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Chair

Mr. Paul Szabo

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• (1530)

[English]

The Chair (Mr. Paul Szabo (Mississauga South, Lib.)): Good afternoon. I now call to order the Standing Committee on Access to Information, Privacy and Ethics. Today's order of the day is pursuant to Standing Order 108(2), the study of the Mulroney Airbus settlement.

Our first witness is Mr. Norman Spector, former secretary to the cabinet for federal-provincial relations from August 1986 to 1990, when he became chief of staff to then Prime Minister Brian Mulroney. In 1992, he was appointed ambassador of Canada to Israel and high commissioner to Cyprus. In August 1995, he returned to Canada when he was appointed by then Prime Minister Jean Chrétien as president of the Atlantic Canada Opportunities Agency.

Good afternoon, Mr. Spector.

Mr. Norman Spector (As an Individual): Good afternoon.

The Chair: On December 15, 2007, the committee provided me with a list of priority witnesses to be called in regard to our study. Your name was included among them, and we thank you for accepting our invitation to appear before us today.

I would now ask the assistant clerk to please swear in the witness.

Mr. Norman Spector: 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, sir.

As you know, the matter before us is very serious, and I hope you will not feel any undue influence in what you believe to be relevant and vital for the committee to hear. We expect you to clarify and/or help us to better understand certain matters brought before the committee. Refusal to answer a question is not an option. However, if you believe, sir, that there is any valid reason that a question should not be answered, I will hear your argument and make a ruling.

As a courtesy to our translators, I ask you not to speak too quickly. I will give you all the time you need to make your full statement before we proceed to questions from the committee members.

Do you have any questions for me before we begin?

Mr. Norman Spector: It's clear.

The Chair: Thank you very much. I now invite you to address the committee.

[Translation]

Mr. Norman Spector: Thank you, Mr. Chair.

As you know, I am not delighted to be in Ottawa today. That has to do with the snow and the weather, it is true, but it also has to do with the climate here. I left this city in 1996 after I resigned from the public service of Canada.

[English]

I resigned from the public service in circumstances eerily parallel to my brief but still-shining moment with Karlheinz Schreiber, with one significant difference. When presented with the facts, Mr. Mulroney did not hesitate to do the right thing and declare Bear Head dead.

In 1996, had my deputy ministerial colleague at Public Works stood up to the very same minister who was piling pressure on us at ACOA, he could have nipped in the bud what became the sponsorship scandal.

Regrettably, efforts by your public accounts committee to minimize these situations in future are being frustrated by the government, as Mr. Gomery reminded us on the second anniversary of his report and of our not-so-new government.

Canadians who have been following the Mulroney-Schreiber affair have been seeing how Canada really works. The story is one of lobbyists and lobbying and of the power of the Prime Minister and his office. It's also a story about the media.

I can't help wondering whether you'd have launched these hearings back in 2001, with Frank Moores still alive to testify, had the *National Post* not killed the story of Mr. Schreiber's cash payments—a story that flew in the face of everything we thought we knew when the government paid Mr. Mulroney \$2.1 million to settle his defamation suit—or maybe three years and not three months ago, had William Kaplan been interviewed on *Politics* or on *The House* or on any of the other programs that routinely feature far less significant books than *A Secret Trial*.

Can you imagine a newspaper in Canada killing a sensational scoop about a former Prime Minister that is today on everyone's lips? Frankly, it still boggles the mind.

I warn you, don't get me started on journalism in your questions. I spend most of my time these days reviewing the daily press on my website, and it's not always a favourable review.

Today I'm here to assist you in two specific areas, first on the Bear Head project, the reason you summoned me to Ottawa to appear today.

[Translation]

In 1995, I gave the RCMP, at its request, a sworn statement about what I knew regarding Mr. Schreiber's Bear Head project.

[English]

As you know, Ottawa was brimming with lobbyists in the 1980s. Some of them made a lot of money. One of them, Fred Doucet, had extraordinary access to the Prime Minister's Office. After he left PMO, he would still bring visitors to the PM's office on the Hill, upstairs. These appointments were not on our schedule and were unknown to me, unless I happened to chance upon them. This extraordinary access may explain in part why Bear Head refused to die even after Mr. Mulroney killed it.

• (1535)

[Translation]

As I wrote recently in *Le Devoir*, I can also help you identify the sources of the large amounts of cash that were brought back to 24 Sussex Drive.

[English]

Frankly, some of my neighbours were scratching their heads when they heard that you had invited Mr. Mulroney's ex-chef to testify, but I guess it's understandable in light of the possibilities conjured up over the years by François Martin's vivid *Upstairs, Downstairs* gossip.

The documents I've brought today, including two I've not written about before, identify a more prosaic source of this cash. As you will see from these documents, Mr. Mulroney and his family had an expensive lifestyle, and one can understand why he would have been somewhat preoccupied by what life after politics would bring, and perhaps this explains why he seemed eager to cater to the rich and powerful, as I described in the Kaplan afterword with anecdotes, one of which has never been reported.

I urge you, however, to keep your eye on the ball and not to get distracted by the kind of stuff that fills *Frank* magazine.

Around the end of Mr. Mulroney's second term, Canada was rated the fifth least corrupt country by Transparency International. When Mr. Chrétien left office we were twelfth. At the end of the Paul Martin interregnum we were fourteenth, which means that this town has a bipartisan problem.

A better way to look at it is that it also has a bipartisan solution, in that two parties are not centrally implicated in this problem, not having formed government. Since 2006 Canada has climbed back to ninth place, but as news out of Public Works last week suggested, we have a long way to go to ensure that the best country in the world is also the least corrupt country in the world.

In contrast to the leadership shown by Paul Martin when sponsorships hit the fan, I have grave doubts that Mr. Harper wants Airbus answers, and I also doubt that the proposed public inquiry will uncover where \$10 million in "Schreibergeld" ended up.

The darker possibilities were captured by a Mulroney cabinet minister visiting the splendid new home of the head of Earnsccliffe, then a Tory lobby firm, it may surprise some of you to know. Why is it so much more lucrative, he asked, to know Harvey André than to be Harvey André?

You are here today, and I'm not out walking my dog gazing at trees in first blossom, because the RCMP botched its Airbus investigation. And I hope that in drafting your final report you'll examine the special prosecutor system designed by your former colleague, and your former colleague, the Honourable Stephen Owen, in British Columbia. Meanwhile, this wretched process is Canadians' best hope for getting to the bottom of the story that was ignored by members of Parliament and suppressed to a remarkable extent by remarkably large sections of the media for a remarkably long time.

As a semi-retired public servant, it would have been easy enough to say no and go on enjoying life in Victoria when Mr. Kaplan asked me to contribute an afterword to his book, *A Secret Trial, Brian Mulroney, Stevie Cameron And The Public Trust*. You've come to the table late, but late is better than never, unless, that is, it is simply to dine out on partisan politics.

[Translation]

You have all the powers you need, and Mr. Ménard and Mr. Comartin have already set the example.

• (1540)

[English]

If you're truly serious about getting to the truth, you'll not hesitate to subpoena tax and bank records or to invite Mr. Mulroney back to testify, and you'll start pressing the government to offer Mr. Schreiber a deal to spill the beans—if he has any to spill, that is.

Thank you for your attention.

The Chair: Thank you.

We'll move now to questioning.

Mr. Thibault, please.

[Translation]

Hon. Robert Thibault (West Nova, Lib.): Thank you, Mr. Chair.

Thank you for appearing before us today, Mr. Spector. I know you travelled far to get here in order to inform the people of Canada through this committee of the House.

Mr. Norman Spector: I'm having trouble hearing you. May I use the earpiece? Go ahead.

Hon. Robert Thibault: You said in your column in *Le Devoir*, as in the one in *The Globe and Mail*, that you could tell the committee the sources of the money that came into 24 Sussex Drive. You said you could tell us where the money came from.

Would you care to do that now?

Mr. Norman Spector: Certainly. Just one clarification. I said that I would be able to identify the sources of the cash brought back to 24 Sussex Drive. The word "rapportées" is the word that was used in the article in *Le Devoir*.

I have three documents, one is a package, and there were two specific documents. I will explain what I have and give all this documentation to your clerk.

[*English*]

In the first set of documents I'll present to you, you will see that Mr. Mulroney was being reimbursed around \$5,000 a month by the PC Canada Fund for "expenses incurred as party leader". Sometimes we would give this money to Mrs. Mulroney in cash; sometimes we would send a cheque to Alain Paris,

[*Translation*]

Mr. Mulroney's accountant in Montreal.

[*English*]

Hon. Robert Thibault: Before you go on, did you know how the money got to be in the PC Canada Fund? Have you ever been informed of that?

Mr. Norman Spector: No. I was never on the party side.

Hon. Robert Thibault: Please go on.

Mr. Norman Spector: I wrote about all this in the Kaplan afterword, which explains why the text I wrote in *Le Devoir* did not become a front-page story in *Le Devoir* and did not become a story in *The Globe and Mail*, both of which had the text. The reason it did not become a front-page story in *Le Devoir* and *The Globe and Mail*, whereas it did in *La Presse*, is that the reporters for *Le Devoir* and the reporters for *The Globe and Mail* had read the afterword, so they knew I had already written about this.

The first set of documents I have is on the reimbursement for personal expenses. One additional piece of information that may help is that, shortly before I left the Prime Minister's Office, I was told of a CCRA ruling defining these reimbursements as non-taxable; that is, they did not constitute income. So this is the first set of documents.

In addition to that, and I only learned this recently, it appears that Mr. Mulroney was being reimbursed for "personal" expenses by the PC Canada Fund. I have no knowledge of any aspect of this arrangement—any aspect. But the document appears to indicate, from the face of the document, that he was reimbursed slightly more than \$100,000 for the nine-month period between October 1986 and June 1987.

Hon. Robert Thibault: In cash, again?

Mr. Norman Spector: It does not specify. I should say there's absolutely no indication that it was cash, a cheque, or however.

On an annual basis this would amount to \$135,000. That's the second document I brought.

The third document I brought is a summary of the PC Party inventory at 24 Sussex and at Harrington Lake. It shows that by around the time of the end of the first term in office, the party or the fund—I'm not sure, it may be the same thing—had spent \$136,000 on furnishings at 24 Sussex Drive and \$53,000 on furnishings at Harrington Lake. I will table that document as well.

Those are the documents I have, and that is what I was referring to. The latter two documents are new; I did not know about them. But as I wrote in the afterword, there was this arrangement.

● (1545)

Hon. Robert Thibault: At the time you were chief of staff, were you aware of any other money leaving the Prime Minister's Office, going to 24 Sussex, such as the allegations or suggestions about chef Martin?

Mr. Norman Spector: Absolutely not.

Hon. Robert Thibault: Such as those suggestions.

Mr. Norman Spector: Absolutely not.

Hon. Robert Thibault: You personally transferred some of these funds into bank accounts?

Mr. Norman Spector: The cheques were written to the chief of staff of the Prime Minister. This is an arrangement that went back to the first chief of staff and continued with subsequent chiefs of staff. As far as I know, it continued after I left, but I don't know that for a fact. But the arrangement was in place for the first, second, third, and I was the fourth chief of staff, so I know that they had an arrangement. The cheque was written to me or to my predecessors in trust. It was deposited, cashed, or whatever, and transferred to either the accountant or Mrs. Mulroney.

Hon. Robert Thibault: When you say in the afterword in Kaplan's book that your staff would pore over receipts and documents and expense accounts to see what was part of the expenses of office, was that for repayment by the party or for repayment by the Prime Minister's Office budget?

Mr. Norman Spector: No, this was in relation to this first set of documents. This was the reimbursement for expenses incurred as party leader. The way the system worked was that we had a staff member—in my time, actually, a gentleman who was seconded from the external affairs department—an official, a public servant, poring over this, to look at the expenses that were or could legitimately be considered to be expenses that Mr. Mulroney was incurring as party leader. Those expenses had been submitted by Mrs. Mulroney. He would approve some and not approve others, and when we had done the final reconciliation we then claimed funds from the PC Canada Fund.

The Chair: Thank you.

Madame Lavallée, s'il vous plaît.

[*Translation*]

Mrs. Carole Lavallée (Saint-Bruno—Saint-Hubert, BQ): Thank you very much.

Thank you for being here, Mr. Spector.

If I understand correctly, you would tend to agree with François Martin, who said that cash seemed to fall from the sky at 24 Sussex Drive. There was a culture of cash at the residence.

Why were the cheques made out to you? Why were they not made out to Mrs. Mulroney or to Mr. Mulroney?

Mr. Norman Spector: That is a very good question. I cannot answer it. Today, I might ask some questions. I would like to make two points. First, let us talk about my first meeting with Prime Minister Mulroney. When he offered me the position, he told me how the system worked. He told me that all my predecessors had performed this duty and that this would be one of my duties as chief of staff.

Second, I found this quite a normal practice, because I had heard about similar arrangements elsewhere. I knew from reading the newspapers that when Mr. Davis was the Premier of Ontario, there was a similar system in place. Before I came to Ottawa, I was a deputy minister during Mr. Bennett's time as Premier of British Columbia, and he too received a supplement from his political party. Consequently, this did not seem too strange to me.

Mrs. Carole Lavallée: Did Mr. Bennett receive a cheque issued directly by his party?

Mr. Norman Spector: I don't know. I was not involved in this practice in British Columbia. I was only a deputy minister. He had a principal secretary who looked after the more political duties.

Mrs. Carole Lavallée: I apologize for interrupting, but I have very little time.

When you received your cheques, did you have to provide invoices, receipts or anything?

• (1550)

Mr. Norman Spector: As I said in answering one of Mr. Thibault's questions, the invoices were submitted by Mrs. Mulroney, and someone on my team reviewed them to determine which were party expenses and which were personal expenses.

Mrs. Carole Lavallée: Were the expenses you saw mainly personal expenses for Mr. or Mrs. Mulroney, or did you see some of other types?

Mr. Norman Spector: Frankly, I did not look at them. I trusted this person on my team. He was a public servant from the Department of Foreign Affairs. I was sure that he was doing his job properly.

Mrs. Carole Lavallée: At the time, did you not wonder why the money was not being given directly to Mr. Mulroney?

Mr. Norman Spector: I did not ask the question.

Mrs. Carole Lavallée: You did not ask the question. An intelligent person like yourself did not wonder...

Mr. Norman Spector: Even an intelligent person like myself did not ask the question.

Mrs. Carole Lavallée: That is surprising.

Mr. Norman Spector: It is true that it is quite striking.

Mrs. Carole Lavallée: But the money was mainly to top up Brian Mulroney's salary. When he worked for Iron Ore, he was earning \$400,000, but as Prime Minister, he earned only \$150,000.

Mr. Norman Spector: I was not involved in the meeting during which Mr. Mulroney signed this arrangement with the party. I do not know when it was held, why or how. All I know is that this arrangement was in place.

Mrs. Carole Lavallée: You were quoted in an article in *La Presse* on November 14. You said that the Mulroney-Schreiber affair "could prove to be one of the worst scandals in Canadian history". Did you in fact say that?

Mr. Norman Spector: Yes.

Mrs. Carole Lavallée: Do you really think that the behaviour of the Conservatives, during the time you held your position, between 1990 and 1992, was worse than what happened during the sponsorship scandal?

Mr. Norman Spector: I don't know. That is why I am calling on you to continue your work. We do not know where the \$10 million ended up. So, it is possible...

Mrs. Carole Lavallée: Where do you think the \$10 million ended up?

Mr. Norman Spector: I don't know. Frankly, I do not rule out the possibility that Mr. Schreiber kept the \$10 million for himself. I do not know, but I want to know. I think Canadians want to know what happened to the \$10 million.

Mrs. Carole Lavallée: I will now turn the floor over to my colleague, Serge Ménard.

Mr. Serge Ménard (Marc-Aurèle-Fortin, BQ): Thank you, Mr. Spector, and I accept your assessment, but I will say right away that I disagree with you. A committee of this type cannot get to the bottom of things, unless it takes a very long time, probably longer than the time available to a government. We have just a few minutes to ask questions of each witness. That is nothing compared to a commission of inquiry.

Mr. Norman Spector: I was most impressed by your skill in questioning Mr. Mulroney. I was really struck by your extraordinary...

Mr. Serge Ménard: Don't waste time congratulating me. You can do that later. Let's get down to the issues at hand.

You have mentioned some figures: \$5,000 a month, for a total of \$60,000 a year. In nine months, you saw \$100,000 come into the residence. Am I to understand from your testimony that all of this money to cover the Mulroneys' expenses came from the same source, namely the PC Fund?

Mr. Norman Spector: Exactly.

Mr. Serge Ménard: At the beginning of your presentation you spoke about the lobbyist culture. An individual who wanted to influence the government one way or another could not give money to the Prime Minister, who would have never accepted it, but could give money to the PC Fund, and assume that a representative of the PC Fund would raise the issue with the Prime Minister.

Mr. Norman Spector: Perhaps.

Mr. Serge Ménard: So that is what you are speaking out against.

Mr. Norman Spector: No, I am speaking out against the situation that existed in Ottawa formerly, and which still exists, in my view.

During his testimony, Mr. Schreiber, an international businessman, said that a lobbyist had to be hired in order to do business with the Government of Canada.

• (1555)

Mr. Serge Ménard: That is all the time I have, but I would like to say one thing: in Quebec, everyone believes that this would never have happened to René Lévesque.

Mr. Norman Spector: But you also had... I remember the matter involving the Oxygène 9 company, for example. I said it was a problem involving two parties here in Ottawa, because there are two other parties, the New Democrats and the Bloc, that have never been in government. However, that is not true in Quebec. So there are some stories—

[English]

The Chair: Thank you.

Mr. Martin, please.

Mr. Pat Martin (Winnipeg Centre, NDP): Thank you.

Thank you, Mr. Spector, for being here and taking part in this wretched process. As wretched as it might be, it is all we have currently, and we don't know how narrow the scope of the full public inquiry might be.

Mr. Norman Spector: I agree.

Mr. Pat Martin: Let me get right to an issue that concerns us, Mr. Spector.

Mr. Mulroney has said over and over again that he had absolutely nothing to do with the choice of Air Canada to purchase the Airbus product. Yet he fired 13 of the 15 members of the board of directors of Air Canada during 1985, and I believe you would have been the chief of staff at—

Mr. Norman Spector: No, I was not even in Ottawa during those years.

I arrived in Ottawa in 1986, so in fact when the RCMP came to ACOA looking for the copy of the agreement in our files, because ACOA was the lead agency, it was only by accident that I was there. They didn't come looking for me for a statement about Bear Head. I started talking to the sergeant, and it came out that I had been in the PMO, and he asked, do you know anything about Airbus? I said no, that was before my time, but I know about Bear Head.

So I'm sorry.

Mr. Pat Martin: Fair enough. I will move on, then, perhaps to the influence of corporate lobbyists—it's a great concern for us as well—and the frequency and the regularity of visits into the PMO. You said some of these meetings weren't scheduled; people such as Frank Moores were coming and going.

Not Frank Moores?

Mr. Norman Spector: Of Frank Moores, I had no.... I'm not even sure. I was speaking about Mr. Doucet.

Mr. Pat Martin: Did you see Mr. Schreiber coming and going—

Mr. Norman Spector: I met with Mr. Schreiber.

Mr. Pat Martin: —on a regular basis? How frequently?

Mr. Norman Spector: I met once with him after I was handed the Bear Head file. I met with him to get his side of the story. It was that process that eventually led to my telling Mr. Mulroney that—

Mr. Pat Martin: What year would that be?

Mr. Norman Spector: That would be 1990.

Mr. Pat Martin: I see, 1990.

Mr. Mulroney swore in an affidavit that in 1996 he had only passing acquaintance and very few dealings with Mr. Schreiber. Would you be able to say anything about the veracity of that statement?

Mr. Norman Spector: During those years, I had no knowledge of his dealings with Mr. Schreiber. Mr. Mulroney did hand me the Bear Head file. But with what we've learned subsequent to 1996, it

certainly looks as though Mr. Mulroney had more than passing dealings with Mr. Schreiber.

Mr. Pat Martin: Thank you.

I'm going to ask Mr. Mulcair to take the microphone.

[Translation]

Mr. Thomas Mulcair (Outremont, , NDP): Thank you, Mr. Chairman.

I would like to come back to something Mr. Spector said a little earlier. He said in English that the RCMP botched the Airbus investigation, because there are certain points made in Mr. Johnston's report. It contains two rather surprising statements.

Mr. Norman Spector: Yes, very surprising. Well-tilled ground.

Mr. Thomas Mulcair: Yes, that is right, there is a reference to well-tilled ground. And to demonstrate that we do not need an investigation into Airbus, he mentions the two books written by Stevie Cameron. It is rather surprising to use that to prove that there is no need for an investigation into the Airbus matter.

The second point is directly related to the RCMP issue, and it disturbs me somewhat. The fact that is from the beginning, there has been a certain vagueness in the statements made by the RCMP. I am referring to page 18 of the English version of Mr. Johnston's report, where he states:

Despite Mr. Schreiber's recent statements before the Ethics Committee to the contrary, the RCMP advises that Mr. Schreiber and his counsel were interviewed several times over the course of the RCMP's investigation. On a number of occasions between August 1999 and September 2004 [...]

And he gives other dates, up to 2006.

Unless I am mistaken, all of that happened after the Airbus settlement. During your own conversations with the RCMP, which date back to 1995, did anyone at the RCMP tell you that he or she had spoken to Mr. Schreiber?

• (1600)

Mr. Norman Spector: I will answer the first part of your question, in the main.

[English]

I think Mr. Johnston's statement that the RCMP had conducted the investigation—and this is well-tilled ground—is absolutely incorrect. I'd go one step further. This may not be common knowledge, but I have this from Bill Kaplan, who wrote the book *A Secret Trial*, and you can buy it at your bookstore.

[Translation]

Mrs. Carole Lavallée: That is very difficult.

Mr. Norman Spector: Yes, it is very difficult, and it was difficult from the beginning, Ms. Lavallée. The book was almost killed by McGill-Queen's University Press.

Mr. Thomas Mulcair: We would like to hear the answer.

Mr. Norman Spector: Almost killed.

Excuse me.

Mr. Thomas Mulcair: No, that's fine. You were talking about the investigation.

Mr. Norman Spector: Yes.

[English]

The RCMP did not know about the cash when it shut down the investigation in 2003.

Mr. Thomas Mulcair: You're saying that it did?

Mr. Norman Spector: They did not know about the cash when they said that the investigation was over.

I can assure you that Mr. Kaplan—and I'm sure you'll have him here—has impeccable sources. They did not know. They had heard a rumour about it, which makes it even more extraordinary that they shut down the investigation. I mean, they don't shut down murder investigations in this country. They allow investigations to go cold, but to shut down an investigation is an extraordinary act by the RCMP, particularly when they had heard rumours of the cash payment. But they had not confirmed the cash payment. They shut it down.

Secondly, on the question of whether they did or did not, I have no knowledge of that. I think you'll have to ask the RCMP. But I suspect what's happening here is that people are playing games with the word "Airbus". A lot of people have played games with the word "Airbus". Airbus is one contract, but it's also an affair that incorporates three separate proposals. So people, I think, play with that term to give slightly evasive answers. I would think the example you cited in French is an example of that evasiveness.

[Translation]

Mr. Thomas Mulcair: I can tell you that I asked the questions, and when I put them to Mr. Schreiber, it was very clear that I wanted to know if the RCMP had spoken to him before paying the \$2.1 million settlement to Mr. Mulroney. However, that is not what comes across in Mr. Johnston's report.

Mr. Norman Spector: When the RCMP questioned me in 1995, I had the impression that it was just beginning its investigation. But it was only that, an impression, it was not based on any facts.

Mr. Thomas Mulcair: I see. Thank you, Mr. Spector.

[English]

The Chair: *Merci.*

Mr. Hiebert, please.

Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC): Thank you, Mr. Chair.

Mr. Chair, it's a matter of public record that the RCMP spent eight years, and likely millions of dollars, investigating allegations regarding the Airbus purchase by Air Canada, and the Bear Head project. The plain fact is that the RCMP announced on April 22, 2003:

After an exhaustive investigation in Canada and abroad, the RCMP has concluded its investigations into allegations of wrongdoing involving MBB Helicopters, Thyssen and Airbus... The RCMP has now concluded that the remaining allegations cannot be substantiated and that no charges will be laid...

Mr. Spector, the first questions I have relate to the relevance of your testimony to this committee.

First of all, do you have any evidence for this committee of any wrongdoing by any public official with respect to Airbus?

Mr. Norman Spector: I said I was not in Ottawa when the Airbus contract was let.

Mr. Russ Hiebert: So you have no evidence of any wrongdoing by anyone related to Airbus?

Mr. Norman Spector: Mr. Hiebert, with respect, your committee invited me here today. Your committee knew that I was not in Ottawa in 1985. So I don't know why you're interrogating me this way. You summoned me to Ottawa. With the things I've written in *The Globe and Mail* and the things that I've written in the afterword of the Kaplan book, assuming you've read them, this committee obviously felt that I did have information that was relevant. So I'm not sure why you're saying this to me.

As for your citation of the RCMP's statement, I don't believe them and I don't think Canadians believe them. I think Canadians now are very skeptical about the RCMP. I think they're skeptical about the RCMP for a whole bunch of reasons: for events that have taken place in British Columbia recently, for a certain announcement that took place during the last election campaign. I think the Canadian people are very skeptical about the RCMP, and I don't believe them. I think you should get the RCMP here under oath, and I will give you the name of the inspector whom you should ask as to whether they had established the fact of these cash payments when they shut down the investigation. I think the RCMP is part of this problem.

You're from British Columbia. You know. In British Columbia, we have had two premiers investigated by a special prosecutor, one from each party, and criminal charges were laid. Both were acquitted. That's part of our system. Our justice system doesn't demand convictions; it demands equal justice. We've had a third premier investigated, and the special prosecutor recommended against the laying of charges. And British Columbians said that's fine too.

In Ottawa, the scorecard is zero at whatever level of the executive council. I have worked as a deputy minister in both jurisdictions. I worked as a deputy minister in Victoria and I worked as a deputy minister in Ottawa. I can tell you that politicians in Victoria are no more corrupt than politicians in Ottawa. You need a transparent process.

Stephen Owen, in his recommendation, in what he did as ombudsman of British Columbia...the insight was the following: to ensure equal justice, which is what our system is based on, sometimes you have to put in place special arrangements for high-profile and particularly political cases. So what happens in British Columbia is that when there's an allegation made against a politician, the assistant deputy attorney general, a career public servant, names an outside counsel from a list developed by the bar association and the department, and that person investigates and determines whether charges should be laid. That is a clean system. This is the system that our British cousins are looking at now. That's the system that Mr. Harper spoke of in the last campaign, when he talked about a director of public prosecutions. It's not quite what we got, but it's the system that we need in Ottawa if we're to stop the slide that this country has seen in Transparency International ratings.

•(1605)

Mr. Russ Hiebert: Thank you, Mr. Spector. I do appreciate the fact that our numbers have improved in recent years and I appreciate your passion with respect to this issue. I do want to give you an opportunity, however, to provide to this committee any evidence you might have about wrongdoing. I'm very sincere in my questions. So if you have any evidence about wrongdoing by any public official, relating to the consulting agreement between Mr. Mulroney and Mr. Schreiber, or with respect to the correspondence, or with respect to Airbus, these are all elements of the mandate that we've established for ourselves and I'm trying to keep us to the relevance of this matter.

So do you have any evidence of wrongdoing on those issues, before I proceed?

Mr. Norman Spector: I have no evidence one way or another.

Mr. Russ Hiebert: All right.

When it comes to the Cape Breton Bear Head project, when was it finally rejected by the government?

Mr. Norman Spector: I don't know that it ever was.

Mr. Russ Hiebert: I thought you mentioned that Mr. Mulroney killed the project.

Mr. Norman Spector: He killed it, but it seemed to come back. It was like the phoenix.

I'll give you two anecdotes. One is from Harry Swain, a deputy minister who might be known to some of the official opposition members who sat in government. In his first briefing of his minister, John Manley, in 1993, Mr. Manley asked him, do you have any advice for a new minister? He said he had two pieces of advice: first, you should read *Yes, Minister*; secondly, don't ever meet with Karlheinz Schreiber. Those were his two pieces of advice.

The second anecdote is a statement made by Glen Shortliffe, who is a former Clerk of the Privy Council, talking about the Bear Head project: It was like this whac-a-mole that would never stay down; it kept coming back. To me, it was like the phoenix; it kept rising from the ashes. And I want to know whether there's more than smoke there. It just wouldn't die.

•(1610)

The Chair: You have one last question, Mr. Hiebert.

Mr. Russ Hiebert: All right. My time is limited.

You mentioned that you met with the RCMP. Can you tell us what you told them at the time about what you knew about the Bear Head project and the Airbus situation?

Mr. Norman Spector: To save you time, it's all in the statement I gave them, which should be available to your committee. It was a sworn statement; it was signed. The statement was referred to in the letter that went to the Swiss government. So it's all there, and I wouldn't change a word that I said, particularly because it's 13 years later, and I'm sure my memory was better back then than it is—

Mr. Russ Hiebert: Do you have any new information?

Mr. Norman Spector: On the Bear Head project itself?

Mr. Russ Hiebert: Yes.

Mr. Norman Spector: Well, I have new information that I learned subsequently; for example, that it didn't die. When I left the Prime

Minister's Office I thought it was dead. I was very surprised when I came back from the Middle East to find out not only that it wasn't dead, but that Marc Lalonde had been involved in it in some way. I was astonished.

Mr. Russ Hiebert: As a last question, do you have any evidence of any wrongdoing related to the Bear Head project?

Mr. Norman Spector: No, I haven't.

Mr. Russ Hiebert: Okay, thank you.

The Chair: Thank you.

Mr. Spector, with regard to the identity of the RCMP investigator you referred to, was it Inspector Al Matthews?

Mr. Norman Spector: I'm sorry, I didn't hear your question.

The Chair: Was the RCMP inspector you referred to who had knowledge of the three payments Inspector Al Matthews?

Mr. Norman Spector: Yes.

The Chair: Thank you.

With regard to the expense report that you went through very briefly, the \$101,000 between October 1986 and June 1997, which annualized was somewhere around \$135,000, can you just confirm to the committee that the reimbursed expenses, which are called personal expenses—and they include salary of a person for their own use, Palm Beach trips, Rome satellite services, theatre tickets, flowers, restaurants—are all personal expenses not to do with being Prime Minister?

Mr. Norman Spector: I can only confirm what's on that document. I had no knowledge of this. It says “personal”, as you can see for yourself, so you know as much about this document as I do.

The Chair: You stated that it was determined by the Canada Revenue Agency that the moneys were not taxable.

Mr. Norman Spector: That's on the first arrangement. I know nothing about this arrangement, including anything related to taxation.

The Chair: Thank you.

Mr. Dhaliwal, for the second round, you have four minutes.

Mr. Sukh Dhaliwal (Newton—North Delta, Lib.): Thank you, Mr. Chair.

Welcome, Mr. Spector, to this committee.

As PC Party treasurer in the early 1990s, was Mr. Jim Prentice aware of those payments to Mr. Mulroney that you talked about?

Mr. Norman Spector: I never knew Jim Prentice. I still don't know him. I've never met the man, either then or now.

My understanding, from reading correspondence and from what I knew of those ties, is that current Senator Angus was a key player in these arrangements. I had never heard the name Jim Prentice.

Mr. Sukh Dhaliwal: You mentioned that while Doucet was a lobbyist, he would bring people to Mr. Mulroney's Hill office, and that these appointments were not booked through your office. Could you please explain how these meetings took place?

Mr. Norman Spector: Well, most of you, if not all of you, know the little arrangement upstairs, the Prime Minister's corner office opposite the cabinet room. On one side of him you'll find the secretary—I think it is probably the same—and on the other side there's a little office where I as chief of staff used to work. I had my main office at Langevin, but I would work in that office. Particularly, if I were going up to the Hill to see the Prime Minister after question period, I would be up there and working in the office.

I would see Mr. Doucet waiting outside for the end of question period, and he would then bring in someone who wasn't on our schedule. They didn't look like Girl Guides going in to get their photos taken with the Prime Minister; they were wearing suits.

Mr. Sukh Dhaliwal: Thank you.

Mr. Spector, do you have a copy—and are you willing to table it—of the sworn statement you gave to the RCMP in 1995 about the Bear Head project?

Mr. Norman Spector: To the RCMP in 1995? Yes, I have a copy with me. I'm sure you have a copy, but if you don't, I'd be pleased to give you a copy of it.

Mr. Sukh Dhaliwal: Could you please table that, sir?

Mr. Norman Spector: Absolutely.

• (1615)

Mr. Sukh Dhaliwal: Thank you.

Was it Lowell Murray who first informed you that Hugh Segal took on the Bear Head project and that it was kept alive after you left the PMO? Can you tell us how this came up?

Mr. Norman Spector: Yes. I was out of the country, and when I came back—I think it was probably in *The Globe and Mail*, because it has the most comprehensive coverage in the country—I saw this article saying that Mr. Lalonde and Mr. MacKay had posted bond for Mr. Schreiber. So it must have been around 1997 or 1998.

I e-mailed Lowell Murray. I had worked very closely with Lowell Murray. He was the Minister of State for Federal-Provincial Relations during the period when we did Meech Lake, so I had worked with Lowell Murray and I have a tremendous amount of respect for him. I e-mailed him and said, "What gives? I thought that project was dead." He said, "Oh, no, no." I'm almost imitating Lowell Murray; those of you who know him can hear him. "Oh, no, no, no. It kept coming back." He said even Hughie had dealt with it.

When I say Hughie had dealt with it, I'm not suggesting any impropriety on Mr. Segal's part. My understanding is that it did come back and that Mr. Segal gave it the back of his hand too. That was when Mr. Corbeil.... But that was before Karlheinz Schreiber went to do his courtesy call at Harrington Lake at the end of the Mulroney period, so it wasn't even dead after Mr. Segal disposed of it.

Mr. Sukh Dhaliwal: You have noted that Schreiber has considered suing the government for not following through on the 1988 understanding in principle. When did Mr. Schreiber raise this to you and you first learn about this?

Mr. Norman Spector: He never raised that with me. He was not quite that aggressive. When I dealt with him—and what offended me most about dealing with him was that he was basically engaged in a process of character assassination of public servants—he was alleging that his difficulties with this project were as a result of certain officials being in the pockets of General Motors, who were the supplier of LAVs to the Canadian military.

These people he was talking about were my colleagues. I came out of that community and I knew them, and I knew they weren't in anybody's pocket.

The Chair: Thank you very much.

Mr. Hiebert, please.

Mr. Russ Hiebert: Thank you, Mr. Chair.

Mr. Spector, you've told us about the system of cash being used at 24 Sussex. I'm wondering if you could explain to us what relevance you think that has to our study.

Mr. Norman Spector: I would ask you to ask yourselves that. You're the ones who have invited an ex-chef to appear at these hearings; you're the ones who seem to be intrigued by that story. I'm coming here, and I was invited principally, to talk about the Bear Head arrangement.

But I think that as a citizen of Canada I have a responsibility to provide information that I think can help you out, and I'm telling you not to get diverted by these wild goose chases. We're looking for \$10 million. We're not looking for the reconciliation of something that appeared in Stevie Cameron's book about what the chef may or may not have seen at 24 Sussex. It's a vivid description and would make a good television show, but I'm saying that from what I know, that's not what you should be doing. What you should be doing is subpoenaing documents, subpoenaing bank records, proposing a deal.

The criminal justice system makes these kinds of deals on a daily basis. Let's find out what Schreiber has. He may have nothing. He may be tearing out the guts of this country for no reason. On the other hand, he may have something. Let's find out. What are we delaying for? Make him a deal. So he'll end up staying in Canada, so he'll end up not going to Germany, if he actually has something and if the testimony proves reliable.

There's a public interest in getting to the bottom of this story. We are not going to clean up our system of government until we get to the bottom of this story.

Mr. Russ Hiebert: And I think, Mr. Spector, the best way to do that is through a public inquiry.

But I have to ask you, if you don't think the cash transactions that you were referring to are relevant to what the committee is addressing, why did you bring them up? Are you telling us that this system of repayment was unethical or somehow illegal?

Mr. Norman Spector: I wrote about this in the afterword, and you invited me to appear here. I wrote about this in the—

Mr. Russ Hiebert: Mr. Spector, we didn't invite you. It was the members of the opposition who invited you.

•(1620)

Mr. Norman Spector: It was the committee. You are one committee.

Well, okay, if we're talking about the Conservative side of this committee now—

Mr. Russ Hiebert: I'm asking you, Mr. Spector, did you have any ethical or moral concerns about the cash payments?

Mr. Norman Spector: Mr. Chairman, I'd like to—

Mr. Russ Hiebert: I'm asking you, Mr. Spector, did you have any ethical or moral or legal concerns about the system of cash payments?

The Chair: Now it's Mr. Spector's turn.

Mr. Norman Spector: I find quite interesting your statement that the public inquiry is the way to go, when particularly your Prime Minister, in his Christmas interview, suggested that maybe we don't need one, and when we then got a report suggesting very narrow terms of reference for that public inquiry.

So no, I think your committee has all the powers, quite frankly.

I accept Monsieur Ménard's disclaimer. I think the 10-minute rule is a problem, but I think there are ways around that. I think Bill Kaplan has suggested a way whereby you could focus your questioning.

Mr. Russ Hiebert: Mr. Spector, can I take from your avoidance of answering the question I asked that you don't want to talk about the cash transactions that you introduced to this committee?

Mr. Norman Spector: Obviously I have no problems with the ethics of the cash transactions. I wrote about them in the afterword. I've been very forthcoming about them and I have no problem. I think that particularly because I was told they had passed muster with CCRA. So no, I don't have any ethical....

I'm not sure what you're suggesting by even asking that question. I wrote about that, and this material has been on the public record for three years. I haven't hidden it.

Mr. Russ Hiebert: Can I ask you one last question? Where did you get these documents?

Mr. Norman Spector: I got them from a file in the Prime Minister's Office, which I asked to have made before I left the office. I thought what I was asking for was the documents that related to my involvement in this, but apparently there was more in the file. The first time I looked at this file was two weeks ago, when I was preparing for this committee. So it was a big surprise.

The Chair: Thank you very much.

Madame Lavallée, s'il vous plaît.

[*Translation*]

Mrs. Carole Lavallée: I will be sharing my time with Mr. Ménard.

Would you say that handling cash is a common practice at 24 Sussex Drive?

[*English*]

Mr. Norman Spector: I don't know.

[*Translation*]

All I know is what I read in the newspapers.

Mrs. Carole Lavallée: Was it an organized system?

Mr. Norman Spector: I have no information about that.

Mrs. Carole Lavallée: With regards to GCI and Fred Doucet, who was a lobbyist at the time you were the chief of staff—

Mr. Norman Spector: He had his own firm.

Mrs. Carole Lavallée: He had his own firm, but he was closely tied to—

Mr. Norman Spector: His brother, and others.

Mrs. Carole Lavallée: He had ties to the other members of GCI. Did you see any other individuals who had such easy access to Prime Minister Mulroney as Mr. Doucet had, or was he the chief lobbyist?

Mr. Norman Spector: During my time, no one had access to the Prime Minister's Office the way he did.

Mrs. Carole Lavallée: Did you recognize any of the people that he brought in and who did not look like boy scouts?

Mr. Norman Spector: No.

Mrs. Carole Lavallée: In your opinion, is the \$300,000 or the \$225,000 that Mr. Mulroney got from Mr. Schreiber after 1993 connected to the Airbus matter?

Mr. Norman Spector: I don't know.

Mrs. Carole Lavallée: I'm going to ask you a very specific question. On what account were the cheques you received drawn?

Mr. Norman Spector: From the PC Canada Fund.

Mrs. Carole Lavallée: In her book, Stevie Cameron explains that a secret fund had been set up by Guy Charbonneau, a former senator, to meet Brian Mulroney's needs. She even mentions the financial institution and the account number: Montreal Trust, account no. 830.

Mr. Norman Spector: You will see in these documents information related to your question. I do not think it matches Ms. Cameron's version, but you will see that for yourself.

Mrs. Carole Lavallée: I will now turn the floor over to Mr. Ménard.

Mr. Serge Ménard: Mr. Spector, you wrote the following in *Le Devoir*: "I also hope to help the committee understand the motivation and behaviour of my former boss by referring to some other matters".

Can you refer to these other matters for us?

Mr. Norman Spector: I always had the impression that Mr. Mulroney had one eye on his life after politics and that he was courting people who had power and money.

•(1625)

Mr. Serge Ménard: What do you mean by "courting"?

Mr. Norman Spector: I am talking about special treatment. I will give you two examples. The first is related to the *National Post's* decision to kill the story. Mr. Mulroney named Conrad Black, someone from outside government, to the Privy Council. The Asper family was very grateful for Mr. Mulroney's intervention in the Milgaard case. It was quite extraordinary that the Prime Minister of Canada would get involved in an issue like the David Milgaard case.

Mr. Serge Ménard: That is not going to convince us that he was receiving a lot of money.

Initially, you agreed, Mr. Spector, to transport money that would cover personal expenses, and so on.

Mr. Norman Spector: Those were expenses of the party.

Mr. Serge Ménard: So you had no moral objection to this practice at that time. But given the proportions this matter assumed, the amounts of money involved and the nature of some of the expenses, at some point did you not feel there was something illegal or at the very least clearly immoral that needed to be changed?

Mr. Norman Spector: No, because throughout the period during which I worked in the Prime Minister's Office, the system provided about \$5,000 a month to the Prime Minister. That is all there was in my day, to my knowledge. That is not a huge amount of money.

An honourable member: It depends for whom.

[English]

The Chair: Mr. Hiebert.

Mr. Russ Hiebert: Thank you, Mr. Chair.

To summarize to this point, Mr. Spector, we've concluded that you have no new evidence with respect to wrongdoing and that you didn't think there was anything unethical or illegal about the payment system that was in place for the former Prime Minister, but you have expressed a great deal of passion about ways that we can prevent this type of thing from happening in the future.

Are you aware of our Federal Accountability Act and the fact that we've brought in measures to strengthen the lobbyist registration procedures, to increase the power of the Auditor General to follow public money, and to provide whistle-blower protection for people who rat out wrongful behaviour? Are you aware of that? And what other suggestions would you have for this committee, in terms of preventing this unethical, or perhaps questionable, activity—because nobody's said it's unethical or illegal at this point—from happening in the future?

Mr. Norman Spector: First, to the preamble of your question, I have presented new evidence here.

Mr. Russ Hiebert: Of what?

Mr. Norman Spector: I've presented new evidence of reimbursement systems that I was not aware of when I wrote the afterword to the Kaplan book. What I've written in *Le Devoir* and *The Globe and Mail* is new evidence. This is something that has not been heard before. I've said in response to your chairman that I have no information about it. I'm not in a position to tell you to cast judgment one way or another on it, as to whether it was appropriate or not. So before you put words into my mouth, that is my evidence.

Mr. Russ Hiebert: But I heard you say a moment ago that you didn't think it was either unethical or illegal.

Mr. Norman Spector: In terms of the second part of your question, I am aware of the reforms and I think they've gone some distance. But I also know that the Prime Minister said that he would make deputy ministers accountable to committees of Parliament, and he has not done so, and there's a fight going on between the public accounts committee and the Privy Council Office, which I assume has the backing of the Prime Minister, over the protocol to apply. I'm also aware that the lobbyist registration rules are not quite what the Prime Minister promised.

Now, you're asking me what I think would help. I think one thing that would help would be to keep lobbyists out of playing any political role in Ottawa. We've already looked at the question of campaign funding. I think they should be kept out completely of any political role, including any role on the media.

I think there should be no ability for anybody who's registered as a lobbyist to say that they have any special access or any influence with the party in power, that the party in power has any debt to them. You should not be able to say the Conservatives are in power and you know which lobby firm you should engage when the Conservatives are in power. I think there's a legitimate role for the industry, but that role should be based on expertise, on knowing the way governments operate, having a large rolodex of officials; it should not be based on, "So-and-so was in the war room" or "So-and-so ran the buses for the campaign". I think that would help, in addition to cleaning up the system.

•(1630)

Mr. Russ Hiebert: Well, Mr. Spector, I appreciate your addition to this discussion. I'm still at a bit of loss, in terms of your testimony. You said a moment ago that there was nothing unethical or illegal about the payment system. I offered you an opportunity to provide additional evidence about Bear Head, about Airbus, about the consulting agreements with Mr. Schreiber and Mr. Mulroney, and I've heard no new evidence. So I'm at a bit of a loss as to why you're saying now that there is new evidence. If you're referring to this payment system that you had documents for...I don't know how many years, I don't see how it's relevant to what the committee's trying to address.

Mr. Norman Spector: Maybe when you read the transcript, you'll see the relevance, and maybe you should read the transcripts before François Martin comes to testify.

The Chair: Mr. Mulcair.

[Translation]

Mr. Thomas Mulcair: Thank you, Mr. Chairman.

I have very little time, so I would ask you to be brief. Could you give us the name of the investigator?

[English]

The name of the inspector you referred to from the RCMP?

[Translation]

Mr. Norman Spector: I told your chair. It was Mr. Matthews.

Mr. Thomas Mulcair: Earlier, you said that you had another example for us. What is that?

Mr. Norman Spector: I wrote about this in the afterword to the Kaplan book. It had to do with...

Mr. Thomas Mulcair: I see. It is something that has been published. It does not matter.

Mr. Norman Spector: It was never reported.

Mr. Thomas Mulcair: But it has been published.

Mr. Norman Spector: Yes. It also involved Winnipeg.

Mr. Thomas Mulcair: Is there anything that has not appeared in print. Is there anything else that you have not said today?

Mr. Norman Spector: No.

Mr. Thomas Mulcair: I have one last question, because the time is so short.

Earlier, you referred to the mandate given to the future commission of inquiry. You said quite rightly that the Prime Minister promised a full public inquiry. After his musings over the Christmas period, when he said that maybe we did not need an inquiry, all of a sudden, Mr. Johnston reports that we no longer need a full inquiry, that this is well-titled ground, and to back this up, he quotes from Stevie Cameron in a footnote.

Given what you said earlier about how we should follow the money, in particular the \$10 million, do you think Mr. Johnston's mandate for the commission of inquiry is broad enough to allow us to follow the money? Do you think that this committee should be requiring the production of a paper trail, tax and bank records? Would it be preferable for us to continue our work, or do you think that the mandate of the commission is broad enough?

Mr. Norman Spector: I am absolutely convinced that your committee has all the powers it needs to continue examining these matters and that it must do so.

Mr. Thomas Mulcair: And what about Mr. Johnston's mandate?

Mr. Norman Spector: It is not broad enough.

Mr. Thomas Mulcair: It is not broad enough?

Mr. Norman Spector: Not in my opinion.

Mr. Thomas Mulcair: Thank you, Mr. Chairman.

[English]

The Chair: Mr. Hubbard, please.

Hon. Charles Hubbard (Miramichi, Lib.): Thank you, Mr. Spector. You bring us a very broad story as a career public servant who was involved.... You must have felt very uncomfortable when you worked in the Prime Minister's Office. You saw money being transferred. You saw people coming and going and cash being handled. Apparently when you left, you kept records, because a lot of the cheques were made out in your name, as if you were working...as a wage in terms of those cheques.

We also find that later on when you went back to...it must have been British Columbia, when the two parties were being put together, the Reform Party and the Progressive Conservative Party, you had a brief conversation with the present Prime Minister. With that, you and Mr. Harper apparently discussed the situation, and it must have been in terms of the two parties getting together, and the conversation according to your writings went around something about the relationship that Mr. Harper might have with Mr.

Mulroney. In that conversation apparently, which you reported in the press, you gave Mr. Harper some recommendations in terms of how his relationship with Mr. Mulroney should be.

As you know, that recommendation that you suggested certainly wasn't followed, because even as late as 2006, Mr. Mulroney and Mr. Harper were having a very close relationship. In fact, the present Prime Minister was very happy to show Mr. Mulroney as one of the architects of his election victory in 2006.

So when you bring evidence to our committee today, talking about your work in the former Prime Minister's office—Mr. Mulroney's—the advice you offered, and the situation as it was, may I ask, in terms of the people you saw coming and going in dark suits and black ties, who apparently had no given purpose in going to see Mr. Mulroney, whether you could give our committee the names of any of those people.

• (1635)

Mr. Norman Spector: No, Mr. Hubbard, as I have answered Madame Lavallée, I believe, I did not recognize any of those people.

But I must clarify some of things you've said, because I did meet with Mr. Harper in 2003, a couple of days after the article appeared in *The Globe and Mail*, the first article on the cash payments. Mr. Harper had a pained look on his face and he said, "What should I say?" This wasn't the reason for our meeting. He said, "What should I say if I'm asked about this?" I didn't give him any advice. At that point I was writing for *The Globe and Mail*...

I'd like to finish, because I think you put some words in my mouth that I would not like to have stand on the record.

I didn't give him any advice, because I thought that it was inappropriate for someone in my position to be giving political advice.

I would have advised him to be very careful, and I think he made a mistake in not being very careful. However, I think it is a mistake that a lot of people in this country made. You only have to think back to September, to a two-hour presentation by CTV, by their chief anchor, on Mr. Mulroney, which was a full-blown public relations exercise, which, at the very last minute, had a puff ball question thrown at Mr. Mulroney about the cash. Now, if the entire CTV news team in Ottawa, all these well-paid, qualified journalists from CTV, didn't smell something that would have said proceed with caution, if the chief anchor, the most experienced journalist in Canada, Lloyd Robertson, didn't smell something that said whoa, whoa, tabarnac, there's something here that we should be very careful about, why would Stephen Harper, poor Stephen Harper, have said, let's be careful about this?

I think that probably answers your question.

The Chair: Okay, Mr. Spector, we're going to wind this down now, and I have a couple of questions for you myself.

You started off...and maybe I can characterize some of the testimony. You have provided us what you believe to be some puzzle pieces and challenged us to try to put this puzzle together.

Mr. Norman Spector: That's a very good summation.

The Chair: You talked about \$10 million, and where did it go. Are you suggesting, or do you have any evidence, that this \$10 million that you're talking about is money either from Thyssen AG or from Mr. Schreiber or any of his companies?

Mr. Norman Spector: The \$10 million that I'm referring to is what came out from the German justice system related to Karlheinz Schreiber. The best information we have is that Mr. Schreiber had \$10 million to distribute in Canada, and either he kept it, or kept part of it, or he distributed it. I think we should find out which it is.

The Chair: Okay.

Are you suggesting, or do you have any evidence whatsoever, that any moneys either from Thyssen AG or from Karlheinz Schreiber or any of his companies got into the PC Canada Fund with the specific directive that they be earmarked for Mr. Mulroney?

Mr. Norman Spector: I have absolutely no evidence on that point.

The Chair: On Bear Head, you are very familiar with the Bear Head project, first of all, in Nova Scotia. You knew it was cancelled by Mr. Mulroney in 1990. There were subsequent discussions about relocating that possible project in the Montreal area. Mr. Benoît Bouchard, I believe, was involved at the time. Mr. Elmer MacKay was involved at the time.

A voice: Monsieur Corbeil—

The Chair: How can you explain to Canadians that after the Prime Minister and the cabinet killed any prospect of a project because it was going to cost anywhere from \$100 million to quite a bit more than that, some speculate, this was somehow still alive? Is this something that Mr. Mulroney knew about and wanted to sustain, continuing to have the impression that it was still alive when in fact it was not?

• (1640)

Mr. Norman Spector: That is the smoke in this whole thing.

Look, Peter Lougheed, a Conservative, had instructed his cabinet never to meet with Karlheinz Schreiber.

The Chair: Yes, we know that.

Mr. Norman Spector: John Crosbie would never meet with Karlheinz Schreiber. I've told you what Harry Swain said about Karlheinz. And yet Karlheinz Schreiber had this access to the Prime Minister's Office to the point where I met with him, had this access to the Privy Council Office to the point where Paul Tellier met with him. There weren't a lot of Canadians who paid a courtesy call at Harrington Lake when Mr. Mulroney was leaving government.

The Chair: No. Sir, I understand.

Because you're familiar with Bear Head, you're familiar with the LAVs and you're familiar with what is being offered and exactly what Thyssen and Mr. Schreiber had in mind, can you give us any plausible explanation for why someone would think that this should be marketed internationally to Russia, China, France, and other countries? Is there any expertise there?

Mr. David Tilson (Dufferin—Caledon, CPC): On a point of order, Mr. Chairman, Mr. Rock left the room.

The Chair: Yes, he's here.

Mr. David Tilson: But it's now almost quarter to five and you're going on and on.

The Chair: Yes.

Mr. David Tilson: Well, no, not "yes", either we're going to hear Mr. Rock or we're not going to hear Mr. Rock.

The Chair: Yes, I understand. We will.

Mr. David Tilson: We're 15 minutes over schedule.

The Chair: Mr. Tilson, thank you.

As we discussed, our preference would have been.... We don't expect as many questions for Mr. Rock and we expect that—

Mr. David Tilson: Well, how do you know, sir? You've taken over the meeting. Mr. Rock was scheduled to start at 4:30. It's now quarter to five.

The Chair: Thank you.

Mr. David Tilson: No, not "thank you". Let's end it.

The Chair: Mr. Spector, do you have any final words for the committee?

Mr. Norman Spector: I just wish you good luck in your endeavours. I think it's a very important task that you are performing and a very important service.

And just to finish off, my sense of what was going on was that nobody was going to buy them in Canada. DND was not going to buy these things. They were dead set against it at all levels. And the only possible way to make it go would have been to find some offshore countries to buy them.

The Chair: Mr. Spector, thank you kindly for appearing before us.

I'm going to suspend for five minutes so that we can bring our next witness forward.

• _____ (Pause) _____

•

• (1645)

The Chair: Order, please.

Our next witness is the Honourable Allan Rock, a Privy Councillor and former Minister of Justice and Attorney General of Canada during the time of the Mulroney Airbus settlement. He also served as Minister of Health and Minister of Industry during his 10 years as a member of Parliament, and he subsequently served as Canada's ambassador to the United Nations.

Good afternoon, Mr. Rock. We thank you kindly for accepting our invitation to appear before us today.

Mr. Rock, I expect you will recall the rules, procedures, and traditions of the House of Commons. In particular, you will recall the general expectation that witnesses appearing before committee testify in a truthful and complete manner. Do you wish to proceed under this understanding or would you feel more comfortable being formally sworn in by the clerk of the committee?

Hon. Allan Rock (As an Individual): I'm happy to be sworn in, Mr. Chairman.

The Chair: Fine.

I'd ask the clerk to please swear in the witness.

• (1650)

Hon. Allan Rock: 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, sir.

Do you have any questions before we proceed?

Hon. Allan Rock: No, Mr. Chair.

The Chair: I understand you have an opening statement, and I would invite you now to make your opening statement.

[*Translation*]

Hon. Allan Rock: Thank you, Mr. Chairman. I know we have only 45 minutes before the vote, so I will read my opening statement.

[*English*]

But I'll try to shorten it because I understand there'll be questions, and time is running.

I believe the opening statement has been distributed to members of the committee, so you have it. But I prepared it to provide a framework within which you might ask questions about the Airbus litigation.

I recall in the opening statement, Mr. Chairman, that I served as Minister of Justice and Attorney General of Canada between November 1993 and June 1997. I recall as well that in the Department of Justice at the time, and I believe it's still the case today, there is something called the International Assistance Group, a group of lawyers who concern themselves with providing advice to the Government of Canada in relation to matters involving other governments, including extradition, and also where police forces in Canada cooperate with police forces elsewhere in terms of investigations.

Among other things, the IAG, or International Assistance Group, transmits requests to foreign authorities by Canadian police services for assistance in investigations. The practice, at least when I was there in the 1990s, was for the Canadian police service in question to prepare a letter of request for the cooperation of the foreign police, bring it to the IAG, the lawyers there would ensure it was in appropriate form for the foreign government, and then it would be sent by the Government of Canada to that foreign government as a formal request for assistance.

I understand from the Department of Justice that as of 1995 there were between 100 and 150 requests for assistance, or letters of request, that went overseas from Justice on behalf of police departments in Canada every year.

[*Translation*]

Mr. Chair, these letters of request were always treated by the Department of Justice and the requesting police force with the utmost confidentiality, because they dealt with ongoing investigations into the activities of named persons. I am told that there has never been an instance before this one in which the contents of a letter of request became public, notwithstanding that some of them reportedly named other well-known figures.

[*English*]

I should add that the policy and practice of the Department of Justice in each one of these cases was not to inform or to involve the Minister of Justice or the minister's office in any way before sending a letter of request. Because the letters requested assistance in ongoing police investigations, the minister had no role to play and could not properly either approve or disapprove of the letter going forward. Whether to send the letter was a matter for the police, and it would be improper to have the Minister of Justice and Attorney General deciding whether or how police investigations are carried on.

We all know, Mr. Chairman, that on September 29, 1995, a letter of request was forwarded to the Swiss authorities on behalf of the RCMP in relation to the Right Honourable Brian Mulroney, among others. The letter sought the assistance of the Swiss authorities in an RCMP investigation. In keeping with the justice department's practice, I was not informed or consulted before that letter was sent.

In fact, I first learned of it on Saturday, November 4, 1995, when I was telephoned at home by Roger Tassé, who was one of the lawyers for Mr. Mulroney. After he briefly told me the nature of his call and what he wanted to talk about, I asked that he speak with my deputy minister, which he did.

On the following Monday, which was November 6, I read the letter of request for the first time. The officials at the justice department recommended that the matter be referred to the RCMP, on whose behalf the request was sent. Mr. Mulroney's lawyers wanted the letter withdrawn, but I was informed by Justice and RCMP officials that it could not be withdrawn because it had already been acted upon. It had been sent overseas. It had been taken by the Canadian consular officials to the Swiss bank, and indeed, copies had been given to the account holders, Mr. Schreiber and Mr. Moores.

There was also a concern that if an effort was made to withdraw it, we might draw more attention to it than we would have otherwise. Remember that during this period, it still had not been in the *Financial Post*.

But the Department of Justice did send a follow-up letter, making two points to the same Swiss authorities: first of all, emphasizing that everything in the letter of request was in the nature of an allegation only—there had been no findings, only an investigation—and that the letter must be read as comprising allegations; and secondly, underlining the crucial importance of scrupulously respecting the confidentiality of these communications. That letter was sent over to the Swiss authorities on November 14.

Mr. Chairman, on November 18, 1995, the *Financial Post* published a story about the letter of request, quoting at length from its contents. To this day—subject to what I'll say in a few moments about expert evidence that the government obtained on the question—there's really been no explanation as to how the *Financial Post* obtained that letter of request.

•(1655)

[Translation]

Mr. Chair, on the same day, November 18, 1995, Mr. Mulroney's lawyers called a press conference to announce that they were launching a libel action against the Government of Canada and the RCMP seeking \$50 million in damages.

The government and the RCMP defended that action, and from time to time, the parties made efforts to resolve the litigation short of going to trial. As part of the litigation proceedings, Mr. Mulroney was examined under oath and was asked questions about various relevant matters. The answers Mr. Mulroney gave under oath led the government to conclude that he had not had any dealings with Mr. Schreiber.

[English]

As the government and the RCMP prepared for trial, we relied upon two defences in responding to the lawsuit.

First was that any communication by or on behalf of the Government of Canada, so long as it was in good faith and for a proper public purpose, was protected by either absolute or qualified privilege, so that no civil action could be brought in respect of it. And we had expert evidence to support that position.

The second defence was that none of the defendants actually published the libel. This defence arose from the fact that the letter, as served on Mr. Schreiber, was in the German language. In the days after it was served on him, someone arranged for lawyers in Switzerland to translate the letter into English. We called it the Blum translation.

We retained an expert who prepared a report that we intended to rely upon at trial to prove that the version of the letter published in the *Financial Post* was the Blum translation. Our expert identified what she called "a linguistic fingerprint" that demonstrated the link. If we could establish in the courtroom that the reporter was working from the Blum translation, that would suggest that persons other than the defendants had published the libel.

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

There have been suggestions from time to time, from the outset in this matter, that the RCMP investigation was initiated either by me or other political figures for partisan or vindictive reasons. The settlement agreement, which was personally signed by Mr. Mulroney, sets out his position on that question. In paragraph 8 of the agreement, the parties acknowledged that the procedure used in sending the letter of request in this case was the same as that followed on numerous occasions under both the Mulroney and the

Chrétien governments. In paragraph 9 of the settlement agreement, the parties acknowledged that the RCMP on its own initiated the Airbus investigation, that I was not involved in the decision to initiate it, and that before November 4, 1995, I was not aware of the letter of request.

Let me close simply by saying that although the justice department had a long history of sending letters like this in language such as that used in this case, I think we all learned from this instance, and certainly it was my belief that using language that is conclusory, when you're talking about, really, allegations, is wrong. So I directed, after I read the letter of request in this case, that the practice in the Department of Justice change, and it changed. I also appointed the Honourable Allan Goodman, who is a retired justice of the Court of Appeal for Ontario, to look into the whole of the procedure involving letters of request. He made a report with recommendations in early 1997, and I accepted and put into place all of his recommendations.

•(1700)

[Translation]

Mr. Chair, I hope committee members will find this brief summary useful. I would be happy to respond to any questions you might have.

[English]

The Chair: Thank you kindly.

Colleagues, we have about half an hour. That's enough time for the first round. So we're going to have Mr. Murphy, Madame Lavalleé, Mr. Martin, and Mr. Van Kesteren.

Mr. Murphy, please.

Mr. Brian Murphy (Moncton—Riverview—Dieppe, Lib.): Thank you, Mr. Chair.

Thank you, Mr. Rock, for being here.

Mr. Rock, you've mentioned that you and Solicitor General Herb Gray announced the intention of the government to settle this matter on January 6, 1997. I'm going to throw some dates at you. It wasn't until October 6, 1997, through the offices of Justice Gold, that a final settlement agreement paying over \$2 million to Mr. Mulroney—\$1.4 million for legal fees and \$587,000 for public relations fees—was actually entered into.

The question I have for you is this. Either at the time of the January press conference or the October actual settlement or in fact the payments over 1997, did you become aware of the cash payments to Mr. Mulroney of somewhere between \$225,000 and \$300,000?

Hon. Allan Rock: No.

Mr. Brian Murphy: Mr. Rock, you are no stranger to a courtroom and court proceedings—Law Society of Upper Canada treasurer, bencher. You're very highly respected in the city of Toronto and the province of Ontario. You know what I mean by a pleading.

Hon. Allan Rock: Yes, sir.

Mr. Brian Murphy: In Mr. Mulroney's pleading, his lawyer said on his behalf—you know how that works—that he had never had, directly or indirectly, any bank account either in Switzerland or any other foreign country. He has since admitted to having safety deposit boxes in various locations. But more importantly, he says he has never received any of the alleged payments in any form from any person named in the request for assistance. And I don't need to remind you that in the request for assistance Mr. Schreiber's name is there throughout.

At the discovery where the Government of Canada's lawyers concluded that Mr. Mulroney had not had any dealings with Mr. Schreiber, Mr. Mulroney in fact said, "I had never had any dealings with him". That's a quote under oath at a discovery in aid of pleadings given by Mr. Mulroney. This discovery was in April 1996.

The discoveries go on to paint the picture of the relationship with Mr. Schreiber as something just in passing. He had an interest in German unification. He was a German businessman and he had coffee with Mr. Mulroney a few times in various places. That's the theme or the tenor of the discovery transcript.

Did you review any of the discovery transcripts, or were you fully briefed on what happened at the examinations for discovery in April 1996?

Hon. Allan Rock: I believe there was press coverage, by the day, as it took place, and I was briefed by our lawyers with respect to the main points on discovery. So I was generally aware of what was asked and answered.

Mr. Brian Murphy: We just heard from Mr. Spector—and it was an interesting quote—that he formed the impression that Mr. Schreiber and Mr. Mulroney had more than a relationship in passing. He also said that certain people have used the Airbus file to give vague answers.

Would you consider it vague, knowing what you know now, that Mr. Mulroney accepted between \$225,000 and \$300,000 from Mr. Schreiber, to say, "I had never had any dealings with him"?

Hon. Allan Rock: Mr. Chairman, I think the transcript speaks for itself. I'm not going to interpret what Mr. Mulroney said on that occasion.

What I would say.... I guess I can say two things. First of all, as I mentioned in my opening statement, certainly the government concluded from the testimony given by Mr. Mulroney that he'd not had dealings with Mr. Schreiber, period. Second, like a lot of Canadians, I was very surprised to learn subsequently, I think in 2003, that there had been payments from Mr. Schreiber to Mr. Mulroney.

• (1705)

Mr. Brian Murphy: Given that you know that now, if you were in the position now—and I bet you're happy you aren't—would you still recommend that the government enter into the over-\$2-million settlement with Mr. Mulroney?

Hon. Allan Rock: Mr. Chairman, it's difficult to be categorical when you're looking back 10 years and assuming the facts of the case are different and speculating on the outcome.

I can say that had there been disclosure at the time of the cash payments by Mr. Schreiber to Mr. Mulroney and the circumstances in which they were made, it would have had a dramatic effect on that litigation. It would have had a profound effect. Questions would have been asked to follow up; documents would have been requested, including bank accounts, safety deposit box records, perhaps tax returns.

Mr. Brian Murphy: So in short, you would not have authorized that settlement on January 6 if you had known of the \$225,000 payments?

Hon. Allan Rock: Let me say that if you assume the cash payments had been disclosed, I do not believe the recommendation would have been to settle on those terms. That does not mean it might not have settled on some other terms, but I don't believe the recommendation would have been to settle on those terms in the face of the facts we now know.

Mr. Brian Murphy: Do you believe that the RCMP did not know of these cash payments at the time settlement negotiations were entered into? Mr. Spector certainly feels the RCMP did not know about the cash when they shut down the investigation.

Hon. Allan Rock: I have no idea what they knew. Certainly Mr. Gray never raised it with me.

Mr. Brian Murphy: As far as the RCMP investigation is concerned, to your knowledge did the RCMP continue the investigation after the settlement was entered into?

Hon. Allan Rock: Yes, I believe they did. In fact, one of the terms of the settlement agreement provided that it would have no effect on the RCMP's sole decision and discretion to continue the investigation until they felt it had been concluded.

Mr. Brian Murphy: Finally, Mr. Rock, memoranda suggest—these are very contemporary memoranda coming from the justice department—that they considered trying to get the settlement money back when they learned of these payments.

As a former justice minister—and a mighty good one, I might add—do you find it surprising that briefings were not held by the ministers of justice under this current regime, Ministers Nicholson or Toews? Do you find it surprising that they weren't briefed on this attempt to get back the settlement funds?

Hon. Allan Rock: I'm afraid I don't know what happened, what they were and weren't briefed about, but I know there is a procedure that one can invoke to ask the court to set aside an agreement, particularly a settlement agreement, if you take the position that it was obtained under something less than full disclosure. But I'm not here to give legal advice to the justice department, which they don't need, or political advice to the government of the day, which I'm sure they would not accept.

Some hon. members: Oh, oh!

[*Translation*]

The Chair: Mrs. Lavallée, please.

Mrs. Carole Lavallée: I will be sharing my time with Mr. Ménard.

Thank you for coming and answering our questions, Mr. Rock. Some of my questions may seem repetitive, but I'm asking them in French and I would like to hear your answers in French. I want to be very sure about what I am hearing.

You say in paragraph 12 of your presentation that:

As part of the litigation proceedings, Mr. Mulroney was examined under oath and was asked questions about various relevant matters. The answer that Mr. Mulroney gave under oath led the government to conclude that he had not had any dealings with Mr. Schreiber.

I find the verb "inciter" a little weak in French. I saw the words used in English, and I would have expected the verb "convaincre", or convince. Mr. Mulroney's answers convinced the RCMP. I am wondering why the RCMP ended the investigation at that time.

How can you explain such an incorrect conclusion, given the information we have now to the effect that there had been three payments by Mr. Schreiber at the time the RCMP ended its investigation?

Hon. Allan Rock: Mrs. Lavallée, what I said in my statement is that at the time, in light of the answers provided by Mr. Mulroney, and as parties involved in civil litigation, we reached a settlement. He said he had not had any agreements with Mr. Schreiber. We accepted Mr. Mulroney's testimony. He is a former prime minister of Canada, he spent nine years as prime minister and he was sworn in as a witness. We therefore assumed that he had answered these questions properly. That is why I said in my statement today:

• (1710)

[English]

"it led us to conclude"

[Translation]

"[...] incité le gouvernement à conclure qu'il n'avait pas eu affaire à M. Schreiber."

That is what we concluded based on Mr. Mulroney's answers in April 1996.

Mrs. Carole Lavallée: Do you think the RCMP should have gone beyond Mr. Mulroney's testimony and investigated what actually happened?

Hon. Allan Rock: It is not up to me to tell the RCMP what to do. Mr. Gray, the Solicitor General of Canada, was accountable to the House of Commons for the RCMP.

I know that the RCMP continued its investigation after the civil matter was settled. It continued until 2003, I believe, and then it announced it would be closing the file. It did continue its investigation, despite the settlement.

Mrs. Carole Lavallée: Do you now regret paying the \$2.1 million settlement?

Hon. Allan Rock: All I would say is that it is difficult now, in 2008, to imagine what we would have done had we had the information we have today. As I said to Mr. Murphy, I am sure that if the information about the payments made by Mr. Schreiber to Mr. Mulroney had been known at the time, that would have had a tremendous impact on the civil litigation. In my opinion, we would have received a recommendation to offer a settlement that took that information into account.

Mrs. Carole Lavallée: I will now turn the floor over to Mr. Ménard.

Mr. Serge Ménard: Mr. Rock, I understand that this type of request must stay far away from the minister and that he is not to be informed—I would even say that he should not be informed—about this police information.

Is that correct?

Hon. Allan Rock: Yes, sir.

Mr. Serge Ménard: Since that time, you have certainly read the letter that was sent to the Swiss government. Were you struck by the fact that as things unfolded, the individuals about whom the police had some suspicions were among the first to be informed, and that the letter was given to them?

Hon. Allan Rock: At the time, I was told that we had to inform the holders of the Swiss bank accounts. If the RCMP, through the government, asked for access to documents related to a particular bank account in Switzerland, the holder of the bank account must be informed and given a copy of the letter of request. That is why Mr. Schreiber and Mr. Moores received a copy of the letter.

Mr. Serge Ménard: All these people were informed about the investigation. So they had all the time they needed to cause any accounting records to disappear, particularly where cash was involved.

Hon. Allan Rock: They certainly received notification, but I have no information about what they did after that.

• (1715)

[English]

The Chair: Mr. Martin, please.

Mr. Pat Martin: Thank you, Mr. Chair, and thank you, Mr. Rock.

Mr. Rock, I think I speak for a lot of Canadians when I say we want our money back, and that's certainly one of the reasons we're pushing this issue now, because Brian Mulroney sued the Government of Canada for \$50 million because we implied he had taken money from Karlheinz Schreiber. We now know he did take money from Karlheinz Schreiber, and I take you at your word that you probably wouldn't have recommended a settlement had you known that then.

I can't understand, though, and maybe you can help me understand, why we sent letters of apology to Schreiber and to Moores, as well as to Brian Mulroney. It isn't part of the settlement agreement—I read it very thoroughly—but the Government of Canada felt it necessary to apologize to Schreiber and to Frank Moores in the same context as they were apologizing to Mr. Mulroney.

I'll ask you to answer that, but the last thing I'll say, because we have so little time, is that a lot of people feel you folded too early. A lot of people feel the Liberals were eager to get rid of this investigation because, if they dug too deeply, they would learn that Schreiber was meeting with André Ouellet, Schreiber was meeting with Doug Young, Schreiber was meeting with Allan J. MacEachen. Schreiber was right into the Liberal Party, just as he was right into the Conservative Party at the time. Perhaps you'd like to address that to a lot of people, the people who generally feel you folded too soon, and it was partly so the Liberal Party wouldn't get damaged by a proper investigation.

Hon. Allan Rock: Let me address both questions.

First of all, the letters to Schreiber and Moores were sent as a matter of logic and as a matter of law. The advice I had from the department, with which I agreed, was that the gist of the reason we apologized to Mr. Mulroney was the language used in the letter of request, and if you read that language, you'll see it was conclusory. We're used to language that says it's alleged that someone did something, it's alleged that such and such took place, but this language, while sometimes it says that, goes much further than that. It asserts as a matter of fact that there was criminal activity. That's why an apology was given.

Mr. Pat Martin: It's a little galling for Canadians to be apologizing to Karlheinz Schreiber for inconveniencing, and believe me, that's—

Hon. Allan Rock: If I could just conclude that answer, Mr. Martin, that same language was used for the other two as well. I believe one of them at the time had also commenced a lawsuit. So it was felt that it was in the public interest to avoid further payments to get that done.

Let me answer your second question. We were ready to go to trial on January 2, 1997. We'd lined up expert witnesses; we'd given notice of the experts' reports; we had no fewer than three or four lawyers ready to go; we got the documents lined up; we'd subpoenaed witnesses; we believed we had good defences in law—I've described what they were. That night, I was told that in the fall of 1995, an RCMP member had disclosed to a third party that Mr. Mulroney's name was in the letter of request. I was also advised by our counsel, and I agreed, that when that became public at the trial, it would significantly weaken our defence. I was ready to go to trial, and we were ready to rely on those defences, until they were taken away from us. In those circumstances, we went back to the negotiating table to make the best deal we could.

Mr. Pat Martin: I understand that.

Did you ever meet with Karlheinz Schreiber when you were a minister?

Hon. Allan Rock: No. I never met the man.

Mr. Pat Martin: Did Marc Lalonde ever represent Mr. Schreiber to you or other members of your cabinet, to your knowledge, lobbying on behalf of Mr. Schreiber?

Hon. Allan Rock: No.

Mr. Pat Martin: Thank you.

Mr. Mulcair has a question.

[*Translation*]

Mr. Thomas Mulcair: Thank you, Mr. Chairman.

Time is short, so I will go directly to my point.

You said earlier that you did not know whether the RCMP was aware of the payments of hundreds of thousands of dollars in cash from Mr. Schreiber to Mr. Mulroney. You added that Mr. Gray never raised this issue with you, but that it was up to you to decide whether or not to settle the Mulroney-Schreiber affair.

What concrete steps did you take to find out about this matter? What did you do to learn more about the file? Did you ask what was known before deciding to pay out \$2.1 million in taxpayers' money?

Hon. Allan Rock: The decision to settle was made by the government. Mr. Gray, who was the Solicitor General of Canada, and I shared the responsibility for responding to this litigation in court. Did we undertake any investigations ourselves? The answer is no. We asked our counsel to represent us in court, to ask questions—

• (1720)

Mr. Thomas Mulcair: We are getting off topic a little, Mr. Rock. I will come back to my question. You were responsible for the administration of justice for all of Canada. You were about to write a cheque for \$2.1 million to a former prime minister for the pain and suffering he experienced because people had associated him with Mr. Schreiber. We now know the truth of the matter.

What concrete steps did you take to find out more about this file before making this recommendation? You seem to want to back off now by saying that this was a government decision. It was your decision.

Hon. Allan Rock: This was my recommendation to the government, after I received the analysis from the lawyers involved in this case. What did we do? We dealt with the litigation, we asked Mr. Mulroney some questions and we accepted his testimony as a former prime minister of Canada.

Mr. Thomas Mulcair: What did the RCMP tell you? Did you ask the RCMP any questions?

Hon. Allan Rock: I'm sure that Mr. Gray, like myself, examined the facts presented in court to determine whether or not we could win. Once, I was told that a member of the RCMP revealed—

Mr. Thomas Mulcair: That is an unproven allegation. I want to come back to what you know.

Hon. Allan Rock: No, that was a reality in court.

Mr. Thomas Mulcair: No, what I want to know is this. You were the minister, you made a recommendation, but did you or did you not ask the following simple question: What does the RCMP know about this matter?

Hon. Allan Rock: Mr. Mulcair, my concern as Attorney General for Canada and Minister of Justice, together with Mr. Gray, for the government side in this civil litigation was to deal with it properly, in keeping with the opinion of our lawyers. Until January 2, the lawyers said we had a case. After it was discovered that the RCMP officer had revealed this information to a third party, they told me we did not. That is why we settled the way we did.

The Chair: I am sorry, Mr. Mulcair, your time is up.

[English]

Mr. Van Kesteren is next in the final question session.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you, Mr. Chair.

Thank you, Mr. Rock, for appearing before us this afternoon.

While you were justice minister—we've established all this—you commenced an investigation into the Airbus purchase, Air Canada, and the Cape Breton Bear Head project proposal. You said a few minutes ago that had you known what you know today, you wouldn't have pulled the plug on the investigation.

But I would remind you that on April 22, 2003, the RCMP admitted that after an exhaustive investigation, no wrongdoing involving Airbus or the Bear Head project existed. They said, and I quote:

After an exhaustive investigation in Canada and abroad, the RCMP has concluded its investigation into allegations of wrongdoing involving MBB Helicopters, Thyssen and Airbus.... The RCMP has now concluded that the remaining allegations cannot be substantiated and that no charges will be laid.

I think that's important, because I want to go to a series of questions that relate to this committee's mandate.

Do you have any evidence to offer this committee of any wrongdoing by any public official regarding the Bear Head project?

Hon. Allan Rock: May I quarrel with your premise, sir, just for a moment? I didn't start an investigation; the RCMP did. And we didn't pull the plug on the investigation; we settled the lawsuit.

With those two clarifications, my answer to your questions—

Mr. Dave Van Kesteren: Your point is well taken.

Do you have any evidence to offer this committee of any wrongdoing by any public official regarding the consulting agreement between Brian Mulroney and Karlheinz Schreiber?

Hon. Allan Rock: No.

Mr. Dave Van Kesteren: Do you have any evidence to offer this committee of any wrongdoing by any public official regarding the circulation of correspondence from the Privy Council Office to the Prime Minister's Office, with particular emphasis on the correspondence sent by Karlheinz Schreiber to the current Prime Minister?

Hon. Allan Rock: No.

Mr. Dave Van Kesteren: Do you have any evidence to offer this committee of any wrongdoing by any public official regarding the Airbus purchase by Air Canada?

Hon. Allan Rock: No.

• (1725)

Mr. Dave Van Kesteren: Given that the settlement that our government reached with Mr. Mulroney in 1997 was specifically tied to defamatory statements made about him in regard to the Airbus scandal—and I guess this question has been asked before, but I want to ask it again—would the now-public knowledge that Mr. Mulroney and Mr. Schreiber had a separate consulting agreement, unconnected to Airbus, have given you reason to re-evaluate the file at that time? If so, why?

Hon. Allan Rock: As I mentioned in answer to an earlier question, I don't believe there would have been a recommendation to settle on these terms had we known about that cash. It might have settled for other reasons, because as you've said, the settlement was all about the language used, and that hasn't changed. But I think it's a question of what terms it would have settled on. Had we known about the cash and the circumstances in which it was paid, it would have had a very significant effect on the litigation.

I'll point out that this case was all about reputation. Mr. Mulroney complained that the language used affected his reputation. But the disclosure of the cash payments also had that effect, and had that disclosure been in 1996 or 1997, before this case was settled, we would have been dealing with a very different set of facts. Either we would have pursued questions, as this committee is doing, about documents, about records, about witnesses—to find out where the trail led—or we might have settled the case because the language was inappropriate. But as I said, perhaps that settlement would have been on very different terms. Maybe there wouldn't have been a payment of costs. Maybe there wouldn't have been other terms that were agreed to.

We're speculating now, but I'm doing my best to answer your question.

Mr. Dave Van Kesteren: Thank you.

I want to go back to that letter of request that was sent by the justice department in September 25, 1995. When did you personally become aware of the letter to the Swiss authorities, the letter that ultimately came about, the \$2.1 million?

Hon. Allan Rock: On Saturday, November 4, 1995, I was telephoned at home by Roger Tassé. That was when I first learned of the letter.

Mr. Dave Van Kesteren: Why didn't you act right away and squash that thing so we wouldn't have had the exposure? Why was there a delay?

Hon. Allan Rock: We looked into that. When I say “we”, I mean that I met with the deputy minister or senior officials on Monday, November 6. I read the letter for myself. The request by Mr. Mulroney's lawyers was to withdraw it. When I asked about that potential course of action I was told that, in effect, it's already spent, it's been acted upon, it's been served on the bank, it's been served on the account holders. Don't forget that on the sixth of November—that's before the *Financial Post* had published the article—the effort then was to keep this as confidential as possible. The concern was, if an effort was made to withdraw it, that—by going back through the channels and doing such a thing—we might draw more attention to it than if we just remained silent and instead sent a second letter to the Swiss, which we did, making two points: number one, those are only allegations, and number two, please respect the confidentiality of this communication scrupulously.

Mr. Dave Van Kesteren: I have to ask you this question. Was there pressure within the caucus that possibly...“Hey, this is something. We've got him”, and for that reason that letter wasn't pulled or acted on quickly?

Hon. Allan Rock: No. I don't recall any discussion in caucus about this. Certainly what motivated me was doing the best I could in the interests of all parties. The government...Mr. Mulroney's lawyers had a complaint about the language used. The RCMP wanted to maintain its investigation and not have that undermined. So we were working on that, and sending follow-up letters to the Swiss, looking into various steps we could take when, on November 18, the top blew off because the *Financial Post* published a lot of the letter and Mr. Mulroney's lawyers announced the litigation.

The Chair: Last question.

Mr. Dave Van Kesteren: I have two questions, then. Who leaked the letter to the Swiss authorities? And, as justice minister, who was ultimately responsible for the \$2.1 million charges that were laid to the Canadian taxpayers?

Hon. Allan Rock: Who leaked the letter to the Swiss authorities? It wasn't leaked; it was sent over. The protocol is that a Canadian consular official then provides a copy to the Swiss authorities and to the bank and to the account holders. So that wasn't a leak; that was a delivery.

The question is, who leaked the letter to the *Financial Post*? As I mentioned, we had an expert witness who was going to swear that the version that was referred to in the *Financial Post* was the version that was translated in Switzerland for someone after we sent it over in the German language, so we were going to establish that it wasn't the government that leaked it to the *Financial Post*.

In answer to your second question, regarding who is responsible for the \$2.1 million, the government acknowledged that the letter should not have been sent in that language. It didn't apologize for the investigation. There is nothing wrong with investigating. Police can decide who to investigate. It was the language used that was the essential harm here, and it was for that reason we apologized and agreed to pay costs.

● (1730)

The Chair: Colleagues, the bells have now started, so we'll wrap it up now.

I have just one question for you, Mr. Rock. On page 116 of Mr. Mulroney's day one testimony in his examination for discovery, he said, "I had never had any dealings with him", referring to Mr. Schreiber. Of course some other details have now come out in these hearings. But on November 10, I believe, of last year, he had an interview with *The Globe and Mail* in which he admitted to

receiving the three payments totalling \$225,000 or \$300,000. That is a direct contradiction to his sworn testimony in discovery that he made in a public pronouncement.

Is there any recourse to reopen the settlement, based on the fact that he voluntarily disclosed that he in fact did have business dealings when in fact at discovery he said he did not?

Hon. Allan Rock: As I have mentioned, Mr. Chairman, there is a procedure by which lawyers can move before the court to set aside an agreement based upon failure to make full disclosure. Whether it should take place in this case is a matter for the justice department in terms of their legal analysis and of course a question for the government of the day as to whether they wish to do so.

I can comment about the legal procedure, but I leave to others the question of whether the justice department has its own advice and whether this government is prepared to do that.

The Chair: I thank you kindly, Mr. Rock.

Colleagues, Mr. Rock has agreed to respond in writing to any other questions we have. If you have any further questions for Mr. Rock, please submit them to the clerk. We'll forward them on to Mr. Rock and—

Mr. David Tilson: We didn't agree to that, Mr. Chairman.

The Chair: No, the witness agreed to that.

Mr. David Tilson: But we never asked him.

The Chair: I did.

Mr. David Tilson: Well, you had no right to ask him.

The Chair: Well, thank you.

Mr. David Tilson: There you go. No, not "thank you", Mr. Chairman. You just can't go.... Once again, you're just going on your way and taking over the way you see fit. God bless you.

The Chair: Order!

Yes, thank you, Mr. Tilson.

Mr. Rock, thank you again.

Our next meeting is next Thursday at 3:30. We have Luc Lavoie and François Martin.

We are now adjourned.

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