella: Yes.

Mr. Peter MacKay: In fact, in the original version you stated—and I'm quoting from this document:

In October 1995, the Prime Minister's director of operations contacted Mr. Dingwall and I to indicate that there was growing concern about the relationship between Finance and Earnscliffe. That concern was the new Cabinet guidelines were not being followed, and more seriously, that the government contracts were being used to cross-subsidize Liberal Party leadership campaign activity.

You also in this document express concern about the close personal relationship between Ms. O'Leary and Mr. Herle, and you said there were in fact complaints made to the ethics counsellor. Is that correct?

Mr. Warren Kinsella: I wasn't present at the meeting, but my understanding....

The concern we had was twofold. Firstly, the contracts were going to Earnscliffe from Finance in an inappropriate way. Just getting back to Mr. Daniel's original point, an example of that is a letter from Mr. Dodge—this May 19, 1995, letter—where they admit to raising people's political affiliations in a competition. You're just not allowed to do that; it's inappropriate.

That's why we cancelled the competition. It had nothing to do with Mr. Guité. This was between deputy ministers. But yes, there was a problem that was going on.

Then it was learned by me and others that a relationship existed, and that's terrific; it's wonderful. But had the fact of that relationship been disclosed to the ethics counsellor? I would assume that was pertinent. My understanding was that it had not.

The Chair: Is that letter you referred to, Mr. Kinsella, in the public domain?

Mr. Warren Kinsella: Yes, sir. I don't know how you identify documents, but one of your clerks provided it to me. It's the May 19, 1995, document.

The Chair: Okay, May 19, 1995, from...?

Mr. Warren Kinsella: It's from Dodge to.... It's my writing there.

The Chair: To Ran Quail?

Mr. Warren Kinsella: Yes.

The Chair: That's fine.

Mr. Warren Kinsella: If you look at paragraph 3 on page 2—

The Chair: We have that on the record. Thank you very much.

Thank you, Mr. MacKay.

Mr. Holland, please; you have five minutes.

Mr. Mark Holland: Thank you.

Mr. Peter Daniel: Mr. Chairman?

The Chair: Just a second.

Mr. Daniel.

• (1745)

Mr. Peter Daniel: Mr. Chairman, I have to be excused.

The Chair: Okay, we'll take a five-minute recess.

• (1745)

_____ (Pause) _____

• (1750)

The Chair: We are resuming the hearing. We're now back in session.

Mr. Holland, you're next. You have five minutes, please.

Mr. Mark Holland: Thank you, Mr. Chair.

I'm going to start with something that really confuses me. I check my e-mails regularly. I make sure I stay briefed of all matters coming before this committee. In doing my due diligence in that regard, I never came across an original, unedited statement from Mr. Kinsella that's being referenced by Mr. MacKay. I don't know how that came to his hands.

I also know there are letters dated from July 24, 1995, that were from Mr. Kinsella that I wasn't privy to. I'm just wondering if there was a separate circulation list.

The Chair: Let me just interrupt here.

Mr. Kinsella read the statement, and if you had read it along with him, you would have noticed he made some editorial changes along the way. He had a written statement that was not read into the record exactly as it was written, and that's the only statement there is from Mr. Kinsella.

Mr. Mark Holland: Again, there are letters from July 24, 1995, that were referenced. Actually, he even had a copy to circulate to members of the committee. I don't know how he got hold of that. I certainly wouldn't mind getting some of the same information as—

The Chair: There is a thing called access to information, Mr. Holland, and I presume that's where they got it. I asked for all these documents at the beginning, as you are aware. They were given to us in both official languages so that all members could apprise themselves of—

Mr. Mark Holland: As you recall, Mr. Chair—and perhaps I'll ask Mr. Kinsella—this document wasn't circulated. The letter dated July 24, 1995, was not circulated to this committee in advance. In fact, there was some confusion as to whether or not it would be made available in both official languages.

To Mr. Kinsella, are you aware of this document and how it got to some committee members and not other committee members?

Mr. Warren Kinsella: That document, sir, has been in possession of the House of Commons for some months. I think it was in the media as well.

Mr. Mark Holland: I'm not aware of that.

Mr. Warren Kinsella: It was the subject of much commentary in the House of Commons, as I recall.

Mr. Mark Holland: I want to go to Mr. Cutler, if I could.

Mr. Cutler, you had said that a purging occurred and that all the Conservative appointments who oversaw the process were removed. But it's also true that Mr. Guité was then essentially the person who came to head up all of this and was somebody who had been there previously under the Conservative administration.

First of all, is this statement true—which I'm presuming it is—and if so, what was the reason for purging some people but keeping Mr. Guité to head up that division?

Mr. Allan Cutler: The answer is, I don't know the reason. I was sitting in the contracting end and had nothing to do with the political decisions made by my department as to any purging or any reorganization

• (1755)

Mr. Mark Holland: Okay.

To Ms. O'Leary, then, as you've described the process, I guess your assertion is that you were trying to open up the process by adding potential bidders to the process. From the perspective you're describing, what was the nature of Mr. Kinsella's opposition at that point in time to having this process opened up?

Ms. Terrie O'Leary: First off, I hope you don't mind, but I want to state that the five years I worked in the Department of Finance were some of the most rewarding years of my life, working with some dedicated and professional civil servants. On my behalf, I'd like to offer an apology to Mr. Daniel and Mr. Cutler and the Auditor General for my being any part of them having to sit here at this table in a game of partisan payback. I apologize to them for that.

With regard to your question, sir, my understanding of what was happening was that in previous years there was a predetermined list of recommended bidders developed by Public Works. If you were not on that bidding list, you couldn't get on that bidding list. So there were "competitive processes" for the five firms they would choose to bid on a project, and there were lots of people in the advertising community, within the department, and within different areas who were saying, "How do you get to be on this predetermined list of bidders? Why can't everybody who thinks they can compete for the work, do the work?"

We were very supportive of opening it up. We had a very staid Canada savings bond program. This was at a very important time in the country's future in working on the 1995 budget, and we were actually looking for an exciting way to get Canadians to help us in eliminating the deficit by buying more retail debt instruments. We needed firms that were going to be creative and aggressive and provide some ingenuity to it. We wanted everybody who had an idea to be able to compete—large, small, rural, and urban.

What was happening was that there was this predetermined list that Public Works had, and people didn't understand why they couldn't get on the list and couldn't just be bidders. That's what we were fighting for. I don't know why that wasn't done, but that was the standard practice.

I was advocating for asking my Department of Finance, because I had no involvement or no contacts at all with anybody in Public Works, at the minister's office, or any place else, about contracting per se. I supported the Department of Finance in their efforts to open up the bidding process and to get contracts going that they already had agreement for, but which were being stalled for various reasons. But that's the issue I was trying to get at: why can't anybody who wants to bid for Government of Canada work be allowed to put a bid forward? That was not the case under Mr. Guité, and that was not the case in Public Works at the time.

The Chair: You have 30 seconds.

Mr. Mark Holland: I had a number of other questions, but I only have 30 seconds.

I guess the last question to you is that much has been made about the adversarial relationship that I guess exists. What was the nature of your relationship with Mr. Kinsella going back prior even to 1993? Is this something that just arose after 1993? When did it start to emerge?

The Chair: That's a long way from advertising, but answer the question.

Ms. Terrie O'Leary: To be honest with you, we barely know each other.

The Chair: Thank you very much.

Mr. Christopherson.

Mr. David Christopherson: Thank you very much, Mr. Chairman.

Obviously, Paul Martin was your boss. Was he also a friend?

Ms. Terrie O'Leary: After working for him many years, yes, he has become a friend.

Mr. David Christopherson: Would you consider him to be a friend of you and your partner, Mr. Herle?

Ms. Terrie O'Leary: Actually, Mr. Herle has known Mr. Martin longer than I have. I've known Mr. Herle for 25 years. Mr. Herle and I have been partners—I don't know what you call it now, life partners, or whatever—since 1989. So Mr. Kinsella's assertion that he didn't know that we were a couple seems rather strange. We weren't in the same social circles, but anybody who knew us knew that we were a couple and that we'd known each other for a long time.

Mr. David Christopherson: Have you ever been to Mr. Martin's house?

Ms. Terrie O'Leary: Yes.

Mr. David Christopherson: Did you ever vacation with him?

Ms. Terrie O'Leary: No.

Mr. David Christopherson: Did you ever socialize with him outside of his home?

Ms. Terrie O'Leary: Yes, often.

The Chair: Mr. Christopherson, does this have to do with a conflict of interest in polling? You're going off on a tangent.

Mr. David Christopherson: I was trying to get back to the issue of whether or not there is reason for the discussion around conflict of interest, and I'm getting at the relevant relationship, Mr. Chairman.

I'd like to ask a little more about your particular role. There's a concern here because you were the chief of staff to the Minister of Finance, questions have arisen about the relationship between Finance and Earncliffe, your partner became a principal of that firm, and you're all friends. These are just the facts as they are.

You've gone out of your way to try to draw a line between your duties and your role in issuing contracts that Mr. Herle would benefit from. Of course, if he benefited from the contracts, and if you're living together, you're going to benefit too.

•(1800)

Ms. Terrie O'Leary: We were not living together at the time.

Mr. David Christopherson: You have worked at trying to separate the two and have said you had nothing to do with it. But I want to come back to this document dated May 30, 1994. I've been a provincial cabinet minister, so I understand the great lengths that senior staff go to in saying who they're speaking on behalf of—the minister, themselves, the office, or the ministry. In this case, I notice

that you very frequently use the word “I” or “we” or “the minister and I”. In this same document, you're making the case that you want Finance to be on this particular panel, where it's going to be making some decisions. In point three, right on the cover page, it says “I”. I'm going to read it verbatim:

With regards to the recommended List of Bidders for the CSB Market Research Program I would drop at least 2 or more of the firms (which are all small and relatively modest firms in their ability) and add the firms listed below to the list.

And there's Ekos Research Associates. My understanding is that Mr. Herle is attached to this firm, so that if it was successful in getting any of these contracts he would get money. No? Where am I wrong?

Ms. Terrie O'Leary: There are a number of things.

Mr. David Herle: There's part of it I should address and part that she should address.

Mr. David Christopherson: That's fine. I'm just looking for the truth, nothing else.

Mr. David Herle: I have a quick point of clarification.

I have nothing to do with Ekos Research and never had anything to do with Ekos Research.

Mr. David Christopherson: But it is tied to Earncliffe and you are a principal there.

Mr. David Herle: When Ekos was invited to bid on the Canada savings bond project, it put together a consortium to bid, of which we were an element. I'm not part of Ekos. When she put Ekos down there, there's no relationship to me. I was part of the Earncliffe Strategy Group, not Ekos Research.

Ms. Terrie O'Leary: First of all, this memo was in response to a memo from the Department of Finance seeking our input. I had come from working at Merrill Lynch, where I had worked on institutional operations and investment issues. We were all engaged in Finance in trying to reinvigorate the Canada savings bond program. We had a very professional and collaborative relationship. This memo was sent to the Department of Finance, and I think it's remiss if you don't understand the tone and tenor of it. Everywhere along the line, I talk about wanting to open up the process. I believed that we could go to open bids everywhere along the line.

Mr. David Christopherson: I understand that, but I'm also pointing out that this is okay only if there's absolutely no discussion, collusion, or work between the two of you in a professional capacity. As soon as that happens, we've got a major conflict of interest. One of the foundations you laid out was that you had nothing to do with contracts, but I have a document here in which you talk at great length about contracts, using “I”.

Ms. Terrie O'Leary: I understand that, sir. I listed four of the major firms in Canada.

The Chair: Please speak one at a time.

Mr. David Herle: Surely Mr. Daniel is in the best position to answer who made the decision on who got the Canada savings bond—

Mr. David Christopherson: No, I'm just addressing Ms. O'Leary's statements.

Mr. David Herle: I know why you are, but I'm saying the fact is that he's in the best position to answer.

The Chair: Ms. O'Leary, I'm sorry, your time has expired, so we'll bring that to a close.

We have finished two rounds and we have about 25 minutes left. By my reckoning, we will go one intervention by each party, with two from the Liberals, because they have more members—so we'll have Mr. MacKay, Monsieur Gagnon, Mr. Lastewka, Mr. Christopherson, and Mr. Murphy. That will likely take us to the end; then there are the wrap-up comments from the Auditor General, and that will be the end of the meeting.

Next is Mr. MacKay, for five minutes.

Mr. Peter MacKay: Thank you.

Mr. Kinsella, in a letter you wrote to Ms. O'Leary—and we know now that the relationship had deteriorated somewhat, rather quickly—you talk about a “rigging” in a process. You also omitted from your opening statement this reference to your concern over the closeness and proximity between Ms. O'Leary and Mr. Herle, and their personal and professional relationship, to the point where you believed—

• (1805)

Mr. David Herle: That's something you would know something about, I guess.

Mr. Peter MacKay: What, having a personal relationship?

Mr. David Herle: Personal, professional, however you work together like that.

The Chair: Okay, you understand there is a personal relationship. It's on the record that there is a personal relationship between Ms. O'Leary and Mr. Herle. I don't think we need to—

A voice: [*Inaudible—Editor*].

The Chair: We're not going to have comments across the floor, either.

Mr. MacKay, as I said, it is well documented that there is a personal relationship. We don't have to keep referring to that. You don't have to keep digging into that.

Mr. Peter MacKay: I'm just referencing Mr. Kinsella's testimony.

My question to you, sir, is on the issues that you raised, did you ever receive any response? In particular, was there any action taken by the minister at the time, Mr. Martin, as Minister of Finance? Are you aware of these being brought to his attention by anyone? Was there ever any response? You referenced a call that you received that never really connected. What were your concerns? What were the actions? What did Ms. O'Leary respond to this letter?

Mr. Warren Kinsella: There are a lot of questions there.

If you'll permit me, in 1994 there were some issues, which are addressed in this letter that you apparently have before you, and in 1995 there was an accumulation of problems that are addressed in that binder there. The issue that came out of the binder was that a relationship existed that had not been disclosed, apparently, to the ethics counsellor. Be that as it may, leave that to one side; there was no question that we had formed the judgment—Mr. Stobbe and I and Mr. Quail and so on—that there was problem.

I consulted with Mr. Herle at that time to receive his input as to the allegations being made. He sent me a note thanking me for doing that. I spoke to the officials. I remember saying to one of the assistant deputy ministers, “The Minister of Finance thinks these guys are great. I understand they do great work.” His response, I remember well, was, “Well, perhaps if he used somebody else for once, maybe he would find out that they do great work too.”

Mr. Peter MacKay: Was Mr. Martin prepared to do anything in response to the concerns you raised, and do you believe that Mr. Martin had direct knowledge of these discrepancies in the contracting practices? If you do believe that, what's it based on?

Mr. Warren Kinsella: He absolutely had knowledge of these things. And as Ms. O'Leary has said—and she's right—it's a matter of opinion. Our opinion was that these things were inappropriate. Finance's opinion was that they were appropriate. It's your job, obviously, to determine what the facts are.

In the fall of 1995 this issue escalated to the Prime Minister's Office—

The Chair: Excuse me, are you talking about Mr. Chrétien or Mr. Martin when you say the Prime Minister?

Mr. Warren Kinsella: It was definitely Mr. Chrétien in 1995.

There was a meeting, I understand, involving a number of people, including Mr. Sharp and Mr. Pelletier. There was a recommendation, I understand, that Ms. O'Leary be dismissed as a consequence of the lack of disclosure, and Mr. Martin said he would quit before that ever happened. At that point I received a phone call from somebody in the Prime Minister's Office saying that they were sorry, and I phoned my wife and said, “It's time to leave Ottawa.”

Mr. Peter MacKay: Mr. Herle, I have a question for you with respect to a numbered company, 5555 Inc. This company—I believe you were a director—dumped \$2.9 million into Liberal coffers after Mr. Martin had become the leader of the Liberal Party. Is this true? Are you a director of a company known as 5555? Do you have any knowledge of this?

The Chair: Is this relevant, Mr. MacKay?

Mr. Peter MacKay: I believe it is.

Mr. David Herle: I'm happy to answer the question, Mr. Chairman.

Yes, I was. I believe the company has been wound down.

Mr. Peter MacKay: And do you have any knowledge of this \$2.9 million that went to the Liberal Party of Canada?

Mr. David Herle: Of course I do. I guess that's something Mr. Kinsella couldn't help you out with in your little tag team operation.

The Chair: We don't need these barbs across the room, but answer the question.

Mr. David Herle: Excuse me, Mr. Chair. You said it's political; it's going to be political.

The Chair: Okay.

Mr. Peter MacKay: Just answer the question, Mr. Herle. That's what you're here to do. Just give us the truth.

Mr. David Herle: The answer is, sir, 5555 was the company that received donations to Paul Martin's leadership campaign. Every single one of those donations was publicly disclosed, publicly accounted for. The money that was left over at the end of the leadership campaign was given to the Liberal Party. It's all a matter of public record.

Mr. Peter MacKay: Why is it in a numbered account that you're the director of? As I understand it, you're directing his account—

Mr. David Herle: What are we supposed to call it, Peter MacKay Inc.?

Mr. Peter MacKay: You're directing his account—

The Chair: Okay, Mr. MacKay. We've had the answer. It seems to be a matter of public record. We're going to get back to relevance here, because I think Mr. Herle has given a fulsome answer about that money. It's in a numbered account. It was from Paul Martin's leadership bid; it was turned over. He says it was all on the record, and that's your statement.

So let's get back to the polling and advertising.

• (1810)

Mr. Peter MacKay: Mr. Kinsella, with respect to these concerns that you've raised about the awarding of contracts, particularly between the Department of Finance and Earnscliffe, did you ever receive any explanation from Ms. O'Leary, who was the executive assistant to Mr. Martin, throughout this entire time? Did you ever receive, either in writing or through telephone calls or through any correspondence whatsoever, an explanation as to why these practices were occurring that you'd raised the alarm bells on?

Mr. Warren Kinsella: No, sir.

The Chair: Okay, thank you very much, Mr. MacKay.

Monsieur Gagnon.

[Translation]

Mr. Sébastien Gagnon (Jonquière—Alma, BQ): Thank you.

Mr. Kinsella, I would like a few clarifications. I want to be sure I have understood correctly.

In your opinion, did the present prime minister lie when he said that he was not involved in the awarding of contracts?

[English]

The Chair: Excuse me, we're not going to go into asking these kinds of questions. You're entitled to ask questions that the witness has direct knowledge of, but you cannot ask about an opinion about what somebody else has said. And whether or not they lied is definitely off the record.

[Translation]

Mr. Sébastien Gagnon: In response to a similar question put by my colleague, Mr. Kinsella referred to an intervention on the part of the Prime Minister. I wanted to be sure that he was talking about the Prime Minister. Was it Mr. Martin or the former prime minister?

[English]

Mr. Warren Kinsella: I'm sorry, I don't understand the question.

[Translation]

Mr. Sébastien Gagnon: You previously mentioned that Mr. Martin had intervened in the process. At one point, you said that this was the Prime Minister. Were you talking about the present prime minister or Mr. Chrétien?

[English]

Mr. Warren Kinsella: Yes, Mr. Martin, to our knowledge—certainly to my personal knowledge—was aware of the disputes in these matters. He phoned me at my home to express his annoyance about what was taking place, and that's my evidence here under oath. So, yes, he was aware.

As to whether his position had merit or not, it may in fact have had merit. We had a different point of view, and it was sometimes left to others to settle those types of disputes, typically in the Prime Minister's Office.

[Translation]

Mr. Sébastien Gagnon: And what was under discussion was the contract for the bonds or other contracts?

[English]

Mr. Warren Kinsella: In which timeframe, sir? In 1994 or in 1995?

[Translation]

Mr. Sébastien Gagnon: When he phoned you at home.

[English]

Mr. Warren Kinsella: It was the Earnscliffe contract. We had been told by Jean Carle. We had reported that we had received complaints. I spoke with Mr. Carle. He told me not to speak with Mr. Martin, that it would not be appropriate—it was minister to minister. So I didn't.

The Chair: When you mention Jean Carle, are you talking about the gentleman who ended up at the Business Development Bank?

Mr. Warren Kinsella: Yes, the director of operations in the Prime Minister's Office.

So that was the 1994 period. In the 1995 period there were a number of smaller contracts, as I recall, but all coming in during relatively the same timeframe.

[Translation]

Mr. Sébastien Gagnon: My question is for Ms. O'Leary.

You worked on Mr. Smith's election campaign in 1980. You were director of the Young Liberals in 1982. You worked at Merryll Lynch. You were director of the 1990 campaign organization, Paul Martin's chief of staff from 1992 to 1998, and appointed by Mr. Martin for the period from 1998 to 2002.

So it is relevant to conclude that you were the eyes and ears of the Prime Minister.

[English]

The Chair: That is a pretty general, wide-ranging question. I think it needs a little bit of relevance, Monsieur Gagnon, *s'il vous plaît*.

[Translation]

Mr. Sébastien Gagnon: I'll soon show how relevant it is.

Please answer my question, Ms. O'Leary. In view of the process, your CV and the fact that you were close to Mr. Martin, didn't you have a major relation of trust with Mr. Martin?

[English]

Ms. Terrie O'Leary: I would hope so.

The Chair: No, we're not going to have that question. The question is dealing with advertising. If you can build in your relevance, then it may be an appropriate question, but at this point in time, it's not appropriate.

• (1815)

[Translation]

Mr. Sébastien Gagnon: You may correct the facts if necessary, but I think this relation of trust was such that when you made a recommendation like the one we see in the document we were given, that put a lot of pressure on the people receiving the document, where you recommended adding other firms.

[English]

Ms. Terrie O'Leary: I don't think you've read many of the details of how Mr. Martin conducts his business. He takes advice and information from many people and we have wide-ranging discussions. I think I'm a person of trust in his view, but so are many other people.

For instance, the Department of Finance recommended people we used, who ended up being valuable people who we got along with very well but who had no affiliation with him before or anything like that. He looks for good quality service providers, and I don't think I had any more weight than any of the deputy ministers or the assistant deputy ministers who sat around the table, who Mr. Martin valued very, very much.

The Chair: *C'est bon? C'est tout?*

Okay, Mr. Lastewka, please, for five minutes.

Hon. Walt Lastewka: Thank you, Mr. Chair.

I heard Mr. Kinsella talk about the polling research, which was put into the National Library for more public availability. I think I've cleared up now the discussion we had earlier concerning two or three Conservatives who were working inside the public works department on the APORS—I've got that right. I heard that Earncliffe had Conservatives and Liberals in their leadership role. But no one has asked the question concerning the ratings or the work or how they compared to other of their competitors.

Mr. Daniel, I think I'm going to put you on the spot, since you were the ADM. Could you respond to that, as far as how they compared in rating, when you start going competitor against competitor, or their work done to achieve whatever the goals were for each of the projects?

Mr. Peter Daniel: For the initial contract with Earncliffe, which was on the open bidding system, there was only one respondent. I think that has already been raised here. It was Earncliffe. It was an 85-page submission. There are a lot of things I can't remember, but that I certainly can. It was a brick that responded to every single point raised in the statement of qualifications.

According to the rules, you do the rating against what the statement of work is, and they responded. They were the only bidder. Therefore, they were awarded the contract, the retainer contract that has been referred to here, at the end of 1994—I believe it was December 1994—for a period of one year to the end of 1995.

Hon. Walt Lastewka: Mr. Chairman, I know it's unusual to ask you a question, but I was kind of disturbed when you allowed that we're going to get into the leadership campaigns and numbered companies and whether they filed reports, and so forth. I'm not sure whether Mr. MacKay or Mr. Harper filed their reports. You might want to answer.

The Chair: Is that a question for me, Mr. Lastewka?

Hon. Walt Lastewka: You might want to answer that question.

The Chair: No, Mr. MacKay, he addressed that to me.

I was not going to allow the question, until Mr. Herle said he wanted to answer the question. Otherwise, I would have ruled it out of order.

Hon. Walt Lastewka: Thank you, sir.

I know time is of the essence, but let me ask Mr. Herle, now that we've heard about this work, an 85-page document in order to receive the bids, and so forth.... You seem to be very spontaneous when you're asked or challenged on your work on Earncliffe and companies. Have you any comment on that?

Mr. David Herle: I have a few comments on it, Mr. Lastewka.

First of all, I think the fact that we submitted the extensive proposal we did indicates that we did not believe the contract was a slam dunk for us. We did not believe that process was rigged, as Mr. Kinsella would say. We certainly expected other competitors, and we expected we would have to submit a proposal that would beat other competitors.

My recollection is that we were told by the Department of Finance that the proposal received the highest rating of any proposal they had ever judged. That's one thing.

The second thing is I feel very proud of the work I did with the Department of Finance. I feel very proud of the work I did with Mr. Daniel. I believe that throughout that period of time we were developing a very strong reputation for work throughout the public sector. We ended up, as a company, working for 17 or 18 different government departments at one point or another.

I believe the point of Mr. Sauvageau's question earlier was to establish that I did not do reports on the public opinion research we did. I didn't know exactly what this session was going to be about, but I was able to go through our files and pick up some of the reports we issued to the Department of Finance on public opinion research alone over the period we worked for them. This is not everything, but—

• (1820)

The Chair: Mr. Herle.

Mr. David Herle: This is a sampling of what we did for the Department of Finance over that period of time. I think Mr. Daniel would agree that we did hundreds of hours of consulting services, in addition to the public opinion research. So I'm quite satisfied that we fulfilled that contract at a high level of quality, and certainly to the best of our ability.

The Chair: Are you tabling those documents, Mr. Herle?

Mr. David Herle: If you want them, they're all publicly available. They're all in the archives. I just brought them so Mr. Sauvageau could see that I wasn't Jean Brault.

The Chair: I think we'll split them down the middle here. Perhaps you can deliver them to the clerk, who will tabulate what's there. Then we'll give them back to you.

Mr. David Herle: Sure.

The Chair: Thank you very much.

A point of order.

[Translation]

Mr. Benoît Sauvageau: I order that I may see he is not Jean Brault, are there also copies of your verbal reports in there?

[English]

The Chair: No, that's not a point of order.

Mr. Lastewka, you're just about out of time. Do you have a last question?

Hon. Walt Lastewka: That's it.

The Chair: Mr. Christopherson is next, for five minutes, please.

Mr. David Christopherson: Thank you very much, Chair.

Mr. Kinsella, you made some very strong statements earlier in your opening remarks. Given all the discussions we've had, I'd like you to just expand on your last statement at the bottom of the second page. I'll just read it out to set the stage:

These two sentences best describe, in my view, too much of the relationship between Finance and Earncliffe in 1994 and 1995: flawed competitions, excessive payments, unnecessary work, and political connections.

There's not a lot of detail attached to that. Little bits have come out in some of the questions. Given that damning statement—that's pretty powerful, coming from someone who was in the position you were in—can you add a little bit of detail and flesh to that? Exactly what did you mean when you talked about political connections?

Mr. Warren Kinsella: I guess I would define that as meaning that pretty much everybody in this town above the age of five knew that Earncliffe was the place where Mr. Martin's leadership campaign was conducted and there was political activity on his behalf. That's fine, but I and perhaps others would consider it inappropriate to cross-subsidize that political activity using the public treasury.

Mr. Herle said earlier that all of the reports—and he just provided you with some of those—were available. Well, they're not in fact available. The Auditor General's report from November 2003 cites Finance specifically as a department that was not providing them. So the bad behaviour that we found in 1994-1995—

Mr. David Herle: Point of privilege, Mr. Chairman. He's made an allegation I have to respond to.

The Chair: Okay, let's hear from Mr. Herle.

Mr. Warren Kinsella: Can I respond to the fact he called me a piece of dirt?

The Chair: Look, we're not going to get into a long debate here.

Mr. David Herle: I'd be happy to hear your response to that. What is your defence?

The Chair: Mr. Herle, you will address your comments to the chair. You wanted to respond.

Mr. David Herle: This issue of the missing reports has been raised several times, so I would just like to address it, Mr. Chair.

The Chair: Mr. Herle has the floor.

Mr. David Herle: On budget day we did for the Department of Finance something called real-time research or moment-to-moment research, where we would gather people in focus groups in various locations in the country and have them watch the budget speech as it was being delivered, both recording their reactions on a moment-to-moment basis and talking to them about the budget speech. We would feed that information on a real-time basis into the department so they understood what Canadians were absorbing from the budget speech, which issues needed more illumination, and what needed to be communicated better. At the end of that, we would deliver a full oral report on that exercise. It is inherently reported on orally, and it was reported on exactly the way the departmental officials—

•(1825)

The Chair: That's fine. We've had your oral report right there.

Mr. Kinsella, the clock is starting again. Do you want to finish off your point?

Mr. Warren Kinsella: About the part where he called me a piece of dirt at the break?

The Chair: Well.... It is a political meeting.

Mr. Warren Kinsella: The point I would just quickly make.... One of the issues that has been canvassed here is that I had an antipathy to the Minister of Finance and his people to the extent that I would compel investigations to take place and develop all sorts of evidence that did not look favourably on them.

That's up to you. You have to make that determination, not me. I didn't want to be here. I was supposed to be giving a Holocaust symposium speech to a bunch of kids in Toronto. I didn't want to be here.

I just draw to your attention that substantially what I say, from the political perspective, is what Mr. Cutler was saying a year ago. It may be that I am a piece of dirt, but I'd be interested in hearing Mr. Herle's—

The Chair: We'll leave all these disparaging remarks off the record, please. I would appreciate that.

Mr. Christopherson.

Mr. David Christopherson: Thank you.

Three paragraphs above the one I just made reference to, you said you'd "...received a number of complaints about the procurement of polling and communications services by, and for, the Department of Finance. The complaints all related to the Earncliffe Strategy Group."

Can you name names, please?

Mr. Warren Kinsella: Of the complainants?

Mr. David Christopherson: Yes.

Mr. Warren Kinsella: Yes, it's in the document that's before the—

Mr. David Christopherson: Well, a lot of these documents are new to us today, so I don't have the benefit of having a working knowledge.

Mr. Warren Kinsella: We received complaints from—

The Chair: Sorry, Mr. Christopherson. You're asking the names of...?

Mr. David Christopherson: In Mr. Kinsella's report he said there were a number of complaints received, and I want to find out whether they're coming from one source or disparate sources. Are they Liberals, Tories, New Democrats? What's the deal?

Mr. Warren Kinsella: They were principally Liberals. There was the Pollara research group, there was Vickers and Benson, there was BCP, there was Thornley Fallis—I don't know if Mr. Thornley called his firm that at the time—and there was Angus Reid. Those people are mainly Liberals.

I'd agree with Mr. Herle that the practice in this town is to have Tories and Liberals you work with, but those were people....

Firstly, it was noteworthy that there were many people we were receiving complaints from. Secondly, they were people who don't normally want to anger the Minister of Finance. And thirdly, it was all coming within a relatively confined period of time. Mr. Dingwall warned me that it would not be good for my career, and perhaps he was right, but we felt it was not available to us to decline to look into those matters.

Did anything happen? No, nothing happened. I left government, so perhaps I lost the argument.

Perhaps I was wrong, but it is incumbent upon you to find out what the truth is.

Mr. David Christopherson: Who would the complaints go to, what action would be expected of them, and did any action follow?

Mr. Warren Kinsella: Well, we were receiving complaints from a number of places. In particular, many of the documents that have been referred to here, including the one Mr. Holland raised, came to us from an assistant deputy minister in the Department of Finance—whose name I can provide at the appropriate point but I just can't recall off the top of my head—who was objecting to or had concerns about what was taking place there. That was an individual bona fide, in good faith, who was concerned about what was taking place. We would not have received those documents had that individual within the Department of Finance not provided them to us. So it was public servants, it was Liberals, it was a number of people.

Mr. David Christopherson: Thank you.

The Chair: Thank you very much.

I think that will bring our meeting to a close. We said it would go until 6:30.

I have a couple of points. Mr. Kinsella, you have delivered a name to me, which you said is the name of the person who called you before you came to this meeting. Is that correct?

• (1830)

Mr. Warren Kinsella: Yes, sir.

The Chair: Okay. There will be a steering committee meeting tomorrow to discuss that issue.

The second one is, the document binder that you have given to us will be examined by the law clerk to find out if there's anything that should not be distributed. If everything can be out in the public record, it will be translated and circulated.

Do you have a point of order, Mr. Fitzpatrick?

Mr. Brian Fitzpatrick: Yes, I think it's a point of order.

I'm just wondering, before the witnesses leave, whether, if there were another hearing, Mr. Herle and Ms. O'Leary and Mr. Kinsella would agree to attend that meeting without getting into subpoenas and so on. I just ask.

The Chair: The issue is that we issue an invitation—I'm not going to ask them now—and if they don't accept and then we decide we're going to do a subpoena, we'll do a subpoena.

Mr. Brian Fitzpatrick: Then I have two motions that pertain to this, if I could get them in.

The Chair: You'll have to give 48 hours' notice. Do you want to table them now?

Mr. Brian Fitzpatrick: It's procedural out of this meeting. It's in respect to documents.

The Chair: There's another point of order here.

Hon. Walt Lastewka: Before we go away from this meeting, in previous meetings where we've had witnesses such as we've had today and discussion such as we've had today—I've watched the dynamics very carefully—in the past you would ask the question whether any of the witnesses had had discussion with the members of the committee prior to that meeting concerning that day's meeting. I notice you omitted that this time. Are we changing the procedure now?

The Chair: I did, and the reason I did was there are some who are in the private sector. But I have no problem asking the question.

Before I get to you, Mr. Lastewka, I'm going to deal with Mr. Fitzpatrick to say we can't really deal with motions on a point of order. Time is getting on, so I'll get—

Mr. Brian Fitzpatrick: They're procedural; they're not substance. If I could just read them—

The Chair: I'll come back to you, because you were on a point of order.

Mr. Sauvageau.

[*Translation*]

Mr. Benoît Sauvageau: I'd like to table a motion.

[*English*]

The Chair: Do you have a motion too?

Before we get there, let me just ask two of the witnesses this question. You're each appearing before us as an individual today. Did you discuss or have any meetings with any employees of the Government of Canada or any members of this committee in the preparation of your report before coming to this meeting?

Mr. Kinsella?

Mr. Warren Kinsella: No, sir.

The Chair: Madam O'Leary?

Ms. Terrie O'Leary: Yes.

The Chair: Who?

Ms. Terrie O'Leary: I have friends who work for the Government of Canada.

The Chair: Okay. Did you discuss with...in preparation for coming to this meeting?

Ms. Terrie O'Leary: No.

The Chair: Okay.

Mr. Herle?

Mr. David Herle: No.

The Chair: Mr. Daniel?

Mr. Peter Daniel: Yes, providing that this category fits. Legal counsel happens to be part of the government apparatus, but not directly the government.

The Chair: Okay.

Mr. Cutler?

Mr. Allan Cutler: No.

The Chair: Will that be okay, Mr. Lastewka? Okay.

Very briefly, we have three motions. You say they're procedural.

Mr. Fitzpatrick first.

Mr. Brian Fitzpatrick: Through the chair, I would like to put forward a notice of motion requesting all electronic and written

materials of the finance minister's office, including those of Ms. O'Leary, Karl Littler, and others relating to the retail debt program, as well as all electronic and written materials pertaining to Groupe Everest in the minister's office. This would include regional offices as well, particularly in Montreal.

The Chair: That will be accepted as a notice of motion.

Mr. Brian Fitzpatrick: For the second motion, Mr. Chair, I would like to put forward a notice of motion requesting all electronic and written material exchanged between the office of the Minister of Finance and David Herle and/or Earnscliffe for the years 1993 to 2003.

The Chair: You have a notice of motion also, Mr. Sauvageau, *s'il vous plait*.

[*Translation*]

Mr. Benoît Sauvageau: Pursuant to Standing Order 106(4), I would like to table the following motion which reads:

Mr. Chairman, because of the seriousness of the matter raised during today's meeting, we would like to ask for another meeting with these same witnesses, or a list to be determined, within the five sitting days following the adoption of this motion.

It is signed by five members of the House as required by Standing Order 106(4).

[*English*]

The Chair: You can bring that up at the steering committee tomorrow.

There being no further business before this meeting...

Oh, Madam Fraser, you had no closing comment. Do you have any closing comments?

Ms. Sheila Fraser: I have no closing comments.

The Chair: Okay.

This meeting is adjourned.

Published under the authority of the Speaker of the House of Commons

Publié en conformité de l'autorité du Président de la Chambre des communes

**Also available on the Parliamentary Internet Parlementaire at the following address:
Aussi disponible sur le réseau électronique « Parliamentary Internet Parlementaire » à l'adresse suivante :
<http://www.parl.gc.ca>**

The Speaker of the House hereby grants permission to reproduce this document, in whole or in part, for use in schools and for other purposes such as private study, research, criticism, review or newspaper summary. Any commercial or other use or reproduction of this publication requires the express prior written authorization of the Speaker of the House of Commons.

Le Président de la Chambre des communes accorde, par la présente, l'autorisation de reproduire la totalité ou une partie de ce document à des fins éducatives et à des fins d'étude privée, de recherche, de critique, de compte rendu ou en vue d'en préparer un résumé de journal. Toute reproduction de ce document à des fins commerciales ou autres nécessite l'obtention au préalable d'une autorisation écrite du Président.