

Documents au soutien du témoignage de Luc Lavoie

LUC LAVOIE

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Mulroney asks Schreiber to clear the Airbus air: Former PM wants businessman to release bank records; [National Edition]

Philip Mathias. National Post. Don Mills, Ont.: Aug 20, 1999. pg. A.3

Abstract (Summary)

Mr. [Karlheinz Schreiber]'s bank records are the missing piece of an RCMP investigation into allegations that he paid a \$5-million bribe to Mr. [Brian Mulroney], allegedly to ensure Air Canada bought \$1.8-billion worth of Airbus aircraft in 1988. Mr. Schreiber was alleged to be acting as a lobbyist for Airbus.

The Schreiber bank accounts will be released to Canada if both the Federal Court and the Bundesgericht rule against Mr. Schreiber. If either rules in Mr. Schreiber's favour, the Airbus affair will likely come to an end.

Black & White Photo: (Brian) Mulroney ; Black & White Photo: (Karlheinz) Schreiber ;

Full Text (830 words)

(Copyright National Post 1999)

Brian Mulroney, the former prime minister, has stepped up efforts to persuade Karlheinz Schreiber -- the man at the centre of the Airbus affair -- to release his confidential Swiss bank accounts to the Canadian government so the matter can finally be put to rest.

Mr. Schreiber's bank records are the missing piece of an RCMP investigation into allegations that he paid a \$5-million bribe to Mr. Mulroney, allegedly to ensure Air Canada bought \$1.8-billion worth of Airbus aircraft in 1988. Mr. Schreiber was alleged to be acting as a lobbyist for Airbus.

"Nothing would make Mr. Mulroney happier than to have these documents opened up so that his innocence would be clear forever," Luc Lavoie, Mr. Mulroney's spokesman, said yesterday.

This week, Mr. Mulroney telephoned his former chief of staff, Fred Doucet, from South Africa, where the former prime minister is vacationing with his family, and asked him to organize another approach to Mr. Schreiber.

Mr. Doucet persuaded a former cabinet minister in Mr. Mulroney's government, a man who knew Mr. Schreiber, to telephone him on Mr. Mulroney's behalf and ask that the documents be released.

Over the last three years, Mr. Mulroney has interceded with Mr. Schreiber several times, both directly in telephone calls, and through intermediaries.

But Mr. Schreiber has always been unreceptive. "I don't want to release the documents," he told the National Post, "because the whole procedure by the Canadian government is illegal, and I want to see them in court to prove this."

The RCMP investigation has been proceeding on and off since the Air Canada purchase of the Airbus aircraft 10 years ago.

In 1995, the probe gained momentum when a disgruntled former employee of Mr. Schreiber's alleged that Mr. Schreiber had told him he was going to bribe Mr. Mulroney.

The informant added that he did not know if a bribe had actually been paid, but supplied details of the bank account that supposedly received the money. His allegation was later proven false.

In 1995, the Canadian government sent a letter to the Swiss government asking for copies of Mr. Schreiber's own bank documents.

The Swiss only release such information when there's evidence of a crime. A Swiss police official advised the Canadian government how to word the letter so that it would seem to pass this stringent Swiss requirement.

The letter used very strong language, saying Mr. Mulroney has engaged in "criminal activity" to "defraud the Canadian government."

Mr. Mulroney launched a lawsuit for libel. In January, 1997, the Canadian government apologized, paid \$2-million of his legal fees, and declared the bribery allegation was "sans fondement" (without foundation).

But the letter of request to Swiss authorities was not withdrawn, and Mr. Schreiber began several legal actions to prevent his bank accounts being made public through the letter.

He first obtained a court order stopping the Canadian request from going forward in Switzerland, but that freeze order has since expired. This year, he asked the Federal Court in Vancouver to order the Canadian government to withdraw the letter of request.

"All we **have** asked the court to do is force the Canadian government to tell the Swiss government the truth," said Robert Hladun, Mr. Schreiber's Edmonton-based lawyer.

The court's ruling is expected in September. Meanwhile, in June, after the court-ordered freeze expired, the Canadian government reactivated the letter of request.

The Swiss attorney-general, Carla del Ponte, ordered the Schreiber bank documents released to Canada. She explained that she accepted the letter of request as if it was literally true.

The Swiss do not normally look behind a letter of request, lawyers explain. If there's a problem with a letter, Swiss policy is that the requesting country deals with the problem.

Mr. Schreiber countered with an appeal to the Supreme Court of Switzerland, called the Bundesgericht, to countermand Ms. del Ponte's order.

The basis of the Schreiber appeal is that Switzerland has no right to honour the letter of request, because it does not conform with Swiss requirements. The Swiss court has yet to deliver a ruling.

The Schreiber bank accounts will be released to Canada if both the Federal Court and the Bundesgericht rule against Mr. Schreiber. If either rules in Mr. Schreiber's favour, the Airbus affair will likely come to an end.

According to some estimates, Mr. Schreiber has spent about \$2- million in legal fees to prevent his bank documents from being released.

But Mr. Hladun says Mr. Schreiber has nothing to hide. "He's a man of integrity," he added, "and he values his privacy. It's a matter of principle."

Others doubt that anybody would spend so much money just to establish a point of principle.

Mr. Lavoie confirmed that Mr. Mulroney has asked Mr. Schreiber to release the bank accounts, but denies Mr. Mulroney is applying any pressure. "He doesn't want to infringe on anybody's right to go to court seeking justice," Mr. Lavoie said.

[Illustration]

Black & White Photo: (Brian) Mulroney ; Black & White Photo: (Karlheinz) Schreiber ;

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H & K Communications

72 Elvaston Avenue
Nepean, Ontario
K2G 3X9

Phone: (613) 829-1800
Fax: (613) 829-2449
E-mail: hturkow@rogers.com

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INTERVIEW WITH LUC LAVOIE

LUC LAVOIE (Brian Mulroney's spokesperson): Hello?

HARVEY CASHORE (Producer, The Fifth Estate): Hi, Luc?

LUC LAVOIE: Yeah.

HARVEY CASHORE: It's Harvey Cashore.

LUC LAVOIE: How are you?

HARVEY CASHORE: Pretty good. How are you?

LUC LAVOIE: It's been a long time!

HARVEY CASHORE: It has been a long time, four years.

LUC LAVOIE: Four years almost to the day.

HARVEY CASHORE: Yes, but I got your Christmas cards.

LUC LAVOIE: Have you?

HARVEY CASHORE: Yeah.

LUC LAVOIE: There you go.

HARVEY CASHORE: But that wasn't so long. (LAUGHTER)

LUC LAVOIE: So what's up? I received a copy of something that was sent over to Mr. Mulroney's office.

HARVEY CASHORE: Yes.

LUC LAVOIE: What's going on?

HARVEY CASHORE: Well, we'd like to speak with Mr. Mulroney, and get his help if we can about our research, and we would like to sort of get his perspective on some information that's come up in the research.

LUC LAVOIE: Yeah. Um, I guess you're going to have to settle with speaking with me. (LAUGHTER) And I see what I can do. I mean, literally, that's what it is.

HARVEY CASHORE: Yeah.

LUC LAVOIE: What can I do?

HARVEY CASHORE: What do you mean what can you do?

LUC LAVOIE: I mean, whatever information needs to be checked, ask me and I'll find out.

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HARVEY CASHORE: Um... When you say "checked", what...I...like...is...I mean, I would dearly love to speak with him and get his perspective on this, this information.

LUC LAVOIE: Well, I don't think it's going to happen.

HARVEY CASHORE: Yeah?

LUC LAVOIE: Because he just doesn't do that. And you know, I mean, don't take it personally. He doesn't do it.

HARVEY CASHORE: Oh no, I don't take any of this personally. This isn't personal. I'm just trying to understand this, you know?

LUC LAVOIE: You know, I mean, what's the issue about, and...?

HARVEY CASHORE: What...what's the issue about?

LUC LAVOIE: Yeah.

HARVEY CASHORE: Well, I mean, look, this is obviously a little awkward for me, and I...and this is delicate and I'm treating it that way, but we have some information that we have obtained about Karlheinz Schreiber's bank account, and one possible interpretation of these facts that we have obtained – and I

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have to stress possible interpretation – might be – and I'll stress might be – that one of them was intended for Brian Mulroney.

LUC LAVOIE: That one bank account or one entry in the bank account or what?

HARVEY CASHORE: No, that one...one...one rubric.

LUC LAVOIE: One rubric...in the account.

HARVEY CASHORE: Right. Let me stress that I'm not suggesting this is so, I'm just...

LUC LAVOIE: Yeah, I understand. I understand. Um... But that's through deduction that you come to this conclusion.

HARVEY CASHORE: I have not come to any conclusion.

LUC LAVOIE: No, no, but I mean, ok, let's not call it conclusion, but that you come to this possible interpretation.

HARVEY CASHORE: I...I don't know what you mean...what it means to say "deduction". We have some information. I mean, I can repeat what I've said to you. We have some information that...a series of facts, ok? That...where I believe it's possible that one interpretation may be that one of these rubric accounts was intended for Brian Mulroney.

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LUC LAVOIE: I see.

HARVEY CASHORE: Ok, I have to stress all over again, I'm not saying this is a conclusion.

LUC LAVOIE: Yeah. Um...all right, it's...all right. Now, can I know a little more than this?

HARVEY CASHORE: Well, I mean, I've still got...first of all, well, you're cracking up, by the way. Are you under a bridge or something, or a tunnel?

LUC LAVOIE: No, that's ok. I'm on a cellular, and now it's ok now?

HARVEY CASHORE: Yeah, yeah.

LUC LAVOIE: Ok.

HARVEY CASHORE: Yeah. And by the way, I don't know if, you know, you think that we're going to air next week on this, but ~~we're~~ not going to air next week on this, so **we can, you** know, you can put some thought into what you want to do with what I'm saying, and that kind of thing.

LUC LAVOIE: Yeah, but I need to know a little more than this. I appreciate your giving me some, but I need a little more than this. Like,

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you've seen his account, Schreiber's account. I mean, don't forget, Harvey, that as far as we're concerned, we never had anything to do with any of this stuff.

HARVEY CASHORE: Right.

LUC LAVOIE: So I'd like to know what could lead anybody to interpret anything as meaning that it might have come to Mulroney. I use all the conditionals as you do.

HARVEY CASHORE: No, exactly, and...I mean, obviously this is the...the reason we are requesting...you're cracking up again. I can't hear a darn...hello?

LUC LAVOIE: Hello.

HARVEY CASHORE: Yeah, ok, you're back in again here.

LUC LAVOIE: Yeah.

HARVEY CASHORE: Yeah.

LUC LAVOIE: So you're saying what?

HARVEY CASHORE: Yeah, I'm just saying that, you know, the reason we would like to have his perspective on this information. It's not because, you know, we haven't paid attention to what he's been saying. And we pay attention and respect; we respect what he's saying. But you know, it's our
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responsibility to, when we have new information and certain facts, to put it before a lot of people, before people who...and in this case, in this particular set of facts, I think it's important to speak to Mr. Mulroney about them. I think it's important that we do that.

LUC LAVOIE: Yeah, but as I'm saying, Harvey, he won't speak directly to you. You're going to have to settle with me.

HARVEY CASHORE: I'm trying my best.

LUC LAVOIE: I know. But I...and it's, you know, (inaudible – static)

HARVEY CASHORE: I'm sorry, Luc, sorry, I can't...you're cracking up again, hang on.

LUC LAVOIE: Can you hear me now?

HARVEY CASHORE: Yeah, ok. Yeah.

LUC LAVOIE: I'm saying that put everything else aside, I've always been a straight shooter with everybody. You give me information; I'll check it out and get back to you. (Inaudible – static)...

HARVEY CASHORE: Sorry, Luc, sorry, we just cracked up again there again.

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LUC LAVOIE: Are you all right now?

HARVEY CASHORE: Yeah, I can hear you now.

LUC LAVOIE: I'm sorry. Just, I'm going to park in a second, so it will stop, ok? Can you hear me now?

HARVEY CASHORE: Yeah.

LUC LAVOIE: Ok. Now, I mean, pass me the information and I'll check it out as much as I can. You're not going to get directly to him.

HARVEY CASHORE: Uh-huh.

LUC LAVOIE: This is not going to happen.

HARVEY CASHORE: So what you're saying, if I'm hearing you correctly, is you want me to tell you all of the specific new facts that we have obtained.

LUC LAVOIE: Yes, and I can actually, if that's worrying you, I can actually give you an undertaking in writing, if you want, that I won't share it with any other reporter anywhere in the world. So, I mean, I'm not going to, you know, spread anything around.

HARVEY CASHORE: Yes.

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LUC LAVOIE: It's not my purpose here. My propose is to, you know, to get to the bottom of it.

HARVEY CASHORE: Yeah.

LUC LAVOIE: So if you want a commitment on my part of that sort, I'll give it to you.

HARVEY CASHORE: Ok, well, look, can I get back to you on that? That's something I'll have to mull over. There's...can we...can I talk to you again on Tuesday, or do you want me to talk earlier to you? I mean...

LUC LAVOIE: I...normally I would say yes on Tuesday. My problem is that I'm leaving on Sunday for one week, and I'll be way away from here, although I'll still be in charge of the file, and I'll talk to you from wherever I am.

HARVEY CASHORE: Yeah.

LUC LAVOIE: Which will be in South America. But, you know, if we can talk before then, because I'll be on a plane...some times, I don't have the exact times, but some times in midday on Sunday. (Inaudible) on my way down to South America.

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HARVEY CASHORE: Ok, so it's ok if I call you back on the weekend?

LUC LAVOIE: If you call me tomorrow, I'd appreciate.

HARVEY CASHORE: Yeah, ok.

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Phone (613) 829-1800 Fax (613) 829-6181 E-mail hturkow@rogers.com

H & K Communications

72 Elvaston Avenue
Nepean, Ontario
K2G 3X9

Phone: (613) 829-1800
Fax: (613) 829-2449
E-mail: hturkow@rogers.com

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THE FIFTH ESTATE INTERVIEW WITH LUC LAVOIE RE AIRBUS

[interview in progress]

HARVEY CASHORE (Interviewer): Right. So...

LUC LAVOIE: But I mean you don't trust me from what I can hear.

CASHORE: I don't know what... What do you mean by that, you say I don't trust you? What does that...

LAVOIE: Well, I'm a straight shooter. Like, I mean you... I am... I told you yesterday I'm not going to spread it beyond Mr. Mulrone. It's... It's the canal (sic) to him. That's his... that's his wish and that's the way things will go.

CASHORE: Uh-huh.

LAVOIE: And, uh, you know, regardless of anything else I guess I'm a straight shooter. I'm not going to... I'm not going to fuck around with

you. I'm not going to... I'm not going to go and spread anything to colleagues of yours or anything like that. I promise. You have my word for it. I told you I can give it to you in writing if you want. I am not going to do it.

CASHORE: Uh-huh. I guess I... I mean you say I shouldn't be optimistic and you know the answer and all this, but I mean... I... what I'm hoping of course is that with some more thought on this that it would... he might think it might make sense to meet with me and to talk about this, and that's ultimately what I would love to do, you know, is too... is to sit down and talk to him about this. So that... I mean I think that's important and I don't think it's... I don't think it's asking... I mean, it's actually being fair and it's being... it's wanting to get the perspective I... I need and I'd like for this. If he can give me a perspective. He may not be able to, you know, this is... um...

LAVOIE: I'll get...

CASHORE: You know, I'm an optimist.

LAVOIE: I'll get you... I'll get you the perspective.

CASHORE: Yeah?

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LAVOIE: But ask me and I'll get you the perspective from him. But he's not going to go directly to you.

CASHORE: Right. Okay. I've already told you, pretty clearly, what it is...

LAVOIE: You...

CASHORE: I haven't given you the specific details but I told you pretty clearly what...

LAVOIE: Well, what you said it was, if my... if my understanding is correct, is you have seen Schreiber's accounts and... Am I right?

CASHORE: Um, I... I...

LAVOIE: Well... We know they're in Germany, so you have seen the accounts?

CASHORE: I have seen some information about his... about his banking records.

LAVOIE: Okay. About his... So you're not saying you have seen the accounts.

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CASHORE: Oh I don't want to say that I have or that I haven't.

LAVOIE: Okay. Okay. And in it there is a section – I don't know what word you used, did you say a section, or entries, or whatever you called it? What did you call it?

CASHORE: A rubric.

LAVOIE: A rubric.

CASHORE: Yeah.

LAVOIE: That might lead somebody to believe...

CASHORE: Yeah there's a ... As I ... I mean there's a... there's a series of facts that are, you know, before us that, you know, to repeat as cautiously as I can and, you know...

LAVOIE: A series of facts.

CASHORE: Yeah, a series of facts that, you know, I believe there is a possibility, and again I stress possibility, that when those facts are presented may lead some people and may, being very strongly said here of course,

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to, um, you know, conclude that Mr. Schreiber had set up this for Mr. Mulroney. Those facts... You know, there are these set of facts. Now, um... And I'm concluding nothing. What I'm saying is that I would like to talk to Mr. Mulroney about these set of facts.

LAVOIE: Uh-huh. So this won't happen. So we'll never discuss it I guess. It's just not going to happen.

CASHORE: Uh-huh.

LAVOIE: I... I actually told him that you asked to speak with him.

CASHORE: Yeah?

LAVOIE: He won't.

CASHORE: Uh-huh.

LAVOIE: So...

CASHORE: Can I ask why, or what the...what...

LAVOIE: Why?

CASHORE: ... what the stumbling block is? Or what's the...

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LAVOIE: What the stumbling block is?

CASHORE: Yeah.

LAVOIE: He doesn't speak to journalists about this.

CASHORE: Uh-huh.

LAVOIE: Period. I mean it's simply that. And, to be honest with you – and he hasn't said that but I guess I'm interpreting his mind when I say that he has been kind of bruised by at least one of the stories on The Fifth Estate about this. So I mean, one could understand why he is so careful.

CASHORE: Yeah. I remember that when our story first went to air that his lawyers were... were quite, um, made positive comments about what we said we knew and what we didn't know. We were... His lawyers made positive comments about our story.

LAVOIE: No it's ... You're talking about two different stories here.

CASHORE: Right.

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LAVOIE: I don't know that they've made any positive comments, but you're talking about the March '95 piece.

CASHORE: Yeah.

LAVOIE: I'm talking about the October '95 piece.

CASHORE: Oh, where Georgio Pelossi spoke with...

LAVOIE: About him. Yeah.

CASHORE: Right.

LAVOIE: That's... That's not necessarily something that he enjoyed very much.

CASHORE: Right.

LAVOIE: And I don't think you would have if you were there in his shoes. So, you know, I mean one can understand the reluctance. He certainly doesn't feel that the presumption is on his side.

CASHORE: I see.

LAVOIE: I mean it's hard to conclude any other way

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CASHORE: Well, I'm just doing my best to sort this out, you know. That's... That's always been my... my position and my objective is to sort out, separate fact from fiction to get the story understood as completely as I can. It's always been what's been in the back of my mind.

LAVOIE: I... I'm not disputing that at all. I'm saying that in October of '95 you put on the air a story that was pretty daring. That's all right, you know, this is four years ago. The only reason I'm saying this is you're asking me why he wouldn't speak to you. Well, certainly I'm interpreting his mind. He hasn't said that, but I... I'm sure this is right there at the back of his mind.

CASHORE: Okay, but look. As for your proposal, I'm... I'm not saying it's not a thoughtful proposal, not one that I wouldn't want to consider. I'm not saying that at all in fact, and I'm not... there's nothing here about my concern about trusting what you said. That's not in my... in my thinking. I just think it's... your comments about him being upset concern me. It's the last thing I want him to do is to be upset. I simply want his perspective on this. And so, you know, my position would be let's... you know, let's all enjoy... well, I'm working, but let's all enjoy our weekend and let's get back to this on Tuesday when we can talk about it some more.

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LAVOIE: Yeah, except it's not the way he feels.

CASHORE: Uh-huh.

LAVOIE: You know, really. Put yourself in his shoes. This has been destroying his life for four years. This is... I guess I get the feeling from his voice that he just can't take it anymore. So I'm... I'm...

CASHORE: That gives me no pleasure, okay? That gives me no pleasure at all to hear that.

LAVOIE: I'm... You know, I'm not trying to say it gives you any pleasure. I'm telling you what it is.

CASHORE: That actually makes me feel, um, you know, disappointed to hear that. It's the last thing that I want to... and if he somehow associates me with that I... it's the last thing I want to do to anybody (inaudible).

LAVOIE: And I... I take your word for it but... But you know, I mean, really if you wanted to be helpful a bit I could call you back within half an hour and you'll have an explanation.

CASHORE: An explanation?

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LAVOIE: You know, you want to have a perspective on the series of facts.

CASHORE: Yes.

LAVOIE: Give me a little more about it. I'm not going to call anybody else but him...

CASHORE: Uh-huh.

LAVOIE: ... and I'll call you right back. You stay where you are and I'll reach you and I'll give you exactly what it is.

CASHORE: Yeah. Okay. The problem is I can't even consult my colleagues here, nobody's here. But can I... could I... You know, I hear you're trying to work this out, okay. I'm not... So... And I hear that. So let me see if I can, you know, call some people to get some advice. I can't make a decision like this on my own, obviously. And can I try and, you know, call you back in a while? Can I try and do that?

LAVOIE: When will you call back?

CASHORE: Well, um... What is it? It's, um...

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LAVOIE: It's a quarter to seven.

CASHORE: Quarter to seven now. I can't even know if my colleagues are around, but... Well why don't I say I'll call you back by 7:30 no matter what happens, even if I get no answers at anybody's...

LAVOIE: At 7:30, myself, I'm on a conference call regarding my other assignment going down to Latin America so.

CASHORE: Oh, okay.

LAVOIE: Either in you call me before, or after 8:30. Before 7:30 or after 8:30.

CASHORE: Okay. Well, I'll do that. I'll either call you before 7:30 or after 8:30.

LAVOIE: Uh, okay.

CASHORE: Okay?

LAVOIE: And please get my point. I mean, if only for human reasons, try and see if we can deal with it this weekend. Nothing is going to happen

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beyond you and I and he, but I'm trying to, you know, kind of help his life a little bit here. He is going nuts.

[phone ringing]

LAVOIE: Hello?

CASHORE: Hi Luc. It's Harvey Cashore.

LAVOIE: Yes Harvey.

CASHORE: Um... So, uh... I guess my feeling is that, you know, I want to speak with Mr. Mulroney and I think I have a right to, you know, speak with him about this to get candid, unrehearsed answers. That I want that opportunity, and I don't want to leave him hanging on anything. I'll talk to him right now, you know, I... I'll be at the phone, I'll be right there to talk to him. I don't want to leave him hanging on anything. But I do want to talk to him.

LAVOIE: Okay. Uh, I talked with him after we spoke.

CASHORE: Yeah.

LAVOIE: And I tried to convince him to do that.

CASHORE: Yeah.

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LAVOIE: It was negative.

CASHORE: Right.

LAVOIE: If only... The only positive thing I can say is he said, try and get me some more and I'll see if I... if I speak with him. I told him everything I knew, but he says, on that basis I'm not speaking with him. If there is anything more serious than this I may.

CASHORE: Any more serious?

LAVOIE: Well, any... any more specific.

CASHORE: Oh, I see. Yeah. Yeah.

LAVOIE: And I'll pass it on over to him.

CASHORE: Yeah, okay, but I just want to get it across, I don't want to leave him hanging. I'm happy to talk to him, you know, right now, any time, day or night, I'll do it.

LAVOIE: Yeah but... But I... I just told you.

CASHORE: Yeah, but that's his decision then to decide not to talk to me. But that's his decision, to decide to do that.

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LAVOIE: Yeah, but... but you say something, Harvey, that is a bit puzzling to me.

CASHORE: What's that?

LAVOIE: Why do you say you have a right to talk to him?

CASHORE: Okay. Fair enough. No, you're right. I... no, he has a right not to talk to me. You're quite right. He does. I just... I think... I would like to get candid unrehearsed answers. You're quite right. It's his right to respond however he wants to.

LAVOIE: But... But why don't you give me a little more? Don't give me everything, give me a little more. I'll get it over to him and see what... what he does.

CASHORE: Hmm. Well, um... Yeah. Um...

LAVOIE: I'm not playing a game here. I'm just telling you, I told him...

CASHORE: No you have to... you have to listen to what he's saying. You work for him and you have to listen to what he says, so... and you're relaying that and I appreciate it, but... And I'm relaying to you, because he's

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obviously asked you to take on this role, and I'm relaying to you what, you know, I think I would like to, you know, that I would like to talk to him and that I think it's important that I talk to him. And, you know, I'm taking this seriously and I am... and I'm being respectful of this. And the last thing I want to do is leave him... leave him hanging. It's the last thing I want to do. And I'm willing to talk to him, as I say, anytime.

LAVOIE: Um, so you won't give me anything more specific.

CASHORE: Well, I'm not going to say no to anything... I'm not going to say no to anything like that. This is, you know... I mean, if we can think about it some more and talk again on Tuesday, I'll be happy to do that.

LAVOIE: I'm sorry?

CASHORE: If we could think about it some more, both you and I. If there could be some movement on our positions, why don't we think about it some more and talk on Tuesday?

LAVOIE: No. I mean, I'm sure that beyond what I said...

CASHORE: Yeah.

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LAVOIE:... there will be nothing more. Like, I mean, I really said. look, I mean you've got... And he said, look, get me some more and I'll see if I speak with him. Because all I can tell him is pretty... pretty, you know, vague.

CASHORE: Pretty vague.

LAVOIE: It is. It is pretty vague, you have to admit.

CASHORE: Yeah. You know I... Um... I mean, I don't know what... I can't put myself in his mind about what he's going to say. I don't know what he's going to say.

LAVOIE: What?

CASHORE: I don't know what he's going to say.

LAVOIE: Oh, I...

CASHORE: That's why I want to talk to him. I don't know... I don't know what he's going to say.

LAVOIE: Yeah but... but if you give me a little more then I will... I will convince him to speak with you.

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CASHORE: Okay, if we could just... if we could just get past this for a second. Now if... if he was to decide to speak...

LAVOIE: Yeah.

CASHORE: ... and if the... I don't know what more but, if that were to happen, now, this undertaking that you've offered...

LAVOIE: Yes.

CASHORE:... can you just go over that again about what... You're saying that Mr. Mulroney and yourself, um, will not speak to journalists and other people about this so that it would not get out into the public discussion. Is that what you're saying, or?

LAVOIE: Exactly.

CASHORE: Okay. Um...

LAVOIE: And that's very firm.

CASHORE: And you would... you would put that in writing.

LAVOIE: I would put that in writing if you want it in writing.

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CASHORE: Okay. And... And just all on that, um... I guess one of my other concerns might be could we also agree that there would be an undertaking that by sharing this information that's come across my desk, as it were, that we would not sort of be facilitating some kind of court application before... before broadcast, that by, you know, sharing with you my research that that wouldn't happen.

LAVOIE: I don't know that I can make such a commitment because really this is in the court of the lawyers, and...

CASHORE: Yeah.

LAVOIE: ... his relationship with lawyers is his relationship with lawyers and...

CASHORE: Right.

LAVOIE: ... and I don't know that any citizen in Canada would deprive himself or herself of their right to... to go to court if they choose to.

CASHORE: Oh, I'm not suggesting that he would...

LAVOIE: And, uh....

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CASHORE: No, I'm not suggesting after broadcast, if he felt... I would never suggest that. But that somehow by us sharing factual information that this would facilitate some kind of court application would concern me. That I would be opening up my... my research and...

LAVOIE: No. No. Oh, that's what you have in mind?

CASHORE: Yeah.

LAVOIE: Like, we would go and move and get some subpoenas? Then no, no, no.

CASHORE: Well that's all I meant, yeah.

LAVOIE: No, no, no.

CASHORE: Yeah. Yeah. Of course not.

LAVOIE: No, no.

CASHORE: Yeah.

LAVOIE: But if something (inaudible) he will.

CASHORE: Oh, no, no, no. Oh, of course. I would never suggest that. No. No. Everybody has a right to...

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LAVOIE: No, no, no.

CASHORE: Yeah.

LAVOIE: We're not going to try and get some court order to get your stuff, no.

CASHORE: Yeah, yeah. That's... Okay, that's all I was asking.

LAVOIE: No. I mean, that we won't do.

CASHORE: Yeah. No, there's also the possibility – frankly it's happened to us before – of injunctions. You know, there's a legal manoeuvre where people can get injunctions before broadcast so that we don't... you can't broadcast your research.

LAVOIE: Well, I mean... Once he has the information he'll decide what he does. I... I don't know that he has ever thought about an injunction. Like, don't forget Harvey...

CASHORE: No, no, I...

LAVOIE: ... that the 27th of October 1995 ...

CASHORE: Yeah.

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LAVOIE: ... the story that was on the air was, according to every one of the five lawyers working for him, fully libellous, and we chose not to do anything. So, (laughs) you know, our record is not so bad. We haven't sued any media.

CASHORE: Sorry, which story was fully libellous? Sorry?

LAVOIE: October 27, 1995. The one where Pellosi was using his name.

CASHORE: Oh, I see. Of course I would obviously fundamentally disagree with you on that and, uh, I'm sorry...

LAVOIE: Yeah, of course you would.

CASHORE: ... I'm sorry to hear you...

LAVOIE: No I'm... I'm... I'm fine.

CASHORE: Fundamentally... Yeah.

LAVOIE: You may fundamentally disagree. I'm telling you that back then, four years ago...

CASHORE: Yeah.

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LAVOIE: ... his five lawyers said this is fully libellous. Our choice was not to sue the CBC or any other media, as you've seen. So I am... All I'm saying is our record is pretty clean on this.

CASHORE: Yeah.

LAVOIE: We haven't sued anybody except the Government of Canada.

CASHORE: I... I mean, I've actually... You know, that... I'm surprised to hear you say that. That... If anybody goes back and reads the transcript of that show, by that time, as you'll recall, Phil Matthias had mentioned Mulroney's name in a story and it was all over the world.

LAVOIE: Yeah.

CASHORE: By that time, the allegations. And we were the first ones to report that Pellosi didn't even know...

LAVOIE: Well, but then you...

CASHORE: **The first** ones to report that.

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LAVOIE: Yeah, but the fact of the matter is that we haven't sued, despite lawyers' advice. And we won't sue because there is... because it's prescribed anyway. So I am...

CASHORE: Right. Yeah. Okay.

LAVOIE:... certainly... Harvey, I'm certainly not threatening anything.

CASHORE: No. We're going down a side road. Fair enough. But I just... I sort of... I'm very surprised to hear you say that. But that's not really on the topic right now is it?

LAVOIE: But, you know, I mean, I...

CASHORE: So, when you say, more information, I'm confused...

LAVOIE: More specific.

CASHORE: .. as to what...

LAVOIE: More specific.

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CASHORE: Okay. But I'm confused as to what that means.

How... If I was to...

LAVOIE: Harvey. Harvey. Whatever more you can tell me...

CASHORE: Yeah.

LAVOIE: ... will be more than what I have, essentially.

CASHORE: Uh-huh.

LAVOIE: I mean, that's what I'm saying. You told me what you told me. Give me a little more and I'll see what he decides to do. That's exactly the instructions I have from him.

CASHORE: Yeah.

LAVOIE: Because I spoke with him right after our conversation today. And I can reach him right away because he is not at home but he left me the number where to reach him.

CASHORE: No, no. Of course I don't... no, no. I appreciate what you're saying and I take it at, you know, face value, obviously.

LAVOIE: But we won't, you know, use it, share it with any other news organization, with anybody else. We just want to know what it's about.

CASHORE: Yeah. Okay, well... Lets... it's getting late anyway. Why don't we try and... You're leaving tomorrow?

LAVOIE: I'm leaving at noon tomorrow.

CASHORE: At noon. It's all very complicated, isn't it?

LAVOIE: Yeah, you make it complicated Harvey.

CASHORE: No, you're making... I just want to talk. I just want to talk. And I'll talk right now and right away. I'm making it as simple as possible.

LAVOIE: No you're not.

CASHORE: Yeah.

LAVOIE: You're not. Like, I mean it's not like the man is taking every call from everybody that calls him. That's not the way it works.

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CASHORE: As you said, and corrected me, you're quite right, and it's his right. It is his right not to speak with me. I... You're quite right. But it's his decision.

LAVOIE: Yeah, it is his decision as well, indeed.

CASHORE: Yeah.

LAVOIE: Indeed. You know, I mean... I mean, the bottom line is that he never received any money from anybody.

CASHORE: Okay. Well look, let me give it some thought. I'll try and call you tomorrow. If not I hope you can call me from you know, South America, and we can, you know, keep the dialogue going. I hope we can.

LAVOIE: When are you going to air?

CASHORE: Um, I think... You know, I wouldn't... You know, what the heck. I think we are going to air on the 20th.

LAVOIE: The 20th...

CASHORE: Of October.

LAVOIE: ...which is in... not the next...

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CASHORE: It would be...

LAVOIE: Tuesday the 20th?

CASHORE: No, we're on Wednesdays now.

LAVOIE: Wednesday.

CASHORE: So it's Wednesday the 20th.

LAVOIE: So it's in a week and a half from now.

CASHORE: Yeah. Well... Yeah.

LAVOIE: Okay. All right.

CASHORE: Okay.

LAVOIE: I think you should tell me more, but that's your decision.

CASHORE: Yeah. All righty. Um, so I hope... I hope that if we don't talk tomorrow that you will call me from South America and we can keep this discussion going. I hope we can.

LAVOIE: Okay.

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CASHORE: Okay, thanks a lot.

LAVOIE: Okay.

CASHORE: Bye-bye.

LAVOIE: Bye-bye.

[hang up]

[new call]

LAVOIE: (in progress) the commitment (inaudible) attempt for
any injunction...

CASHORE: Yeah.

LAVOIE: ... nor will there be any attempt at seizing documents
or anything like that. He says he has no interest in that whatsoever.

CASHORE: Yeah.

LAVOIE: And he gives me a blanket commitment that he
won't do anything like that.

CASHORE: Right.

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LAVOIE: And he has, you know, carte blanche to handle this file. So I don't know if it... if it makes it any easier for you to give me a bit more, but ...

CASHORE: Okay. Well, (6 seconds inaudible) my, you know, hopes to have an interview with Mr. Mulroney.

LAVOIE: Yeah, of course.

CASHORE: This is, of course, what I'm hoping for so...

LAVOIE: This is... this I fully understand.

CASHORE: If you're suggesting that that's possible, if there is some movement here, then I welcome that. And I just... I was about to head off and go home now. Can't we talk tomorrow, or can we...

LAVOIE: Tomorrow I'm off at noon and...

CASHORE: Off at noon. Yeah.

LAVOIE: Why not tonight? (laughs) I mean, really, I'm just...

CASHORE: Because all of us sleep.

LAVOIE: Yeah, so do I, but I....

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CASHORE: Yeah.

LAVOIE: My Thanksgiving weekend is dead anyway, so...

CASHORE: Well, so is mine.

LAVOIE: Yeah.

CASHORE: Yeah. No, I ... Look... If I'm responsible for that I'm sorry. I don't mean to, you know, ruin anybody's Thanksgiving weekend, that's for sure. Um, so, what... So what is it that you think Mr. Mulroney needs to know that will make him want to... that will... Talk to me. I'm confused.

LAVOIE: Well, I can ask you a couple of things. Does his name appear in any document that you've seen showing that he has received money from anybody? And if so, what kind of money are we talking about?

CASHORE: Hmm. I'm not trying... I just want to figure out... I'm not trying to be... Okay... um...

LAVOIE: His name, or a code name?

CASHORE: Okay, well. Okay. Um... Okay, you're very smart to have asked me that last question.

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LAVOIE: So there is a code name that looks like him.

CASHORE: You're very smart. You're a very smart person.

LAVOIE: Okay.

CASHORE: That some might say. Okay, let me really stress that. Stress that, some might say. Okay? I'm not... I really have to insist, I'm not making any conclusions here. But there is a code name that, if you looked at it, you might say that.

LAVOIE: Oh, I see. You might, because it sounds like his name? It spells like his name? It...

CASHORE: It's very close to it.

LAVOIE: Very close to his name. Um, because, can I tell you on my part something totally off the record, just for your understanding of our understanding?

CASHORE: Um, I hesitate to say yes to off the record things, but if you mean not for attribution, I'm happy to hear something not for attribution.

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LAVOIE: No, off the record really, because it's an opinion that I want to express.

CASHORE: If you think it's not newsworthy and it's not... it's a side point, yeah I'd be happy to hear it, sure.

LAVOIE: No, I think it's a side point and I think...

CASHORE: If you're trying... You're trying to help me understand something...

LAVOIE: Yeah, I want you to understand something here.

CASHORE: Sure. Yeah, I would like to understand something.

LAVOIE: We believe, but we don't want this to be spread around in any way shape or form, that Karlheinz Schreiber is the biggest fucking liar the world has ever seen, you know what I mean? (laughs) That's what we'll believe. And we are very afraid that this man was quite capable of using anybody's name to get money from somebody else. We have no proof of that. We have no evidence to that that would lead us to believe that. But... But this is the way we feel about it. And that's certainly why Mr. Mulroney is so nervous.

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CASHORE: Okay, well let's... okay, let's stop talking...

LAVOIE: Off the record.

CASHORE: Off the record.

LAVOIE: Yeah.

CASHORE: Okay. Just let me say... then please... Okay, aside from what you said about what you thought about our second show, which I fundamentally disagree with and I'm disappointed to hear, why can't somebody like you say that and talk to us about... and if..

LAVOIE: Because...

CASHORE: What you're telling me now is that we do need to meet and we do need... I do need to talk to Mr. Mulroney, and I do need to present him this because it's... I mean I need to hear it. This is the kind of perspective I need to hear. It really is. And I say that sincerely.

LAVOIE: As you... You know why I can't say that on the record anywhere?

CASHORE: Why?

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LAVOIE: Because it's libellous to say that.

CASHORE: To say...

LAVOIE: To say that we believe somebody is a liar. I don't have any evidence that he is. But we are led to believe by the events as they unfold that the guy is a bullshitter.

CASHORE: Okay, who then would you recommend I speak to to pursue that? Because that's... I would like to pursue that and I... I mean, I hope it's not libellous because... to say that what you're saying hasn't not been said before, right? This is not something new that I'm hearing.

LAVOIE: You see, I mean, one of the myths here, Harvey, one of the myths here all along is that Mulroney and Schreiber were somehow close. They were not. They never were.

CASHORE: Well what was their relationship?

LAVOIE: It was... It was very minimal. Their relationship was that the man was pushing for a project in Nova Scotia, especially on Cape Breton Island. It was... you have to go back in history and look to 1985 or about that time. This is when there was a special... what was it called? Corporation or whatever that

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was put together to help Cape Breton Island and so on and so forth. This guy was pushing for a project that sounded like it would create a lot of jobs. So because of that he got to people like Elmer McKay and he got to people like Alan McEachern because he was from that region as well...

CASHORE: Right.

LAVOIE:... and he got to people like the entourage of Mulroney, I mean people like Fred Doucette, and he got to people like that and he made this project sound like it was very credible. And I think the feeling Mulroney had, and certainly the feeling that was pretty well spread around back then, was that if somebody is offering a project that may create hundreds of jobs in Cape Breton, we want to listen to him. And if this is foreign investment coming into Cape Breton Island, we need this. It's like a gift from God.

CASHORE: Uh-huh.

LAVOIE: And that's essentially where the relationship existed. That's about it. There was nothing else to the relationship. Now we learned in Phil Matthias's piece two weeks ago or so – and believe me we learned in that piece that he probably... he might have contributed to his... to his leadership campaign back in 1983. We didn't know that. Mulroney checked his record. He doesn't have a

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record of people who gave below a certain amount of money, and I don't remember if it's 3,000 or what. And he doesn't have a record below that, but above that there was no Karlheinz Schreiber. He actually wrote a bunch of letters thanking people who gave to his leadership campaign and Karlheinz Schreiber was not a man that received a letter of thanks for that. So... So we're trying to... So the myth, once again, is that they were close. They were not close. They were never close. Actually they were not... I mean, it would be totally wrong to describe them as friends because they were not friends. They were acquaintances who had learned to know one another through this project that he was pushing using any means available, any lobbying effort, that included, you know, all the lobbyists that you know about, plus Mark Lalonde, plus Alan McEachern, plus any connection he could use, the Atlantic Brooker (ph) thing which is an association transatlantic and all of that. Up to that point there is zero there. There is nothing to it. You know what I mean?

CASHORE: Okay, how... If I can ask, how did... how did they first meet from your perspective?

LAVOIE: Um, I don't know the exact answer to that but they... he said they never met before he was elected Prime Minister. And on this I would

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refer you to the transcript of his examination on discovery in April of '96. This transcript is public.

CASHORE: Yeah. Yeah, I've read it. Yeah.

LAVOIE: And he was under oath and he said there, everything I guess that one can say about this relationship with Karlheinz Schreiber.

CASHORE: Okay. But I think he did say... I may be wrong because you'll be more up on this and I am, but I think he did say he did meet him before he was Prime Minister, but...

LAVOIE: I don't think so. He may have, but I don't recall that.

CASHORE: Okay. Okay.

LAVOIE: It may be, but I don't recall that.

CASHORE: And, like... If I can ask...

LAVOIE: And he said he met him once after he left his job as Prime Minister, here in Montréal, at the Queen Elizabeth Hotel.

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CASHORE: Once. Okay. And what was... why would he ... I'm just asking questions because you're raising it. Why would he even meet him the once? What was the occasion, I guess?

LAVOIE: You mean in the Queen Elizabeth?

CASHORE: Yeah. Yeah.

LAVOIE: Oh, the guy was in town, called all Mulroney and says, I'd like to meet you because you know I'm still pushing the project that you guys rejected...

CASHORE: Oh, okay.

LAVOIE: And I'm pushing it with the Liberals and I'd like to know what you think about it because I think I'm changing location and I want to make the project now happen in Québec. So Mulroney thought it was a funny thing and he went and he said he had a coffee with him. That's it.

CASHORE: How many times did you say he met with him during the years that he was Prime Minister?

LAVOIE: I don't know the exact answer to that, but a few times.

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CASHORE: Okay. Uh, I mean... How... How would Karlheinz Schreiber describe the relationship? Or how do you know that he's described the relationship?

LAVOIE: Karlheinz Schreiber... How would Schreiber describe the relationship?

CASHORE: Yeah.

LAVOIE: I have personally... I am a straightforward guy. I have personally spoken to Karlheinz Schreiber once in my life.

CASHORE: Oh really.

LAVOIE: It was in the spring of '96. I was sitting in my office who was then in Ottawa. And the phone rang, out of the blue, around six o'clock. And there was this man with a very thick accent, because he's got this very thick accent which, to me, was hard to understand, I'm French-Canadian and I guess I don't get English as well as anybody else who is Anglophone. And I... And then I said, who's speaking? And it was clearly a long distance call. And he says, Karlheinz Schreiber here. He was just laughing and saying, I read all about you and people send me clippings and you're always quoted in there and I wanted to tell you

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that you're doing one heck of a job, and so on, and so forth. And so I jumped on the occasion and I said, where do you think this is heading, sir? He says, oh this is all a hoax, this is all a joke and you know, and in due time people will find out that this was all a hoax and a joke and so on and so forth. And that's the extent of what I got from him. I spoke to the guy once in my life. That's all I know.

CASHORE: Uh, I guess this is a very... He's often said that, of course. What you think he refers to when he says this is all a hoax? Like... At various times he'd say he wasn't involved in the Airbus deal at all. Sometimes he says...

LAVOIE: I asked him specifically and... I asked him specifically if he had anything to do with the Airbus thing. He says, no, no. I asked people who've met him what he was like, and I've asked people like Norman Spector. Spector didn't speak to us while the trial was being prepared, for your information...

CASHORE: Yeah.

LAVOIE: ... for whatever reason. I think Norman was of the opinion that if he was to speak with us he would compromise his credibility. So that's... that's his approach to it. But once this was over, we spoke about it. And...

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Norman, I said, did you meet him? He said, yeah, I did, twice. And I said, how was he? He says, well he thought bureaucrats were all a bunch of assholes and he says he was very pushy for his project, and then he ended – I remember the word – he says he was your typical hustler. (laughs)

CASHORE: Right.

LAVOIE: That's all... That's all he told me.

CASHORE: Well. Is he the kind of guy who could show up and just have a meeting with Mulroney if he just showed up at the Langevin Block or the office of the leader of the opposition? Did he have that kind of access? Or...

LAVOIE: Certainly not. No way. It was just not physically possible and it wouldn't happen.

CASHORE: Okay. So, talking to...

LAVOIE: And by the way, Mulroney never was at the Langevin Block, so...

CASHORE: Pardon me?

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LAVOIE: Mulroney never used his Langevin... his Langevin Building office. He was always on the Hill. Just a detail.

CASHORE: You're kidding.

LAVOIE: No, he never was there. Never.

CASHORE: That's... I never realized.

LAVOIE: Chretien doesn't use it either, and Trudeau didn't use it either.

CASHORE: So whenever...

LAVOIE: The staff is there.

CASHORE: So whenever we always filmed the lights burning late at Langevin Block it's all bullshit.

LAVOIE: No, it's the Chief of Staff and that type of people...

CASHORE: Oh, okay.

LAVOIE: ... but the Prime Minister himself is always on the Hill. It's true for Chretien as well and it's true for Trudeau.

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CASHORE: Well I learned something just now. Thank you. Yeah. Okay. So, but you know what I meant. The question was about, you know, getting access and that kind of thing.

LAVOIE: You can't... No. The answer to your question is very clearly, resoundingly no.

CASHORE: What... From what he knew of him, what impression did he have of him at the time?

LAVOIE: What impression did he have of him at the time?

CASHORE: Yeah.

LAVOIE: I never asked him that question.

CASHORE: Okay.

LAVOIE: I don't know the answer to that.

CASHORE: Okay. All right. So... But when you... Just go back to your original... well I don't want to...

LAVOIE: Off the record comment.

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CASHORE: Yeah. Yeah, I don't want to do that because we're... you know... but how... Well let me ask you a question and tell me whether you can answer it. What would make you think that Schreiber may not be, you know, less... maybe less than completely, you know, uh, forthright?

LAVOIE: Well, um, why is it that Pellosi was saying what he was saying, you know? I don't know this Pellosi guy. And even if I knew him, it wouldn't change my mind. Like, he probably didn't make up the entire thing he said. He probably... he probably... he might – I shouldn't say he probably didn't make up – he might have not made it up. He may have heard that. Right?

CASHORE: Uh-huh.

LAVOIE: So if one is to assume that he may have heard that, and believe me, we haven't spoken to Pellosi, then what the hell is this about?? And the only thing one can think of is it could be somebody that was trying to convince somebody else that he needed money for a third party which might have been a head of state or a government.

CASHORE: Uh-huh.

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LAVOIE: Therefore getting more money for himself. It could be that. We don't know that. And I want to be very careful here. We do not know that. But if ever there is the name of Brian Mulroney anywhere, it has to be that because there never was any money. And to think otherwise is really to not know Mulroney. He's too smart to do something like that. This is too dummy. It's too damn stupid. He wouldn't do that.

CASHORE: So, um, I appreciate you are talking in theory here and I see nothing wrong with talking in theory when you've got a certain set of facts and you want to understand things. What would prompt someone like Schreiber to actually, like... if he did – and these are a lot of ifs and theories here, and I would appreciate that what I'm also asking here it is within this context, I'm not trying to suggest anything myself. But what would prompt him, if he did that, to use names like that?

LAVOIE: Well I... I repeat my point. If there is any truth to it, if there is ever any truth to the name being used, it might be because somebody once wanted to convince somebody else that the money was needed to be paid over to a third party, therefore increasing his own revenue.

CASHORE: Uh-huh. Right.

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LAVOIE: But that's pure theory.

CASHORE: Yeah, I understand. Right.

LAVOIE: We have no evidence of that.

CASHORE: Yeah. Is there any other... What other people or facts or information would you... could you point me to that might give me information about whether Mr. Schreiber is truthful or not. Is there somewhere else you could direct me to sort of to look into or talk to, that kind of thing?

LAVOIE: That he's not what?

CASHORE: That he may or not... if we're asking the question to ourselves, is Mr. Schreiber truthful or not truthful, that's our question...

LAVOIE: Uh-huh.

CASHORE:... is there anybody else or any other facts or people or information you could direct me to, to try and further that path of research?

LAVOIE: Have you tried to speak to the people involved with him? I haven't. Like have you spoken with Mark Lalonde?

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CASHORE: I... One thing you'll appreciate and it's... I...

LAVOIE: You don't have to tell me, but I'm telling you....

CASHORE: Yeah okay, I understand. As a habit, I don't say who I speak to, just as a habit. But, yeah, Mark Lalonde is a good idea.

LAVOIE: Alan McEachern is a good idea. They were very obviously very close.

CASHORE: Yeah. How did... From what you've heard, and I'm not suggesting you're going to know, but from what you've heard what was his relationship with Mark Lalonde and how did it begin?

LAVOIE: I think Mark Lalonde is himself on the record as saying that he was very seriously involved with him with legal and commercial advice.

CASHORE: Right.

LAVOIE: Um...

CASHORE: I don't know what that means though, but...

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LAVOIE: Well, I mean, at least the word commercial was in there, so there must be something connected to some trade of some sort. And I guess the involvement must have been pretty tight because he chose to expose himself publicly by paying part of the bond.

CASHORE: Yeah. Oh, yeah. Right. Yeah.

LAVOIE: So, I mean, it obviously was pretty... pretty serious.

CASHORE: But what does Mr. Mulroney think of his friends like Fred Doucette and Elmer McKay and others being so friendly with Schreiber these days? I don't know about Fred Doucette, so I shouldn't say that, but Elmer McKay.

LAVOIE: Elmer McKay, you mean.

CASHORE: Yeah.

LAVOIE: You're calling him Allan.

CASHORE: No, no. Elmer. I'm mumbling. Elmer McKay.

LAVOIE: Elmer McKay. Oh, I don't know what he thinks of that. I don't know what he thinks of that. He certainly knows that Elmer McKay

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was pushing for the project because it was right in his area, which is to be expected. And actually, you know, I mean Lowell Murray was also of the opinion that it was a project that should be looked at, seriously.

CASHORE: Yeah.

LAVOIE: So I mean... What does he think of that? He thinks that people in their region are pushing for their own projects, essentially.

CASHORE: And... You're not the person for this I don't think, but I would love to talk to somebody about that whole Theissen project and what... in the end what led to its demise, you know. That's an interesting topic for me. Because in the end, as Mulroney quite rightly pointed out, he didn't approve it.

LAVOIE: He cancelled it.

CASHORE: Yeah. So what... But what was it that led to that?

LAVOIE: Well, Mulroney said under oath that it was when he was informed that it was to be outrageously expensive. That's when he said he cancelled it. Now, Matthias wrote, two weeks ago, that it was following efforts by the Jewish lobby. And that's a theory I had heard myself a few years ago when the whole Airbus trial was ongoing, that the Jewish lobby had something to do with it

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because my understanding is that Theissen was trying... was planning to sell this military equipment to Arab nations, number one. And number two that Theissen was very connected to the Nazis in the Second World War. Now I never checked that. This was stuff that was reported to me. And I don't know that the Jewish lobby did or did not intervene. I'm told they did.

CASHORE: Oh they did early on, in the early... I've done a bit of research into this of course, and early on, no question Sydney Spivac was not pleased, but I think, in the end I think what Mr. Mulroney said actually sort of bears fruit, that it was expensive according to the DND bureaucrats. I think that's true. But my question... One of my questions has always been, in 1988 in the summer, the government – Perrin Beatty, Robert DeCotret, and I think Gerald Merrithew – signed an understanding in principle with Karlheinz Schreiber...

LAVOIE: Uh-huh.

CASHORE: ... and... so tell me what prompted that.

LAVOIE: What prompted that?

CASHORE: Yeah.

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LAVOIE: Uh, I think... My understanding of what prompted that is the following. The Department of National Defence, and I guess it's still true today, is not known to be very cooperative with anybody that's looking at regional development factors in giving out a contract of any type. In other words, the Department of National Defence has the deputation of being very, very independent and doing whatever they want to do. And it's been proven several times. I remember in the Trudeau years when they decided to go for the F-18 while there was the Cabinet pushing for the F-16. So the reasoning of many of the ministers was that maybe Theissen has got a point and the Department of National Defence does not want to deal with them because they've got their mind made up that the thing should be a GM project. So maybe we can force it a little bit by telling them, look guys, we're serious. We want this to be considered because we have other factors because we are elected to run the country and we think that regional development factors are just as important as any of your own factors. I think that's exactly what it was. It was an arm-twisting operation on DND.

CASHORE: Uh-huh.

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LAVOIE: And DND, I guess, didn't give up, which is fine by me. And not only that but the project proved to be way more expensive than what it was advertised to be. And when it became clear, the project was killed.

CASHORE: Uh-huh. And of course Mr. Mulroney himself does say in his testimony that he did continue to meet with Mr. Schreiber on the file...

LAVOIE: Yeah.

CASHORE: ... afterwards. And what was just sort of the thinking there?

LAVOIE: Because he was... he was coming up with the modification of this type and this one and he was saying he was improving the project and it was a better one now and it was more acceptable. I mean there's one thing that I guess one has to say about Karlheinz Schreiber from what we know about him. The guy doesn't give up easy, eh?

CASHORE: Yeah. (laughs) That's true.

LAVOIE: And once the Liberals were elected... I'm sure you've seen the letter by Marc Lalonde to Jean Chretien. Have you?

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CASHORE: I have a copy of it in my files.

LAVOIE: Yeah. I mean Marc Lalonde writing to Chretien when the contract was sole-sourced to London Ontario, GM, he wrote a letter to Chretien saying that, you know, you're perpetuating practices from the previous government, he's saying this in a very negative way, by not going to tender and so on and so forth. So as I said, the guy is certainly not known to give up. So he was coming back with his project, repackaged, and I understand that after the Liberal government was elected, relocated.

CASHORE: Yeah, okay. When were you... What years were you in the PMO?

LAVOIE: I was in the PMO from 1987 to 1990 and the summer of 1991.

CASHORE: Okay. Okay. What... At that time, like I was working for John Sawatski at that point so I was... everybody was talking about that Airbus story. It was all over the place.

LAVOIE: Uh-huh.

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CASHORE: What was your perspective on what was being talked about? And being inside the PMO and what the reality was?

LAVOIE: The only thing I've ever heard about it in the PMO was Derek Burney saying – and I think he repeated that to media afterwards – that he was tired of all kinds of bullshit and he wanted people to look into it and to investigate the thing and to come up with facts, because he was tired of the bullshit.

CASHORE: Yeah.

LAVOIE: And I also heard other people saying that Boeing was a pretty sour loser. That's all I've heard about it.

CASHORE: And what... At various times I've heard that, you know, Frank Moores was involved in meetings and Gary Ouelette, and this kind of thing and... Being inside the PMO, what kind of...

LAVOIE: I've never seen neither of those guys in the Langevin Building nor on the Hill in the PMO area. In all my years there. Never once.

CASHORE: Okay. You'd be in a...

LAVOIE: I may have missed a few...

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CASHORE: Okay.

LAVOIE: ... but I saw a lot.

CASHORE: Okay, let me ask you this. What did happen between Frank Moores and Brian Mulroney in your opinion?

LAVOIE: Oh, the fallout?

CASHORE: Yeah.

LAVOIE: My understanding is that Frank gave an interview to a St. John's newspaper in which he was saying that Mulroney should resign, or should think about being replaced by another leader because he was so low in the polls that it was not possible to catch up. When Mulroney read that I understand, and I think he said that in public as well, he was so pissed off that he phoned him, told him to fuck off, and I guess they never were friends again.

CASHORE: Okay. I've heard that story and what I'm trying to sort out about that is, as I understand it, they were... like 8 months later they were, you know, he was over for the New Year's Eve celebration at Harrington Lake; that it was a falling out for sure but that they managed to patch things up at some point.

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But... Do you have any... I may be wrong on that, I'm just trying to... you know I've heard a couple things like that. Do you have any sense of that?

LAVOIE: I've heard that people tried to get them together again...

CASHORE: Yeah.

LAVOIE:... and that it never worked. Mulroney has got a long memory.

CASHORE: So they may have been in the same room, but they wouldn't have been talking.

LAVOIE: That's true.

CASHORE: Yeah, okay. And what about Mr. Mulroney's relationship with Gary Ouellette? What was it like?

LAVOIE: I think they've known each other from the days of the Laval University.

CASHORE: Yeah.

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LAVOIE: Beyond that, they knew one another because of that and then Gary, I knew him as... I first met him when I was still a journalist and he was the Chief of Staff of to Benoit Bouchard when Bouchard was a junior minister. I don't know how long he was in there. No more than a year, probably less, in the early days of the government.

CASHORE: Uh-huh.

LAVOIE: Bouchard was a very junior minister. And I met this guy, who's quite actually, quite a pleasant guy, quite a funny guy. Then I knew that he was a lobbyist in Ottawa with the group – whatever it was called, GCI or something like that...

CASHORE: Yeah.

LAVOIE:... and, frankly that's about it. What the relationship is with Mulroney, it certainly was a friendly one, going back years. But that's about it.

CASHORE: I mean one of the things I had heard that as a lobby firm, GCI, with Moores sort of at the head and because of his notoriety and that, that it wasn't really working out very well and that Gary Ouellette who was

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much different, still clearly a fun person but different, was a better person to be able to introduce, you know, business perspective to government relations in Ottawa.

LAVOIE: I don't know the answer to that. I... There's a lot of myth going around. Like those people were not in the Langevin Building, you know?

CASHORE: Okay.

LAVOIE: I was. (laughs) They were not.

CASHORE: Okay. So, did you ever personally see Schreiber in the... anywhere in Ottawa in those days?

LAVOIE: I'm sorry, did I ever meet...

CASHORE: See Schreiber in Ottawa in those days?

LAVOIE: No, never.

CASHORE: Okay. What about this guy Greg Alford who ran Bear...

LAVOIE: Don't know him.

CASHORE: Oh, really?

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LAVOIE: No.

CASHORE: Okay.

LAVOIE: I understand he still works for Schreiber or something like that.

CASHORE: Well I think they are into the Spaghettsimo (ph)...

LAVOIE: Oh, yeah.

CASHORE:... that machine... yeah. Okay. So, where do we go from here? I guess I was pretty forthright with you. You asked some pretty smart questions...

LAVOIE: Um...

CASHORE: So where do we go from here?

LAVOIE: I don't know. I'm going to speak to the person and to see what he says. Code name, I'm very... I'm sort of... what can I say, sceptical about it because I remember the business card with the B.M. on it and (laughs) which you do too. And I also remember the Devon account. So code name to me is not really convincing.

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CASHORE: Fair enough. And this is... this is a different, if I can just say that, it's...

LAVOIE: It's closer.

CASHORE: Well it's also... You'll know from every one of the stories that we did that we always said we had no evidence that any monies went into either one of those accounts. We... I don't think we'd be saying the same thing this time.

LAVOIE: You have evidence that money went into the accounts of Schreiber.

CASHORE: Yeah.

LAVOIE: I suppose... I guess that's pretty easy, the Germans...

CASHORE: Yeah. That's right. Well actually but the... Well, yeah, I mean, some people would say there is no evidence...

LAVOIE: And I read recently that Frank Moores was quoted, I guess, in the National Post as saying he did receive commissions for the helicopters.

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CASHORE: And maybe for the... I'm trying to keep track of what Moores says, when he says, and... it does change frankly. It does change, you know, so you have to keep track of what he's saying.

LAVOIE: I did.

CASHORE: Yeah.

LAVOIE: And what has changed?

CASHORE: Well when we first spoke to him he said he'd never had a Swiss bank account. So that was the first thing that changed, is that six months later he said he did...

LAVOIE: Yeah.

CASHORE: ... have one. That's the one I think of most.

LAVOIE: Uh-huh. Uh-huh.

CASHORE: So... And I...

LAVOIE: And then what else changed?

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CASHORE: Well that's the one that I always sort of think of the most. As for receiving commissions, I don't know that he's talked about that before.

LAVOIE: Yes. No I've never seen that before. It was the first time I read that.

CASHORE: You wouldn't call that change, but you'd call it new information for sure.

LAVOIE: Yeah.

CASHORE: So...

LAVOIE: Well, it was the first time I saw him saying this, but I never heard him say otherwise either, that he had... He never said he hadn't received commissions on the MBB....

CASHORE: Oh. Oh yeah. Oh I see. You know, in fact I think he'd always said he'd received commissions on MBB and Theissen. I think he'd always... That was always very public.

LAVOIE: But he never said he received commissions on Airbus. He actually denied it recently again.

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CASHORE: Right. So I guess he's actually not changing that. I guess... I think what Phil Matthias had asked him what was about this in Frankfurt thing that had come up in...

LAVOIE: Yeah.

CASHORE: That's what I think he was asking about.

LAVOIE: Yeah, but he did say in this thing in the National Post that he has never received any commissions regarding Airbus, but that he had... but that he did in connection with the helicopter deal.

CASHORE: Okay, I'll have to go back and reread it. Yeah. But I mean that's the thing about... I mean the Theissen lobby was a perfectly legitimate lobby. I mean it was nothing... frankly, any lobby on behalf of business interests, legitimate business interests, is legitimate. There's nothing wrong with being a lobbyist.

LAVOIE: Uh-huh.

CASHORE: You know. As a journalist what's... what I, you know, find interesting is when things are perhaps hidden or not completely open. And as all journalists think, that there... okay, let's expose what people don't know

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about. Let's tell that story. And the last thing you want to do is tell a story that's inaccurate or that isn't on the mark, and that's why we try and talk to as many people as we can and sort... separate fact from fiction. And the last thing I want to do in this story is put something out that's inaccurate.

LAVOIE: Uh-huh.

CASHORE: And my goal is to separate that fact from the fiction and the rumor from the... you know, from the fact.

LAVOIE: Uh-huh.

CASHORE: And... Luc, I sincerely believe that, sincerely want to do that.

LAVOIE: Uh-huh.

CASHORE: And I hope you believe me.

LAVOIE: I'm... You know, I'm not disputing that at all. I... But why do you put so much effort into this? Do you seriously believe that he did receive money or what?

CASHORE: Oh I put... You want to know why? Frankly ... efforts. I mean, I've tinkered on this file for four years but frankly it hasn't, you know, been a preoccupation... in fact there is probably about two years when I didn't even want to think about it I was so bored with the topic. I mean, frankly, you have to sort of move on and do other things, and I did.

LAVOIE: Uh-huh.

CASHORE: There was two years when I just, ugh, it was the last thing I wanted to think about. But for me, my driving motivation is that it's a very simple question, and that is, where did the money go? And I think it's a question in the public interest. And I think it's a question that we should all be asking. And I think it's a question that, you know, we deserve – I don't mean legally deserve – but we deserve, you know, the Canadian public deserves to know the answer to that question.

LAVOIE: The answer to what question.

CASHORE: Where did the Airbus commission money go? Where did it go? And there is one person who has the answer, and that's Karlheinz...

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LAVOIE: Karlheinz Schreiber.

CASHORE: Yeah. I mean, he's got the answer. And...

LAVOIE: He's not... He's not giving it.

CASHORE: Yeah, and I would make... You know, and I think he should. As a journalist I think... I wish he would. Then we could all go do something else.

LAVOIE: Yeah, but, you know, you think he should, you think... I mean, you know... I mean, as far as I'm concerned, regardless of the other comments I made about Karlheinz Schreiber, if he did receive a commission on Airbus sales to Air Canada or anywhere else, because I hear it also has to do with Thailand and other (inaudible)

CASHORE: But that's not the standard that I would... as a journalist that I would accept. Where I come at it is... I say is this, there was a major purchase of aircraft by Air Canada.

LAVOIE: Yeah.

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CASHORE: You know, 1.8 billion, or whatever it was. And along with that purchase there was a side agreement that very few people knew about in which commissions were to be paid to a shell company in Liechtenstein.

LAVOIE: Uh-huh.

CASHORE: Airbus formally has denied that the contracts even existed.

LAVOIE: Uh-huh.

CASHORE: Karlheinz Schreiber has in the past denied it even existed.

LAVOIE: Uh-huh.

CASHORE: This is a very, very secret deal for the sale of these planes. And for that reason alone... And let's just stop it right there. I believe the public has a right to know why that contract was set up, what it was set up for, what it did, and where the money went. You... I mean you may disagree with me.

LAVOIE: I'm not necessarily in agreement with you on this. I am not. I mean...

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CASHORE: No, no. You can. But that's where I'm coming from.

LAVOIE: I mean... No, but Harvey, when you go buy your car at the car dealership, the guy who sells you the car gets a commission. You know that, right? You don't know how much.

CASHORE: Yeah, but he doesn't deny that he was selling me the car.

LAVOIE: No, no. But... But you don't know how much. There's nothing illegal about it. And that's common practice. Now if one, in order to protect his private life, decides that he won't reveal anything, I don't have a problem with it. They don't have any accountability to anybody but whoever they have a contract with. The real question is, did Air Canada pay too much for the planes? That's a question. It's a very serious question.

CASHORE: Yeah.

LAVOIE: Another serious question is did they follow due process when they picked that plane instead of the other one? That's also very legitimate question.

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CASHORE: Yeah.

LAVOIE: And as far as I can see, and everything I've heard and read, they did follow due process. Beyond that, the dealing of a foreign company with its sales representatives is none of my business. It really is nobody's business.

CASHORE: Okay. And you know what? On that issue we disagree. I think it's okay that you have your point of view because I've talked to people with your point of view and that's fine. I have mine which I think it's a legitimate point of view. It's...

LAVOIE: What... What is it? What's wrong with what I'm saying?

CASHORE: What?

LAVOIE: What's wrong with what I'm saying?

CASHORE: Oh I don't necessarily want to even, sort of, get into a debate about what's wrong with your... What I'm saying is... My point of view is a bit different. I mean, I actually...

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LAVOIE: Do you know... Do you know if you look at Atomic Energy of Canada Limited annual report (inaudible) dollars a year of commission to salesmen?

CASHORE: And I've always heard the story about that. I've always wanted to look into that. (laughs)

LAVOIE: But they still do.

CASHORE: Yeah, and there have been stories of ... of, you know, of all kinds of stories over those.

LAVOIE: But... But they still do. It's a Crown Corporation, and they still do. I mean this is the way business is conducted in the world.

CASHORE: Yeah. And I think it's a journalist's duty to inform the public how business is conducted around the world.

LAVOIE: Sure. I mean actually it's in... it's in black and white in the annual report of this Crown Corporation, so I mean a journalist... it's pretty easy for him to report that because it's right there.

CASHORE: And I agree. But Airbus did not put this contract in its ... in its annual report. Didn't.

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LAVOIE: Yeah, because it's their practice not to do so, and they're not a Crown Corporation. They're a different animal.

CASHORE: Well yeah... But... Okay. But that's where we disagree. I mean, and I'm happy to disagree. I mean, I'm okay disagreeing.

LAVOIE: But isn't it a different corporation from a Crown Corporation? It's a foreign corporation...

CASHORE: Airbus.

LAVOIE: Yeah.

CASHORE: Well, what is its makeup? It's owned by three... you know, Germany, England, France...

LAVOIE: That's right.

CASHORE: It's partially... Actually, you know, the economic makeup it's partially private, partially public, it's... I have no idea. It's...

LAVOIE: It's a strange animal.

CASHORE: Is a strange animal. Yeah, it's a very strange animal. Um...

LAVOIE: But, you know, the practice of foreign companies, European companies, is their own business. And if there is a problem about the way they do business because of the involvement of the state, if people feel that they should be accountable for what they do in Germany, they should do whatever they need to do to bring them out in the open. That's fine by me. But I don't see why, in Canada, the Government of Canada or any of its agencies or anybody involved with them should know how they conduct their business. I mean they're buying a plane and they're examining the plane and they have different committees who are looking at the planes. I have no god damn idea what a plane works like. I wouldn't be a good judge of that. They come up with the recommendation to buy Airbus and they do.

CASHORE: Yeah.

LAVOIE: So... beyond that...

CASHORE: But the way I look at it... And I'm not, you know, I'm not saying that I think your point of view is nonsensical, I just have a different one. I mean, what I... The way I look at it is, I say, every time a brand-new Airbus A320 flew across the Pacific and landed for the first time in the Montréal facilities at Air Canada, hundreds of thousands of dollars were spirited to a...

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LAVOIE: A sales agent.

CASHORE: No, a shell company in Liechtenstein.

LAVOIE: Yeah. So?

CASHORE: I think that story is in the public interest.

LAVOIE: Yeah, but... but is there anything illegal about it?

CASHORE: I don't know. I have no idea.

LAVOIE: I (inaudible)

CASHORE: I don't know. I don't know. What...

LAVOIE: I fail to see what would be illegal about it.

CASHORE: The question about whether...

LAVOIE: It's not illegal to have a bank account in Liechtenstein, is it?

CASHORE: Yeah but, the issue...

LAVOIE: Nor is it in Switzerland.

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CASHORE: But your test is illegality, and that's fair enough, that's your test. My test is not illegality.

LAVOIE: Well okay, well... But that...

CASHORE: I want to... I would like to inform the public about where that money went.

LAVOIE: But... Yeah, well...

CASHORE: Wherever it went. Wherever it went.

LAVOIE: Yeah, OK. It didn't go to Mulroney.

CASHORE: Okay, but I want to find out where the money went, wherever it went.

LAVOIE: Yeah, but it didn't go to him.

CASHORE: Okay. But... You say that, and I've heard you say it before.

LAVOIE: He said it himself under oath.

CASHORE: But... Right.

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LAVOIE: So it would be major perjury, right?

CASHORE: So why... But why does that mean that I can't ask a question about where the money went? Why can't I ask that question?

LAVOIE: Sure. You did. And I told you. I don't know where it went. It didn't go to him.

CASHORE: Right. But (4 seconds inaudible) good journalistic exercise. I think it is a good exercise.

LAVOIE: Yeah, that's fine. But you know, my only problem with all of this is that, why is it always revolving around Mulroney? What is it about it?

CASHORE: I think it would be great if the only question we ever asked was, where the money go? And wherever it went that would be the story. I think it would be great if nobody ever asked any other questions about, did this, did this, did this, it was simply, where did... follow the money. Right? And the sooner we know the answer to that, the sooner we can do our stories and it can all be behind us and I think that would be... I think if Schreiber... I would... In fact I

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think you've been quoted saying this yourself. If Schreiber would just talk about it, right?

LAVOIE: I'd love to see it.

CASHORE: Yes. Talk about it.

LAVOIE: You know what I mean? I've been, myself, on the record. Since you've been following the file so closely you've probably seen the quotes from me...

CASHORE: I have.

LAVOIE: where I'm saying – and I've said that way back at the beginning – God would be happy if he was to open his fucking accounts. You know what I mean? Open them up.

CASHORE: Yeah.

LAVOIE: And if you have used... if ever he has used Mulroney's name in any shape or form, well, the guy is a fucking liar, and what... you know? I mean, Mulroney has never received any money and you can't... you can't prove otherwise because it's true. He hasn't.

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CASHORE: Yeah, I think...

LAVOIE: He never had a bank account in Switzerland.

CASHORE: I hope I'm getting across the point... I'm not trying to prove anything. I'm trying to find it where the money went. And that's... that's what my job should be, is to find it where the money went. I shouldn't try and prove anything.

LAVOIE: Well, all right. Point well taken.

CASHORE: Okay. So... Thank you for ... for this chat. But where... Seriously, where... what should I ... I mean, what happens next?

LAVOIE: Oh, I don't know. I'll be back to you.

CASHORE: Okay.

LAVOIE: That's all I can say.

CASHORE: All righty. Well, thank you for your time.

LAVOIE: I'll... I would be back to you faster if I was not flying down to Latin America, but I guess I'll get back to you once I'm in front of a phone in a hotel room.

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CASHORE: Okay, I'll look forward to it.

LAVOIE: Okay.

CASHORE: Thanks a lot.

LAVOIE: Okay. Bye-bye.

CASHORE: bye-bye.

[hangs up]

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72 Elvaston Avenue
Nepean, Ontario
K2G 3X9

Phone: (613) 829-1800
Fax: (613) 829-2449
E-mail: hturkow@rogers.com

SOURCE: CBC.CA
DATE: OCTOBER 13, 1999
REFERENCE: 2801DOC3

PROGRAM: THE FIFTH ESTATE
TIME: N/A
LENGTH: 17:15 MINUTES

INTERVIEW WITH LUC LAVOIE

HARVEY CASHORE (Producer, The Fifth Estate): Hi, Luc?

LUC LAVOIE (Brian Mulroney's spokesperson): Yeah.

HARVEY CASHORE: It's Harvey Cashore.

LUC LAVOIE: Yeah, ok, how are you?

HARVEY CASHORE: Am I...this...are you...you're not sleeping are you, I hope?

LUC LAVOIE: What?

HARVEY CASHORE: Sorry, is this a bad time?

LUC LAVOIE: No, no, it's ok.

HARVEY CASHORE: Yeah, I was just touching base, you know, from our calls on the weekend, and I'm just wondering if you have any more thoughts from your end or more thoughts about...

LUC LAVOIE: Not really.

HARVEY CASHORE: Yeah? Ok.

LUC LAVOIE: Not really.

HARVEY CASHORE: Uh-huh.

LUC LAVOIE: What about you?

HARVEY CASHORE: Well, you know, I think...you know, our feeling is that we really do want to let Mr. Mulroney know about the information that's come across our desk, right. We do want him to do that. And our preference would be to speak with him, and we're hoping we can, but however it happens, we really think it's important that we do, you know, pass that along to him. So, you know, I think that's important. So I...

LUC LAVOIE: You're talking the same...you're talking about the same information you had when we spoke on Saturday, right?

HARVEY CASHORE: Yeah. Yeah, yeah. Yeah.

LUC LAVOIE: Uh-huh.

HARVEY CASHORE: You know, the information that we have about the codename and the bank information and the money that went into it and went out of it and all that.

LUC LAVOIE: Yeah. Yeah, you have, do you have a copy of that? Like, if you discuss with him and you're going to show him that, or what?

HARVEY CASHORE: No, I don't think we'd be bringing a copy of it. I think we'd be bringing, you know...

LUC LAVOIE: A photocopy of it?

HARVEY CASHORE: Not a photocopy, we'd be bringing our notes and the notes that we've compiled in the course of putting together the evidence that's come across. But I don't think we'd be bringing, like a copy of a bank record...

LUC LAVOIE: Why not? Why not?

HARVEY CASHORE: Well...would you like...

LUC LAVOIE: Why not? I mean...

HARVEY CASHORE: I mean, well...

LUC LAVOIE: We're talking, we're talking about really serious stuff here. Like, I mean...

HARVEY CASHORE: Uh-huh. Well, I mean, I can...yeah, I mean, I can certainly...I mean, this is...if you're saying you want us to bring documents that we've received, well, I can put some thought to that. I'm not saying

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no, I just thought we'd bring the information, but you're saying you want to see the documents, the actual documents that we've got?

LUC LAVOIE: Yeah.

HARVEY CASHORE: Yeah, well, I think we could probably...I think we could probably do that.

LUC LAVOIE: Mm-hmm. Mm-hmm. Can I know, I mean, you have documents, I mean, you do have documents.

HARVEY CASHORE: We have some documents.

LUC LAVOIE: If you go to where...you have documents in your hand.

HARVEY CASHORE: We have some documents, yes.

LUC LAVOIE: Yeah. It's not just people talking or whatever.

HARVEY CASHORE: No, no, no, no, no, no, no.

LUC LAVOIE: Ok.

HARVEY CASHORE: No, not at all.

LUC LAVOIE: And...ok. You're still going for next Tues...Wednesday, I'm sorry. (Inaudible).

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HARVEY CASHORE: Yeah, the 20th, yeah.

LUC LAVOIE: So your story is basically assembled and you're in the finishing phase of it.

HARVEY CASHORE: Oh, I wish that were true. But you know, the research is, you know, I've been doing the research for, on and off for, you know, several years with this...

LUC LAVOIE: Forever.

HARVEY CASHORE: Forever. And one day I hope not to. But yeah, so...no, the story is...no, the story is far from being produced. I mean, a week's a long...you know, a week's a pretty long time.

LUC LAVOIE: Yeah, it's a long time, but in TV it's long to put a story like this together. But anyway, I don't know, I don't know. I'm going to be...I'm going to be making some more telephone calls and I guess I'll get back to you tomorrow, but what you're asking for is once again to meet him. What you're telling me is that if you meet him, you're going to show him the documents.

HARVEY CASHORE: Show him the documents...

LUC LAVOIE: Or you're doing to be thinking (inaudible)...

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HARVEY CASHORE: Yeah, we'll certainly bring documents that we have. Absolutely, yeah.

LUC LAVOIE: And you wouldn't show those documents to anybody else but him, that's your point, right?

HARVEY CASHORE: Well, I think your point is that you wouldn't show them to anybody else, right?

LUC LAVOIE: Oh, of course! No, no, we wouldn't show it to anybody else, but you wouldn't show it to anybody else but him, is that your point as well? I want to understand this well.

HARVEY CASHORE: Well, I mean, you've got to imagine that the documents that we've seen have been seen by others without our doing, right? I mean, that's...I mean, we've clearly got documents from somewhere, right, that have been...these documents have been seen by numerous people in Europe, numerous, I would imagine.

LUC LAVOIE: Talking about police and stuff like that, right?

HARVEY CASHORE: And others.

LUC LAVOIE: And other journalists as well?

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HARVEY CASHORE: I'm not, yeah, look..."and others" means and others, all kinds of other people that would have seen this.

LUC LAVOIE: Yeah. Uh...so where do we go from here?

HARVEY CASHORE: Yeah, well, where do you want me to go from here? I mean, you know...I just thing however it happens, it's important to see...learn and understand what we've been collecting, the documents that we've seen, the information we've been collecting, and you know, what...you know, the whole package as best we can, right? Kind of, I think...

LUC LAVOIE: And I can't...

HARVEY CASHORE: Yeah, sorry?

LUC LAVOIE: I can't have access to it myself.

HARVEY CASHORE: No, I'm not saying you can't. No. I'm saying my preference would be to...to talk to him about it and go...and he may have questions for us as well about what, you know, all of that and... I mean, I just think it's important that...I mean, go back to the beginning, that his perspective, whatever it may be or may not be...

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LUC LAVOIE: Well, his persp...I mean, Harvey, let's be clear about one thing. His perspective is pretty fucking clear. He has never received a...he's never received a penny connected with any of this stuff.

HARVEY CASHORE: Yeah.

LUC LAVOIE: So I mean, there's not much of a perspective that he can put on the disc except to go what the fuck is this? I mean, that's...that's essentially it.

HARVEY CASHORE: No, fair enough, and I'm not trying to say that wouldn't be...I'm not trying to say that would be, not be his reaction. I'm just saying...

LUC LAVOIE: No, no, no, no, but you've been talking since our first conversation about what his perspective would be. His perspective will be this! I mean, you're not going to get... It's a fucking good perspective, because he said it under oath, and a former Prime Minister of a country like Canada doesn't go under oath to say something like this just (inaudible) and lying about it. You don't lie about this stuff. I mean, and to think otherwise is pretty close to being insulting. I mean, I don't take any of that personally because I'm cold and old enough, but I, you know, I mean, that's the truth. I mean, the guy goes under oath in front of the

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whole world to see, and he says he's got fuck-all to do with this. So everything you talk to me about perspective, I'm telling you, I mean, I'm telling you the way I feel about it. I mean, the perspective you're going to get is there's no perspective. If anybody has been using his name, well, that person should, you know, that person should bear the blame for that. And the burden of what that person did, whoever that person is, because he never received anything about it.

HARVEY CASHORE: I hear you loud and clear, and if that's the response, it's been noted loudly and clearly. I just...and I'm not not respecting that response. I'm just thinking as a journalist if I were to not have called or written Brian Mulroney and spoken to, you know, Luc Lavoie about this new information that's come across the desk, that would also be inappropriate, right, that would also be inappropriate not to try and have communication there about this new information. And if the answer is, you know, "I don't want to see it or my answer's going to be this..."

LUC LAVOIE: I'm not saying I don't want...I don't want...I'm not saying I don't want to see it. Of course I'd like to see it. But you know, I'm just answering to your claim, monsieur, "We'd like to have his perspective about it." That's what you've been telling me since the first time we spoke last week, last Friday I guess. I mean, the perspective cannot be anything else than this. Like, I

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look at the document and say, "Who the fuck did that?" That's the only perspective you'll ever get.

HARVEY CASHORE: Yeah.

LUC LAVOIE: I mean, there's no other way of looking at it. It's not like, "Oh, let me analyse this." There's no analysis. I mean, it's really fucking clear on this. There is no possible analysis. Like, who the hell has used his name? I mean, when you're Prime Minister of a country, people use your name all the time. Here's one that, from what you're telling me, I haven't seen it, but here's one, I mean...and I'm not saying I'm sceptical, but I'm certainly careful, because I remember the business card with the BM initial on it, which was to you something that meant a lot. To me it didn't.

HARVEY CASHORE: Mm-hmm.

LUC LAVOIE: You remember that?

HARVEY CASHORE: Remember what, sorry?

LUC LAVOIE: The business card with the BM initials on it.

HARVEY CASHORE: Right?

LUC LAVOIE: You know, I mean...

HARVEY CASHORE: Right, yeah. And you were...

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LUC LAVOIE: So to me... To you it was a lot, to me it was nothing.

HARVEY CASHORE: Well, yeah...

LUC LAVOIE: If that's what you're talking when talking about perspective.

HARVEY CASHORE: But that's not necessarily...I mean, we can go back and we had quite a good talk about this, but when you look at the first show that we did, I mean, we had that evidence in the first show, and we were very careful about how that was... In fact, we didn't mention that at all in our first show, and it wasn't until the (inaudible) and the stories all over the world, in fact, that that card became, in our opinion, became relevant to the story. I mean, that was...so we're...I get you and I will probably always disagree on this, but I think we've been extremely careful about how we've reported the story, as we should be. And yet, you know, my opinion is that the story of where the money went, wherever it went, is an important story. So...

LUC LAVOIE: Yeah, we had the discussion (inaudible)...

HARVEY CASHORE: And we'll probably always disagree with that. I don't...I think that's ok to...

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LUC LAVOIE: We sure do. We sure do.

HARVEY CASHORE: Yeah, but that's ok. We have a point of view on that. I don't mind that you have your point of view, and I hope you don't mind that I have mine, you know, but...

LUC LAVOIE: Yeah, that's ok, but that... You know, I mean, you have your point of view, that's fine. I'm telling you something, don't forget when you put your story together, whichever way it goes, whatever comes out of it, whatever else I tell you when I call you back, but don't forget one thing: under oath in front of the whole world to see, the former Prime Minister of Canada said that he had nothing to do with this transaction, and he received nothing. So that should be kept in mind. It does have a hell of a value.

HARVEY CASHORE: But just to go back to your...

LUC LAVOIE: It does.

HARVEY CASHORE: To go back to your concerns about the use of the word "perspective", and if it's the wrong word, I'm happy to use another one, but when we were talking and you were offering, you know, some comments about Schreiber and that kind of thing, and maybe where he's coming from, well, that to me is important perspective, whether or not you can tell me why he did what

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he did. You can't, but you can offer me some...perspective about maybe what's happening. And that's the kind of thing I'm talking about as well.

LUC LAVOIE: But you know, I mean, for the record and on camera, I'm sure that...I'm sure that you're capable of doing this on your own. I mean, how is it that the former Prime Minister of Canada says under oath, "I've got nothing to do with this," and all of the people who were involved with this transaction say, "He certainly did not intervene with anything." How come is it that you cannot yourself come with the conclusion that if his name was anywhere, it was being used by somebody else? It should be a natural conclusion, that's my point.

HARVEY CASHORE: Yeah, I'm...

LUC LAVOIE: Why would you think otherwise? Why would you think he's a crook?

HARVEY CASHORE: I'm not, I've never said that. I've never said that.

LUC LAVOIE: No, but why...no, but why...but why don't you go from the other angle? The angle is he's got nothing to do with it. Everybody that were involved with this transaction on the record say that he's got nothing to do with it. Right? So, but you've got his name somewhere. So you've got two ways of

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looking at it. One is to say, well, they've used his name. Another way is to say, aha! Maybe there would be something to it. But there is nothing to it. There is nothing to it.

HARVEY CASHORE: The way I'm trying to push this story, and I've discussed this before, is to stick with not any sense of trying to prove anything. I'm not trying to prove anybody innocent or prove anybody guilty. I'm not trying to prove any of that. What I'm trying to do is follow where the money went. I'm trying to keep this to an objective, empirical pursuit of that question.

LUC LAVOIE: Exactly, (inaudible).

HARVEY CASHORE: Pardon me?

LUC LAVOIE: Fair enough, and I'm not... Fair enough, and I'm not disputing that. All I'm telling you is that as far as Mr. Mulroney's concerned and as far as I'm concerned, we've seen no documents. Whatever we see, whatever perspective you expect us to tell you, I'm telling you in advance. This is the perspective. The perspective is that he's got fuck-all to do with this, and not only has he said so, but he's done it under oath, you know, under oath, as a former Prime Minister of Canada, for the whole world to see, in April of 1996, and then several times not under oath, in all sorts of forums, in television interviews, on CBC and on

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CTV, for the whole world to see. So the perspective is if his name is there, anybody should have the normal reaction to say, well, somebody's using his name. We don't have to repeat it.

HARVEY CASHORE: And if that's the case, if that's the case, and if that's what happened, I want to tell that story. And if you can offer me, and if anybody can offer me suggestions about, you know, how to proceed and pursue information that would support that – and frankly, there could be information out there that could support that – that I would like your perspective on that. I would like to hear that. I would like you to point me in directions you would like me to go.

LUC LAVOIE: I mean, Harvey, Harvey, Harvey, if we...if we...if we had known that his name had been used, we would have dealt with it a long time ago. You're telling me it was. Now, I'm saying to you it doesn't change the substance of the story. The substance of the story is that he had nothing to do with that, and he went under oath in front of the whole world and he said that. So there's no more we can add to it. Like, why did somebody use it? I don't know that. Did somebody indeed use it? I don't know that. You seem to have documents that show that. Well, I mean, I haven't seen those documents. But even if I did, and if

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he did, it won't change the story. The story is that he's got fuck-all to do with it. It is the truth.

HARVEY CASHORE: Ok, so what I would want to do then at that point is I wonder, ok, is there anybody, for example, that Schreiber might have...I'm not saying you know the answer to this. I'm just saying as a journalist, I would love to talk to somebody out there who might know if Schreiber's ever talked about that, been indiscrete in some way or something where I could maybe pursue that. I'm not saying you're going to...

LUC LAVOIE: We don't...I...

HARVEY CASHORE: I'm not saying you're going to (inaudible).

LUC LAVOIE: No, I told you the truth, and the truth is I spoke to this guy once in my life. Right? I told you that? I did spoke to this guy once in my life, and I don't know anything beyond that.

HARVEY CASHORE: Fair enough...

LUC LAVOIE: And I know, and I know that the Right Honourable Brian Mulroney doesn't know any more about that.

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HARVEY CASHORE: All I'm saying is just if we didn't try to get in touch with Mr. Mulroney with this new evidence and this new information, that would not be proper journalism. That's what I know. I mean, I know that. And your response is heard, loudly heard. And so...but to have not tried to get (inaudible) Mr. Mulroney would have been irresponsible, in my opinion. You know, so that was why I did it, right?

LUC LAVOIE: Ok, it's all right. I'm not arguing with that.

HARVEY CASHORE: Ok...

LUC LAVOIE: So where do we go from here?

HARVEY CASHORE: Well, I think I'd say that I'm willing to, you know, share this information if you want to hear it, if Mr. Mulroney wants to hear it, and I'm willing to, I'd like to sort of, to do that and bring our documents, the documents that we have and sit down...if he wants to. If he doesn't, that's certainly his decision, and certainly, you know, that's his...

LUC LAVOIE: You'll be around tomorrow? Will you be around tomorrow?

HARVEY CASHORE: I'll be around all day tomorrow, yeah.

LUC LAVOIE: Ok, I'll get back to you.

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HARVEY CASHORE: Ok, thanks a lot. Ok, see you.

LUC LAVOIE: Ok, bye-bye.

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Court File No.:

00-CV-197082

ONTARIO
SUPERIOR COURT OF JUSTICE

BETWEEN:

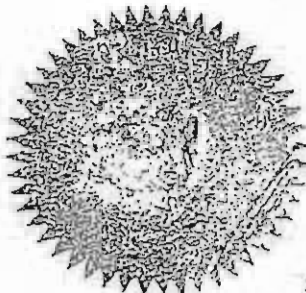
KARLHEINZ SCHREIBER

Plaintiff

- and -

LUC LAVOIE

Defendant



STATEMENT OF CLAIM

TO THE DEFENDANT

A LEGAL PROCEEDING HAS BEEN COMMENCED AGAINST YOU by the Plaintiff. The claim made against you is set out in the following pages.

IF YOU WISH TO DEFEND THIS PROCEEDING, you or an Ontario lawyer acting for you must prepare a statement of defence in Form 18A prescribed by the Rules of Civil Procedure, serve it on the Plaintiff's lawyer or, where the Plaintiff does not have a lawyer, serve it on the Plaintiff, and file it, with proof of service, in this court office, WITHIN TWENTY DAYS after this statement of claim is served on you, if you are served in Ontario.

If you are served in another province or territory of Canada or in the United States of America, the period for serving and filing your statement of defence is forty days. If you are served outside Canada and the United States of America, the period is sixty days.

Instead of serving and filing a statement of defence, you may serve and file a notice of intent to defend in Form 18B prescribed by the Rules of Civil Procedure. This will entitle you to ten more days within which to serve and file your statement of defence.

IF YOU FAIL TO DEFEND THIS PROCEEDING, JUDGMENT MAY BE GIVEN AGAINST YOU IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO DEFEND THIS PROCEEDING BUT ARE UNABLE TO PAY

LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

IF YOU PAY THE PLAINTIFF'S CLAIM, and \$500.00 for costs, within the time for serving and filing your statement of defence, you may move to have this proceeding dismissed by the court. If you believe the amount claimed for costs is excessive, you may pay the Plaintiff's claim and \$100.00 for costs and have the costs assessed by the court.

Date: Sept. 12th 2000

Issued by: J. Grant
Local registrar

Address of court office:
393 University Avenue, 10th floor
Toronto, Ontario
M5G 1E6

TO: Luc Lavoie
National Public Relations
770 Sherbrooke Street West
Suite 1600
Montreal, Quebec
H3A 1G1

CLAIM

1. The Plaintiff claims:
 - (a) compensatory damages in the amount of \$300,000;
 - (b) consolidation of this action with the action, *Karlheinz Schreiber v. Canadian Broadcasting Corporation, Harvey Cashore and Linden MacIntyre*, court file no. 00-CV-103664CM.
 - (c) pre-judgment and post-judgment interest pursuant to ss. 128 and 129 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended;
 - (d) the costs of this action; and
 - (e) such further and other relief as to this Honourable Court may seem just.

2. The Plaintiff, Karlheinz Schreiber, is a Canadian citizen. He is also a businessman carrying on business in several countries, including, most notably, Canada, Switzerland and Germany. At all times material to this action, he resided in Toronto and Ottawa, Ontario.

3. The Defendant, Luc Lavoie is a public relations consultant employed by the firm, National Public Relations, in Montreal, Quebec.

4. Each week, the Canadian Broadcasting Corporation broadcasts for general reception throughout the whole of Canada and elsewhere an episode of the television program entitled "The Fifth Estate" on its national television network and rebroadcasts it on its "CBC Newsworld" service.

5. On October 20, 1999, the CBC broadcast over its national network an episode (the "episode") of "The Fifth Estate" television program. The episode was entitled "The Mysterious Deal-Maker".

6. In the episode, the CBC broadcast or caused to be broadcast the following words:

MacINTYRE: Brian Mulroney's public spokesman responded angrily when he realized the interpretation that might arise from Schreiber's mysterious sub-accounts. Luc Lavoie.

LAVOIE: Karlheinz Schreiber is the biggest fucking liar the world has ever seen. That's what we believe.

7. Lavoie's words were spoken by Lavoie and, while Lavoie's voice was heard, visually appeared in the episode as a written caption.

8. The Plaintiff was defamed by Lavoie's words. In their natural and ordinary meaning, these untrue words mean that Schreiber is the most mendacious person who has ever lived in the world, thereby conveying to the public that the Plaintiff is never to be believed.

9. The Plaintiff is a businessman in Canada and Germany and a former judge in Germany. As a result of the defamatory broadcast pleaded herein, Schreiber has suffered serious damage to his reputation and his feelings. He has been exposed to contempt or ridicule in Ontario, the rest of Canada and Germany. Full particulars of the damages suffered will be supplied before trial.

10. On or about November 22, 1999, the Plaintiff notified Lavoie about the defamation and the damage caused to the Plaintiff. Despite being put on notice of the

defamation and the damage caused to the Plaintiff, Lavoie has not retracted his words nor has he apologized for them.

11. Lavoie, through counsel, has agreed to extend the applicable limitation periods in the *Libel and Slander Act*, R.S.O. 1990, c. L.12 and so this claim is not statute barred.

12. The Plaintiff pleads and relies on the *Libel and Slander Act*, R.S.O. 1990, c. L.12, as amended.

13. The Plaintiff serves this Statement of Claim upon Lavoie, who is resident in Quebec, pursuant to Rule 17.02(h) and (o) of the Rules of Civil Procedure. This is a claim in respect of damage sustained in Ontario arising from defamation, a tort, and Lavoie is a necessary or proper party to *Karlheinz Schreiber v. Canadian Broadcasting Corporation, Harvey Cashore and Linden MacIntyre*, court file no. 00-CV-183864CM, all of the Defendants in that proceeding being served in Ontario.

14. The Plaintiff proposes that this action be tried at Toronto.

H. - ea
September 13, 2000

GREENSPAN, HENEIN and WHITE
144 King Street East
Toronto, Ontario
M5C 1G8

Edward L. Greenspan, Q.C.
(416) 366-3961
Fax: (416) 366-7994

- and -

HICKS MORLEY HAMILTON
STEWART STORIE
Barristers and Solicitors
Thirtieth Floor
Toronto-Dominion Tower
Box 371, T-D Centre
Toronto, Ontario
M5K 1K8

David Stratas
(416) 864-7280
Fax: (416) 362-9680
Law Society No. 29017K

Solicitors for the Plaintiff,
Karlheinz Schreiber

KARLHEINZ SCHREIBER

LUC LAVOIE

-and-

(Plaintiff)

(Defendant)

Court File No.: 00-CV-19708

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

STATEMENT OF CLAIM.

GREENSPAN, HENEIN and WHITE
144 King Street East
Toronto, Ontario
M5C 1C8

Edward L. Greenspan, Q.C.
(416) 366-3951
(416) 366-7894 (fax)

— and —

HICKS MORLEY HAMILTON
STEWART STORIE
Barristers and Solicitors
Thirtieth Floor
Toronto-Dominion Tower
Box 371, T-D Centre
Toronto, Ontario
MEK 1K8

David Stratas
(416) 664-7280
(416) 362-9580 (fax)

Solicitors for the Plaintiff

SERVICE ACCEPTED THIS 13TH
DAY OF SEPTEMBER, 2000.

Jillian Porter / Dr
Jillian Porter, Q.C.
Solicitor for the Defendant





SUPERText

**RCMP "A" DIVISION
COMMERCIAL CRIME**

Project A102

File: 95A517

EXHIBIT INFORMATION

Date Seized:

Seized By:

Exhibit No.:

Item No.:

Sub-Location:

Location:

DOCUMENT CATEGORIZATION:

Document Type: **PRESSCLIP**

Subfile / Endorser Text: **NEWS7**

Original: Yes No

COMMENTS:

copy of news
article

2001/08/02

CONSPIRACIES

FRANK

EDITORIAL

Issue 348 - April 18, 2001

It is my pleasure to accept the appointment as Franklean's new Editor. I guess it's true what my wife said, that my decades of quiet bootlicking were hardly misspent. It is often said that the weekly newsmagazine is a format whose time has come and gone. I would beg to differ, if I wasn't too proud to beg. On the contrary, I say its time is rllllllllight... now!

We're not interested in breaking news. That's best left to journalists. And we're not selling steak; we're not even selling sizzle. We're selling the kindling to help get the barbecue started. And we must never forget that.

Looking to the future, our readers can expect more of the same, but different. Instead of the usual four-colour photos, they should expect five and maybe six. And at least one "Sex in Canada" cover story per quarter.

Onward and upward with the arts section.

Frank

Anthony Wilson-Frank
Editor-for-now, Franklean's

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Airbus redux

I see that **Byron Muldoon** fartcatcher **Lao Lavold** is frantically spinning the latest revelations about **Karlheinz Schreiber**, the German business thingy at the centre of the Airbus affair who is fighting attempts in an Ontario court to extradite him to Germany to face the music on allegations of tax evasion, some of which have led to criminal charges.

CBC's *the fifth estate* recently revealed that Schreiber helped bankroll plane loads of Dump **Joe Clark** forces to the 1983 Tory convention in Winnipeg, where Byron ultimately crushed an oblivious Clark in the battle for the Tory leadership.

Now there are rumours that Schreiber paid over \$300,000 to Muldoon's Montreal law firm Ogilvie Renault. Schreiber's payments for legal work were made post-1993, after Byron had resigned as prime minister and was a senior partner at Ogilvie's.

Meanwhile, the Mounties' investigation into the Airbus saga is still very

much alive. Insiders say Schreiber has agreed to cooperate with the Mounties, presumably in exchange for a sweet-heart deal on his extradition problems. **Insp. Graham Muir** and his team of flat-feet are moving their investigation forward and charges may be laid as early as this summer.

In December, 1999, the Mounties raided a factory in Fort Erie, Ontario owned by Eurocopter aka MBB (Messerschmitt-Bolkow-Blohm). Twelve years earlier, the Canadian Coast Guard signed a \$27 million deal for choppers to be built at the MBB factory.

Schreiber is reportedly cooperating fully in the Mounties' investigation into kickbacks to middlemen and lobbyists who had close connections with federal government decision makers. Police suspect that payments run through MBB were commissions.

There were previous reports that Schreiber set up several bank accounts, one under the code name "Britan," which had \$500,000 in it from 1993, then was depleted by some \$300,000 at a later date.

Lavold recently called Schreiber a "fucking liar," after it was suggested that Schreiber had bragged to other people about money going to Muldoon.



Aspers court mutiny

The latest bit of Liberal stoogery by **Izzy** and his boys set off gag reflexes and resume updates throughout the long-suffering Southam/Can-West newspaper chain.

Chastened after the universal shitting, he took over ordering his papers to print his infamous essay on the "unfair go" the media had taken at **Joe Crouton** over Shawinigan, young **David** has decided to leave the PMO propaganda to the pros. And so it was that Monday's "nothing to see here, move along" column by Crouton shineboy **Warren** came over the wire with the unprecedented nota-

tion: "THIS MUST RUN IN ALL SOUTHAM NEWSPAPERS."

Vancouver Sun editor **Nell "Bullshit-boy" Reynolds** has reportedly already prepared a letter of resignation over the editorial interference. The libertarian monkey fancier has a history of quitting on points of principle, as he did when the Irving family tried to lean on him at the *Telegraph-Journal*. Humiliated they hired him back.

Meanwhile, at the Izzy, **Ken "Perry" Whyte**, not known for carrying much brief with "principle" or "objectivity" is simply choking on the new, non-Black brand of effluent he's being forced to print and reviewing his career options.

FRANK • 3

Interview with Luc Lavoie

Friday, January 4, 2002

He told me that he did not think that I ever asked Mulroney directly the question as to whether he received any money from Karl Heinz Schreiber. He suggested that I check my notes on that. He strongly objected to any suggestion that Mulroney engaged in any improper activity and he pointed out that there were nine lawyers and none of them ever asked Mulroney received any cash from Schreiber or anyone else. Moreover, had anyone made that request they would have been answered with the fact that the relationship was privileged. Moreover, he said the figure I used the other day (I discussed this matter earlier in the week with Lavoie) when he phoned me, having heard that I was planning on writing a new book about this (was wrong), he said the amount was much less than \$300,000. I asked him what the money was used for and he said that it was used for several services which were provided including organizing meetings with senior international executives, such as people at Archer Midland in connection with Schreiber's pasta business and advising Schreiber on international business transactions. Essentially, that was it. Anything else, Lavoie said was covered by client-attorney privilege. He said that Mulroney never lobbied for Schreiber and so never had to register as a lobbyist. He also said that Schreiber had many other people on retainer including Ian Scott, Alan McEachern and others. He denied that Mulroney was close to Schreiber and he said as much when he discussed Schreiber in connection with the examination on discovery he truthfully responded that they were not close. I asked him why Schreiber would pay Mulroney in cash. Lavoie's answer was that you should ask Schreiber that question. It is legal tender and he would be the one in the best position to answer that question. All taxes were paid and the income was fully reported to Revenue Canada. Why Schreiber would pay in cash Lavoie says entirely a matter up to him and for which he alone has knowledge. Lavoie said he had no idea. He said that the point of this all was that Mulroney never got a penny from Schreiber for anything he did while he was in office and he did receive some limited funds again, less than \$300,000, after he left office. It was Karl Heinz Schreiber who approached him and who wanted to have him as an advisor on international business transactions. That is all that happened. Lavoie suggested that I confirm these details with Yves Fortier if I wished.

Lavoie insisted that I was barking up the wrong tree and that I was never misled by Mulronev. The truth was that Mulronev had nothing to do with Airbus, he nothing to do with MBB and he had nothing improper to do with Bearhead. Being hired as an international advisor after he left office was entirely consistent with the practice he was setting out to establish.

I expressed some dismay about hearing this and referred to my interview in which I asked Mulronev some questions about Schreiber. He insisted that Mulronev answered all my questions truthfully and again recommended that I refer to my questions and the answers on that point.

Memo to File -- Dinner with Luc Lavoie on March 8/06

We had some discussion about when he found out about Malrone y and the cash. He told me that he found out several months before I did. However, he is a professional used to dealing in all sorts of complicated situations including negotiating hostage retrievals in South America. However, he told me both in the middle of the dinner and at the end of the evening , that he was quite pissed off to find out about the cash but didn't take it personally.



ONTARIO
SUPERIOR COURT OF JUSTICE

BETWEEN:

KARLHEINZ SCHREIBER

Plaintiff

- and -

LUC LAVOIE

Defendant

- and -

**CANADIAN BROADCASTING CORPORATION,
HARVEY CASHORE and LINDEN MacINTYRE**

Third Parties

**STATEMENT OF ISSUES OF THE DEFENDANT,
LUC LAVOIE**

Factual and Legal Issues in Dispute:

1. On Wednesday, October 20, 1999 the CBC broadcast its Fifth Estate episode "The Mysterious Deal-Maker", which is the subject of this litigation.
2. On January 19, 2000 Mr. Schreiber commenced an action against the CBC et al.
3. On September 12, 2000 Mr. Schreiber commenced a separate action against Luc Lavoie.
4. Counsel for Mr. Lavoie issued a third party claim against the CBC et al on December 20, 2000 (Pleadings Brief, Tab 6). This proceeding is central to Mr. Lavoie's defence.

5. The Amended Statement of Claim in the Schreiber v. CBC action (Pleadings Brief Tab 1) reveals that Mr. Schreiber objected to the allegations set out in paragraphs 9 and 10, which in essence allege that he paid certain individuals improper benefits in order to secure the Airbus contract. There is mention of specific sub-accounts and bank records.

6. Tucked in the middle of the Schreiber/CBC action at paragraphs 11, 12 and 13 of the Amended Statement of Claim (Pleadings Brief Tab 1), is the identical quote which is the subject of this lawsuit. The pleadings in respect to this quote are identical in both actions.

7. On November 6, 2001, Mr. Schreiber discontinued his action against the CBC et al (Pleadings Brief, Tab 3). The action was discontinued without the involvement of Mr. Lavoie or his counsel. Subsequent to the discontinuance costs, as assessed, have been paid by the CBC to Mr. Schreiber.

8. Mr. Lavoie's comments occur in the middle of a very long show and, as one can see by the transcript of the show, constitute only a very small portion of the show. (Defendant's Documents Brief, Tab 7, page 10).

9. After carefully reviewing the transcript of the interview between Mr. Cashore and Mr. Lavoie (Defendant's Documents Brief, Tab 3), the following issues must be considered:

(a) **Did the CBC report the true nature of what Mr. Lavoie said in his telephone conversation with Mr. Cashore?**

It is the defendant's position that they did not. A review of the transcript of that interview (Defendant's Documents Brief, Tab 3) at the bottom of page 10 to the middle of page 11 indicates that the show distorts what was said -- portions were omitted which modified the meaning.

(b) **Is Mr. Lavoie's position that his remarks to Mr. Cashore which are in issue were off-the-record accurate?**

It is submitted that it is crystal clear "off-the-record" (Defendant's Documents Brief, Tab 3, pages 10, 11 and 14).

(c) What was actually told to Mr. Lavoie?

There is some discussion during the course of the conversations between Mr. Lavoie and Mr. Cashore about code names (Defendants' Documents Brief, Tab 3, pages 10 and 19 and Tab 4, p. 1). Mr. Lavoie is given some rather vague information about a code name (Defendant's Documents Brief, Tab 3, pages 10 and 19; Tab 4, page 1). Mr. Cashore says he has some documents but he does not identify them (Defendant's Documents Brief, Tab 4, pages 2 - 3). Mr. Cashore says he is willing to share the information with Mr. Mulroney if they meet (Defendant's Documents Brief, Tab 4, pages 6 - 7). There are no further discussions before the show is aired.

(d) What restriction was there on information told to Mr. Lavoie?

Mr. Lavoie indicated he would not spread the information he received from the CBC with other reporters (Defendant's Documents Brief, Tab 1, page 4) or spread it beyond Mr. Mulroney (Defendant's Documents Brief, Tab 3, page 1) or if Mr. Mulroney was to decide to speak then there would be an undertaking that neither Mr. Mulroney nor Mr. Lavoie would speak to other journalists and other people about this (Defendant's Documents brief, Tab 3, page 6). There is a discussion about an injunction (Defendant's Documents Brief, Tab 3, pages 6 - 7). Mr. Lavoie says he and Mr. Mulroney will not share information given by Mr. Cashore with any other news organization, with anybody else "... we just want to know what it is about" (Defendant's Documents Brief, Tab 3, page 8).

(e) Is their proof Mr. Lavoie broke the agreement?

Mr. Cashore wrote to Mr. Mulroney on October 8, 1999 (Defendant's Documents Brief, Tab 2). By a letter dated October 18, 1999 (Defendant's Documents Brief, Tab 5) Mr. Mulroney's counsel responded to Mr. Cashore's letter, setting out Mr. Mulroney's position and warning Mr. Cashore that a libel action might follow if the broadcast casts aspersions on Mr. Mulroney's

conduct in the Airbus matter.

10. On Wednesday, October 20, 1999 *The National Post* published a story by Philip Mathias (Defendant's Documents Brief, Tab 6) entitled *Mulroneys lawyers vow to sue CBC if program defamatory*". Why is this article in breach of an agreement?

11. Mr. Cashore spoke with Mr. Lavoie on November 5, 1999 after the broadcast (see Defendant's Documents Brief, Tab 8).

12. It is not clear what facts the CBC is relying on to argue that Mr. Lavoie broke his agreement which entitled it to publish his off-the-record comments. The off-the-record portion is surely separate and apart from any "agreement" about not talking to the press or other people about information received from the CBC.

13. Is the CBC taking the position it does not honour off-the-record agreements which are the foundation of journalistic integrity?

Qualified Privilege:

14. The only issue in law that Mr. Lavoie is responsible for is speaking to Mr. Cashore off-the-record on an occasion of qualified privilege wherein he was responding to an attack on Mr. Mulroneys. The transcript of the conversation with Mr. Cashore indicates that Mr. Lavoie was suggesting that Mr. Schreiber had suggested that he was capable of corrupting domestic politicians and this is why Mr. Lavoie responded. Mr. Lavoie was not aware that his phone conversation with Mr. Cashore was being taped. Accordingly, at the very most you have one conversation between Mr. Lavoie and Mr. Cashore and the damages in law would be very limited (Defendant's Documents Brief, Tab 1, page 2 and Tab 3, page 2).

Damages:

15. The sting of Mr. Lavoie's remarks relate to the rest of the show which is entirely a creature and

product of the CBC's work and hence, Mr. Lavoie's position is that he was sandbagged in that he said things off-the-record and did not have any realistic idea regarding the content of the rest of the show.

16. When one proceeds beyond this aspect of the case it is Mr. Lavoie's position that Mr. Schreiber's reputation has suffered greatly due to the publicity concerning his extradition hearing and his activities in Germany. It is Mr. Lavoie's position that as against him this matter should be dismissed or, if there are any damages against him they are the responsibility of the CBC.

17. It is Mr. Lavoie's position that paragraph 18 of the Mediation Statement of Messrs. Greenspan and Stratas should not be accepted. It is a matter of honour that off-the-record conversations are respected.

18. As counsel, I do not accept the pertinence of the previous settlement discussions.

Attached Documents:

See the Defendant's Documents Brief.

DATE: May 21, 2003

JULIAN PORTER, Q.C.

Suite 4900
Commerce Court West
Toronto, Ontario
M5J 1L3

Telephone: (416) 862-4297

Facsimile: (416) 862-7661

Solicitor for the Defendant, Luc Lavoie

NOTE: When the plaintiff provides a copy of this form to the mediator, a copy of the pleadings shall also be included.

NOTE: Rule 24.1.14 provides as follows: *All communications at a mediation session and the mediator's notes and records shall be deemed to be without prejudice settlement discussions.*

Schreiber hired Mulroney;

Shortly after the left office, the former prime minister accepted some \$300,000 in retainers from the controversial German businessman. In the final part of this series, William Kaplan unravels the tale.

BYLINE: WILLIAM KAPLAN

SECTION: NATIONAL NEWS; SECRET NO MORE: Case Number : SM132/00; Pg. A1

LENGTH: 5989 words

It was a shocking claim. In the confines of a closed-door Toronto court hearing, one of Canada's better-known lawyers drew a bead on one of Canada's better-known investigative journalists: "A major political enemy of the Right Honourable Brian **Mulroney**," Edward Greenspan declared, "and she's somehow in bed with the RCMP."

Greenspan accused Stevie Cameron of being so out to get the former prime minister, so keen to catch him doing something wrong, that she broke a key tenet of her craft and enlisted as a secret informant to help the police expose him as corrupt.

For two days, Greenspan castigated Cameron in his attempt to have a judge throw out the highly unusual secret warrant that in December, 1999, had allowed the Mounties to spend three days searching the Fort Erie, Ont., offices of Eurocopter Canada.

Greenspan's client, German-born businessman Karlheinz Schreiber, is alleged to have shared in more than \$1-million in improper commissions after the German-based subsidiary's predecessor company sold 12 light helicopters to the Canadian Coast Guard in 1986. Also fighting to keep **Schreiber** from being extradited to his homeland to face tax-fraud charges, Greenspan wanted the warrant quashed to keep the helicopter allegations from being made public.

If he could show the case against Eurocopter was tainted because the abortive, infamous Airbus investigation from which it stemmed was itself tainted by Cameron's actions, **Schreiber** might escape unscathed. And by the time Greenspan had finished his argument in court, Cameron's role in the investigation had become an issue.

But what if **Mulroney** had a business relationship with **Schreiber** after all, not while he was in office but soon after leaving it?

For years, Cameron tried to establish, in book after book and speech after speech, that **Mulroney** was, as she almost asserted flat out, "on the take."

But the best she and her famous research binders - crammed with information about **Mulroney**-government wrongdoing, real and imagined - were able to establish was that some of those around **Mulroney** had crossed the line. The same has been said of prime ministers before and since.

On **Mulroney**, Cameron could never prove that he, personally, had done a single improper thing. Even the information she provided to the police, which eventually helped to spark the government's infamous 1995 letter to the Swiss that called the ex-PM a criminal, did not do the trick.

When **Mulroney's** ensuing defamation suit was settled, the RCMP and the government acknowledged there was no evidence of any unlawful activity on his part.

Whatever had been handed over had caused him huge damage, but fallen short of criminal charges.

However, the RCMP's investigation into the three big projects - Air Canada's purchase of \$1.8-billion worth of Airbus planes, the coast guard's \$27-million worth of helicopters and German-based Thyssen Industries' proposed Bearhead project to build armoured military vehicles in Cape Breton - continued long after **Mulroney** settled his suit.

"Airbus probe still a top file for RCMP," Robert Fife, the well-connected reporter for the National Post wrote on Dec. 29, 2001. "Thousands of RCMP officers were redeployed after Sept. 11, but not the seven officers and team of forensic accountants assigned to the Airbus investigation. RCMP Corporal Louise Lafrance told the National Post yesterday the Airbus inquiry is one of the 'big investigations' kept intact."

Frank Moores was, Fife reported, far from impressed: "The thing has been going on for almost seven years and I have no idea whatsoever when they'll release my accounts." Unable to earn much of a living since Airbus, Moores wanted access to his money.

But as Fife reported: "The RCMP refuses to discuss details of the case or to explain why Moores's accounts remain frozen. Moores, an Ottawa lobbyist during the **Mulroney** years in government, said he was completely up-front as soon as the Airbus investigation was leaked to the media in November, 1995.

"He did not resist RCMP demands to obtain his Swiss bank account, and contacted Revenue Canada to settle any outstanding taxes."

This spring, however, the government finally called the whole thing off.

Dated April 22, 2003, the announcement was completely straightforward: "After an exhaustive investigation in Canada and abroad, the RCMP has concluded its investigation into allegations of wrongdoing involving MBB Helicopters, Thyssen and Airbus. In October, 2002, a charge of fraud was brought against Eurocopter Canada Ltd. (formerly MBB Helicopters Canada Ltd.) and two German citizens, Kurt Pfeleiderer and Heinz Pluckthun.

"The RCMP has now concluded that the remaining allegations cannot be substantiated and that no charges will be laid, beyond the charge of fraud already before the courts. A preliminary inquiry in the Eurocopter fraud charge is scheduled to begin Sept. 8, 2003, at Ottawa.

"Today's announcement fulfills a commitment made by former commissioner Phil Murray to announce the results of the Airbus investigation once the RCMP concluded its investigation."

The case had gone on for eight years and cost untold millions, not to mention the \$2-million the government had to reimburse **Mulroney** for expenses incurred in his \$50-million defamation suit. In the end, only Eurocopter and two MBB officials in Germany were ever charged with anything.

The Germans, Pfeleiderer and Pluckthun, have declined the Canadian invitation to attend the preliminary inquiry. An Interpol arrest warrant for the duo was issued, but as long as they stay in Germany the chances they'll be forced to face charges in Canada are nil. The preliminary is not expected to end until 2005, but with no evidence that Eurocopter's Canadian officials did anything wrong, how the Crown's case can succeed is a bit of a mystery.

Mulroney was informed first that the investigation was over - the RCMP came to see him and hand-delivered the letter from Commissioner Giuliano Zaccardelli. **Schreiber** and Moores also got a heads up on the notification personally transmitted by the force.

The news for the three was welcome - being told that a criminal investigation is over always is - but many questions remained unanswered. Who knew what in government and when? Was the investigation politically motivated? And where did the all the money go? One thing Cameron did establish was that a lot of money was paid in commissions for various transactions including Airbus and the helicopter sale. We still do not know precisely who got it and for what, and now maybe we never will.

Some loose ends will never be tied up, but others now can, including, most interesting of all, that **Mulroney** did enter into a commercial relationship with **Schreiber** after leaving office.

Award-winning National Post reporter Philip Mathias got the story first, nailing it down in late 2000 and early 2001: "Brian **Mulroney** was paid \$300,000 in cash by German businessman Karlheinz **Schreiber**, the man at the centre of the Airbus affair, over an 18-month period beginning soon after **Mulroney** stepped down as prime minister in 1993."

The story made it clear that the payments had nothing to do with Airbus, or any of the other wrongdoing asserted in the 1995 letter of request. The story noted that, at the time the payments were made, **Mulroney** was re-establishing himself in the private sector and there was no reason not to do business with **Schreiber**, who was not, at the time, embroiled in the various legal proceedings and political scandals that would soon overtake him.

The Post interviewed **Schreiber** for the story and quoted him as saying that the business relationship between the two was "normal" and it was not up to him "to report on Brian **Mulroney** to the Canadian public." The story also pointed out that \$300,000 was not an unusual sum for providing legal and lobbying assistance on big-ticket items.

Mulroney apparently declined to comment for the story, as did his lawyers. However, Mathias did get to speak to a "**Mulroney** confidant" who told him that "the former prime minister earned the fee in full" by performing services for **Schreiber** after the fee was paid. The Post was not told the nature of the work or when it was done. Asked why **Mulroney** had not made this matter public sooner, the confidant replied that **Mulroney** was fearful of creating a false impression in the middle of what he described as "a witch hunt over the so-called Airbus affair."

Mathias said the amount involved paled in comparison with the millions **Mulroney** was alleged by the Canadian government and others to have taken as a payoff for Airbus and the other transactions. Mathias also believed, but could not apparently confirm, that the purpose of the retainer was to assist in kick starting the Bearhead vehicle project, in Cape Breton if possible or, if politics demanded it, in the east end of Montreal.

After working on the story for months, Mathias submitted it in early January, 2001, just weeks before his scheduled retirement. It went for legal vetting, was approved and emerged from editorial fairly edited. Mathias waited and waited and waited. Nothing happened.

He began to ask questions and pester. He finally wrote to the proprietors - at that time there were two of them: Conrad Black and the Asper family. Finally, in a letter near the end of March, he complained. He told the owners that **Mulroney** received the cash beginning soon after he left office in 1993 to return to the private sector and accepted the last payment in December, 1994 - four months before Airbus started coming to light. Why, he asked, was the story not published? It was, he suggested, clearly newsworthy.

A few days later Mathias was summoned to a meeting with senior editorial staff. The meeting did not go well. Why, he was asked repeatedly, was he pursuing the story? There was, he was told, no story. Why, he was asked, had he gone over his bosses' heads?

Discussion then turned to the merits of what he'd written. Mathias took the position that a story about a former prime minister accepting \$300,000 in cash from an international arms merchant was newsworthy. There was further discussion, a line-by-line dissection of the story, more observations on why it wasn't a story, and finally the meeting ended.

That night, Ken Whyte, then the editor-in-chief of the Post, called Mathias at home. He had not been at the meeting but said the views of the editors on the story reflected his own. If there really were something there, it had to be placed in context. Whyte suggested that Mathias contact me, being the author of a book about the whole thing, to do that.

I was contacted and provided a comment, on the condition that it be published in its entirety. It went as follows: "I generally prefer to withhold comment until I have all the facts, but let me make the following observations about what you have told me. First, building a second light armoured vehicle manufacturing facility in Canada - as you know we already had one in London, Ontario - was always predicated on huge infusions of federal cash - hundreds of millions of dollars in either guaranteed orders or infrastructure and

other support. It did not matter whether the project was to be located on Cape Breton Island or the east end of Montreal. This fundamental fact - that hundreds of millions of taxpayer dollars was required to fund the initiative, made it uneconomic when Mr. Mulroney was prime minister and none of the underlying economic, political or other factors leading to the rejection of the proposal by Mulroney had changed when Mr. Chrétien became prime minister. Given all of this, what exactly did Schreiber think he could achieve?

"On this point, you tell me that Mr. Schreiber paid Mr. Mulroney to assist him in this endeavour from some time in the summer of 1993 until December, 1994. While it is conceivable - but for the reasons already given, unlikely - that Mulroney could have helped the project if Kim Campbell was elected prime minister, it is inconceivable that Mr. Chrétien and his Liberals would have been responsive to any initiative spearheaded by Mr. Mulroney and that is why, presumably, Mr. Schreiber retained Marc Lalonde. Why, then, would Mr. Schreiber have paid Mr. Mulroney for anything for services after the fall 1993 election? In other words, how this project could have been advanced with Mr. Mulroney on the payroll after the Liberals got into power is beyond me.

"You tell me that \$300,000 was delivered to Mr. Mulroney in cash. Frankly, this is the strangest part of the story and I would like to know a little more about it as it seems, I must say, improbable. I cannot imagine money being delivered in the sense payments of cash connote. So what exactly is meant by cash? Invoices sent for services delivered compensated by wire transfers? Obviously, a lot of questions are raised by this account and until those questions are answered I am not sure what to make of it. The first thing to do would be to ask the former prime minister for an explanation.

"Finally, and this is the most important thing I have to say. On Airbus, Mulroney was presumed guilty. In fact, he was not guilty of anything. You do not have to believe me about this. The CBC's *fifth estate* said so; Stevie Cameron, Mulroney's nemesis, said so. Judge Alan Gold, who arbitrated the award of legal fees to Mulroney, concluded that he suffered a grievous injustice, and my own study determined that he had nothing to do with Airbus. So whatever implications people might wish to draw from this new account, I would suggest that some caution is in order before jumping to any conclusions."

Mathias continued to press for publication of his story but got nowhere and eventually gave up. The environment for its publication, he reflected years later, was just not right. In fact, the atmosphere was downright hostile, and so a newsworthy story was relegated to electronic purgatory on the Post's hard drive.

Mathias was a veteran reporter with very good sources. He was the journalist who broke the news that the government of Canada had sent the Swiss a letter calling Mulroney a criminal, and he had been working on different angles of the story ever since. Now he had uncovered one of the biggest scoops of his career and, instead of getting the front-page treatment the story deserved, it was suppressed and he was treated as though he had a communicable disease.

A long career in investigative journalism ended in disgust, and The Post continued its campaign of bemoaning the so-called victimization of Mulroney by the RCMP and others on the one hand, while puffing him on the other, particularly when doing so cast the current Prime Minister in a less positive light.

All the while there was time bomb waiting to go off. The story could not die.

A public-relations catastrophe for Mulroney had been averted, but the respite was only temporary. I had learned of the payments, and I wanted an explanation. If all this were true, my book clearly required a sequel.

Asking for Mulroney's side of the story was the first step. Eventually he explained that Schreiber had paid him the money - though he disputes the amount - for his assistance in promoting a fresh-cooked pasta business Schreiber had started in Canada as well as his international interests.

When he joined Ogilvy Renault, Mulroney made it clear, he asserts, to his future partners that in addition to practising law, he would be a consultant.

His clients' names are confidential and will not, he insisted, be released without their permission. "If," he said, emphasizing the word, clients paid for his services in cash, that would be reflected in the books of the company, all income would be declared and all taxes paid.

Had **Mulroney** been retained to lobby for Bearhead, at the very least, he would have had to register as a lobbyist, which he did not, and there might have been conflict-of-interest issues, given that he had so recently been prime minister, and hadn't stepped down as a sitting MP until the Oct. 25 election.

So it seems Mathias got that part of the story wrong. According to longtime **Mulroney** spokesperson Luc Lavoie, the money was paid "to assist **Schreiber** with his pasta business and to arrange a number of introductions and meetings with international business executives."

Mulroney, Lavoie added, never lobbied for **Schreiber** and so never had to register as a lobbyist. "All income was declared and all taxes paid."

It was straightforward from the get-go, Lavoie insisted. "The truth is," he said in an interview, "**Mulroney** never had anything to do with Airbus, he had nothing to do with MBB and he had nothing improper to do with Bearhead. Being hired as an international adviser after he left office was entirely consistent with the practice he was setting out to establish."

Fair enough. For all intents and purposes, **Schreiber** was a well-connected businessman with interesting projects and plans, and **Mulroney** could help.

But why was **Mulroney** never asked any questions about all this back in 1996, when he was examined by government lawyers in Montreal as part of his libel suit? How did they all miss such an obvious line of inquiry?

The examination on discovery, as it is known in Quebec, began on April 17, 1996, and took about a day and a half. **Mulroney** was asked, and answered, a lot of questions about **Schreiber** and his involvement with **Schreiber's** efforts on behalf of Thyssen to build the light armoured vehicles in Cape Breton.

Obviously, any Canadian prime minister would be interested in bringing manufacturing jobs to an area with one of the country's highest unemployment rates. **Mulroney** was repeatedly asked about it and repeatedly made the point that it was his government that decided not to go ahead with the project. A number of underlying political and economic assumptions just didn't make sense.

Mulroney observed that **Schreiber** was indefatigable. No matter how many times he was turned down, he would come back with a different twist or spin in order to attract the government's interest. For example, when Ottawa said no to light armoured vehicles, he proposed building "peacekeeping vehicles" for use by Canadian troops and others on United Nations missions. But Canada already had the facility in London, Ont., for building this kind of vehicle, and there was no way **Mulroney's** government was going to spend the \$100-million or so required to help launch a second one.

Examinations on discovery provide each side in a legal action with fairly wide scope to ask the other side questions in order to prepare

for the forthcoming trial. This one provided the government lawyers with an opportunity to put **Mulroney's** relationship with **Schreiber** under a microscope. But not once in the hundreds of questions put to the former prime minister, was he ever asked point-blank whether he had taken money from **Schreiber**.

The central claim made against him in the 1995 letter to the Swiss was that he'd been paid off. Had **Mulroney** been asked whether he'd taken a bribe, he obviously would have denied it. And there is no evidence that he had. Asking him whether he'd done business with **Schreiber** was a fairly logical place to start, along with a detailed inspection of every call, every letter, every visit - everything to do with anything that involved the two men.

Yet **Mulroney** was never asked exactly how many times they had met, in what circumstances and where. The questions related to Bearhead almost exclusively and largely focused on **Mulroney's** activities while in office. He was asked very little about their relationship after he stopped being PM.

But the topic wasn't avoided completely.

Question: "Did you maintain contact with **Schreiber** after you ceased being prime minister?"

Answer: "Well, from time to time, not very often. When he was going through Montreal, he would give me a call. We would have a cup of coffee, I think, once or twice. And he told me that he continued to

work on his project, that he was pushing a new government. And he told me that the idea of the project at that point was the same project, but the desirability at the time was to work with the provincial Government of Quebec and the federal government, the new federal government, to establish this new project in the east end of Montreal, where the jobs were badly required. And he told me that he had hired Marc Lalonde to represent his interests before the new Liberal government."

"I wasn't really surprised because the word in Ottawa is that **Schreiber** and Lalonde had had a long relationship in the past. And so he also expressed dismay with me that my government had not agreed or could not include the contract that he liked.

"So, he said that he had hired Lalonde, and he hoped this would give rise to an agreement."

Question: "When he passes through Montreal and visits you, is it at your office or at your home?"

Answer: "Well, he doesn't pass through Montreal and visit me. He comes when he's on his way to Montreal. He called me and asked me, and I say perhaps once or twice, if I could come to a cup, have a cup of coffee with him at a hotel. I think I had one in the Queen Elizabeth Hotel with him."

Question: "Oh. So it's at his..."

Answer: "I had one in the..."

Question: "Yeah"

Answer: "... in the coffee bar of the Queen Elizabeth Hotel."

Mulroney also was asked a number of times about his conversations with **Schreiber** after **Schreiber** informed him of the existence of the 1995 letter to Swiss authorities.

Question: "And the Canadian government alleges that very substantial sums were paid to **Schreiber** by Airbus Industries, and you didn't discuss with **Schreiber** whether it was true or not?"

Answer: "The document said, among other things, this: 'This investigation is of serious concern to the Government of Canada, as it involves criminal activity on the part of a former prime minister.' This is not an allegation, this is a statement of fact where the Government of Canada is judge, jury and executioner.

"And what preoccupied me - inasmuch as I had never heard of the Airbus matter in my life - what preoccupied me were the extraordinary falsehoods and injustices as they involve me. And I wondered with my family and friends, quite frankly, how in the name of God could this come about? How can something like this actually take place.

"And the fact that Mr. **Schreiber** may or may not have had any business dealings was not my principal... my principal preoccupation. I had never had any dealings with him."

"I had never had any dealings with him."

This was not quite correct. He had never had any dealings with him on Airbus. He had never had any dealings with him on the helicopter purchase. He had some prime ministerial dealings with him on Bearhead - he turned down the project and a request for federal money. But he had dealings with him while in office and since.

Later in the transcript, this exchange occurred: Question: "Perhaps I misunderstood. When you talked about having coffee with **Schreiber** at the Queen Elizabeth, it was in the period subsequent to November, 1995?"

Answer: "No, no, it was after I left office in 1993, and that's when he told me, as I indicated to you, that... he was dismayed that my government had not allowed him to proceed with his desire to build this Thyssen project.

"And that's when he told me that he had hired Marc Lalonde to represent him because he figured that Lalonde could prevail upon Chrétien and the government to have this done in the east end of Montreal. Which, by the way, had they been able to do it... I thought it was a good project, and so I wouldn't have been critical of anything.

"He told me he had hired Lalonde to do that; he told me he was contemplating legal action against my government; that [he] had hired a prominent law firm in Ottawa - I think Ian Scott's law firm, very distinguished lawyer - to take action against . . . the bureaucrats in my government who, he alleged, had frustrated the fact that he was never able to get a deal through. This deal . . . that was the kind of conversation we had.

"He expressed the hope that Lalonde would be successful in persuading the new Liberal government to agree to conditions that would enable him to proceed with the project. That was it."

"That was it."

And yet **Mulroney** had by then accepted a retainer of some kind from **Schreiber**. The questions to him were badly framed - and very carefully answered .

An explanation has been offered about why **Mulroney** was not more forthcoming, given his commercial relationship with **Schreiber**. Earlier, he had offered to come to Ottawa and to make a complete financial disclosure - income-tax returns, business records, everything - to government and RCMP officials. He was turned down flat. His envoy was advised: We are just beginning our investigation.

Since then, the lawsuit had commenced and many months had passed. **Mulroney** was now facing at least nine government lawyers and he had no intention of doing their job. He had promised to respond to questions truthfully but did not volunteer any information.

Context is, of course, everything. So too, as Bill Clinton showed the world when he tried to explain what happened with Monica Lewinsky, are meaning and interpretation. But **Mulroney** did have ample opportunity to come clean about his professional relationship with **Schreiber**.

Instead, he helped to create the impression that he carefully considered **Schreiber's** business proposal when he was prime minister - but rejected it after determining it wasn't in the best interest of the Canadian people - and subsequently maintained, at best, a cordial and infrequent acquaintance with **Schreiber** after he left office. Was it perjury? No. Had he misled the Canadian people? Probably yes. Should he have seized the opportunity to set out the entire story? Absolutely.

There were, Luc Lavoie points out, "nine lawyers sitting there on the government side and not one of them ever asked **Mulroney** whether he got money from **Schreiber**."

And what if they'd done so? "If they had," **Mulroney** told me recently, "I would have answered the question." But not according to **Lavoie**: "They would have been told that the relationship was privileged."

The government lawyers, **Mulroney** counsel Jacques Jeansonne explains, had no entitlement to ask **Mulroney** any questions about this payment, and Jeansonne has a technical explanation about the operation of the rules of civil procedure in Quebec and how those rules, properly applied to this case would have, if a question had been asked, been interpreted to disentitle the government lawyers to an answer.

But a technical defence, even a successful one, would have harmed **Mulroney** in the court of public opinion. The lawyers examining him may have blown it badly, but didn't he have an obligation, a special obligation as a former prime minister, to make it perfectly clear that he and **Schreiber** had a commercial relationship? It was, after all, by all accounts a proper commercial relationship. In a recent interview, **Schreiber** confirmed that he retained **Mulroney's** services "for totally legal reasons after he left office."

You have to admire **Mulroney's** bravado: suing the government for \$50-million to refute a claim that he had been bribed by **Schreiber** when the two had done business together. Balls of steel. Had the government lawyers learned about it, they might never have settled. It was a very close call.

What is also very surprising about it all - and arguably telling of their legitimacy and **Mulroney's** innocence - is that **Mulroney** did not just deny the payments. Doing so, presumably, would have been the easiest course, as there were, by all accounts, no witnesses to the exchanges. **Mulroney** did admit them because the payments were above board.

Not that **Mulroney** doesn't have regrets: "If you accumulated all the sorrow over all my life, it does not compare to the agony and anguish I have gone through since I met **Schreiber**," he says. "I should never have been introduced to him because the people who introduced me to him didn't know him."

Today, at 64, **Mulroney** looks older and more tired than he should. Clearly he is weary of it all. Having his lawyers at the lengthy secret trial cost him hundreds of thousands of dollars, but at least it was money well spent.

Because, finally, the trial gave him the sustenance for his hunch that Cameron, his long-standing critic, was at least partly responsible for the criminal investigation that could have destroyed him. And now thanks to behind-closed-door proceedings and disclosure of the RCMP briefing notes, he had some pretty compelling evidence.

He insists that, no matter what, everything he has done is "clean as a whistle. . . . I can also tell you that I have declared every cent that I have ever received and I have paid all income tax on all monies owing.

"My affairs have been above board and proper, and I am not concerned about any of the legal implications whatsoever," he says, repeatedly saying that the RCMP investigated thoroughly and "gave me an apology letter." (In reality, the force simply announced the end of its criminal investigation but, again, interpretation is everything.) Most of all, he is adamant that the revelation of the identity of the informant not be overshadowed by any suggestion that he and **Schreiber** did anything wrong.

"Anyone who says anything about that," he says, "will be in one fuck of a fight."

Postscript: When I finished *Presumed Guilty*, my book about **Mulroney** and Airbus, I concluded with the words "the investigation is continuing."

Police investigations, like politicians, come and go, but history is always up for re-examination. Not long after the criminal investigation ended, William Thorsell, a former editor of this newspaper, commented: "But concluded the matter is not. Records of other actions now before the courts will eventually be made public, and could contain substantially more information about the origins of this fiasco. A great stain has been made on the administration of justice in the Airbus affair, and history demands that we know much more about how it happened."

We now know a little bit more. A secret trial has been exposed - disturbingly it is not the only case in Canada today being held behind closed doors, keeping vital information from the public - and some of the loose ends have been tied up and some new questions raised. But none of us has the final word. The RCMP may have called it off, but as far as I am concerned, the investigation is still continuing.

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SECRET NO MORE : CHAPTER 3

Today, author William Kaplan concluded the sequel to *Presumed Guilty*, his 1998 chronicle of the Airbus affair, with a remarkable revelation about Brian **Mulroney**.

The former prime minister won \$2-million and an apology in a defamation suit after the government wrote to Swiss authorities describing a criminal conspiracy involving him, German-Canadian wheeler-dealer Karlheinz **Schreiber** and former Newfoundland premier Frank Moore. Now we learn for the first time that Mr. **Mulroney** and Mr. **Schreiber** really did have a business relationship. It began after the ex-PM had left office and was, by all accounts, perfectly legal. But money did change hands and when a reporter learned about it, The National Post refused to publish his story.

CHRONOLOGY

1984: Brian **Mulroney** leads the Progressive Conservatives to power. Karlheinz **Schreiber** sets up International Aircraft Leasing (IAL) in Liechtenstein. Frank Moore and fellow **Mulroney** associates form Government Consultants International (GCI), a lobbying firm in Ottawa.

1985: GCI is hired by German companies, including helicopter manufacturer Messerschmidt-Bolkow-Blohm (MBB), which is negotiating a sale to the Canadian Coast Guard. Moore becomes an Air Canada director but leaves soon after because Airbus, bidding for a big contract, is another GCI client. Airbus also enlists **Schreiber's** IAL to help market in Canada.

1986: MBB's Canadian subsidiary, Messerschmidt Canada Ltd. (MCL), sells 12 light helicopters worth just under \$27-million to the Coast Guard. The machines are to be manufactured in Germany and outfitted in Fort Erie, Ont.

1988: **Mulroney** wins second term. Air Canada awards much sought-after contract for 34 new passenger jets worth \$1.8-billion to Airbus Industrie. **Schreiber's** old friend, Bavarian politician Franz Josef Strauss, dies.

1993: **Mulroney** leaves office, is succeeded by Kim Campbell and Liberals come to power with greatest landslide in federal history.

1995: After media reports surface regarding **Schreiber's** relationship with Airbus and the Air Canada contract, the RCMP has the Justice Department write to Swiss authorities seeking information about secret bank accounts. The letter names **Mulroney**, who finds out about the allegation and sues the RCMP and federal government.

1997: After a variety of revelations, the federal government settles with **Mulroney** and pays \$2-million in legal fees but continues its investigation.

1999: **Schreiber** leaves Europe for Canada but is arrested on a warrant from Germany where he faces criminal charges. He hires Edward Greenspan to fight the extradition request. In December, the Mounties execute five search warrants issued by Judge James Fontana in relation to the Airbus investigation, including Eurocopter Canada, the successor to MCL. The warrants are sealed as are the orders to seal them.

January, 2000: Eurocopter lawyer Paul Schabas applies to Judge Fontana to break the seal and allow access to the information justifying the searches. Meanwhile, word of the search leaks out to **Schreiber**, **Mulroney** and Der Spiegel, which reports on it. The proceedings are subjected to a publication ban, and on Jan. 31 the judge dismisses Eurocopter's application.

February: The judge again refuses to unseal the information, and Eurocopter seeks a judicial review of his orders.

March: The review begins before Mr. Justice Edward Then in Toronto. Journalist Harvey Cashore shows up and is booted out. Eurocopter again demands access. Crown again says no. Hearing is adjourned.

June: RCMP applies yet again for permission to hold the thousands of pages of documents. Crown again insists the matter be kept secret.

December: Judge Then turns down the judicial review and extends the document detention another nine months but says he'll reconsider the secrecy issue in four months.

April 9, 2001: Lawyers for **Mulroney**, **Schreiber**, Moores and the CBC are notified of the secret proceedings and told the case may be of interest to their clients.

April 24, 2001: The expanded cast appears in court, and the Crown suddenly applies to have seal largely lifted from information that led to the search warrants.

April 25, 2001: The parties get to see the long-suppressed information.

About the author

As well as *Presumed Guilty*, the 1998 prequel to *Secret No More*, William Kaplan's previous books include: *Everything that Floats: Pat Sullivan, Hal Banks and the Seamen's Unions of Canada* (1987); *State and Salvation: The Jehovah's Witnesses and Their Fight for Civil Rights* (1989); *Bad Judgment: The Case of Mr. Justice Leo Landreville* (1996); and the children's best-seller *One More Border: The True Story of One Family's Escape from War-Torn Europe* (1998).

He also has edited several volumes of essays, including: *Belonging: The Meaning and Future of Canadian Citizenship* (1993) and with Donald McCrae, *Law, Policy and International Justice: Essays in Honour of Maxwell Cohen* (1993).

Based in Toronto, Mr. Kaplan is a labour-relations arbitrator and mediator as well as a former law professor at the University of Ottawa. A graduate of Osgoode Hall Law School, he received his doctorate from Stanford Law School and was a founding co-editor of the Labour Arbitration Yearbook and The

Canadian Journal of Labour and Employment Law. In 1999, he was awarded the Law Society of Upper Canada Medal.

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'This is not the way you do business in Canada';
Just what was so sensitive? Somehow the police persuaded the
courts to declare the tale of a government purchase gone wrong
one of those rare times the public doesn't have a right to know.
WILLIAM KAPLAN reveals the details of the case and unravels
the legal tangle it caused

BYLINE: WILLIAM KAPLAN

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CHAPTER 1

In today's episode, William Kaplan explains how a judge's decision to bestow an exceptional degree of secrecy on the RCMP's 1999 search of a German-controlled helicopter manufacturer sparked a fascinating legal battle. He traces the company's attempt to find out what the police wanted as far as April 25, 2001, when Eurocopter finally was allowed to see an edited version of the search documents.

Little did anyone suspect that the action in court was far from over.

In the chapters to follow, Mr. Kaplan will explore many other fascinating aspects of the case SM 132/00, ranging from the role played by a confidential police informant to the real reason the judge invited former prime minister Brian Mulroney and other Airbus alumni to join the closed-door party.

At 8:15 on the morning of Dec. 13, 1999, an 18-member team of Royal Canadian Mounted Police, accompanied by the force's in-house historian, descend on the offices of Eurocopter Canada Ltd., the Canadian subsidiary of a German helicopter manufacturer located in Fort Erie, Ont., just across the Niagara River from Buffalo.

Armed with a search warrant issued by a judge in Ottawa and led by Inspector Allan K. Mathews, the investigators target four locations: the corporate offices, information technology, the finance department and the area where Eurocopter stores its archives. The company co-operates completely, giving the RCMP the use of its boardroom and all the IT assistance it requests to enter the computer system and access files.

The search goes on for three days, with the boardroom serving as the team's central depository and placed under 24-hour armed guard. A Quonset hut and cargo container on the property draw the Mounties' attention, and a warrant is obtained to search them as well.

When he hears what's going on, company legal counsel Paul B. Schabas, an experienced and well-respected litigator with the Toronto firm Blakes, gets the inspector on the telephone. He asks for a copy of the information that persuaded the judge to allow the search. "No way," he is told. "The information is sealed." What about a copy of the order to seal it? Forget it.

Schabas is one of Canada's better media lawyers, but he started as a defence counsel and knows his way around the criminal courts. He sends an articling student from the firm's Ottawa office to the main courthouse at Laurier and Elgin to obtain copies of any documents in the public domain. It's a dead end. The judge has sealed everything, relying on a sworn affidavit from Insp. Mathews that failing to do so could subvert the course of justice.

Sixteen months later, Eddie Greenspan is sitting in his elegant office in a restored bank building around the corner from Toronto's St. Lawrence Market when his assistant gives him a note. Dated that day, April 9, 2001, it has been hand delivered from the Crown attorney's office. Greenspan reads it, blurts out "what the fuck is this?" and sits staring at his huge tank of tropical fish.

The letter advises him that a secret proceeding under way at Osgoode Hall may be of interest to one of his clients: "I understand that you represent Karlheinz Schreiber. . .," writes Trevor Shaw, one of two prosecutors assigned to the case. "Justice Then has asked me to convey to counsel for Karlheinz Schreiber the attached notice."

The accompanying notice informs **Schreiber** that, "on the 24th day of April 2001, at 10 a.m. or as soon thereafter as practicable, there shall be a hearing concerning the release of certain currently sealed search warrant information.

"As your name is mentioned within that information, you may consider attending to make any submission on your standing and interests concerning the release, public access and publication of this information beyond the access that the Court may grant the subject of the search warrants in question.

"You may," **Schreiber** is advised, "appear in person or through counsel and you are not obliged to attend or to be represented."

As Canada's leading criminal-defence attorney, Greenspan realizes that, in certain rare circumstances, secret trials are permitted under the Criminal Code. But this is his first in 32 years as a lawyer, and he suspects it can't be good news for his client. He reaches for the telephone to alert the German-Canadian businessman who'd come to national prominence six years earlier in the infamous Airbus affair involving former prime minister Brian **Mulroney**.

In 1995, the federal government had, in no uncertain terms, labelled both men, along with former Newfoundland premier Frank Moores, as criminals because of bribes allegedly paid in connection with three big public projects while **Mulroney** was in office: Air Canada's 1988 purchase of \$1.8-billion worth of passenger jets from Airbus Industrie; the Canadian Coast Guard's 1986 purchase of 12 helicopters and, strange as it may seem, considering the government rejected it outright, a German company's proposal to build military vehicles in Cape Breton.

The accusations came to light only when **Mulroney** learned the Department of Justice had sent a formal "letter of request" to Switzerland saying flat out that he, **Schreiber** and Moores, at the time a Parliament Hill lobbyist, had engaged in a criminal conspiracy to defraud the Canadian people of millions of dollars. The letter said **Mulroney's** share had ended up in a secret Swiss account code-named "Devon," and asked the Swiss authorities for any information they could provide.

Just how **Mulroney** found out about the letter is still the subject of much speculation, but he denied the allegations vigorously, sued the government and in 1997 won a settlement. The victory was pretty convincing. He collected \$2-million toward his legal fees as well as apologies from the solicitor-general and the minister of justice.

According to the settlement terms, "based on the evidence received to date, the RCMP acknowledges that any conclusions of wrongdoing by the former prime minister were - and are - unjustified." As well, "the Government of Canada and the RCMP regret any damage suffered by **Mulroney** and his family and fully apologize to them."

Even *the fifth estate*, the CBC's flagship TV newsmagazine, which had led the media charge on Airbus, was forced to acknowledge there was no evidence of wrongdoing on **Mulroney's** part - a conclusion I too shared after researching *Presumed Guilty*, my 1998 book about the case.

Since then, life had been good to the ex-prime minister. He established probably Canada's best international law and advisory practice. He was named to numerous and important boards of directors. He was awarded the Order of Canada, saw his daughter married in a lavish Montreal ceremony attended by former U.S. president George Bush and his wife Barbara. The other children were doing well, and the house in Palm Beach had been renovated. Even his place in history seemed to be on the mend.

While **Mulroney** had landed on his feet, the same could not be said of Moores and **Schreiber**. The two had received apologies as well, but theirs were far less persuasive, suggesting when read carefully that,

while there was no evidence to implicate **Mulroney**, the same could not be said about them. Moores, the former "King of the Rock" and lobbyist extraordinaire, had paid dearly for the Airbus investigation, and his million-dollar-plus account in Switzerland remained frozen even after he'd reportedly made good on all outstanding taxes.

Schreiber was in even more hot water. After the Airbus revelations, his questionable business ties to major German corporations had sparked a major scandal in Europe. Greenspan had spent years thwarting the Canadian government's efforts to ship his client back to Germany to face tax-fraud charges.

As well, he was suing the Government of Canada for \$35-million in an abuse-of-process claim, and going after Luc Lavoie - **Mulroney's** long-time spokesperson - and the CBC for millions more over remarks **Lavoie** had made about him on air.

Even so, **Schreiber** was, well, **Schreiber**: good natured, a likable rascal, friendly, strategic and cunning with a hundred irons in the fire. He had established a chain of pasta restaurants, attracted a number of blue-chip investors, and continued to enjoy the support and friendship of Canadian politicians of red stripe and blue, most notably Liberal Marc Lalonde and Tory Elmer MacKay, former federal ministers who personally guaranteed his bail when he was arrested by the RCMP as part of the German extradition request.

Now, out of nowhere, here was another legal ball for Greenspan to juggle. He didn't have much experience with secret trials - few Canadian lawyers do - but he could sense that his client almost certainly was a target. But of what? So he needed to find out what this was all about.

Schreiber had found out that Eurocopter was being searched shortly after the fact, and soon was commenting on it in Germany's *Der Spiegel*. But that, of course, was months earlier.

Greenspan tried grilling the Crown attorneys, Shaw and Michael Bernstein, but got next to nothing from the veteran prosecutors. "I am not in a position," Shaw wrote on April 20, "to provide more information . . . because of two circumstances: The in camera nature of previous proceedings and existing sealing orders."

In fact, he could have shared with Greenspan one interesting fact: that he was the one who'd suggested that Mr. Justice Edward Then of the Ontario Superior Court inform "certain parties" that they might have an interest in the case. As well as **Schreiber**, they were: **Mulroney**, Moores and, oddly, an investigative reporter named Harvey Cashore and the CBC.

Despite the embarrassment of the **Mulroney** settlement in 1997, the RCMP fully intended to continue its Airbus investigation, if anything devoting even greater resources to the case. Up to a dozen investigators, forensic accountants and support staff were at any one time working on the case.

Two years later, they were ready to move.

On Dec. 8, 1999, Judge James A. Fontana of the Ontario Court of Justice in Ottawa signed warrants allowing the force to search five locations. As well as Eurocopter, they were: the Department of Fisheries and Oceans in Ottawa; the main branch of the Bank of Nova Scotia in Calgary; the offices of accountants Buchanan, Barry & Co. also in Calgary; and the offices of John Verhey, another chartered accountant, in Nepean, Ont., just outside Ottawa. The warrants were unusual: Judge Fontana not only ordered that the "information" - background documents prepared by the police to justify the searches - be sealed, but that the warrants themselves be kept from public scrutiny, not to mention the order to have everything sealed.

Even with just about every piece of paper associated with the case under lock and key, the judge gave no real reason for the secrecy, beyond noting that "overriding circumstances justify the issuance of the present order." The order was given under Section 487.3 of the Criminal Code, which allows such secrecy if "the ends of justice would be subverted" for one of the following reasons: by compromising the identity of a confidential informant or the nature and extent of an ongoing investigation; by endangering a person "engaged in particular intelligence-gathering techniques and thereby prejudice future investigations in which similar techniques would be used" or by prejudicing the interests of an innocent person or "for any other sufficient reason."

Usually, after a search has been executed, any member of the public is entitled to inspect the warrant and the information upon which it is based. Even if nothing is seized, the target of the search generally has this right.

Eurocopter was especially interesting because it's the successor company to Messerschmidt Canada Ltd. (MCL), the subsidiary of Messerschmidt-Bolkow-Blohm (MBB), the German firm that supplied the 12 helicopters to the coast guard in 1986. Schreiber and Moores were both involved in the sale. Schreiber apparently as a representative of MBB, and Moores as head of Government Consultants International (GCI), which was registered as MBB's lobbyist.

At the time, the sale attracted some mild criticism from internal auditors at Transport Canada, but only because they wondered whether the helicopters were needed. In the end, the product was tested across the country and introduced into the fleet with what Transport Canada called "exemplary smoothness." MBB established a joint venture with Fleet Industries in Fort Erie, where the German-built helicopters received many of their final touches. That meant Canadian jobs and an important technology transfer. The Ontario government also came on board, and in the end about \$30-million of taxpayer money was poured into the facility.

In its 1995 letter to the Swiss, however, the RCMP asserted that the deal was tainted: not only had secret commissions been paid, in itself contrary to the terms of the contract, Mulroney had arranged to have the sale go to MBB in return for a cut of the action himself.

Those allegations had been shot down in flames after the former PM sued, and yet here were the Mounties back at Eurocopter obviously looking for something.

When he could learn nothing from the police, Schabas wrote to Judge Fontana: "As I am sure you are aware, once a search warrant has been executed, the usual need for secrecy regarding its issuance no longer applies, and in most cases the subject of the search (and the public) is entitled to review the information."

The matter was, he continued, of some urgency: "As you can appreciate, as matters currently stand, my client has been subjected to a search, the basis for which is unknown to it, and its efforts to obtain information through the Court have been completely unsuccessful. At the very least, my client should be provided with information regarding the basis for the sealing order and its terms, including the duration of the sealing order."

The request seemed reasonable enough, but not to Judge Fontana, as the author of *The Law of Search and Seizure in Canada*, an authority on the subject. "Your letter to me," he wrote back from Ottawa, "is unorthodox and inappropriate." He suggested contacting the local Crown counsel, adding that, "if you are not content, you have remedies."

The local Crown put Schabas in touch with Bernstein and Shaw, and he appealed to them on Dec. 17, 1999: "My client has been subjected to a three-day search, in which many documents were seized. Yet my client is unable to obtain any details of the basis for the search, in order to assess whether the search was reasonable or justified in any manner. . . . Indeed, because the sealing order is apparently indefinite in length, my client has no idea when, if ever, the grounds for the sealing order, let alone the search itself, will be disclosed." This, he suggested, was "intolerable."

Five days later, it looked like he was starting to get through: The application for the first sealing order was made public in Ottawa, followed by the application for the second sealing order the next day.

That was a good start, but the applications alone told Schabas very little he did not already know. He asked Shaw when the Crown expected the full sealing order to expire and to have copies made of seized documents that Eurocopter needed for its day-to-day operations. The company objected to the scope of the search - many of the documents should be of no interest to the RCMP - but couldn't fight back without knowing what it was all about.

Normally the Crown has to justify keeping seized documents every four months or so, but there was no such time line on a sealing order. Unless a judge ruled otherwise, everything would stay locked up forever.

When the Crown failed to co-operate on this, Schabas decided on a formal appeal to the court, even though that meant facing off with Judge Fontana, whom he'd already rubbed the wrong way. The Criminal

Code requires such a request go before the judge who issued the order. If the judge wouldn't change his mind, he could seek a judicial review.

When the hearing began on Jan. 28, 2000, in Ottawa, Schabas was at an obvious disadvantage. Given Eurocopter's history and the fact the search warrant itself (which at least the company had got to see) identified the RCMP's targets and listed the offences under investigation, he knew roughly why the search had taken place. But he wanted to know exactly what the police suspected had happened. He pleaded with the judge, please "embark on some review of the information itself to determine what can be provided to my clients and me in order to have an understanding of why the material is sealed, at the very least. . . ."

No go. The judge rejected Eurocopter's request for several reasons, saying the sealing was necessary to prevent prejudice to the interests of innocent or neutral parties, to prevent damaging speculation or publicity, because disclosure might compromise or frustrate the investigation and because more time was needed.

The investigation, he said, involved complex corporate and commercial transactions calling for the scrutiny of experts, not to mention time-consuming analysis. "It is useful, however," he added, "to remind the investigative authorities that despite the magnitude and complexity of the investigation, the sealing order should not be viewed as open-ended. It is not a case of 'seize at large, examine at leisure'. The Crown must continue its inquiries with dispatch."

And yet two months later, on March 15, he extended the order to mid-June, and again ordered the veil of secrecy be maintained. But by then Schabas had already served notice that Eurocopter wanted to go over his head and seek a judicial review of what he'd done.

Enter Mr. Justice Edward Then of the Ontario Superior Court of Justice, a former Crown prosecutor (appointed to the bench by **Mulroney**) with an excellent reputation. He called a hearing for March 20 in Toronto to decide whether Judge Fontana had erred in prohibiting access to information that led to the search.

But when the day arrived, something amazing happened: An uninvited guest tried to crash the secret party.

Somehow Cashore, who'd been a research assistant on documentary maker John Sawatsky's unflattering biography of **Mulroney**, worked on *the fifth estate* and was now co-writing a book about **Schreiber** with noted **Mulroney** critic Stevie Cameron, had found out what was going on.

He told Insp. Mathews that he'd just happened by the court on his way to work, but he also admitted he had a copy of one of the search warrants. When Cashore asked to be allowed to stay, the judge said no, a decision he confirmed later in the day when the journalist returned with his lawyer in tow.

For some reason, no report of these rather extraordinary developments was aired on the CBC. But who had told Cashore about the case, and who'd given him a copy of the warrant?

After the excitement subsided, Schabas and Shaw made compelling arguments for and against keeping the case sealed, and Judge Then, as is customary in cases such as this, said he would consider their positions carefully - very carefully, as it turned out. Not for the last time, he showed himself to be a fair-minded but not especially speedy jurist.

As the weeks of waiting turned into months, attention began to focus on June 13, when Judge Fontana's document-detention order was set to expire. What would Judge Then do about that?

He again decided to wait, until he'd ruled on whether to go ahead with the judicial review.

The Mounties said they needed the time to sort through the tens of thousands of pages they had, many of which required translation. And so, notwithstanding the high profile of the search (every Eurocopter employee knew what was going on and a story had appeared in the German equivalent of Maclean's) and the surprise appearance of a reporter in the courtroom, the police insisted on keeping secret something that's made public after most searches. It was laughable.

Coincidentally, in the middle of all this, Berliner Zeitung reported that the Munich tax court had accepted **Schreiber**'s explanation that he shouldn't be taxed on some of the money that had gone through his bank account because it wasn't his. He had only helped his clients distribute it to others as payments

known in Germany as *nutzliche Aufwendungen*, or "useful expenditures" - just the kind of bribes or commissions the RCMP believed had been paid in the helicopter purchase.

Finally, six months later, on Dec. 19, 2000, Judge Then issued a bottom-line decision, called an "endorsement," with his reasons to follow. He retroactively granted the detention order that had been sought in June and denied the request for a judicial review, saying he didn't want to "compromise the nature and extent of an ongoing investigation" and "prejudice the interests of an innocent person."

Almost a month later, on Jan. 10 and 15, 2001, he explained the reasons behind his decision - and again extended the document seizure, this time for nine months until the following September.

But he also kept the hearing alive by announcing that the gag order wouldn't necessarily last forever; he would review it every four months. So in April, the two sides would assemble for another kick at the can. But this time, the courtroom would be a lot more crowded, thanks to the presence of lawyers for Mulroney, Schreiber, Cashore and the nation's public broadcaster.

It turned out to be a pretty impressive package - 185 pages, not to mention the more than 200 documents appended to it. No wonder Judge Fontana had okayed the search. The information assembled by the RCMP seemed very persuasive. The force surely had reasonable and probable grounds to go in.

For a year and half after the Mounties' three days at Eurocopter in December, 1999, the nature of the information that sparked the search remained under lock and key. The company didn't know exactly what the police were looking for - no one had been charged with anything - and was extremely curious about the police theory of the case.

Then, as Judge Then was inviting the new "interested persons" to the secretive proceeding, the Crown suddenly served notice that, after fighting so hard to keep everything under wraps, it wanted to release an edited version of the information.

It had to.

Ever since the search, prosecutors had been required, on a regular basis, to give the court a good reason for hanging on to all the documents seized from Eurocopter - and for keeping everything sealed. Now when they sat down and looked at the information, they realized that much of the initial justification for being so tight-lipped no longer applied.

In fact, the Crown's application also sought no further restrictions on access to or publishing the information. The cat was clearly out of the bag, and had been for months.

First, there was the highly publicized nature of the search - accounts of it had appeared in the press here and abroad. Second, as the invitations were going out to Mulroney and company, the Cashore-Cameron book about Schreiber was being published. Titled *The Last Amigo*, it discussed the secret search warrants at length. The duo didn't appear to know everything, but they clearly knew plenty, including the identity of the targets and significant details about the allegations at issue.

Still a mystery was who'd told them all this. Perhaps it was the same person who'd suggested to Cashore that he drop by the courthouse the day the review hearing began. Or the person who'd provided him with a copy of the secret search warrant.

Eurocopter, however, didn't appreciate all this new openness. Schabas was okay with including the CBC, but he argued against opening the door to Mulroney and Schreiber, saying it would delay everything and further complicate an already complex case.

The judge disagreed, and so as well as Greenspan appearing for Schreiber, the legal players came to include Kenneth Prehogan and Nicholas D.C. Holland from the Toronto firm Weir Foulds (which includes Sam Wakim, a long-time friend and Mulroney classmate at St. Francis Xavier University), as well as the CBC's in-house lawyer, Dan Henry.

They all spent Day 1, April 24, discussing whether the hearing should be open and who really deserved to be there. The CBC wanted the case open to public scrutiny but the lawyers for Schreiber and Mulroney argued otherwise. According to Prehogan, the former prime minister wanted the case closed until he'd found out what the government was saying about him. Still sensitive to his Airbus woes, he realized that being associated with Schreiber and Moores in a criminal investigation would cause many

people to assume the worst. He and **Schreiber** had not seen each other for years, although they'd talked many times on the telephone and their lawyers kept in touch.

The following day brought more debate and then the appearance of the long-awaited information with some of its supporting documents. Large passages had been blacked out to keep some contents secret, but now everyone knew exactly what the police were trying to prove.

The searchers had gone after anything at all related to the coast guard's purchase of helicopters from Eurocopter's predecessor company, Messerschmidt Canada Ltd. (MCL), a subsidiary of Germany's mighty Messerschmidt-Bolkow-Blohm (MBB). The RCMP were especially interested in records related to payments to Moores or GCI, his old lobbying firm, and to **Schreiber** or his various companies: International Aircraft Leasing (IAL), Bitucan Holdings and Kensington Anstalt.

What did the police expect the evidence to establish? Their allegation was that MLC and two senior officials of its parent company, German residents Heinz Pluckthun and Kurt Pfeiderer, had defrauded the government and people of Canada by paying commissions on the helicopters. Pluckthun was the former chairman of MCL's board who'd become president of the German parent MBB Helicopter in 1986. He succeeded Pfeiderer, also a member of MCL's board, who became MBB's vice-president of sales.

The information explained that the coast guard, then under the Department of Transport, arranged through the Department of Supply and Services to buy 12 light-utility helicopters in a \$27-million deal that was, in government parlance, "sole sourced" - awarded without competing bids.

There was nothing unusual about this. The coast guard was already using MBB machines and completely satisfied with them; in fact, only MBB helicopters met the technical requirements. But the contract contained this standard clause:

22. No Bribe Etc.

The contractor warrants, (a) that no bribe, gift or other inducement has been paid, given, promised or offered to any official or employee of Her Majesty for, or with a view to, the obtaining of the contract by the Contractor, and that it has not (b) employed any person to solicit or secure the contract upon any agreement for a commission, percentage, brokerage or contingent fee.

The ban on commissions shouldn't have been a problem because there was no reason for them; the deal had been negotiated directly with the supplier; no third-party sales agent was involved. So, if a commission were paid, the RCMP's information noted, it could only mean one thing: The people of Canada were being ripped off. Not only did it mean the price was too high, it was a departure from the "most favoured customer" status the Government of Canada routinely demands. In fact, MBB had promised as much, saying that the price quoted was "not in excess of the lowest price charged anyone else, including our most favoured customer . . . [and] does not include an element of profit on the sale in excess of that normally obtained by us on the sale of products of like quality and quantity."

Had it known commissions were to be paid, the government would have cancelled the transaction and perhaps even blacklisted the company, Raymond Hession, the deputy minister who signed the deal, told Insp. Mathews. "That latter is perhaps the most significant sanction," he said, "because not only does it affect them in this market, but given the internationalization of markets that would be known everywhere, and it wouldn't wear well in the company." Even if the commissions didn't cost the government more money, the answer would have been no, because they were "a flat misrepresentation . . . in complete contravention of the clause."

The RCMP information sets out the story: After the deal was struck, MLC officials learned that the price of the helicopters, which the German parent was supposed to sell to its Canadian subsidiary for \$1,040,000 each, had risen by about \$100,000. When Canadian president Helge Withholz asked for an explanation, he was told by head office the increased "pricing was necessary to meet commission requirements."

Withholz could not believe his ears. When the contract was being negotiated, he'd grown concerned when **Schreiber** and Moores seemed to appear every time there was a meeting with his German superiors. So he sought assurances that the contract complied with Canadian law, and was assured that "there were no

connections between the agreements between MBB and Frank Moores, and MBB and Karlheinz Schreiber."

But then MBB officials suddenly changed their tune, and provided him with a copy of the company's sales-representation agreement with **Schreiber's** IAL. Completely blindsided, Wittholz objected to Pluckthun that the extra \$96,506 per helicopter would do more than just eliminate MCL's profit; it would lose money on the deal. As well as breaking the terms of the federal contract, he added, MBB was short-changing Fleet Aerospace Ltd., its minority shareholder in MLC.

According to the information, Wittholz got nowhere and decided to destroy the IAL document. Later, realizing that might have been a mistake, he arranged to get another copy, which, years later, he provided to the RCMP.

But he didn't give up. He caused another fuss when an invoice arrived from MBB bearing the inflated price, and in December, 1986, was summoned by Pluckthun to Germany for a meeting during which he was instructed to do business according to the IAL agreement.

The following October he tried yet again during a meeting with Pluckthun and Pfeleiderer at the Chateau Laurier in Ottawa. He was supported by James Grant, then MCL's vice-president of marketing: "This is not the way you do business in Canada," he said, adding that Canada was not a corrupt country and unearned commissions were "just a big waste of money."

Ignoring Grant, the men from head office started speaking German, and told Wittholz that he was an "idealist" who would be "better off selling ball-point pens" if he couldn't "accept common business practices" - a reference to *nutzliche Aufwendungen*, the approach to "beneficial expenditures" that made bribes and under-the-table commissions legal in Germany until 1996. (In fact they were completely tax-deductible for export business, as long as the recipients really were in a position to influence a transaction.)

Wittholz said that, to his knowledge, neither **Schreiber** nor Moores had done anything to facilitate the sale, so why should they be paid? But Pfeleiderer told him it "needed to be done," and **Schreiber** had "good connections with the Canadian government." Of course, everyone knew that he also had excellent connections in Germany, most notably German Chancellor Helmut Kohl and Franz Josef Strauss, the long-time premier of Bavaria, where MBB has its headquarters.

Even so, Wittholz pressed to have MBB terminate its relationship with **Schreiber** and Moores, and to oust Robert Shea, another **Mulroney** classmate from St. FX, from MCL's board of directors. Before long, however, the company was restructured and MLC was placed under the direction of its sister operation in the United States.

At this point, Grant resigned, but made it clear in a letter to the U.S. branch president dated July 22, 1988, that the restructuring wasn't his only reason for jumping ship: "Behind the scenes, as you are well aware, are a number of political factors that are extremely significant. . . . They are serious and provide the basis to bring down a government, or cause a major international problem. I need say no more."

According to Wittholz, the commissions stayed on MCL's books as money owed to the parent company until 1993, when they were written off as a loss. But even this affected the Canadian taxpayer, as it lowered the company's earnings and thus reduced its taxable income. That same year Brian **Mulroney** left office, returned to private life and joined a prestigious Montreal law firm. But by then, a chain of events had already begun that would culminate in the infamous letter to the Swiss calling him a crook - thanks in large part to the persistence of a confidential informer.

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1984: Brian **Mulroney** leads the Progressive Conservatives to power. Karlheinz Schreiber sets up International Aircraft Leasing (IAL) in Liechtenstein. Frank Moores and fellow **Mulroney** associates form Government Consultants International (GCI), a lobbying firm in Ottawa.

1985: GCI is hired by German companies, including helicopter manufacturer Messerschmidt-Bolkow-Blohm (MBB), which is negotiating a sale to the Canadian Coast Guard. Moores becomes an Air Canada director but leaves soon after because Airbus, bidding for a big contract, is another GCI client. Airbus also enlists **Schreiber's** IAL to help market in Canada.

1986: MBB's Canadian subsidiary, Messerschmidt Canada Ltd. (MCL), sells 12 light helicopters worth just under \$27-million to the Coast Guard. The machines are to be manufactured in Germany and outfitted in Fort Erie, Ont.

1988: **Mulroney** wins second term. Air Canada awards much sought-after contract for 34 new passenger jets worth \$1.8-billion to Airbus Industrie. **Schreiber's** old friend, Bavarian politician Franz Josef Strauss, dies.

1993: **Mulroney** leaves office, is succeeded by Kim Campbell and Liberals come to power with greatest landslide in federal history.

1995: After media reports surface regarding **Schreiber's** relationship with Airbus and the Air Canada contract, the RCMP has the Justice Department write to Swiss authorities seeking information about secret bank accounts. The letter names **Mulroney**, who finds out about the allegation and sues the RCMP and federal government.

1997: After a variety of revelations, the federal government settles with **Mulroney** and pays \$2-million in legal fees but continues its investigation.

1999: **Schreiber** leaves Europe for Canada but is arrested on a warrant from Germany where he faces criminal charges. He hires Edward Greenspan to fight the extradition request. In December, the Mounties execute five search warrants issued by Judge James Fontana in relation to the Airbus investigation, including Eurocopter Canada, the successor to MCL. The warrants are sealed as are the orders to seal them.

January, 2000: Eurocopter lawyer Paul Schabas applies to Judge Fontana to break the seal and allow access to the information justifying the searches. Meanwhile, word of the search leaks out to **Schreiber**, **Mulroney** and Der Spiegel, which reports on it. The proceedings are subjected to a publication ban, and on Jan. 31 the judge dismisses Eurocopter's application.

February: The judge again refuses to unseal the information, and Eurocopter seeks a judicial review of his orders.

March: The review begins before Mr. Justice Edward Then in Toronto. Journalist Harvey Cashore shows up and is booted out. Eurocopter again demands access. Crown again says no. Hearing is adjourned.

June: RCMP applies yet again for permission to hold the thousands of pages of documents. Crown again insists the matter be kept secret.

December: Judge Then turns down the judicial review and extends the document detention another nine months but says he'll reconsider the secrecy issue in four months.

April 9, 2001: Lawyers for **Mulroney**, **Schreiber**, Moores and the CBC are notified of the secret proceedings and told the case may be of interest to their clients.

April 24, 2001: The expanded cast appears in court, and the Crown suddenly applies to have seal largely lifted from information that led to the search warrants.

April 25, 2001: The parties get to see the long-suppressed information.

About the author

As well as *Presumed Guilty*, the 1998 prequel to *Secret No More*, William Kaplan's previous books include: *Everything that Floats: Pat Sullivan, Hal Banks and the Seamen's Unions of Canada* (1987); *State and Salvation: The Jehovah's Witnesses and Their Fight for Civil Rights* (1989); *Bad Judgment: The Case of Mr. Justice Leo Landreville* (1996); and the children's best-seller *One More Border: The True Story of One Family's Escape from War-Torn Europe* (1998).

He also has edited several volumes of essays, including: *Belonging: The Meaning and Future of Canadian Citizenship* (1993) and with Donald McCrae, *Law, Policy and International Justice: Essays in Honour of Maxwell Cohen* (1993).

Based in Toronto, Mr. Kaplan is a labour-relations arbitrator and mediator as well as a former law professor at the University of Ottawa. A graduate of Osgoode Hall Law School, he received his doctorate from Stanford Law School and was a founding co-editor of the Labour Arbitration Yearbook and The

Canadian Journal of Labour and Employment Law. In 1999, he was awarded the Law Society of Upper Canada Medal.

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'An abuse of power of the worst kind';
Lawyer Edward Greenspan's attempts to persuade the court to unmask a key RCMP informant raise questions about the relationship between law enforcement and journalism. WILLIAM KAPLAN explains how the case unfolded

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CHAPTER 2

In today's instalment, William Kaplan recreates the drama that engulfed case SM 132/00 the day Edward Greenspan, the high-profile lawyer for Karlheinz Schreiber, set out to unmask the confidential informant who supplied the RCMP with key material leading to its disastrous Airbus investigation.

Greenspan's leading candidate? An investigative journalist known as a relentless critic of Brian Mulroney.

On Monday, Mr. Kaplan will conclude the sequel to his 1998 book, Presumed Guilty, by examining the fallout from the case.

Quite a few people had been interviewed. In all, 28 of them were deemed "relevant," and so their names, as well as where and when they'd been questioned, were recorded in full. Except for one, identified only as "#xix."

Whoever this was had been spoken to twice and yet had his or her name blacked out. But the name had to begin with a letter from A to E because the Mounties, in preparing their information to obtain the 1999 warrant to search Eurocopter Canada Ltd., had conveniently listed all their sources in alphabetical order.

The one entry kept confidential fit in somewhere between Susan Allison, a clerk in the Registry Office in Palm Beach who'd provided information about Frank Moore's Florida condominium, and Karl Elsner, a Calgary accountant.

Months later, in April, 2001, when defence lawyer Edward Greenspan read over the information for the first time, he reached this point and made a note in the margin: "Who?"

Who, indeed.

Almost a year later, Greenspan had his day in court. It was Feb. 12, 2002, and he had one objective: to get that search warrant thrown out. It was the best way to combat the Crown's allegations against his client, the colourful and controversial Karlheinz Schreiber,

If the warrant stood and the Crown succeeded in its bid to make its long-concealed contents public, people would place some stock in the Mounties' investigation, which would be a public-relations disaster for a man who had quite enough troubles already. For one thing, his native Germany was trying to extradite him to face tax-fraud charges.

It had been more than two years since the RCMP spent three days hoovering up records at Eurocopter's offices in Fort Erie, Ont. And well over one year since Mr. Justice Edward Then of the Ontario Superior Court had finally broken the seal on the warrant and its supporting information to allow Eurocopter a glimpse at the case the police were building against it.

By then, Judge Then had taken the unusual step of inviting several "concerned parties" to join the closed-door proceedings in Toronto. They included three familiar faces from the long-running Airbus affair - former prime minister Brian Mulroney, Schreiber and his onetime sidekick Moores, the former Newfoundland premier who'd gone on to be an influential lobbyist in the **Mulroney** era - plus investigative journalist Harvey Cashore and his employer, the CBC.

Moores had chosen not to accept the judge's invitation but everyone else chipped in a lawyer or two to a rambling proceeding that had been sparked by Eurocopter's bid to get the warrants unsealed, and then taken on a life of its own.

Until now, the legal drama had played out under what Greenspan described as a "monumental cone of silence." But now the Crown had changed its mind on maintaining that silence and didn't want to say why.

Of course, Eurocopter had changed its tune a bit as well. Now that it knew the police wanted to press charges over commissions its predecessor company had paid in connection with a 1986 sale of 12 light helicopters to the Canadian Coast Guard, the case for public access seemed less appealing. Not the least of the company's concerns was a desire to have its reputation in good shape when Canada finally decides to replace its ancient Sea King marine-rescue choppers.

In his pitch to overturn the search warrant, Greenspan started by taking aim at legal inconsistencies. He told Judge Then that not only was he entitled to an explanation from the Crown, the judge should demand one. Prosecutors, he said, just can't suddenly lose interest in secrecy at this late date, and say: "We control the case. We now decide it's not necessary."

He also complained that Cashore and co-author Stevie Cameron had disclosed many details of the warrant when writing *The Last Amigo*, their new book about Schreiber, including the place, offences under investigation and the names of many of those believed to be involved.

If they hadn't had access to the information itself, Greenspan asserted, they had clearly been provided with a summary. How could this have happened? And why had Cashore mysteriously appeared on the very first day of the secret hearing? He even knew which courtroom. What was going on, Greenspan wanted to know.

Of course, he had a theory of his own, but first he wanted to make sure the judge got the full picture.

He started by turning back the clock to June, 1995, well before the case at hand. The federal Tories were out of office but a year earlier Cameron had had a runaway bestseller with *On The Take: Crime, Corruption, and Greed in the Mulroney Years*. The police were just starting to look into allegations of impropriety surrounding three deals that had involved Schreiber and Moores: the Air Canada purchase of Airbus planes, the coast guard's new helicopters and the proposed Bearhead project to have German-based Thyssen Industries build armoured military vehicles in Cape Breton.

And yet Cameron claimed to have "dramatic new material" to include in her book's forthcoming paperback version. "Where," Greenspan asked, "did she get that information?"

As he unveiled his argument, he drew regularly from the RCMP's search-warrant information, including several affidavits from Inspector Allan Mathews, who'd led the search at Eurocopter.

First, he said, it was clear that on June 28, 1995, the Mounties travelled to Switzerland to interview and obtain documents from Giorgio Pelossi, a former business associate with whom **Schreiber** had had a bitter falling-out.

Greenspan reminded the judge that the Supreme Court of Canada has ruled that, when peace officers go abroad, they must carry the Charter of Rights and Freedoms and comply with local laws wherever they go.

Swiss law, for example, prohibits foreign police officers from conducting investigations on Swiss soil without proper authority, which can be obtained only by means of an official "letter of request" sent by the Canadian government. Only in September, long after its investigator had come home with the Pelossi information, did the RCMP ask for such a letter.

Greenspan wasn't impressed. "Not only did they breach the law in order to achieve their end, but they purposely deceived the Swiss . . . because they wouldn't have got the letter of request if they had said, 'We went over illegally and interviewed somebody there.' They wouldn't have got it. And there'd be nothing here. There'd be nothing."

The Eurocopter warrant relied heavily on Pelossi's disclosures about **Schreiber**, so Greenspan insisted that it did not stand a chance of surviving the motion to quash: It was based on illegal information from the get-go. The **Mulroney** lawyers paid careful attention as Greenspan spoke, as did the judge.

Are you saying, Judge Then asked, that the letter of request was necessary to obtain "that which they already had, because they realized that what they had obtained was illegally obtained?"

Precisely.

"I believe," Greenspan said, "we can establish that all of this information is the subject of illegal activity."

(Judge Then would later dismiss the submission on the basis that no expert evidence had been called about Swiss law.)

The next day, Greenspan continued his attack on the warrant. "Now I want to indicate what I submit is maybe even a larger problem. . . . Whether you did it voluntarily, or as a matter of duty . . . you're sitting on . . . what is a historical case."

To help convey the impact of what the Mounties had done, Greenspan produced a copy of *Presumed Guilty*, by one William Kaplan.

"You are not suggesting," Crown prosecutor Michael Bernstein interjected, "that that book is evidence?"

"The book is interesting in terms of laying it all out," Greenspan replied. "He obviously had access to a lot of people."

Turning to the book, Greenspan selected a passage about what happened when **Mulroney** learned that the letter of request, when it finally went to the Swiss, essentially called him, Moores and **Schreiber** crooks and sued the federal government for \$50-million.:

"They are getting ready for trial [the **Mulroney** lawsuit] . . . Harvey Strosberg is counsel to the Minister of Justice, Allan Rock, and deeply involved in the case. And at page 278 it says this: 'At the end of November, 1996, Strosberg had received a telephone call. . . .'"

Greenspan continued reading from the book - how the caller revealed, on the eve of the trial for defamation, that Staff Sergeant Fraser Fiegenwald, the officer in charge of the Airbus investigation, had much earlier told Stevie Cameron that **Mulroney** was named in the letter requesting Swiss co-operation with secret bank accounts.

Mulroney did not know it at the time, but belated news of this disclosure supposedly blew apart the government's good-faith defence and laid the groundwork for the settlement discussions leading to the apology and the payment of his costs.

"So here's what we have," Greenspan said. "We have, at least in this book, a reference to the fact that the admission was that the leak was a government leak, and it was Fiengenwald to Stevie Cameron. That's what we have . . . they settled, because he had leaked to Stevie Cameron."

Next Greenspan moved to the passage in the book that describes how Cameron had Quebec City lawyer Michel Jolin call Jacques Jeansonne, one of **Mulroney's** attorneys. She wanted to know if **Mulroney**, when the case came to trial, would insist that Cameron, who'd been subpoenaed to give evidence, disclose her source in the RCMP.

The answer was "absolutely," Greenspan said, adding that the book then explains how it was Cameron who had her lawyer call Strosberg to identify Fiengenwald as responsible for the big leak.

Also, the book refers to a briefing note on Airbus prepared by the RCMP for solicitor-general Herb Gray that repeatedly mentions Stevie Cameron and information she had supposedly obtained. "What," Greenspan asked, "was that all about?"

He offered this answer: "A journalist, a political . . . a major political enemy of the Right Honourable Brian **Mulroney** . . . and she's somehow in bed with the RCMP, somehow to the point where it's mentioned in a brief. . . . It's in there. I'd sure love to see that briefing note . . . I think we might have a fairly quick resolution of this. . . ."

"As a result of this, life did not go well for Mr. Fiengenwald, as you might imagine. There was in fact an investigation, and - there was an investigation - and these were pretty dark days for the RCMP."

Even Cameron and Cashore said so in *The Last Amigo*, he said quoting from the book:

"For the Mounties, these were the darkest days of the Airbus investigation, though the effort continued despite setbacks. Fraser Fiengenwald was pulled off the Airbus file, assigned to 'administrative duties' and placed under investigation for allegedly leaking information to Stevie Cameron. Although the internal review cleared him of any wrongdoing, RCMP brass had him charged anyway with disobeying the force's code of conduct. His colleagues held a barbecue on the grounds of RCMP headquarters in Ottawa to help raise money for his legal fees, but a disciplinary hearing on the charges was eventually abandoned."

Fiengenwald, added Greenspan, announced that he wanted his disciplinary proceeding to be open to the public, but suddenly on the eve of the hearing, a deal was reached, and he left the force. Greenspan again quoted from *The Last Amigo*: "Fellow officers believed he had been thrown to the wolves by those who would protect the politicians' careers above all else. Fiengenwald decided to leave the force for a forensic accounting job in the private sector and received a generous financial package from the government. The contradiction seemed enormous. An honest cop's RCMP career was destroyed, and the deal-maker who hid those commissions received an apology."

It was a good story, but Greenspan offered a different, more complicated theory about what had happened: "So, Stevie Cameron who, thanks to her indiscretion, because she's got to write about it, says that Fiengenwald is an honest cop. Now, I read that and I say to myself, if Fiengenwald leaked to her . . . he breached the RCMP Act. . . . If he breached it, he's not an honest cop."

But maybe there was a different explanation. "One of the ways that he doesn't breach it if he tells her, is if she's an informant. He could tell an informant. That wouldn't be a breach. . . . And all I can say to myself is, if he did not breach the RCMP Act, according to Cameron, it means she was in a category of persons that could be told - and that's an informant."

Greenspan told Judge Then that he could confirm it for himself by looking at the one name on the information that was blacked out for everyone else. The name that, many months into the proceeding, the RCMP and Crown still asserted was privileged and should not be disclosed.

There was reason to be curious about Cameron's relationship with the RCMP.

During his lawsuit against the government, lawyers for **Mulroney** had, in one of the various pretrial procedures, provided a list of questions they wanted to ask Pascal Gossin, a Swiss liaison officer who had received the 1995 letter of request. They were interested in seeing earlier drafts of the letter of request that were apparently sent to the Swiss for comment and pre-approval. The government said no, and the matter went to the presiding judge, Mr. Justice André Rochon, who allowed the questions only to have the

government appeal to the Federal Court. At that point, the RCMP suddenly produced certificates asserting that the answers to the questions would not only harm international relations but also prejudice the criminal investigation.

Mulroney's lawyer, Jacques Jeansonne, called the certificates improper; the law required that they be signed by a minister of the Crown, not a deputy RCMP commissioner as these were, and they certified nothing. Almost as an aside, he noted that one of the reasons given for refusing the questions was the need to protect informers.

The judge threw out the certificates, a decision released just as the lawsuit was going to trial. The government soon settled, fingered Fiengenwald for having leaked to a journalist and hoped that the entire sad spectacle was put to rest. Except, it was now back.

Greenspan had been thinking about it for months, patiently assembling his evidence. It included a speech Cameron made to students at the University of Saskatchewan in February, 1995. After expressing the view that the Mulroney government was not just corrupt but infested with organized crime, she boasted of her relationship with the RCMP: "I talked to the Mounties about this last week in Ottawa," she told her rapt audience.

In fact, a year earlier, on April 9, 2001, Greenspan decided, on behalf of Schreiber, to put the question to her directly in a fax: "It is imperative," he wrote, "that you respond to the following questions. . . First, in 1995, were you a confidential informant of the RCMP? If so, were you paid? How much were you paid? Could you provide me with a copy of your contract? If there was no contract, could you please explain why not?"

"Have you been a police informer since 1995? How much in total have you received, if you were paid?"

Just over one week later, a reply came from Peter M. Jacobsen, Cameron's long-time libel lawyer and the person who had called to inform Harvey Strosberg about the Fiengenwald leak that led to the Mulroney settlement. "Ms. Cameron is not prepared to answer your questions. . . . It would not be appropriate for her to be seen to be assisting any party in the litigation as it would compromise her objectivity as a journalist. Also, with respect to your request for documents, it is Ms. Cameron's position that these are her confidential, journalistic work product to which you and your client have no right of access.

"But how, Greenspan asked the judge, does someone add "dramatic new material" to a book if she doesn't have some source? And why is she defending Fiengenwald, unless he really is an honest cop, and how does a man called Cashore walk into this room when - when you think that, between Mr. Mulroney and Mr. Schreiber, we might have heard of it, and we didn't, just didn't. We were about as astounded by the letter we got to come as we could be. . . . How do you get books . . . on ongoing investigations that are supposed to be the subject of secret, sealed material?"

Calling it absolutely scandalous, he went on:

"If Stevie Cameron, Cashore, either one of them or both of them, were somehow getting very close to the police in either giving them or getting from them and getting from other people, if this investigation kind of gets jump-started by them, if, - if she co-opted a national police force, if she has a relationship with the RCMP . . . that's why we come to this question now of informant."

He then explained how it works. Confidential informants are often relied upon and referred to in search warrants. In general, the information will say the informant is reliable because he or she has been used in the past. Often the warrant will refer to the confidential informant by number; sometimes, they are referred to by their initials.

"But one thing you know when you look at the search warrant is that they go out of their way to let the court that has to make the judicial determination about granting the search warrant - they let that judicial officer know this is a confidential informant."

Greenspan then turned to the search-warrant information. A name, just a name. No reference to confidential informant. No reference to reliability of the confidential informant. No number. No code. No initials. The name of someone in the alphabetical list of witnesses, that name blacked out. That name starting with an A, B, C, D or E.

"Now," he added, "we fast-forward to just about a month or two ago. And lo and behold, they tell us this is a confidential informant. Are you to accept that? Is that something that should be tested by way of Inspector Mathews getting into the stand and letting us cross-examine, not on who the informant is, but on this business of surrounding the confidentiality, to determine whether this is some kind of afterthought, that this person is some kind of informant, confidential informant."

No number, no initials and no assertion that the individual was reliable. All that they were trying to protect was a name. "Why?"

And why was it, Greenspan continued, that he had to read books to find out about the case he was involved with. How did Cameron get some of her information? "You'd think there's a leak somewhere. . . . This is rare. This is so rare in Canada. Let Mr. Mathews get on the stand and swear under oath that he's never met Stevie Cameron. . . . Let him - let him do that.

"Because if that's the name, okay - and you know it - if it's . . . Stevie Cameron, that's the name you've seen, then in my respectful submission . . . this would be an unbelievable scandal."

". . . And if she's some kind of confidential informant, if it's her name, if it's Cashore's name, political enemies of the former prime minister, involved as confidential informants so that they can flog books and make money, and - and where is the reliability in anything that they said?"

The RCMP, he continued, "would never want that to come out. They would never want that to come out, because if that came out, you've got - you've got a scandal on your hands . . . because if the solicitor-general and anybody else in the government knew that the source for the RCMP was Cashore and Cameron, and that they would launch this whole thing on that, or in part on that, that they go and seek a letter of request based on this, that there's some kind of protection going on of a writer who's the unbelievable political enemy of the prime minister, in my respectful submission, you'd have . . . an enormous scandal.

"So you know, they're protecting a name. . . . Tell me who it isn't, not who it is. Why can't my friend just say to me, its not - underneath that black, is not Stevie Cameron, is not Harvey Cashore, is not a journalist. Tell me. Just tell me that. . . .

"But - and if my friend won't tell me who it isn't - you know you know who it is - you can draw the adverse inference, not because you know who it is, but because he's not prepared to tell me. Tell me that Stevie Cameron was not part of some kind of . . . police investigation. Tell me that she wasn't. Tell me that she has no status with the police. Tell me that. Just tell me that, that she doesn't."

Greenspan had been speaking for hours and the judge, not to mention **Mulroney's** lawyers, was listening carefully. They could not believe their ears. What they had long suspected, what had been hinted at and privately talked about was apparently true.

A journalist seemed to have supplied information to the RCMP - information that the RCMP and the Government of Canada later admitted, when they settled with **Mulroney**, was not good. But information that either initiated or gave a great boost to the entire investigation against him and further poisoned the reputation of the former prime minister among the Canadian people.

The judge could not have been unaware of the significance of Greenspan's remarks - and he was in a position to know exactly whose name had been blacked out - but he had some legal concerns based on his duty to protect confidential informants. And that duty didn't depend on whether the information said the person was reliable, or whether a number was assigned. That duty depended on the status of the person "because you've made an agreement of confidentiality with the person."

Once that happened, the judge pointed out, you have to honour the agreement. That was the way the system worked. I have, the judge continued, no interest in being involved in a scandal. "I just want to do the right thing."

"I know you do," Greenspan replied, adding "all I want you to do is this. If there is a confidentiality agreement as between either of the two people that I'm talking about, because my interest is piqued by everything in the book that suggests that there's something going on . . . if they've entered a confidential agreement, the political enemy of **Mulroney** - and Herb Gray knew about it - before the letter of request

went and didn't stop this investigation, this case couldn't get off the ground. It would be the worst abuse of power that you could imagine, the worse abuse of power.

"And that's why, in my respectful submission, if this is what it potentially may be . . . and the police . . . and the Crown want to forge ahead in the face of this, which I submit is an - would be an unbelievable, unbelievable story . . . that would lead to an abuse of power of the worst kind imaginable. . . . This is serious business." Don't give us the name, Greenspan suggested to the judge, but consider it in terms of the exercise of your judicial discretion. "And once you've made that judicial discretion, give us the name."

Instead, Judge Then decided to reserve his decision about whether to quash the search warrant or open the proceedings to public scrutiny until many months later when *The Globe and Mail* came to knock on his door.

As for what the government knew about all this at the time, it helps to remember that in Canada, the police are independent of the politicians. They decide who to investigate, when to investigate and how to investigate.

But the RCMP are also accountable to Parliament, and it is the solicitor-general who answers for the force in the House of Commons.

There is a fine line between answering for the force and interfering in its activities. The minister must be kept informed - through briefing notes - of matters that might be raised in Parliament but never interfere in a proper investigation.

Herb Gray was first told in a briefing note about Stevie Cameron, her allegations of political corruption and her direct involvement in this case on March 2, 1995:

"Ms. Stevie CAMERON has stated that she has new information concerning political corruption which will be released in her paperback version in future. A German magazine called *Der Spiegel* has reported that \$46-million in commissions were paid to a company controlled by Karl Heinz SCHREIBER, a Canadian businessman, and implied that payments were made to former Prime Minister MULRONEY. An evaluation of the information available with the media is being conducted to determine if a criminal investigation is warranted."

Later in the note, it is reported that "On 95.01.25, Ms. CAMERON was interviewed and stated that the Fifth Estate had advised her that they had new information which she could include in her new book after their program aired. She did not know the new information at the time of the interview."

The RCMP dutifully contacted *the fifth estate* and asked for its help. The briefing note went on to state: "On 95.03.18, the German news media *Der Spiegel* advised the Canadian media that they were publishing an article on the Airbus contract in which they claimed a Liechtenstein shell company called International Aircraft Leasing Ltd. (IAL) received \$46-million for their marketing assistance.

"They link Karl Heinz SCHREIBER to deal and state that the late Bavarian Prime Minister Franz Josef STRAUSS and Rt. Hon. Brian MULRONEY were friends of SCHREIBER. This information has been published in several Canadian newspapers on 95.03.19 and a copy of the German article was given to us by Stevie CAMERON and is currently being translated into English from German."

Also described are further investigative initiatives being considered by the RCMP, notably sending investigators to Germany to interview the *Der Spiegel* reporters in a bid to determine if a criminal investigation was warranted.

"This matter was reviewed by the RCMP in 1989 and there was insufficient evidence at that time. . . ." the note concludes. "The new information which the media is currently publishing will be evaluated by the RCMP to determine whether or not sufficient information now exists to warrant a criminal investigation."

In late March that year, *the fifth estate* broadcast a segment called "Sealed in Silence." The result of a five-month investigation, it said at the outset that there was no evidence that anybody with decision-making power had been paid off. There was evidence, however, that Airbus Industrie paid Schreiber, that Frank Moores was also involved; his close association with the former prime minister was described at some length.

No names were given, but the reference was clearly to former **Schreiber** associate Giorgio Pelossi.

The next note, on July 5, again referred to Cameron and her "new information," and made it clear that **Mulroney** was suspected of receiving Airbus payments and that "there is sufficient evidence to warrant a criminal investigation." The note concludes by describing the next steps: "The RCMP will be gathering the information on the contracts involved in order to support a request for the assistance of the Swiss authorities in divulging the contents of the Swiss bank accounts used to make the payments. Exact dollar amounts and the ultimate recipient of the secret commissions will not be known until the funds have been traced through the accounts. This process is expected to take up to six months if the holders of the Swiss accounts contest their disclosure in the Swiss courts."

On Aug. 24, the final note in the series yet again quotes Cameron saying she has new information concerning political corruption that will be in the paperback version of her bestselling *On the Take*. The note states that **Mulroney** is under investigation for receiving payments from **Schreiber** for Airbus, the coast guard helicopter deal and the aborted Bearhead project to build armoured vehicles in Cape Breton. In fact, the solicitor-general is told that *the fifth estate* is at work on a second show and apparently has a document "which links **Mulroney** to the Swiss account."

Finally, Gray is told that the letter to the Swiss has been approved by the Department of Justice, is undergoing translation and was being pre-approved by the examining magistrate in Bern before formal submission.

The letter is, of course, sent the following month, and the rest was history.

What could a solicitor-general have done to avoid the embarrassment that followed? He might have called in the commissioner of the RCMP and, while making clear that he had no wish to interfere with the continuing criminal investigation, asked what steps the commissioner had taken, given that the investigation appeared to be based solely on information provided by Pelossi and Cameron, a well-known **Mulroney** critic, to ensure that the investigation was a proper one.

Instead, Gray did nothing. It would not have been appropriate, he later told reporters, to interfere. He was right about that, but that is just an artful way - and Gray is as experienced as they come - in sidestepping the real issue: A police investigation was launched at least in part, on the say-so of Stevie Cameron.

And what's so wrong with a journalist helping the police?

It is accepted wisdom that in a free and democratic society a journalist must be totally independent of the powerful interests, including the police. Journalism exists to serve the public and its right to know. It has no other goal.

What a reporter can never do is cross the line and compromise this independence. Absent independence, there cannot be trust, and without public trust the press cannot do its job.

Reporters depend on the police for information. The police favour trusted journalists with tips and advance warning of breaking events. Co-operation has its advantages. Everyone benefits.

When reporters become part of the investigation, even when motivated by a genuine belief that their actions are in the public good, they lose their objectivity and impartiality.

The CBC is known for high journalistic standards, and has issued its reporters guidelines that identify three key principles: accuracy, integrity and fairness. "Credibility is dependent not only on qualities such as accuracy and fairness in reporting and presentation," the guidelines state, "but also upon avoidance by both the organization and its journalists of associations or contacts which could reasonably give rise to

perceptions of partiality. Any situation which could cause reasonable apprehension that a journalist or the organization is biased . . . must be avoided."

Obviously, by CBC standards, Cameron was too cozy with the authorities at home and abroad - for example, in 1996, she travelled to Augsburg, Germany, to hand over documents to prosecutors preparing a case against **Schreiber**.

But there is no reason to believe that her writing partner Cashore knew anything about any of this.

The Mounties made it clear throughout the Eurocopter information that Giorgio Pelossi was their star witness. They quoted the ex-**Schreiber** associate over and over again, and even arranged a lie-detector test to further verify what he was telling them. No secret informer he.

Moreover, on three occasions in the information, the RCMP state that Pelossi gave materials to Der Spiegel that made their way to the secret informer who, on May 1, 1995, passed them on to Fraser Fiegenwald.

The most compelling revelation this spring about the identity of that informant came in an affidavit from Insp. Mathews, filed largely to persuade the judge to keep the name under wraps:

"Disclosure would compromise the identity of a confidential informant who is named on six occasions within the Information to Obtain. The confidential-informant status of this individual was unknown to me at the time of writing the Information to Obtain, and was not recorded in file material which I reviewed then, and which I have again reviewed in preparation for this Affidavit.

"I first learned of the possibility of this on March 1, 2001, from Jim Shaw, a counsel for the Edmonton Regional Office, Department of Justice (DOJ), representing the Attorney-General of Canada, who asked me whether or not I understood the relationship to exist. I did not.

"On March 23, 2001, I learned of an intention to assert a confidential-informant privilege in this regard, from Ingrid Hutton, also a counsel for DOJ at Edmonton, who advised me that she learned of the existence of this confidential informant relationship earlier in March, 2001, in conversation with Staff Sgt. Fiegenwald (now retired), the original investigator of this file, who said that the confidential-informant privilege existed in respect of this individual.

"Hutton also told me that she subsequently confirmed the fact of the confidential-informant status with the informant directly on March 20, 2001, who claimed the privilege at this time, and who also advised Hutton that Supt. Carl Gallant of the RCMP (now retired) was also present at the time. Hutton advised me that the informant will not consent to the Crown's waiver of privilege."

Unless, that is, "it was for the prosecution of **Brian Mulroney**."

©William Kaplan

1984: **Brian Mulroney** leads the Progressive Conservatives to power. Karlheinz Schreiber sets up International Aircraft Leasing (IAL) in Liechtenstein. Frank Moores and fellow **Mulroney** associates form Government Consultants International (GCI), a lobbying firm in Ottawa.

1985: GCI is hired by German companies, including helicopter manufacturer Messerschmidt-Bolkow-Blohm (MBB), which is negotiating a sale to the Canadian Coast Guard. Moores becomes an Air Canada director but leaves soon after because Airbus, bidding for a big contract, is another GCI client. Airbus also enlists **Schreiber's** IAL to help market in Canada.

1986: MBB's Canadian subsidiary, Messerschmidt Canada Ltd. (MCL), sells 12 light helicopters worth just under \$27-million to the Coast Guard. The machines are to be manufactured in Germany and outfitted in Fort Erie, Ont.

1988: **Mulroney** wins second term. Air Canada awards much sought-after contract for 34 new passenger jets worth \$1.8-billion to Airbus Industrie. **Schreiber's** old friend, Bavarian politician Franz Josef Strauss, dies.

1993: **Mulroney** leaves office, is succeeded by Kim Campbell and Liberals come to power with greatest landslide in federal history.

1995: After media reports surface regarding **Schreiber's** relationship with Airbus and the Air Canada contract, the RCMP has the Justice Department write to Swiss authorities seeking information about secret bank accounts. The letter names **Mulroney**, who finds out about the allegation and sues the RCMP and federal government.

1997: After a variety of revelations, the federal government settles with **Mulroney** and pays \$2-million in legal fees but continues its investigation.

1999: **Schreiber** leaves Europe for Canada but is arrested on a warrant from Germany where he faces criminal charges. He hires Edward Greenspan to fight the extradition request. In December, the Mounties execute five search warrants issued by Judge James Fontana in relation to the Airbus investigation, including Eurocopter Canada, the successor to MCL. The warrants are sealed as are the orders to seal them.

January, 2000: Eurocopter lawyer Paul Schabas applies to Judge Fontana to break the seal and allow access to the information justifying the searches. Meanwhile, word of the search leaks out to **Schreiber**, **Mulroney** and Der Spiegel, which reports on it. The proceedings are subjected to a publication ban, and on Jan. 31 the judge dismisses Eurocopter's application.

February: The judge again refuses to unseal the information, and Eurocopter seeks a judicial review of his orders.

March: The review begins before Mr. Justice Edward Then in Toronto. Journalist Harvey Cashore shows up and is booted out. Eurocopter again demands access. Crown again says no. Hearing is adjourned.

June: RCMP applies yet again for permission to hold the thousands of pages of documents. Crown again insists the matter be kept secret.

December: Judge Then turns down the judicial review and extends the document detention another nine months but says he'll reconsider the secrecy issue in four months.

April 9, 2001: Lawyers for **Mulroney**, **Schreiber**, **Moores** and the CBC are notified of the secret proceedings and told the case may be of interest to their clients.

April 24, 2001: The expanded cast appears in court, and the Crown suddenly applies to have seal largely lifted from information that led to the search warrants.

April 25, 2001: The parties get to see the long-suppressed information.

About the author

As well as *Presumed Guilty*, the 1998 prequel to *Secret No More*, William Kaplan's previous books include: *Everything that Floats: Pat Sullivan, Hal Banks and the Seamen's Unions of Canada* (1987); *State and Salvation: The Jehovah's Witnesses and Their Fight for Civil Rights* (1989); *Bad Judgment: The Case of Mr. Justice Leo Landreville* (1996); and the children's best-seller *One More Border: The True Story of One Family's Escape from War-Torn Europe* (1998).

He also has edited several volumes of essays, including: *Belonging: The Meaning and Future of Canadian Citizenship* (1993) and with Donald McCrae, *Law, Policy and International Justice: Essays in Honour of Maxwell Cohen* (1993).

Based in Toronto, Mr. Kaplan is a labour-relations arbitrator and mediator as well as a former law professor at the University of Ottawa. A graduate of Osgoode Hall Law School, he received his doctorate from Stanford Law School and was a founding co-editor of the *Labour Arbitration Yearbook* and *The Canadian Journal of Labour and Employment Law*. In 1999, he was awarded the Law Society of Upper Canada Medal.

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GLOBEANDMAIL.COM[Print this Page](#)**Schreiber, Mulroney were close, book says**

\$300,000 cash payments were legal, former PM's spokesman says

By PAUL WALDIE

UPDATED AT 3:55 PM EDT

Friday, Oct 8, 2004

A new book suggests that German-Canadian businessman Karlheinz Schreiber paid Brian Mulroney \$100,000 not long after he stepped down as prime minister.

In the book, *A Secret Trial: Brian Mulroney, Stevie Cameron, and the Public Trust*, author William Kaplan says the cash payment came after Mr. Schreiber was summoned to Harrington Lake, the prime minister's summer residence, in late June, 1993. Mr. Mulroney had just left office at the time and his successor, Kim Campbell, let him use the house while his home in Montreal was being renovated.

According to the book, the two met again not long afterward in a Montreal hotel, where Mr. Schreiber handed Mr. Mulroney an envelope stuffed with \$100,000. "Thank you," Mr. Mulroney said, according to Mr. Schreiber's account of the meeting. "Thank you very much."

Over the next year or so, Mr. Mulroney received a total of \$300,000, always in cash and always in hotels, from Mr. Schreiber, the book says.

In an interview, Luc Lavoie, a spokesman for Mr. Mulroney, said the former prime minister did nothing wrong. "There was nothing illegal about [the payments]," Mr. Lavoie said. "Taxes were paid, it was a commercial transaction and he had left office. It was all proper."

The book portrays the relationship between Mr. Mulroney and Mr. Schreiber as closer than previously known.

Along with the payments, Mr. Mulroney and his wife sent Mr. Schreiber a letter on his 60th birthday in March, 1994, wishing him "congratulations and warmest regards." The letter added: "Your impressive contributions to both Germany and Canada stand today as a very significant personal achievement. We look forward to seeing you and [Mr. Schreiber's wife] soon."

Mr. Kaplan says federal officials have confirmed to him that the close relationship and the \$300,000 payment would have been important information in 1997, when the government was negotiating a settlement with Mr. Mulroney. At that time, Mr. Mulroney sued the government over a letter the RCMP had sent to Swiss officials in 1995 seeking information as part of an investigation into allegations of fraud involving Mr. Schreiber and the former prime minister. None of the allegations were proven and the government apologized and paid Mr. Mulroney \$2-million.

The book points out that Mr. Mulroney testified in April of 1996 that he knew Mr. Schreiber only "in a peripheral way."

"I don't think ordinary Canadians would consider a peripheral relationship where cash is handed over to a former prime minister in meetings in hotels," Mr. Kaplan said in an interview.

He added that there is no suggestion Mr. Mulroney or Mr. Schreiber did anything wrong. "At the same time, we now know that Mulroney and Schreiber had a relationship in which cash was

<http://www.theglobeandmail.com/servlet/ArticleNews/TPPrint/LAC/20041008/SCHREL...> 10/11/2004

transmitted in hotels. That's not the ordinary way former prime ministers do business," he said. "I certainly don't think the government lawyers would have settled the case and paid \$2-million had they known about the existence of the money."

Mr. Lavoie said the settlement was based on the allegations in the RCMP letter and had nothing to do with Mr. Mulroney's business dealings after he left office. He also said the RCMP asked Mr. Mulroney's lawyers about the payments in 2001 but did not pursue the matter.

Mr. Lavoie also defended Mr. Mulroney's characterization of his relationship with Mr. Schreiber as "peripheral" and noted that the businessman had retained the services of several other former politicians. "The professional relationship that consultants, including lawyers, have with their clients is and should be peripheral," he said.

As for the birthday greeting, Mr. Lavoie said Mr. Schreiber received a similar greeting from Jean Chrétien who was prime minister at the time.

Mr. Lavoie said all the suggestions in the book are "well known stuff" and added, "I think it's old news."



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A few questions for Mr. Mulroney

UPDATED AT 10:05 AM EDT

Saturday, Oct 16, 2004

By the time Brian Mulroney announced his retirement from politics in late February of 1993, he had become one of the more reviled prime ministers in Canadian history. One habitually heard jibes about his prominent chin, his mellifluous basso voice, his taste in footwear and his affection for Americana. His years in office had been tarnished by numerous cabinet-level scandals. On Feb. 25, 1993, this newspaper ran the headline, "Mulroney resigns: Praise scant for PM's tenure, economic policy seen as main failing."

Perhaps partly because of Mr. Mulroney's unpopularity at the time, the investigative tomes that emerged soon after he stepped down -- alleging rampant corruption and kickbacks during his tenure -- found a ready audience. It was in this climate that the RCMP launched its now-notorious corruption investigation in 1995. None of the RCMP's allegations against Mr. Mulroney were ever proven. He sued the government for \$50-million, and in 1997 won an apology and a \$2-million settlement.

Meantime, the fruits of his "failed" economic policies were just beginning to emerge, and his legacy was starting to crystallize. During his tenure, short-term interest rates had been pushed from the high teens to below 5 per cent. Inflation had dropped from 11 per cent to below 2 per cent. He had instituted the goods and services tax, which became an enormous fiscal gusher, boosting federal revenues by \$20-billion annually by the end of the 1990s. He had begun fighting the deficit, steadily reducing its size as a percentage of gross domestic product throughout his years in office, though the deficit grew in absolute terms to \$42-billion in his final budget. Most important, he had introduced free trade, which became an enormous growth generator: Between 1997 and 2001, total Canadian exports grew by 37 per cent. Today, 85 per cent of Canada's exports go to the United States.

And yet, despite a policy record that bears up exceptionally well as the years pass, and despite the absolute discrediting of the RCMP's 1995 case against him, some of the more difficult questions about Mr. Mulroney refuse to go away entirely.

Last year, *The Globe and Mail* revealed for the first time that Mr. Mulroney, within a short time of leaving office, had accepted \$300,000 in payments from German businessman Karlheinz Schreiber, reportedly in exchange for his help in launching a pasta business. In his new book *A Secret Trial*, author William Kaplan adds detail to those accounts. He chronicles how Mr. Mulroney, just months after leaving office, received \$100,000 in cash from Mr. Schreiber. The money was stuffed into an envelope and handed over in a Montreal hotel. The rest of the \$300,000 was paid in the following year, always in cash, always in hotels.

In a recent interview with this newspaper, Mr. Kaplan noted that he was not suggesting Mr. Mulroney had done anything wrong. After all, Mr. Mulroney was by then a private citizen. Nonetheless, the revelations raise questions. Although Mr. Mulroney had left office several months before the first payment was made, he arguably still wielded considerable influence through his successor as Tory leader and prime minister, Kim Campbell. Indeed, Mr. Kaplan reveals in his book that Mr. Schreiber met Mr. Mulroney in June of 1993 at Harrington Lake, the prime minister's summer home, which Ms. Campbell had lent to her former mentor while his own home was being renovated.

Mr. Mulroney has already tacitly acknowledged that he should never have met with Mr. Schreiber. In a *Globe* interview last November, he blamed the lapse on the people who had introduced them, saying: "If you accumulated all the sorrow over all of my life, it does not compare to the agony and anguish I have gone through since I met Schreiber. I should never have been introduced to him because the people who introduced me to him didn't know him."

Nevertheless, Mr. Mulroney has refused to discuss the affair at length, instead relying on his official spokesman, Luc Lavoie, to repeat a simple mantra: The payments were legal, no rules or laws were broken, all income taxes were paid, end of story.

And yet, there is a great deal about this affair that Mr. Mulroney could clarify. Why did he accept this much money, just months after leaving office, and from a businessman with a long history of lobbying the federal Tories? Why wasn't the

<http://www.theglobeandmail.com/servlet/ArticleNews/TPPrint/LAC/20041016/EMULRONEY1c...> 2004-10-18

payment made through a wire transfer or bank draft, as is common with large sums? What service, exactly, did Mr. Mulroney perform for the work? What were the terms of his contract with Mr. Schreiber, and why are details about the pasta venture so imprecise?

Nearly 12 years on, it's clear that Brian Mulroney made an exceptional mark on the economic life of this country. In service of that legacy, Mr. Mulroney should clear the air once and for all about his dealings with Karlheinz Schreiber.

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LUC LAVOIE

March 1, 2005

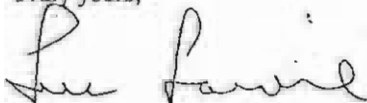
Mr. Linden MacIntyre
Host
The fifth estate
Canadian Broadcasting Corporation
PO Box 500, Stn. 'A'
Toronto, Ontario
M5W 1E6

Dear Linden,

As a follow-up to our conversations of last week regarding the letter sent to The Right Honourable Brian Mulroney by your colleague Harvey Cashore, I would like it to be on the record that I have never confirmed to Mr. Cashore, as he implies in his letter, that Mr. Mulroney filed a voluntary tax declaration with Revenue Canada. On the contrary when Mr. Cashore brought up this subject I told him that I was not aware of it and furthermore I also told him that I did not know anything about Mr. Mulroney's tax situation because I considered it "none of my business". I simply said that I was informed that Mr. Mulroney had paid all his taxes.

Everything else that I said had to do with the fact that I personally believe that a voluntary tax declaration is perfectly legal and that thousands of Canadians do it every year.

Truly yours,



Luc Lavoie

4809, AVENUE GROSVENOR, MONTRÉAL, QUÉBEC H3W 2L9

Luc Lavoie

Pour : "Mme Lise Gascon" <gascon.lise@quebecor.com>

28/08/07 17:06

cc :

Objet : Tr: Hon. Brian Mulroney

----- Original Message -----

From: "Linden MacIntyre" [Linden_MacIntyre@CBC.CA]

Sent: 08/21/2007 04:01 PM

To: <lavoie.luc@quebecor.com>

Subject: Hon. Brian Mulroney

Dear Luc:

I understand you had a congenial and productive meeting with Harvey last week and that you discussed a number of issues and perspectives arising from our work on various files relating to Karlheinz Schreiber over the years.

It has always been of some chagrin to us that one of the crucial elements missing from the narrative has been the voice of your client, Mr. Mulroney. You and he have undoubtedly had strong and legitimate reasons for declining opportunities to participate in our programs. But it has been my consistent view that he, as a reasonable and articulate lawyer and parliamentarian, would have had little difficulty dealing with our questions. And we, obviously, would have been bound by professionalism and various other standards to treat him and his words with the courtesy due to a man of his stature. In the final analysis I believe his interests and ours would have been better served if we had found a way to accommodate our respective needs in a spirit of mutual commitment to the truth at the outset of this long and difficult process.

I wanted to take this opportunity to renew what has been a longstanding request for an opportunity to speak directly with Mr. Mulroney and, finally, to get his account of the matters we have reported as well his perspective on the controversies that have arisen and gone largely unchallenged as a result of his silence.

I hope you will take this request seriously and convey it with my best wishes to Mr. Mulroney.

Sincerely,

Linden MacIntyre

1000

1000

1000

Collins, Francine

De: Luc.Lavoie@quebecor.com
Envoyé: 5 novembre 2007 18:37
À: Collins, Francine
Objet: Tr: hi

----- Original Message -----

From: "Campion-Smith, Bruce" [mailto:bcsmith@thestar.ca]
Sent: 11/05/2007 06:27 PM EST
To: Luc Lavoie
Subject: RE: hi

Thanks Luc, I appreciate the comment. I shall be sure to include in the story.
Cheers, Bruce

From: Luc.Lavoie@quebecor.com [mailto:Luc.Lavoie@quebecor.com]
Sent: Monday, November 05, 2007 6:26 PM
To: Campion-Smith, Bruce
Subject: Re: hi

Mr. Campion-Smith,

In September 1995 the Department of Justice sent a Letter of Request to the Swiss Department of Justice requesting that they send all information related to a bank account at the Swiss Bank Corporation in Zurich that according to the Canadian authorities belonged to the Right Honourable Brian Mulroney and contained \$5 million connected to the sales in 1988 of Airbus planes to Air Canada.

Within a few months a letter was received from the Swiss Minister of Justice saying that Mr. Mulroney had never had any bank account in any bank in Switzerland. Therefore the \$5 million never existed.

The Canadian Letter of Request described an elaborate scheme that led to the non-existent \$5 million being deposited in the non-existent bank account and warned the Swiss authorities that this was a very serious case because it related to "...the criminal activities of the former Prime Minister of Canada". This Letter of Request ended up in the hands of the entire Board of Directors (25 people) of the Swiss Bank Corporation in accordance with the Swiss procedures in such matters. It also ended up in the hands of the media including one Stevie Cameron who turned out to be a formal police informant as confirmed by the Superior Court of Ontario. This is one of the worst stains on the history of Canadian journalism.

When he testified under oath in the Eurocopter trial (transcript of the testimony is part of the public record) the main RCMP investigator, Fraser Piegenwald, confirmed that he had no evidence whatsoever to support what was contained in the Letter of Request beside what he had obtained from an informant, Stevie Cameron, who had supplied the police with the research material assembled by the Fifth Estate for a March 1995 broadcast. It remains a mystery as to how these documents

05/11/2007

ended up in the hands of Stevie Cameron. The documents turned out to be false and the results of a blackmail operation by one Giorgio Pelossi, a money launderer who was trying to force his business partner, Karlheinz Schreiber, to give him more money. Mr. Pelossi went to jail for his crimes.

You say that Mr. Mulroney never "revealed" the \$300 000. Indeed he never revealed it. He was never asked about it. It was "revealed" by the Globe and Mail in 2004, not by the Fifth Estate this year as the CBC stated last Wednesday night. And it had nothing to do with the scheme described in the 1995 Letter of Request. This retainer was paid after Mr Mulroney left office and was in no way connected with the Airbus transaction. As to the question that is often asked "What was the \$300 000 for?", the answer is very simple. You will find it in the transcript of the testimony under oath of Karlheinz Schreiber in the Eurocopter trial (part of the public record) and in a lot more details in the Statement of Claims and sworn Affidavit filed by Karlheinz Schreiber in a litigation he undertook this year against Mr Mulroney. The litigation has to do with whether or not the services he paid for were rendered and the Court has yet to hear the case. However the Statement of Claims is very clear: the money was to get Mr Mulroney's help in building a Light Armoured Troop Carrier factory for Thyssen, a major German Corporation, in the region of Montreal and to launch a chain of pasta restaurants in North America.

The libel was horrendous regardless of what a partisan political staffer of the former Liberal regime may say about it. By the way the out of Court settlement was negotiated in late 1996 and early 1997 between Mr Mulroney's lawyers and lawyers acting for the Department of Justice and the RCMP. The Government of the day maintained throughout the whole process, as does former Prime Minister Jean Chretien in his recent book, that there was no political interference in any way, shape or form. If Mr Goldenberg has said what you quote him as saying, it seems to me that he is contradicting these statements because after all he was a partisan political staffer.

Two more points:

- When the RCMP informed Mr Mulroney in a 2003 letter that they had closed the Airbus investigation and found no wrongdoing on his part, they had known for a full 2 years about the \$300 000 retainer.
- The 2.1 million dollars that everyone keeps referring to as part of the out of court settlement was not negotiated but Adjudicated by an arbitrator, former Chief Justice of Quebec, the late Allan B. Gold, a full 9 months after the apology. Mr Justice Gold had heard all the arguments from both sides and decided that the Federal Government had to pay this amount.

I know all these facts to be totally true.

If I give you all these details it is because the story is both old and complex and if you were not covering it when it unfolded you can be misled by people who have a hidden agenda, like the CBC and a former political staffer...

Luc Lavoie

----- Original Message -----

From: "Campion-Smith, Bruce" [bcsmith@thestar.ca]
Sent: 11/05/2007 04:22 PM EST
To: Luc Lavoie
Subject: RE: hi

05/11/2007

Mulrone adviser asked Schreiber to transfer Airbus funds, affidavit alleges

In an 87-page court filing, Karlheinz Schreiber details his version of his decades-long relationship with Brian Mulrone, as well as a series of meetings with the former prime minister's associates

GREG MCARTHUR
GLOBE AND MAIL UPDATE
NOVEMBER 8, 2007 AT 8:11 PM EST

TORONTO — An adviser to former prime minister Brian Mulrone asked Karlheinz Schreiber to transfer funds, made in connection with Air Canada's 1988 purchase of Airbus airplanes, to Mr. Mulrone's lawyer in Geneva, Switzerland, according to an affidavit sworn by Mr. Schreiber and filed Thursday in the Ontario Superior Court of Justice.

The affidavit states that Mr. Schreiber informed Mr. Mulrone during a meeting at Zurich's Hotel Savoy on Feb. 2, 1998 that one of Mr. Mulrone's closest friends and advisers, Fred Doucet, had asked him to transfer funds "related to the Airbus deal" from the lobby firm, Government Consultants International, or GCI, to Mr. Mulrone's Swiss lawyer.

None of the statements contained in Mr. Schreiber's affidavit have been proven in court.

In a brief phone call Thursday night, Mr. Doucet, who only four months ago had refused to speak to The Globe and Mail about his relationship with Mr. Schreiber, said he never spoke with the German-Canadian middleman about transferring money to a Geneva lawyer.



German-Canadian businessman Karlheinz Schreiber, seen in this 2001 file photo. (CANADIAN PRESS/Kevin Frayer)

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- Mulroney cash payments dubbed 'almost unbelievable'
- Brian Mulroney: The payments and the taxman

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- Court documents (pdf) 

"The entire thing is an absolute, total fabrication," Mr. Doucet said. "It is not true. I've never known a lawyer in Geneva and I don't, to this day, know one and I have never spoken with Karlheinz Schreiber about transferring any funds, anywhere."

In an unsolicited e-mail that Mr. Doucet sent to The Globe shortly after his phone call, he repeated his denial and said "I think you are being led down the garden path."

Mr. Doucet, who was Mr. Mulroney's first chief of staff when he became leader of the opposition in 1983, declined to answer any questions about other meetings that Mr. Schreiber states, in his affidavit, he had with Mr. Doucet.

The affidavit also states that it was while Mr. Mulroney was still in office that the two struck a deal for the former prime minister to be paid \$300,000 after he left public life.

According to the affidavit, Mr. Doucet, at the request of Mr. Mulroney, invited Mr. Schreiber to the prime minister's official summer residence at Harrington Lake in Quebec's Gatineau Park on June 23, 1993 — just days before Mr. Mulroney's official resignation.

"It was at this meeting that Mr. Mulroney and I entered into the Agreement," Mr. Schreiber states in his affidavit.

In a phone call late Thursday night, Mr. Mulroney's spokesman Luc Lavoie confirmed that the Harrington Lake meeting took place, but said "there was no discussion whatsoever ... of any agreement of any sort."

Mr. Schreiber's visit was "a courtesy sort of thing," set up by Mr. Doucet, Mr. Lavoie said.

When asked how Mr. Mulroney knew to meet Mr. Schreiber two months later at a Montreal hotel to pick up his

first payment of \$100,000, Mr. Lavoie said that Mr. Doucet arranged the first payment some time after the Harrington Lake meeting.

Mr. Schreiber, who has a court hearing next week that will likely dictate whether he is extradited to Germany on bribery and fraud charges, has laid out in his affidavit his version of his three-decade history with Mr. Mulroney, as well as a series of meetings with his associates, such as Mr. Doucet. It was filed as part of his on-going lawsuit against Mr. Mulroney, which alleges that Mr. Mulroney did no work in return for the \$300,000 payment. Mr. Mulroney's lawyer Kenneth Prehogan has called the lawsuit "merit-less."

It is the first time that anyone with inside knowledge of the controversial \$1.8-billion sale of 34 Airbus aircraft to Air Canada has linked Mr. Mulroney to the millions of dollars of secret commissions that flowed from the sale. The allegation by Mr. Schreiber is similar to the accusations that sparked Mr. Mulroney's 1995 lawsuit against the government and resulted in the former prime minister receiving a settlement of \$2.1 million.

Mr. Schreiber does not name the Swiss lawyer that was supposed to receive the funds, nor does he say when Mr. Doucet allegedly asked for the funds to be sent — or even if any money was in fact sent anywhere. There are 23 exhibits attached to his 12-page affidavit and none of them are related to Mr. Schreiber's allegation that Mr. Doucet wanted Mr. Mulroney to receive Airbus commissions through a Swiss lawyer.

In 1995, the RCMP launched a criminal investigation into the Airbus sale after it was revealed that there was a secret commission deal between the European manufacturer and a shell company connected to Mr. Schreiber.

As a result of that secret contract, millions of dollars flowed from Airbus to Swiss bank accounts controlled by Mr. Schreiber not long after the board of directors of Air Canada approved the purchase of the airplanes.

It's never been shown, and Mr. Schreiber has never said, what work he did to earn those commissions. In recent media interviews he has said that one of the recipients of the secret commissions was Frank Moores, a former Conservative premier of Newfoundland who at the time of the airplane sale was chairman of the lobby firm Government Consultants International, or GCI.

Mr. Moores, whose company lobbied on behalf of Airbus, died in 2005.

As part of the RCMP's investigation into the Airbus sale, the Mounties sent a letter to the government of Switzerland asking for access to Mr. Schreiber's bank records. In the letter, the Mounties alleged that Mr. Schreiber, Mr. Moores and Mr. Mulroney had conspired to defraud Canadians on the sale.

Mr. Mulroney sued the RCMP and the federal government over the letter, alleging that it had damaged his reputation and that he had nothing to do with the sale. As part of his lawsuit, he testified in an examination for discovery proceeding, and said under oath, that "at no time directly or indirectly [did] myself or members of my government [seek] to influence the choice of Airbus."

Mr. Mulroney's spokesman, Mr. Lavoie, reiterated that point in an interview, Thursday. "I know that to be false — that Mulroney had anything to do with the Airbus transaction, and any money flowing from it," Mr. Lavoie said.

Mr. Lavoie also said that Mr. Mulroney has never had a Geneva lawyer.

When asked what Mr. Schreiber and Mr. Mulroney discussed in Zurich, which is where Mr. Schreiber says he advised Mr. Mulroney of the alleged intention to transfer funds, Mr. Lavoie said: "I don't know that I would like

to comment on this because it was his private business. It was his private dealing. It's a one-on-one meeting that took place while he was in Zurich for other businesses. And whatever was said — I don't know the details of what was said, I don't know exactly what was said — but, you know, it's his private business."

Since Mr. Mulroney's \$2.1-million settlement, it has come to light that there was much more to the former prime minister's relationship with Mr. Schreiber than he chose to reveal at the time.

Between 1993 and 1994, shortly after Mr. Mulroney left office, he accepted \$300,000 in cash from Mr. Schreiber over three meetings in hotels in New York and Montreal — a fact that was never revealed during his lawsuit.

Mr. Schreiber has said that he hired Mr. Mulroney to help him establish a Canadian light-armoured-vehicle factory for his German client, Thyssen AG. He has also said that the former prime minister was supposed to promote his pasta business and restaurant franchise.

Last week, The Globe and Mail and CBC reported that Mr. Mulroney did not pay taxes on the \$300,000 in the years that he received the cash. Instead, years later, the former prime minister filed a voluntary tax disclosure, an option that Canada Revenue Agency offers to taxpayers who have filed inaccurate tax returns and later decide to declare unreported income.

Both news media outlets also reported a series of private phone calls between the lawyers acting for both Mr. Mulroney and Mr. Schreiber after a CBC journalist obtained Mr. Schreiber's bank records and started looking further into the still-secret cash payments. According to a memorandum written by Mr. Schreiber's Alberta lawyer, on Oct. 17, 1999, Mr. Mulroney asked for some sort of written assurance from Mr. Schreiber concerning the cash payments.

In Mr. Schreiber's affidavit filed yesterday, he has stated that those discussions continued into the Christmas season of 1999 and early 2000, years after Mr. Mulroney received the three cash payments. Two of those meetings involved Mr. Doucet, the affidavit states.

According to the affidavit, Mr. Schreiber met with Mr. Doucet at Mr. Doucet's home in Ottawa some time during Christmas. Shortly after that, Mr. Doucet asked Mr. Schreiber to meet again and asked him to sign a document that would confirm the terms of his \$300,000 agreement with Mr. Mulroney, the affidavit states.

The document, which is included in Mr. Schreiber's court filings, isn't dated or signed. It is titled "Mandate" and lists services, presumably to be performed by Mr. Mulroney: "Travelling abroad to meet with government and private sector leaders to assist in opening new markets for our products and to report regularly to us in this regard. In this context, priority should be given to opportunities relating to Canadian based manufacturing of peace keeping and/or peace making military equipment in view of Canada's prominence in this area."

At the bottom of the contract it states, "The Mandate will be for a period of three years." The fee that was supposed to be listed has been left blank.

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Phillip Crawley, Publisher

[The main body of the page is mostly blank, suggesting the text is either extremely faint or has been redacted.]

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Fourni par Info Média

November 9, 2007

GLOBE AND MAIL (METRO)

PAGE: A1 (ILLUS) (NATIONAL NEWS)

THE MULRONEY-SCHREIBER SAGA: THE MEETING AT THE HOTEL SAVOY

Mulronev adviser asked Schreiber to transfer Airbus funds, affidavit alleges In an 87-page court filing, Karlheinz Schreiber details his version of his decades-long relationship with Brian Mulronev, as well as a series of meetings with the former prime minister's associates

KEYWORDS: "EXTRAD*" AND "CANAD*", "INTERNATIONAL" NEAR "LAW**"

GREG MCARTHUR

An adviser to former prime minister Brian Mulronev asked Karlheinz Schreiber to transfer funds, made in connection with Air **Canada's** 1988 purchase of Airbus airplanes, to Mr. Mulronev's **lawyer** in Geneva, Switzerland, according to an affidavit sworn by Mr. Schreiber and filed yesterday in the Ontario Superior Court of Justice. The affidavit states that Mr. Schreiber informed Mr. Mulronev during a meeting at Zurich's Hotel Savoy on Feb. 2, 1998, that one of Mr. Mulronev's closest friends and advisers, Fred Doucet, had asked him to transfer funds "related to the Airbus deal" from the lobby firm, Government Consultants **International**, or GCI, to Mr. Mulronev's Swiss **lawyer**.

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"The entire thing is an absolute, total fabrication," Mr. Doucet said. "It is not true. I've never known a **lawyer** in Geneva and I don't, to this day, know one and I have never spoken with Karlheinz Schreiber about transferring any funds, anywhere."

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Mr. Schreiber, who has a court hearing next week that will likely dictate whether he is **extradited** to Germany on bribery and fraud charges, has laid out in his affidavit his version of his three-decade history with Mr. Mulroney, as well as a series of meetings with his associates, such as Mr. Doucet. It was filed as part of his ongoing lawsuit against Mr. Mulroney, which alleges that Mr. Mulroney did no work in return for the \$300,000 payment. Mr. Mulroney's **lawyer** Kenneth Prehogan has called the **lawsuit** "merit-less."

It is the first time that anyone with inside knowledge of the controversial \$1.8-billion sale of 34 Airbus aircraft to Air **Canada** has linked Mr. Mulroney to the millions of dollars of secret commissions that flowed from the sale. The allegation by Mr. Schreiber is similar to the accusations that sparked Mr. Mulroney's 1995 **lawsuit** against the government and resulted in the former prime minister receiving a settlement of \$2.1-million.

Mr. Schreiber does not name the Swiss lawyer that was supposed to receive the funds, nor does he say when Mr. Doucet allegedly asked for the funds to be sent - or even if any money was in fact sent anywhere. There are 23 exhibits attached to his 12-page affidavit and none of them are related to Mr. Schreiber's allegation that Mr. Doucet wanted Mr. Mulroney to receive Airbus commissions through a Swiss **lawyer**.

In 1995, the RCMP launched a criminal investigation into the Airbus sale after it was revealed that there was a secret commission deal between the European manufacturer and a shell company connected to Mr. Schreiber.

As a result of that secret contract, millions of dollars flowed from Airbus to Swiss bank accounts controlled by Mr. Schreiber not long after the board of directors of Air **Canada** approved the purchase of the airplanes.

It's never been shown, and Mr. Schreiber has never said, what work he did to earn those commissions. In recent media interviews he has said that one of the recipients of the secret commissions was Frank Moores, a former Conservative premier of Newfoundland who at the time of the airplane sale was chairman of the lobby firm Government Consultants **International**, or GCI.

Mr. Moores, whose company lobbied on behalf of Airbus, died in 2005.

As part of the RCMP's investigation into the Airbus sale, the Mounties sent a letter to the government of Switzerland asking for access to Mr. Schreiber's bank records. In the letter, the Mounties alleged that Mr. Schreiber, Mr. Moores and Mr. Mulroney had conspired to defraud **Canadians** on the sale.

Mr. Mulroney sued the RCMP and the federal government over the letter, alleging that it had damaged his reputation and that he had nothing to do with the sale. As part of his **lawsuit**, he testified in an examination for discovery proceeding, and said under oath, that "at no time directly or indirectly [did] myself or members of my government [seek] to influence the choice of Airbus."

Mr. Mulroney's spokesman, Mr. Lavoie, reiterated that point in an interview, yesterday. "I know that to be false - that Mulroney had anything to do with the Airbus transaction, and any money flowing from it," Mr. Lavoie said.

Mr. Lavoie also said that Mr. Mulroney has never had a Geneva **lawyer**.

When asked what Mr. Schreiber and Mr. Mulroney discussed in Zurich, which is where Mr. Schreiber says he advised Mr. Mulroney of the alleged intention to transfer funds, Mr. Lavoie said: "I don't know that I would like to comment on this because it was his private business. It was his private dealing. It's a one-on-one meeting that took place while he was in Zurich for other businesses. And whatever was said - I don't know the details of what was said, I don't know exactly what was said - but, you know, it's his private business."

Since Mr. Mulroney's \$2.1-million settlement, it has come to light that there was much more to the former prime minister's relationship with Mr. Schreiber than he chose to reveal at the time.

Between 1993 and 1994, shortly after Mr. Mulroney left office, he accepted \$300,000 in cash from Mr. Schreiber over three meetings in hotels in New York

and Montreal - a fact that was never revealed during his **lawsuit**.

Mr. Schreiber has said that he hired Mr. Mulroney to help him establish a **Canadian** light-armoured-vehicle factory for his German client, Thyssen AG. He has also said that the former prime minister was supposed to promote his pasta business and restaurant franchise.

Last week, The Globe and Mail and CBC reported that Mr. Mulroney did not pay taxes on the \$300,000 in the years that he received the cash. Instead, years later, the former prime minister filed a voluntary tax disclosure, an option that **Canada** Revenue Agency offers to taxpayers who have filed inaccurate tax returns and later decide to declare unreported income.

Both news media outlets also reported a series of private phone calls between the lawyers acting for both Mr. Mulroney and Mr. Schreiber after a CBC journalist obtained Mr. Schreiber's bank records and started looking further into the still-secret cash payments. According to a memorandum written by Mr. Schreiber's Alberta **lawyer**, on Oct. 17, 1999, Mr. Mulroney asked for some sort of written assurance from Mr. Schreiber concerning the cash payments.

In Mr. Schreiber's affidavit filed yesterday, he has stated that those discussions continued into the Christmas season of 1999 and early 2000, years after Mr. Mulroney received the three cash payments. Two of those meetings involved Mr. Doucet, the affidavit states.

According to the affidavit, Mr. Schreiber met with Mr. Doucet at Mr. Doucet's home in Ottawa some time during Christmas. Shortly after that, Mr. Doucet asked Mr. Schreiber to meet again and asked him to sign a document that would confirm the terms of his \$300,000 agreement with Mr. Mulroney, the affidavit states.

The document, which is included in Mr. Schreiber's court filings, isn't dated or signed. It is titled "Mandate" and lists services, presumably to be performed by Mr. Mulroney: "Travelling abroad to meet with government and private sector leaders to assist in opening new markets for our products and to report regularly to us in this regard. In this context, priority should be given to opportunities relating to **Canadian** based manufacturing of peace keeping and/or peace making military equipment in view of **Canada's** prominence in this area."

At the bottom of the contract it states, "The Mandate will be for a period of three years." The fee that was supposed to be listed has been left blank.

Two very different versions of history are now in the public domain: Brian Mulroney's testimony from an examination for discovery in 1996, and One scandal, two views

Karlheinz Schreiber's sworn affidavit filed in court yesterday. Here is where their stories differ:

Mulroney's version Schreiber's version In 1993, after Mr. Mulroney left office, Mr. Schreiber and Mr. Mulroney met twice in Montreal. "When he was going through Montreal, he would give me a call. We would have a cup of coffee, I think, once or twice." "I gave the first cash payment in the amount of \$100,000 to Mr. Mulroney on or about August 27, 1993, when I met Mr. Mulroney at the Mirabel Airport on my way from Ottawa to Germany. ... I delivered a second cash payment, also in the amount of \$100,000 to Mr. Mulroney on or about December 18, 1993, when I met Mr. Mulroney at the Queen Elizabeth Hotel in Montreal." Mr. Schreiber and Mr. Mulroney have both addressed in court whether they had any dealings while Mr. Mulroney was prime minister. "I had never had any dealings with him." "On June 23, 1993, [Fred] Doucet, at the request of Mr. Mulroney, arranged a meeting between me and Mr. Mulroney which took place on June 23, 1993, at Harrington Lake, the official summer residence of the Prime Minister. It was at this meeting that Mr. Mulroney and I entered into the Agreement. On June 23, 1993, Mr. Mulroney was still in office as Prime Minister of **Canada...**" Max Strauss is a business associate of Karlheinz Schreiber and the son of Franz Josef Strauss, the former chairman of Airbus Industrie and a German politician. "I did not know [Franz Josef] Strauss myself, nor did I know any of his family." "My first official meeting with Mr. Mulroney was in late 1983 ... when I introduced Mr. Max Strauss to Mr. Mulroney."

TEXT: GREG McARTHUR/THE GLOBE AND MAIL

2084 words / mots.

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Mulroney admits mistake

Regrets taking money. Ex-PM had young family, faced cash crunch, spokesperson says

JACK AUBRY

CanWest News Service

11/21/2007

Brian Mulroney has realized he made a "colossal mistake" in taking \$300,000 in cash from German businessman Karlheinz Schreiber when the former prime minister left political office more than a decade ago and has regretted it almost ever since, his spokesperson said yesterday.

Luc Lavoie told CanWest News Service that when Mulroney left politics in 1993, he had money pressures: He was the head of a young family with certain lifestyle expectations - and "not a rich man."

Lavoie also said the payments represented a \$100,000-a-year retainer for Mulroney's consulting services on a couple of projects - a military vehicle plant in Montreal and a pasta business - which didn't need to be claimed immediately on his income taxes.

The spokesperson said Mulroney accepted the first envelope of \$100,000 in cash from Schreiber while still an MP for Baie Comeau, about one week before an election was called in Ottawa. But he quickly added that the question of when Mulroney paid income taxes on the payments isn't anyone's "goddamn business."

The Harper government has called a public inquiry into Mulroney's dealings with Schreiber after the businessman filed a sworn affidavit saying he entered into a business agreement with Mulroney while he was still prime minister.

Schreiber also said in his affidavit, filed in a lawsuit against Mulroney seeking to recover the \$300,000 in payments plus interest, that he had written a letter for Mulroney to present to Prime Minister Stephen Harper during a family visit to Harrington Lake during the summer of 2006.

Mulroney's spokesperson said the former prime minister did not disclose his business arrangement with Schreiber while testifying during discovery for his lawsuit against the Justice Department and RCMP because he was not asked about it by government lawyers.



CREDIT: Mark Blinch/Reuters file photo
 Former Prime Minister Brian Mulroney, shown at an appearance in Toronto this month, said through his spokesperson that it was a "colossal mistake" to accept money from Karlheinz Schreiber.



CREDIT: Mark Blinch/Reuters file photo
 Former Prime Minister Brian Mulroney, shown at an appearance in Toronto this month, said through his spokesperson that it was a "colossal mistake" to accept money from Karlheinz Schreiber.

And, he said, the \$2.1 million paid to Mulroney to settle his libel lawsuit was to cover his legal and communications costs and did not include damages.

Lavoie, a former journalist, said Mulroney in private makes no secret about the matter that "this is the silliest thing he's ever done." He explained that any savings Mulroney had when he entered politics in 1983 were long gone 10 years later when he left office.

He said the prime minister's salary was nowhere near comparable to the one Mulroney earned as president of a major corporation, Iron Ore, before his political career.

"So when he left, he had no money. He was optimistic, he was going back to his old law firm, but there is a difference between optimistic and having the revenue," Lavoie said.

"So the man kind of - I wouldn't say 'anguished' - but worried about how the future would unfold," he said.

Lavoie recalled that Mulroney had a young family with school-age children "expecting the type of lifestyle they had prior to (Mulroney) joining politics, which is something he had probably promised them."

"So he was leaving politics - he had to go and find a living."

Mulroney joined the law firm Ogilvy Renault in Montreal while setting up a separate consulting firm to accept contracts and retainers, Lavoie said.

In August 1993, Fred Doucet, described as "a well-known lobbyist for Schreiber" contacted Mulroney, Lavoie said.

"Doucet said: 'Mr. Schreiber would like to have you help him with his international business and stuff. Would you accept to meet him?' And Mr. Mulroney said, 'Sure,' " Lavoie said. Living in a cottage in the Laurentians while awaiting the completion of renovations on his Montreal home at the time, Mulroney was driven by the RCMP to Château Mirabel to meet Schreiber in late August 1993, while still an MP.

According to Lavoie:

During his pitch, Schreiber told Mulroney he already had retained former Ontario attorney-general Ian Scott and Trudeau cabinet minister Marc Lalonde as consultants.

"Then he said: 'I would give you \$100,000 a year' and then he pulled out an envelope with \$100,000.

"And Mr. Mulroney said: 'What is that?'

"He said: 'Well, I want to pay you in cash.'

"So Mr. Mulroney asked a few questions. 'Why would you do this in cash?' and all that.

"And he said: 'Well, I'm an international businessman and that's the way I deal. I always deal in cash.'

"And this is when Mr. Mulroney admits today that he made a colossal mistake. He should not have gone for it."

Ottawa Citizen

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Fourni par Info Média

November 22, 2007

GLOBE AND MAIL (METRO)

PAGE: A9 (ILLUS) (NATIONAL NEWS)

MULRONEY-SCHREIBER SAGA

Opposition unites to force Commons investigation Schreiber would be called to testify under deal among Liberals, NDP and Bloc Quebecois

KEYWORDS: "EXTRAD*" AND "CANAD*"

CAMPBELL CLARK AND BRODIE FENLON

The three opposition parties have struck a deal to open a parliamentary probe into the so-called Mulroney-~~schreiber~~ affair and call the central figure, Karlheinz Schreiber, to testify.

Although Tuesday's meeting of the Commons ethics committee aimed at dealing with the issue broke into a nasty dispute, the Liberals, NDP and Bloc Quebecois struck a deal late yesterday on a common motion to review the matter, sources from all three parties said. And since the opposition parties hold a combined majority on the committee and in the Commons, the review is likely to get the go-ahead today.

Although the motion calls for Mr. Schreiber to testify "without delay," he is in a jail cell in Toronto fighting **extradition** to Germany.

New Democrat MP Pat Martin insisted that prisoners often testify at proceedings.

He and other MPs on the committee insist that, if necessary, the committee will employ the rarely used power to subpoena witnesses. But the committee would first have to ask the House of Commons to issue a Speaker's warrant for a witness - the first since 1913.

"If he's willing to come, if invited, we won't need to subpoena, but if necessary, we could go that other step, which would be a Speaker's warrant," Mr. Martin said. "The indications are . . . that he will accept the invitation."

The deal meant that the Liberals compromised on their insistence that the parliamentary hearings focus on how Prime Minister Stephen Harper's government has handled the affair.

The committee will have a broad mandate to review allegations made by Mr. Schreiber, and the \$2.1-million the government paid Mr. Mulroney in 1997 to

settle a libel suit he filed after government lawyers seeking bank records alleged in a letter to Swiss authorities that he had engaged in criminal activity related to the 1988 sale of Airbus planes to Air **Canada**.

Several MPs on the committee also want Mr. Mulroney to testify, but that was not included in the three-party deal.

Mr. Harper announced a public inquiry after Mr. Schreiber alleged that he discussed a financial arrangement with Mr. Mulroney before he left office that led to \$300,000 in cash payments.

A spokesman for Mr. Mulroney, Luc Lavoie, said this week that the former prime minister sees accepting cash as a "colossal mistake." Mr. Mulroney was in financial straits and worried about his future when he accepted the \$100,000 cash payment while still a member of Parliament in August of 1993, Mr. Lavoie said.

He refused to comment on whether the payment violated conflict-of-interest and ethics codes for public office holders, but he insisted Mr. Mulroney broke no laws.

"Mr. Mulroney is not a wealthy man. . . . Whatever savings he had, he had spent while he was prime minister," he said.

"Prior to entering politics, he was the CEO of a major corporation and still had children when he left politics and he wanted to offer them the kind of living that they had before he entered politics."

Mr. Lavoie said Mr. Schreiber met Mr. Mulroney at the Chateau Mirabel to pitch a job to the former prime minister as a consultant on projects with an "international dimension" - including a military vehicle plant in Montreal and a pasta business.

He said the meeting was about a week before the 1993 federal election, while Mr. Mulroney was still MP for Baie Comeau, Que. Mr. Schreiber claims in a sworn affidavit the meeting happened "on or about Aug. 27, 1993."

Mr. Lavoie also suggested in an interview with the Ottawa Citizen that Mr. Mulroney was surprised when Mr. Schreiber pulled out cash.

"Then he said 'I would give you \$100,000 a year' and then he pulled out an envelope with \$100,000, and Mr. Mulroney said 'what is that?' He said 'Well, I want to pay you in cash.' So Mr. Mulroney asked a few questions. 'Why would you do this in cash?' and all that," Mr. Lavoie said. "Mr. Mulroney admits today that he made a colossal mistake."

Mulroney-era conflict provisions

The conflict-of-interest code and law that governed elected officials in 1993:

Parliament of **Canada** Act

This law prevented MPs from receiving any compensation for services offered in relation to any matter before the House of Commons, Senate or committees.

Conflict-of-interest code

Under the Conflict of Interest and Post-Employment Code for Public Office Holders of 1985, ministers, parliamentary secretaries and senior public office holders were prohibited from accepting outside employment from anyone with an ongoing matter before the government for a period of two years after they left office.

The code was tightened under the Liberal government in 1994 and again under the current Conservative government.

Staff

899 words / mots.

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 thestar.com

Mulroney admission not enough, Liberals say

Former PM concedes it was 'colossal mistake' to take \$300,000 in cash

November 22, 2007

OTTAWA—Brian Mulroney's admission through a spokesperson that it was a "colossal mistake" to take \$300,000 in cash from Karlheinz Schreiber doesn't suffice to clear the former prime minister of suspicion of wrongdoing, Liberals charged yesterday.

"I can find no legitimate response to that, no legitimate reason why a former prime minister – still a member of Parliament and allegedly prime minister when he negotiated that – would accept a cash transaction from Mr. Schreiber, whose reputation was already being questioned," said Robert Thibault, the Liberals' chief critic on the Mulroney-Schreiber affair.

"This is a well-known Canadian businessman and lawyer who I would think would have understood that accepting \$300,000 in cash from Mr. Schreiber at that time was a very questionable thing."

In recent days, through spokesperson Luc Lavoie, Mulroney has said it was an error to have taken cash from Schreiber, the German-Canadian businessman at the centre of allegations of a kickback scheme involving Air Canada's 1988 purchase of Airbus planes.

Lavoie told Sun News Service columnist Greg Weston last week that Mulroney considers taking the cash "the silliest thing I've ever done in my life."

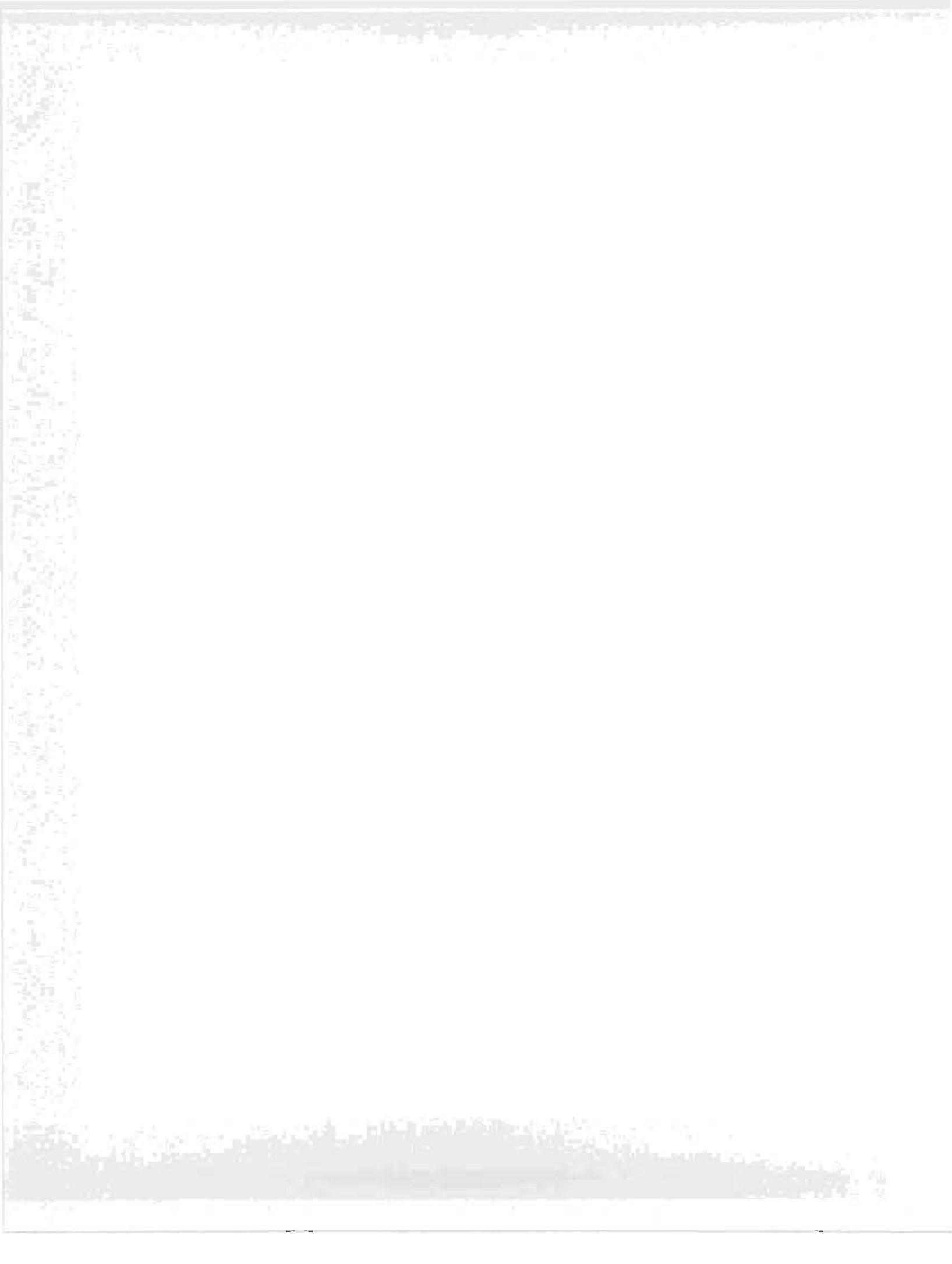
Lavoie told the *Ottawa Citizen* that after Mulroney left office in 1993, he had used up all his savings and worried about how he was going to take care of his young family. While still an MP, he met late that summer with Schreiber, who retained Mulroney as a business consultant at \$100,000 a year and immediately handed over the first year's instalment in cash, Lavoie said.

According to Lavoie, Schreiber also told Mulroney at that time that he had already retained former federal Liberal minister Marc Lalonde and former Ontario attorney general Ian Scott as consultants.

Scott has since died. Lalonde has confirmed he did some consulting work for Schreiber but insists he was paid by cheque through his law office, never in cash.

Thibault questioned the idea that Mulroney was desperate for cash, noting that at the time the former PM had just bought a luxurious mansion in Montreal.

The Canadian Press





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How poor really was Mulroney?

November 22, 2007

BOB HEPBURN

Clearly I am out of touch when it comes to knowing what it means exactly when I hear that someone "is not a rich man" and that he "had no money."

Does that mean he is truly broke, living in a friend's basement? Does it mean he is working at two jobs to pay the rent on a small two-bedroom apartment for himself, his wife and four children?

Or, does it mean he can barely afford to buy a \$1.675 million mansion in the best part of town and pay between \$700,000 and \$1 million extra to renovate the old place?

In my world, the guy on the couch or working at two jobs is poor.

But in former prime minister Brian Mulroney's world, well, let's just say things are a bit different.

In an extraordinary display of a gutsy, high-stakes public relations campaign to portray his besieged boss as a sympathetic figure, Mulroney spokesman Luc Lavoie is weaving a tale of woe about Mulroney's financial struggles after he left office in 1993.

That's the same year that Mulroney took \$300,000 in cash from Karlheinz Schreiber, a German-Canadian businessman. Schreiber alleges he struck a deal while Mulroney was still in office to pay the money after he quit politics.

Those claims will be at the heart of a full public inquiry ordered last week by Prime Minister Stephen Harper into the controversial deal.

Mulroney realized he made a "colossal mistake" in accepting the money from Schreiber, Lavoie said in an interview with CanWest News Service published yesterday.

Lavoie said the money was a \$100,000-a-year retainer to Mulroney for consulting on a military vehicle plant in Montreal and a pasta business.

Lavoie went on to say Mulroney tells people in private that "this is the silliest thing he's ever done."

Almost everyone can agree with Mulroney – up to that point.

But it's when Lavoie, who seldom speaks without first clearing his words with "the boss," goes on to insist that Mulroney needed money, that he was broke and that any money he had saved before entering politics in 1983 was long gone by 1993, that doubts surface.

"When he left, he had no money," Lavoie claimed, suggesting Mulroney was "worried about how the future would unfold." His family, including his wife Mila, expected "the type of lifestyle they had prior to (Mulroney) joining politics, which is something he probably promised them."

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So, how broke was Mulroney?

Well, he had enough money to be able to buy a mansion at 47 Forden Cres. in upper Westmount, the richest part of the richest Montreal neighbourhood, for \$1.675 million. And then he and Mila proceeded to spend at least \$700,000 fixing up the home, which includes an indoor swimming pool.

While prime minister, he collected a hefty salary and lots of taxpayer-financed perks. (Harper, for example, is paid about \$290,000 a year). From 1984 to 1993, Mulroney and his family lived at 24 Sussex Dr., the official residence of the prime minister. In addition, they had free use of the summer residence at Harrington Lake.

And when he moved out of those residences, the federal government paid Mulroney \$150,000 for furniture he left behind. That included charges for built-in closets and wallpaper. At the time, some people wondered why Canadian taxpayers paid for a closet. Did Mulroney plan to take it to Westmount? The bill came despite the fact that the Conservative party had spent hundreds of thousands of dollars decorating and furnishing Mulroney's official homes while he was in office.

To top it off, the "broke" Mulroney managed to find a job within days of stepping down as prime minister, returning to one of his old employers, the Montreal law firm of Ogilvy Renault. The salary wasn't disclosed, but you can bet it meant he was no longer poor.

What's behind this tale of woe?

Is Mulroney sending Lavoie out to win him public sympathy before the inquiry starts and to suggest one reason for his "colossal error" was that he was cash poor?

If that's the case, then Mulroney should give Canadians the full story about his financial plight.

That's because few of us would believe that a man who seemed to live so well in a huge home could, in fact, have had "no money."

A Secret Trial

Brian Mulroney and the Public Trust

William Kaplan

Also by William Kaplan

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1 The Prince of Penne

"Thank you," Brian Mulroney said in his usual polite way when Karlheinz Schreiber passed over the large envelope containing \$100,000 in cash. "Thank you very much."¹

The story begins in late June 1993, not long after Mulroney stepped down as prime minister. He had bought a new home for his family on Forde Crescent in Montreal, high up on the hill in Westmount. It would be months, however, before the extensive renovations on the new house were complete. In the meantime, courtesy of his successor, Kim Campbell, the Mulroneys were staying at Harrington Lake, the rustic summer home for Canadian prime ministers in Gaumau Park, outside Ottawa. It was here that Schreiber says Mulroney arranged for a government limousine to pick him up at his Rockcliffe condominium and bring him over for a visit.² They talked and, before long, they met again at a hotel in Montreal to exchange that first envelope. Other meetings followed, including one at the Pierre Hotel, Mulroney's favourite, in New York City.

The two men had known each other for years. Schreiber, born Friedrich Karlheinz Hermann Schreiber in 1934 to a poor family in a small town in the Harz Mountains in Germany, was a natural-born salesman with winning ways and a knack for finding the big deal. His first job was selling Oriental carpets. Settling in Kaufering, Bavaria, he began working for a road-marking company with a unique product to sell. Instead of painting lines on roads, the company, Bayerische Bitumen-Chemie Ferdinand Heinrich GmbH, cut grooves into the road and filled them, permanently, with asphalt studded with reflective beads. Drivers could not only see the markings at night but feel them too. They lasted almost forever. Soon the ambitious, hardworking Schreiber owned the company. Thanks to his carefully cultivated friendship with Bavarian premier Franz Josef

Strauss, the business eventually had a lock on all the road-marking contracts in Bavaria. Schreiber began looking for other markets for this innovative product.

Schreiber made his way to Alberta, Canada, in the early 1970s. Realizing that government contracts required government contacts, he quickly went about making them among the reigning provincial Tories. Despite these contacts, the road-marking company did not do well in Canada and was eventually sold. Schreiber invested heavily in real estate, on his own behalf and for others. He made money and he lost money. But there was always a new project on the go, in Alberta, Newfoundland, Saudi Arabia, Costa Rica, Mexico, France, Switzerland, and, of course, Germany. Along the way he befriended a number of Canadian politicians, including Brian Mulroney. It was no surprise to Schreiber, then, when Mulroney summoned him to Harrington Lake for a chat that summer day in 1993. When it was time to go, Schreiber remembers Mulroney escorting him to the door and the waiting car.

The limousine kicked up dust along the dirt-and-gravel road out of the Harrington Lake compound and was waved through the white entrance gate by an RCMP officer. Three cameras mounted on poles recorded the exit as the vehicle bounced down the narrow road hugging the south shore of Meech Lake, one of three large finger-shaped bodies of water bisecting Gatineau Park. To the right, cliffs descended sharply to the road, dotted here and there with cottages. Soon they were in the quaint village of Old Chelsea, where, looking out the tinted window, Schreiber could see the summer tourists milling about, stopping at the popular brick bakery and the local pizzeria. The car turned onto No. 5, a four-lane divided highway, and the Ottawa skyline soon appeared on the right, the Parliament Buildings rising magnificently above the Ottawa River. Barely half an hour after leaving Mulroney, Schreiber later recalled, the car sped along Sussex Drive, beyond the prime minister's residence and the sprawling grounds of Rideau Hall, and delivered him home in Rockcliffe Park.

Less than one year after the last payment was made in December 1994, Mulroney and Schreiber were back in the newspapers, but it was unwelcome publicity for both of them. Early in 1995 the RCMP resurrected an old file, one filled with allegations of major wrongdoing by the former prime minister, Schreiber, and a third party, Frank Moores, the former premier of Newfoundland.

Born in 1933 in Harbour Grace, Moores was the son of a prosperous family of fish merchants. He had little formal education but tremendous street smarts. Hard working, hard living, and hard

drinking, Moores entered politics in 1968 as a federal Tory MP. He quickly tired of Ottawa, however, and in 1970 returned to Newfoundland to challenge longtime Liberal premier Joey Smallwood. Three years later, Moores was premier, a post he held for seven years.

In 1976 Moores nominated Mulroney in his first bid for the federal Progressive Conservative Party leadership. They had been friends before and they have been friends ever since. When Mulroney was finally elected leader of the party in 1983 and then prime minister in 1984, Moores moved to Ottawa and established the number one lobbying firm in the capital, Government Consultants International (GCI). In 1995, two years after Mulroney had left office and Moores had left town, the RCMP believed that the duo, together with Schreiber, had engaged in a criminal conspiracy to defraud the people of Canada of millions of dollars. The Mounties were convinced that unlawful commissions had been paid in Air Canada's \$1.8 billion purchase of Airbus aircraft, the Coast Guard's acquisition of a dozen helicopters, and a stillborn plan to assemble light armoured vehicles in Bearhead, Cape Breton. Among the recipients, the RCMP believed, were Brian Mulroney, Frank Moores, and the German-Canadian middleman in all three transactions, Karlheinz Schreiber. But the police investigation, first launched in 1988, had run out of steam in Canada. The Mounties had their suspicions, and little else. But, thanks to a secret police informer, the inquiry was given a big boost and the RCMP were in a position to follow up on some leads overseas. They wanted to ask the Swiss government for assistance in divulging details about a number of secret Swiss bank accounts supposedly belonging to Mulroney, Moores, and Schreiber and containing some of their share of the spoils. To do so, the investigators needed to present a document called a Letter of Request.

The Swiss banking system is governed by two overriding principles: security and secrecy. As a result of international pressure, however, the Swiss had reluctantly agreed to assist foreign governments in obtaining details about numbered accounts — provided the requesting government could assure them there was real evidence of the commission of a serious crime.

The RCMP's 1995 Letter of Request fit this requirement. The letter from Canada did not beat around the bush. It said that Mulroney had defrauded the Canadian people of millions of dollars. He was, to summarize in three words, "on the take." Karlheinz Schreiber and Frank Moores were also involved, with the trio receiving big kickbacks from Air Canada's purchase of Airbus planes, the Canadian Coast Guard's purchase of helicopters from a German company

a variety of serious offences. But Mulroney, it seemed, was completely cleared, a view reinforced when Judge Allan Gold was called upon to adjudicate the amount the government owed the former prime minister for payment of his legal fees and other expenses.

Gold, a well-respected Montreal jurist with a knack for settling large, intractable disputes, had assisted in negotiating the Minutes of Settlement resolving the case. When the two sides could not agree on how much money Mulroney was owed, Gold was called back into service and gave Mulroney just about everything he asked for. "I begin with the firm conviction that the intent and purpose of the Settlement was to right the grievous wrong that Mulroney had suffered through no fault of his own," Gold wrote in his award. "Simple justice and fair dealing required no less." In the end, the Canadian government reimbursed Mulroney a little more than \$2 million for his legal and public relations expenses. The CBC's *Fifth Estate*, Canada's leading current affairs and investigatory television program, which first broke the story about mysterious Airbus commissions, had always made it clear that there was no evidence of any wrongdoing on Mulroney's part.

That was my view too, set out in my earlier book on the Airbus case, *Presumed Guilty: Brian Mulroney, the Airbus Affair and the Government of Canada*, published in 1998. One thing surprised me, though, when I went on the promotional tour for the book and appeared on radio talk shows across the country – the depth of dislike Canadians felt for the former prime minister and the way suspicions about him were extended, without hesitation, to anyone seen to be speaking on his behalf. I was, however, with only two exceptions, treated fairly and well by the press. In the end, my publisher sold more than ten thousand hardcover copies of the book.

In the years since the case was settled in early 1997, fortune has treated the three principals in the Airbus case very differently. Life never turned around for Frank Moores, the former King of the Rock, as he was known in Newfoundland. The Airbus investigation had cost him dearly, personally and financially, and his million-dollar account in Switzerland was still frozen, even though he had reportedly made amends with the Canada Customs and Revenue Agency and paid all his outstanding back taxes.

Schreiber was – well, Schreiber. He was fighting an extradition request from the Government of Germany. After raiding his Bavarian home and seizing, among other things, his diaries, which were then correlated to banking records obtained from the Swiss, the German authorities wanted to question him about a number of things.

called Messerschmitt Bolkow Blohm (MBB), and also from an aborted attempt by Schreiber, on behalf of the German military/industrial conglomerate Thyssen, to establish a light armoured vehicle factory at Bearhead, Cape Breton. Some of Mulroney's share of the money, the letter asserted, ended up in a secret numbered Swiss bank account code-named "Devon." Later, another account, suspiciously named "Britan," came to light and was said by some to hold more of Mulroney's ill-gotten gains.

When Mulroney learned of the Letter of Request, he sprang into action and hired some of the finest legal talent around. They worked overtime to try to get the Canadian government to withdraw the letter and replace it with another request that did not outright call the former prime minister a criminal, before he had even been charged with a crime. But they failed.

The letter was leaked to veteran journalist Philip Mathias – who did the leaking is still a source of considerable speculation – and Mulroney filed a \$50 million defamation action against Ottawa. The lawsuit was eventually settled in January 1997, when both the federal government and the RCMP said they were sorry and acknowledged that there was no evidence of any wrongdoing on Mulroney's part. It was an abject apology: "Based on the evidence received to date, the RCMP acknowledges that any conclusions of wrongdoing by the former prime minister were – and are – unjustified." And, it continued: "The government of Canada and the RCMP regret any damage suffered by Mr. Mulroney and his family and fully apologize to them."

Moores and Schreiber also got apologies, although they were different in content and in tone, given only as a matter of "logical consistency." The government and the RCMP apologized to them for some of the language used in the Letter of Request that indicated, wrongly, that the RCMP had reached conclusions that they had engaged in criminal conduct. Nothing was said in the letters to Schreiber and Moores about the evidence gathered about them. To an astute reader, the conclusion was compelling that whatever evidence the RCMP had collected about Mulroney at the time the letter was sent, along with any new evidence accumulated since, there was nothing to support any allegation of wrongdoing on his part. However, the same could not be said about Schreiber and Moores. In fact, anyone who carefully followed the story could not help but notice that, at the same time the RCMP and the Government of Canada were apologizing to Schreiber, German authorities had raided his Bavarian home and had him under active criminal investigation for

Tax evasion, bribery, and political corruption were at the top of their list. Indeed, Schreiber was one of the key figures in a huge German fundraising scandal, one that continues to dominate German politics. In 1991 Schreiber gave one million marks, in cash, in a parking lot, to Liesler Kiep, a prominent businessman and the powerful treasurer of Chancellor Helmut Kohl's Christian Democratic Union Party.³ Less than ten years later, when the story broke, a political firestorm erupted. While Schreiber maintained the money was simply a donation, a parliamentary inquiry was called. Kohl was soon in trouble, as was his successor, Wolfgang Schäuble. The money had gone into an unreported bank account and had been used as a slush fund. Even though many of the records relating to the affair went missing, there was no shortage of inculpatory evidence. One senior German official committed suicide. A former deputy minister of defence went into hiding and is still a fugitive from justice. Several ranking Thyssen officials were convicted of corruption.

German authorities had many questions for Schreiber, but if his lawyer Eddie Greenspan has his way, their extradition request is unlikely to be finally concluded anytime soon. In the meantime, Schreiber is suing the Government of Canada for \$35 million in a claim filed in Edmonton alleging abuse-of-process, defamation, and sundry other legal wrongs. Schreiber was also going after the CBC's *Fifth Estate* and Luc Lavoie – Mulroney's spokesperson – for millions more because of Lavoie's on-air observations about Schreiber and his reputation for telling the truth. According to Lavoie, Schreiber was “the biggest fucking liar the world has ever seen.” This was not, apparently, just Lavoie's view: “That's what we believe,” he added, suggesting that Mulroney was on board too. Before long, Lavoie wrote Schreiber an unconditional letter of apology – “My words were wrong and they were neither authorized nor condoned by Mr. Mulroney. Therefore I apologize to you without reservation and regret any damage caused by my words” – and his cheque for \$50,000 followed quickly thereafter. The furniture just got moved around as Schreiber dropped his lawsuit against the CBC and ended up paying the broadcaster more than \$50,000 for its legal costs.

While the lawyers wrangled over these various lawsuits and legal actions, Schreiber was, in effect, stuck in Canada, but he did not waste his time. He opened and then closed a chain of pasta restaurants (and he claimed to have discovered a form of spaghetti that cured cancer and reduced weight), attracted a number of blue-chip investors, and continued to enjoy the support and friendship of

Canadian politicians, most notably Marc Lalonde and Elmer MacKay, two former federal ministers, one Liberal, one Conservative, who personally guaranteed Schreiber's bail when he was arrested by the RCMP as part of a German government extradition request.

For Mulroney, life was good. He established probably the top international law and advisory practice in Canada and was appointed to numerous important boards of directors. He was named a Companion of the Order of Canada, the highest level and the greatest honour the country can bestow. He saw his only daughter married at a lavish wedding in Montreal, with former president George H.W. Bush and his wife as his special guests of honour. His children were all successfully launched, the house in Palm Beach was renovated and enlarged, and Mulroney was prospering in Canada and abroad. For a man concerned about his place in history, Mulroney's contributions to Canada's economic well-being were increasingly recognized and appreciated. Few dispassionate observers could disagree with his claim made in the fall of 2003: “My policies are now accepted by the majority of Canadians. Just look, my policies on GST, free trade, on the United States and the Middle East, they are back in favour ... My government wasn't perfect, but it is better than the one we have there now ... the Liberals are ... systematically corrupt.”⁴

Indeed, after the Airbus debacle, the Liberal government did look very bad. Justice Minister Allan Rock and Solicitor General Herb Gray seemed mean-spirited and ungenerous, while their boss, Prime Minister Jean Chrétien, appeared nasty and vindictive. Many Canadians speculated about Chrétien's possible role in the affair, and there was some reason to believe that the prime minister was not unaware of the RCMP investigation into Mulroney before it became public knowledge. However, even Mulroney's biggest critics were left with little choice but to concede that the whole sad episode had been a travesty of justice. “I always said that dog won't hunt,” claimed Stevie Cameron, Mulroney's longtime nemesis and most public enemy, through her bestselling book *On the Take*.⁵ The RCMP announced it would continue to investigate.

That was just fine with Mulroney. Savouring his victory, he gave an impromptu press conference outside his Westmount home in January 1997 the day after his lawsuit was settled. “I wanted any stain whatsoever removed from my father's name,” he told reporters happily, “and that's been achieved.” What about the continuing RCMP investigation? Mulroney just laughed. The Mounties could continue their inquiries until “the cows come home.” He had nothing to worry

about: "They won't find a single thing because we've never been involved in anything untoward." But even in his time of triumph, Mulroney conceded the story was not yet over. The case was, Mulroney continued mysteriously, very "unusual," and he would not be surprised if there were more "revealing developments."⁶

Philip Mathias again got the new story first, nailing it down in late 2000 and early 2001. Mathias began his journalism career in London, England, in 1960 when he was assistant editor of *Tin and Its Uses*. He joined Toronto's *Financial Post* in 1965. Between 1975 and 1980, he worked at the CBC's *Fifth Estate*, and stints at *Money Magazine* and *Venture* followed. By 1985 he was back at the *Financial Post*, which, in 1998, became the *National Post*. Mathias was obsessive about figuring things out. Humming, whistling, or singing away, and driving his newsroom colleagues nuts, he would stare at documents for hours to understand them and to satisfy himself that he had not missed something important. This time, the scoop was pretty straightforward: "Brian Mulroney was paid \$300,000 in cash by German businessman Karlheinz Schreiber, the man at the centre of the Airbus affair, over an 18-month period beginning soon after Mr. Mulroney stepped down as prime minister in 1993."

The story suggested that the payments had nothing to do with Airbus or any wrongdoing asserted in the 1995 Letter of Request. Mathias noted that at the time the payments were made, Mulroney was re-establishing himself in the private sector, and there was no reason to avoid Schreiber, who was not yet embroiled in the various legal proceedings and political scandals that were soon to engulf him. The *Post* interviewed Schreiber for the story and quoted him as saying that the business relationship between the two was "normal," and that it was not up to him "to report on Brian Mulroney to the Canadian public." The story also pointed out that a fee of \$300,000 was not unusual for providing legal and lobbying assistance in major transactions.

Mulroney declined to comment for the story, as did his lawyers. However, Mathias spoke to a "Mulroney confidant," who told him that "the former prime minister earned the fee in full by performing services for Mr. Schreiber after the fee was paid." Mathias was not told the nature of the work or when it was done. When the newspaper reporter asked why Mulroney did not make this matter public at an earlier time, the confidant replied that Mr. Mulroney was "fearful of creating a false impression in the middle of what he

described as a witch hunt over the so-called Airbus affair." The fear was hardly misplaced. It would certainly have made an impression if news about the multiple cash payments from Schreiber had come out at the same time that Mulroney was suing the federal government and the RCMP for claiming he had accepted a bribe from Schreiber.

While there is no predicting legal outcomes, one thing is near certain. Had Jean Chrétien, Allan Rock, and Herb Gray known in late 1996 and early 1997 that Mulroney had gone on Schreiber's payroll soon after leaving office and been paid \$300,000 in cash, they would never have allowed the Department of Justice and the RCMP to settle the case. Mulroney had taken a huge gamble. Now Mathias had found out about the money and, although he greeted this information with his customary scepticism, he was determined to get the story in print. He immediately realized that the amount involved paled in comparison to the many millions Mulroney was alleged by the Canadian government and others to have received as a payoff for Airbus and the other transactions. Still, \$300,000 was hardly insignificant. The payment in cash was also unusual. Mathias heard, but could not apparently confirm, that the purpose of the retainer was to assist in kick-starting the Bearhead project in Cape Breton, if possible, or, if politics demanded, in the east end of Montreal.

Mathias had been working on the story for months, to the exclusion of just about everything else, when he submitted a final draft in early January 2001, just weeks before his scheduled retirement. It went to the *Post's* lawyers – no one would dare publish a contentious story about Mulroney without a libel check – and was approved. It emerged from editorial, fairly edited. Mathias waited and waited and waited. Nothing happened. Mathias began to ask questions. He pestered. Finally, he wrote to the dual proprietors of the *Post* – Conrad Black and the Asper family. In a letter dated towards the end of March 2001, he complained. He told the owners that Mulroney received the first instalment soon after he left office in 1993 and accepted the last payment in December 1994. Why, he inquired, was the story not published?

A few days later Mathias was summoned to a meeting with senior editorial staff in the main meeting room, which overlooks the newsroom on the inside and an ugly industrial parking lot on the outside. It was not exactly the Star Chamber, but Mathias became increasingly uncomfortable as the meeting did not go well. There was, he was told, no story. Why, he was repeatedly asked, was he pursuing it? Why, he was also asked, had he gone over his editors'



Philip Mathias – the journalist who first got the story

heads? There was unproductive conversation. Finally, Mathias announced he had had enough.

Discussion then turned to the merits of the story. There was further exchange and a line-by-line dissection of the story. More observations were shared that it was not a story. Since there was no evidence that the payments had anything to do with Airbus, MBB, or Bearhead, why refer to them in the story? There was something to that. If the commercial relationship had nothing to do with the matters under police investigation, was it journalistically proper to contextualize it in this way? Yet the government had asserted that Mulroney and Schreiber were in cahoots, and that millions in bribe money had passed hands. Did the story not require that background information in order to place the payment, whatever it was for, in appropriate context? The money, moreover, had been turned over in cash. Surely that fact cast a shadow over the entire transaction.

That night the *Post's* editor-in-chief, Ken Whyte, called Mathias at home and said that the criticisms of the story reflected his view. Whyte suggested that Mathias contact me, the author of *Presumed Guilty*, which had been written independently of Mulroney but with his complete cooperation, to get a comment. Mathias called me and told me what he had learned. If Whyte expected me to try to explain it all away, as Mathias suspected, he was sorely disappointed.

I could not believe what I was hearing when Mathias read me his story. After spending the better part of a year working on a book that defended the former prime minister and severely criticized the then current one, Jean Chrétien, among others, I learned that Mulroney and Schreiber enjoyed something considerably more than a casual, nodding acquaintance. Obviously, I had asked Mulroney about Schreiber and their relationship. In fact, at our first formal interview, it was the very first question I asked because it was the most important one to be answered. It was central. This is what Brian Mulroney said to me on December 2, 1997: "I knew Schreiber in a peripheral way. He was associated in my mind with the Alberta Progressive Conservatives. That was the limited extent to which I knew anything about him. I knew who he was and that he'd been involved in Bear Head."⁷ Mulroney told me that he simply considered Schreiber's proposal to bring jobs to Cape Breton Island and that he was initially in favour, but, on the advice of his officials, he decided against proceeding with the project. I believed him – his answer was completely consistent with the written record – and moved on to interview him about other things. One of Mulroney's university friends is reported to have told the CBC's Larry Zolf, "Mulroney never met this Schreiber guy, Mulroney doesn't even know Schreiber; Moores may have brought Schreiber to a party, but that's all." However, I now learned that their post-prime ministerial get-togethers had to have been something more than "peripheral," and that the relationship between the two men actually went way back. I had been duped. Schreiber had been part of the Mulroney circle even before he entered public life. In fact, he had played an important behind-the-scenes role in Mulroney's road to power.⁸

In January 1983, 2,400 Tory delegates descended on Winnipeg. The only item on the agenda that mattered was a leadership review. Joe Clark had won the Tory Party leadership over Mulroney in 1976 and, three years later, at the age of thirty-nine, was elected the youngest ever prime minister of Canada. After just nine months in power, Clark squandered his government by losing a crucial and avoidable parliamentary vote on a budget of tax increases and program cuts. He then lost the election that followed. Clark won the first leadership review after his electoral defeat, and he claimed to welcome the opportunity for a renewed mandate. He was so certain of success that he raised the bar from the traditional two-thirds support needed for a leader to carry on to 70 per cent, though he had received barely more than 66 per cent in that first review in 1981.

While Mulroney publicly endorsed Clark, his people worked furiously behind the scenes to deprive him of victory. Frank Moores was the leader of the review forces, coordinating the entire operation by walkie-talkie from his hotel room, while Elmer MacKay, the Nova Scotia MP, was directing the many mutinous members of the Conservative Party parliamentary caucus. Schreiber, among others, lent a hand. His entrée to the group came through Austrian-Canadian businessman Walter Wolf and Montreal lawyer Michel Cogger, a former classmate of Mulroney's from Laval law school who handled Franz Josef Strauss's family business interests in Quebec. Wolf introduced Schreiber to Cogger, who in turn introduced him to Moores and other Tories working to depose Clark. Schreiber was happy to help out by ensuring that enough pro-business, pro-Mulroney delegates attended to deprive Clark of victory.

There was an especially large turnout from Quebec, funded by Wolf, Schreiber, and others anxious to dump Joe. Wolf was more than happy to donate money for the cause, but, he asked, "Why should I be the only one to pay?" As Schreiber later told the *Fifth Estate*, "It's expensive to travel, right?" Those travel expenses needed to be defrayed. Some of the delegates' wives needed money too, "to go shopping or whatever." Mulroney dismissed the claims at the time as "rumours and innuendo," and it is, of course, possible that he was kept in the dark about some of the efforts exerted on his behalf. Party elder Dalton Camp figured it out, however, and publicly denounced the "off-shore money." Joe Clark had no idea until later how well organized and financed his opponents were.⁹ He did not even know who they were.

Schreiber and Wolf were working on the front lines, but they received some of their direction and, it appears, some of the money from overseas, from the premier of Bavaria, Franz Josef Strauss. Strauss was one of the founders and the undisputed leader of the right-wing Christian Social Union (CSU) party (the sister party to the federal CDU). Known as the "Bull of Bavaria," he served as West Germany's minister of defence, 1958-62, federal minister of finance, 1966-69, and premier of Bavaria, 1978-88. The son of a butcher, Strauss lurched from scandal to success and back and was, without a doubt, the most consistently controversial figure in post-war German politics. As defence minister he created a *Bundeswehr* of more than 400,000 men. The need for *matériel* was enormous, and the opportunities for payoffs were fully exploited. Whether for the purchase of tanks or planes, Strauss exercised influence on behalf of party, family, and friends in return for benefits. When the leading German weekly *Der Spiegel* published an article attacking him as an

unprincipled and incompetent minister, he obtained arrest warrants for the magazine's editor and editor-in-chief, along with search warrants for its Hamburg headquarters and its Bonn office. Seven journalists ended up spending a total of almost three hundred days in jail.

In Bavaria, Strauss set the tone. The state was made a safe haven for tax evaders who had the good sense to direct sufficient funds to the CSU. Strauss was the chair of Airbus Industrie's supervisory board, and he played a key role in the creation of MBB, the Munich-based aircraft manufacturer, and served on its board too. He was a super-salesman for German industry and also became chairman of Airbus Industrie. He was determined to do what he could to export his particular brand of conservatism abroad, mostly by providing financial assistance to like-minded politicians. In Canada, Joe Clark, a Red Tory, had to go — he did not fit the bill. Brian Mulroney did, however. At the 1983 leadership review convention in Winnipeg, the Quebec delegates flown in by two big Boeings leased from Wardair voted against Clark and helped to deprive him of his quixotic 70 per cent. According to Schreiber, Strauss "was fully involved, he knew everything."¹⁰

It took a quarter of a million dollars in cash, according to L. Ian MacDonald, Mulroney's official biographer, to get the "pro-review delegates to Winnipeg." When Clark called the leadership convention — characteristically, he threw away his leadership just as he had earlier thrown away his government — Mulroney could not believe his luck, and, with due dispatch, he won the party leadership. Patrick MacAdam, a Mulroney classmate from St Francis Xavier University, became, in his words, "the gatekeeper" to the new leader of the opposition. Schreiber, he said, often accompanied by Max Strauss, the son of the Bavarian premier, was a frequent visitor to the future prime minister as the younger Strauss visited his "trap line" in Canada. In 1984, Mulroney easily won the general election, as the Canadian people were anxious to send the decayed Liberals and their hapless new leader, John Turner, into opposition. Strauss and Schreiber, who had long been business associates, had backed a winner — a national leader with a compatible political philosophy.

"Canada," Mulroney famously declared after being elected prime minister, "is open for business." The Foreign Investment Review Agency was disbanded and replaced by Investment Canada, which was given the mandate of facilitating investment in the country. The National Energy Program, which allowed the federal government retroactively to seize a share of Canadian oil discoveries, was dismantled. Canada, Mulroney told anyone who asked, was not built by expropriating the property of others. Thoroughly pro-business and

attractively pro-American, Mulroney was a welcome break from more than twenty years of almost uninterrupted Liberal rule.

Schreiber, who had overseen many Strauss family investments in Alberta for years, assumed some new responsibilities. Around 1985, at the request of Strauss, he became the Canadian agent for MBB, which was trying to sell helicopters to the Canadian Coast Guard. He also became, again thanks to Strauss, the agent for Airbus Industrie, which was trying to sell aircraft to Wardair, Canadian Airlines, and Air Canada. This mandate was particularly lucrative, and one of its terms was especially interesting.¹¹ The contract between Airbus Industrie and International Aircraft Leasing, IAL, a company owned and controlled by Schreiber, indicated that the agreement requiring large payments to IAL for each Airbus sold would come to an end if there was a major political change in Canada. Wardair bought first, but instead of earning commissions on that deal, the agreement was amended to provide for larger payments in the event that Air Canada signed on. And sign on it did. In 1988, in the biggest acquisition in its history, the Crown corporation bought thirty-four Airbus A320 planes at the cost of \$1.8 billion. Millions in commission payments immediately began to flow from a bank in France to Liechtenstein, where IAL was headquartered, and from there to bank accounts owned and/or controlled by Schreiber in Zurich. Quite a bit of that money, the RCMP claimed in the 1995 Letter of Request, had made its way to Mulroney, who had stashed his share of the loot in a secret numbered Swiss bank account. That allegation turned out to be incorrect, and Mulroney had no Swiss bank account. But he had later accepted money from middleman Karlheinz Schreiber in questionable circumstances.

Maybe Mulroney had an explanation, I thought, as Mathias outlined his story. In the meantime, I agreed to give him an objective comment. Personally, Mulroney is engaging, funny, and likeable. When I began working on *Presumed Guilty*, I told one of my colleagues at the University of Ottawa law school, where I was then teaching, that Mulroney had agreed to unlimited interviews. "That's too bad," she replied, adding that it was unfortunate I would have to meet and talk to him. But my experience was quite different. We had countless conversations and meetings, and I enjoyed them all. He was always considerate, and his wife, Mila, charming. But how could this story be true? The unpublished *Post* story did not make any sense: for Mulroney, a business relationship with Schreiber made no sense; cash



The inscription under this picture speaks for itself:
"for my friend, Karlheinz
with gratitude and best personal regards
Brian Mulroney"

payments made no sense. Nothing about this account made any sense. The story raised serious questions – and Mulroney was the only person with the answers.

Meanwhile, Mathias continued to press for the publication of his story – but he got nowhere and eventually gave up. The environment for its publication, he reflected a few years later, was just not right. In fact, it was downright hostile. An experienced reporter with very good sources, Mathias had been working on different angles of the story ever since the 1995 Letter of Request. Now he had uncovered what he thought was one of the biggest scoops ever, and, instead of getting the front-page coverage the story objectively deserved, Mathias was treated as a pariah and his story suppressed. A life-long career in award-winning journalism concluded in disillusionment.

Mulroney may have sidestepped a public relations catastrophe, but the respite was only temporary. I had learned of the payments, and I wanted an explanation. I asked a series of questions, headed by the most obvious one: What was the money for? I got different answers from different people, but none of them was satisfactory.

Luc Lavoie, Mulroney's loyal spokesperson, told me that the "money was paid to Mulroney to assist Schreiber with his pasta business and to arrange a number of introductions and meetings with

international business executives." Mulroney himself would not give any details, but he did have an explanation – sort of. When he re-joined Ogilvy Renault, a leading Montreal law firm where he had first practised labour law after his call to the bar, he made it clear to the firm, he said, that, in addition to practising law, he would establish an independent international consultancy. The names of his clients would be confidential and would not be released without their permission. "If," and Mulroney emphasized the "if," clients paid for his services in cash, that would be reflected in the books of the company. All income would be declared and all taxes paid.

Fair enough. But had Mulroney been retained to lobby for Bearhead, at the very least he would have had to register as a lobbyist under legislation passed by Parliament under his government, which he did not. There might also have been conflict-of-interest issues, given that he had recently been prime minister and did not step down as a sitting MP until the general election on October 25, 1993. So perhaps, I thought, Mathias got that part of the story wrong, and the truth was that he received proper and appropriate payments for assisting Schreiber's other business interests in Canada and overseas.

That is exactly what happened, insisted Lavoie. Mulroney never lobbied for Schreiber, so he never had to register as a lobbyist. "All income was declared and all taxes paid." It was completely straightforward. "The truth is," Lavoie said in an interview with me, "Mr. Mulroney never had anything to do with Airbus, he had nothing to do with MBB, and he had nothing improper to do with Bearhead. Being hired as an international adviser after he left office was entirely consistent with the practice he was setting out to establish." It was certainly possible that Mulroney was only giving strategic advice. If so, registration would be unnecessary and no conflict-of-interest issue would arise. This explanation was a start, but not good enough.

What was the nature of the retainer? I asked. Was it for international introductions? Or was it for legal representation? Was it to help the pasta business? If so, exactly when did Schreiber begin that initiative? Was it as early as 1993? Schreiber laughed when I asked him if Mulroney helped him sell penne, but later, upon reflection, he told me that Mulroney did write him with some suggestions in 1994.¹³ If the relationship was for legal advice, Mulroney would presumably have billed through his law firm, and any information about his activities on behalf of his client would have been privileged. The payment, if in cash, would have been recorded in the firm's records and books. If the money was paid to Mulroney as part of his international business consultancy, however, that would have been a dif-

ferent matter. In that case, what assignments were undertaken? How much time was put into the file? Was the fee proportionate to the service? And why cash? To be sure, Europeans frequently deal in cash – but North Americans generally do not. Former prime ministers operating international consultancies or practising law generally issue accounts, and then get paid in a more conventional way – by cheque or money transfer.

And on that point, why was Mulroney never asked any questions on the record while he was under oath about his relationship with Schreiber? He was examined by a number of government lawyers as part of his libel suit. Examination on discovery, as it is referred to in the province of Quebec, is a pre-trial procedure in which one side gets to ask the key witnesses for the other side, who swear under oath to tell the truth, any questions it has about the case. The purpose of the procedure is to save valuable court time by obtaining some of the evidence in advance. Mulroney spent two full days with his lawyers getting ready for his examination on discovery before his lawsuit. At the end of the first day of preparation, the lawyers said they were satisfied. Mulroney disagreed and did it all over again.

The real examination on discovery began on April 17, 1996, at the Montréal Palais de Justice. Before entering the courtroom, Mulroney turned to Lavoie and said, "Luc, do you know what [chief government lawyer Claude-Armand] Sheppard's problem is going to be today?"

"No, boss," Lavoie replied.

"He is going to ask me questions and he expects me to answer them."

This court appearance was the first time Mulroney had spoken publicly since he filed his lawsuit the previous November. He professed indignation and outrage. He seethed with anger against the RCMP, the Department of Justice, Jean Chrétien, Herb Gray, and Allan Rock, all of whom he believed were trying to destroy him and his place in history. Mulroney was well aware that the entire country was watching the heavily publicized proceeding. Every question became an opportunity for him to call the government to account, as he railed against the injustice of being called a criminal when he had not even been accused of a crime. In between his repeated condemnations of the wording of the 1995 Letter of Request, Mulroney was asked, and answered, a lot of questions about Schreiber and about his involvement with Schreiber's efforts, on behalf of Thyssen, to build light armoured vehicles in Cape Breton.

Obviously, Mulroney observed, any Canadian prime minister

would be interested in bringing manufacturing jobs to an area with one of the country's highest unemployment rates. Mulroney had a soft spot for Cape Bretoners; his alma mater, St Francis Xavier University, was located in nearby Antigonish. Mulroney was repeatedly asked about the Bearhead initiative, and he repeatedly made the point that it was his government that decided not to proceed with the project. The prospect that he had received any payment for this particular transaction, he insisted, was therefore unlikely.

Mulroney recalled that Schreiber was indefatigable. No matter how many times he was turned down, he would always come back with a different twist or spin to try to attract the government's interest. For example, when Ottawa said no to light armoured vehicles, he proposed building "peacekeeping vehicles" for use by Canadian and other troops on United Nations missions. But General Motors Canada already had a facility in London, Ontario, for building this kind of vehicle, and there was no way Mulroney's government was going to spend the \$100 million required to help launch a second one.

Examinations on discovery provide each side in a legal action with wide scope to ask the other side questions – and this one was no exception. Government lawyers had the opportunity to put Mulroney's relationship with Schreiber under a microscope. But not once in the hundreds of questions they put to the former prime minister was he ever asked point-blank whether he had accepted money from Schreiber – even though the central claim made against Mulroney in the 1995 letter to the Swiss was that he'd been paid off. Had Mulroney been asked whether he'd taken a bribe, he obviously would have denied it. And there is no evidence, none whatsoever, that he had. But asking him whether he'd done business with Schreiber was a fairly logical place to start, along with a detailed inspection of every call, every letter, every visit – everything to do with all aspects of the relationship between the two men. When was the first time they met? Where? What did they discuss? When was the second time and the third time? Mulroney should have been asked, in detail, about each and every meeting and conversation they had ever held. He should have been asked about every letter they exchanged. Three days were scheduled for the discovery, but, as it turned out, the government lawyers called it quits after a day and a half. Mulroney was never questioned exactly how many times he had met Schreiber, in what circumstances, and where. Mulroney was asked very little about his relationship with Schreiber after he stopped being prime minister. But the topic was not avoided completely:

QUESTION: Did you maintain contact with Schreiber after you ceased being prime minister?

ANSWER: Well, from time to time, not very often. When he was going through Montreal, he would give me a call. We would have a cup of coffee, I think, once or twice. And he told me that he continued to work on his project, that he was pushing a new government ... the desirability at the time was to work with the provincial Government of Quebec and the federal government, the new federal government, to establish this new project in the east end of Montreal, where the jobs were badly required. And he told me that he had hired Marc Lalonde to represent his interests before the new Liberal government.

I wasn't really surprised because the word in Ottawa is that Schreiber and Lalonde had had a long relationship in the past. And so he also expressed dismay with me that my government had not agreed or could not include the contract that he liked. So, he said that he had hired Lalonde, and he hoped this would give rise to an agreement.

QUESTION: When he passes through Montreal and visits you, is it at your office or at your home?

ANSWER: Well, he doesn't pass through Montreal and visit me. He comes when he's on his way to Montreal. He called me and asked me, and I say perhaps once or twice, if I could come to a cup, have a cup of coffee with him at a hotel. I think I had one in the Queen Elizabeth Hotel with him.

QUESTION: Oh. So it's at his –

ANSWER: I had one in the –

QUESTION: Yeah

ANSWER: – in the coffee bar of the Queen Elizabeth Hotel.

Mulroney also was asked a number of times about his conversations with Schreiber after Schreiber informed him of the existence of the 1995 letter to Swiss authorities:

QUESTION: And the Canadian government alleges that very substantial sums were paid to Schreiber by Airbus Industries, and you didn't discuss with Schreiber whether it was true or not?

ANSWER: The document said, among other things, this: "This investigation is of serious concern to the Government of Canada, as it involves criminal activity on the part of a former prime minister." This is not an allegation, this is a statement of fact

where the Government of Canada is judge, jury and executioner.

And what preoccupied me – inasmuch as I had never heard of the Airbus matter in my life – what preoccupied me were the extraordinary falsehoods and injustices as they involve me. And I wondered with my family and friends, quite frankly, how in the name of God could this come about? How can something like this actually take place?

And the fact that Mr. Schreiber may or may not have had any business dealings was not my principal ... my principal preoccupation. I had never had any dealings with him.

The statement “I had never had any dealings with him” was not quite correct. Mulroney had never had any dealings with Schreiber on Airbus. He had never had any dealings with him on the helicopter purchase. He had some prime ministerial dealings with him on Bearhead – he did not approve the project and the request for federal money. At the very least, he had dealings with him while in office – and he had had dealings with him since.

Later in the questioning of Mulroney, the following exchange occurred:

QUESTION: Perhaps I misunderstood. When you talked about having coffee with Schreiber at the Queen Elizabeth, it was in the period subsequent to November, 1995?

ANSWER: No, no, it was after I left office in 1993, and that's when he told me, as I indicated to you, that ... he was dismayed that my government had not allowed him to proceed with his desire to build this Thyssen project.

And that's when he told me that he had hired Marc Lalonde to represent him because he figured that Lalonde could prevail upon Chrétien and the government to have this done in the east end of Montreal. Which, by the way, had they been able to do it ... I thought it was a good project, and so I wouldn't have been critical of anything.

He told me he had hired Lalonde to do that; he told me he was contemplating legal action against my government; that he had hired a prominent law firm in Ottawa – I think Ian Scott's law firm, very distinguished lawyer – to take action against ... the bureaucrats in my government who, he alleged, had frustrated the fact that he was never able to get a deal through. This deal ... that was the kind of conversation we had.

He expressed the hope that Lalonde would be successful in

persuading the new Liberal government to agree to conditions that would enable him to proceed with the project. That was it.

But was that it? Mulroney had by then accepted a retainer of some kind from Schreiber. The questions to him were badly framed, and they were very, very carefully answered. Yet we should not, perhaps, be too critical of the government lawyers for not probing more deeply into Mulroney's commercial relationship with Schreiber. The impression his answers gave would not immediately lead them to conclude that there was any such relationship between the two men.

There are a number of reasons possibly explaining why Mulroney was not more forthcoming, given his commercial relationship with Schreiber. Before filing the lawsuit, he had, through his envoy, Roger Tassé, the distinguished former deputy minister of justice, offered to come to Ottawa and to make a complete financial disclosure – income-tax returns, business records, everything, including, presumably, details about his work for Schreiber – to government and RCMP officials. He was turned down flat.

Since then, the lawsuit had commenced and many months had passed. Mulroney was now facing at least nine government lawyers, and he had no intention of doing their job. He had, however, promised to respond to questions truthfully, and he kept his cards very close to his chest. “Ya gotta give something to get something,” he once told me.

It is not unusual for witnesses to spin their testimony by avoiding embarrassing information or by giving half-answers or evasive responses. It is actually common for witnesses with a stake in the proceedings to do so. Yet Mulroney was no ordinary witness or litigant. He was suing his own country in a purported effort to defend his honour. More important, he was not only a lawyer, and that meant he was an officer of the court with special professional obligations for ethical conduct, but also the former prime minister of Canada, a person who would understand fully that questions are asked during an examination for discovery in order to uncover relevant information. While the law of perjury defined his legal obligations as a witness, his moral obligations were much more exacting. If he wanted to prove his honesty and integrity, rather than simply change perceptions about them, he would have to be completely forthright – he would have to give a full and frank response to questions, and not the selective, convenient responses a self-interested litigant in a private commercial lawsuit might offer.

Context is, of course, everything. Mulroney had ample opportunity

to come clean about his professional relationship with Schreiber. Instead, he helped to create the impression that he carefully considered Schreiber's business proposal when he was prime minister but declined to give it the go-ahead after he determined it was not in the best interest of the Canadian people. He also left the impression that he subsequently maintained, at best, a cordial and infrequent acquaintance with Schreiber after he left office. Testifying that he and Schreiber simply had coffee together was intended to suggest that all contact between the two was trivial, when it clearly was not. The statement "I had never had any dealings with him" is even more problematical and oddly reminiscent of Bill Clinton's claim that he "did not have sexual relations with that woman, Miss Lewinsky."

In Canadian law, a successful perjury prosecution requires the Crown to establish four things - what the criminal law refers to as the elements of the offence. First, a person must make a false statement in a judicial proceeding or in a sworn affidavit for a judicial proceeding. Second, the person who makes the statement must know that the statement is false. Third, the person must make the statement with the intent to mislead. And fourth, there must be corroboration establishing that the accused knew that he or she was giving false evidence. With these hurdles to overcome, perjury charges are rare in Canada, and convictions rarer still. Whether the statement "I had never had any dealings with him" is perjury depends on many things - Mulroney's intention, for example, not to mention the tense in which he was speaking. In 1996, when Mulroney was examined under oath, he had had dealings with Schreiber - he took \$500,000 in cash from him and had met with him on a number of occasions in different hotel rooms in order to do so. There were also innumerable telephone calls between the two after Schreiber informed Mulroney about the 1995 Letter of Request. Perhaps Mulroney's answer was confined, in his mind, to the Airbus period when he was in office. But the answer given, "I had never had any dealings with him," left the impression that he and Schreiber never did any business together - that they merely enjoyed a coffee from time to time.

Likewise, after giving a long answer during the discovery about Schreiber retaining Marc Lalonde to assist him in Bearhead, Mulroney said, "That was it." Again, Mulroney could and would claim that the answer relates entirely to the discussion of the Bearhead project. But the listener could be forgiven for concluding that "that was it" for the extent of Mulroney's relationship with Schreiber.

Only Mulroney can say whether these answers, given under oath, were framed in such a way as to mislead. He may very well not have

had that intention, but they did mislead. They misled the government lawyers and they misled me (and explain why I readily accepted Mulroney's description at our first substantive interview of his limited relationship with Schreiber). They would cause any objective observer to conclude that things were other than they were - to believe that Schreiber was an unimportant character in Mulroney's life, not one of his employers and the source of a sum equivalent to more than five times the average Canadian family's before-tax income in 1996 of \$56,629. Still, while his answers were slippery, evasive, calculated, they can be contextualized to suggest that they are not false. Mulroney could therefore successfully defend a perjury prosecution. What will be harder to defend is his reputation. This performance, given during a proceeding meant to reclaim his honour, will make it harder for him to sell himself as a man of honour. In his own self-interest, his answers buried an embarrassing truth. As a result, the Government of Canada was misled and the Canadian people were misled. He should have seized the opportunity to set out the entire story.

There were, Luc Lavoie points out, "nine lawyers sitting there on the government side and not one of them ever asked Mulroney whether he got money from Schreiber." And what if they'd done so? "If they had," Mulroney told me not long ago, "I would have answered the question." Not so, according to Lavoie: "They would have been told that the relationship was privileged."

The government lawyers, Mulroney counsel Jacques Jeansonne explains, had no entitlement to ask Mulroney any questions about these payments. Jeansonne has a technical explanation about the operation of the rules of civil procedure in Quebec and how those rules, properly applied to this case, would have disentitled the government lawyers to an answer. Now that would have been interesting. Surely in Quebec, as everywhere else in Canada, payments to Mulroney by the man alleged to have bribed him would be relevant and admissible, even if those payments were not related to Airbus and to the defamation lawsuit. That would have been, in any event, a matter for the judge to sort out later.

In any case, all these different explanations are inconsistent and do not add up. What kind of assistance could Mulroney offer in the promotion of pasta? While Mulroney is extremely well connected, it is doubtful that he knows either Mama Bravo or Chef Boyardee. Helping out on the purchase or sale of planes, helicopters, and light armoured vehicles makes much more sense for the former prime minister re-establishing himself in the world of international commerce.

Karl Schreiber is a middleman and industrialist. He had a commission arrangement with Airbus Industrie, MBB, and Thyssen, the company behind the Bearhead project. Commissions were paid in all of these transactions. Schreiber kept some of the commission money for himself and distributed some of it to others, as was lawful in Germany.

According to documents unearthed by the *Fifth Estate*, half of the commissions earned on each Airbus sale were earmarked for distribution in Canada. Schreiber's German lawyer, Jan Olaf Leisner, in a major broadcasting coup by the investigative news show, went on air explaining what some of the commission money was for: Schreiber's role in the MBB transaction, he said, was to pass on *Schmiergelder*, lubrication money: "Mr. Schreiber's main role was to protect the recipients of the lubrication money ... by making every payment anonymous."¹³ There is no evidence that Mulroney received any of these particular funds or any of the commissions paid in Airbus. Schreiber insists he has never bribed anyone in Canada. He has, however, been generous: "I was always generous my whole life," he says. "Has he given a lot of money to a lot of people? 'Sure,' he replies.¹⁴

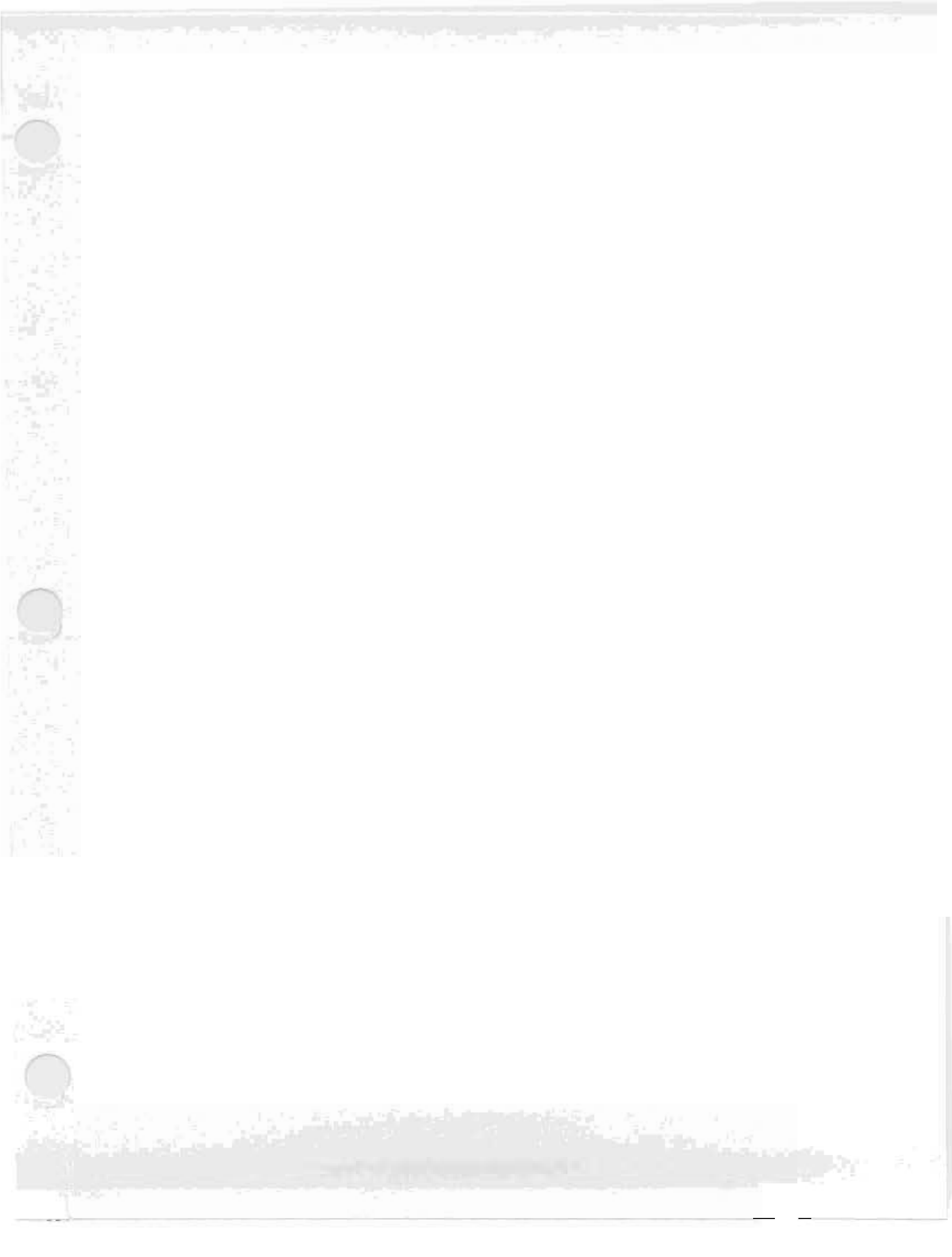
There are serious unanswered questions about the manner in which Schreiber paid Mulroney. Professionals in Canada are now, under the proceeds-of-crime legislation, required to report cash payments greater than \$10,000, though at the time of Schreiber's payment to Mulroney this legislation was not yet in place. Why is this rule needed? Because cash payments are inherently suspicious. Moreover, where does someone get \$100,000 in cash? Banks are required to report deposits of that amount. Where did Mulroney put his money? And where did he get the nerve to sue the RCMP and the Government of Canada for \$50 million to refute a claim that he had been bribed by Schreiber, when the two had done business together in circumstances where Mulroney believed both the arrangement and the payments needed to be kept quiet? When Mulroney had been paid for those services, whatever they were for, in cash? When a more persistent questioner might have probed more deeply and possibly exposed the arrangement? And once exposed, Mulroney would have found it difficult to explain it away. His reputation would have been ruined forever. It was a very close call.

But, as fate would have it, it was not yet over. When I wrote my book on Airbus, I made many efforts to interview Karlheinz Schreiber but succeeded in speaking to him only once, briefly. "Bobby," Schreiber said, referring to his Edmonton attorney Robert Hladun, "says I should not speak with you." After hearing Philip Mathias's

story, however, I renewed those earlier efforts for an interview after a long period of negotiations, he agreed to meet.

Schreiber is a very friendly fellow, naturally a bit of a rascal, smart and shrewd. The first thing he told me when we finally got together was that he was sorry he had never agreed to a proper interview before my book was published. He went on to say that he had asked various people about me and whether he should cooperate with me. Among those he talked to was Brian Mulroney. According to Schreiber, Mulroney advised him that under no circumstances should he consent to an interview with me because I was completely unreliable and likely hostile. Schreiber accepted the advice, having no idea until my book came out that Mulroney was cooperating completely, having agreed to make himself, his records, and his lawyers available without restriction. That, at least, was our agreement. I thought it was honoured. So until this meeting was arranged, I never had an opportunity to ask Schreiber about his relationship with Mulroney — the central question. Schreiber immediately began to provide some of the details. Without a doubt, if Luc Lavoie had not called him "the biggest fucking liar the world has ever seen," and suggested Mulroney held the same view, he would have kept quiet. But that was just too much for the man who had given Mulroney \$300,000 — for the man who, like Mulroney, believes first and foremost in his own righteousness and honour.

In the midst of learning more about Schreiber's mysterious payments to Mulroney, I found out about a secret trial taking place at Toronto's Osgoode Hall. The details were sketchy. My sources skittish. To all appearances it was Airbus: The Sequel. One way or another, all the usual suspects had been invited or were in attendance: Brian Mulroney, Karlheinz Schreiber, Frank Moores, and, in a stunning starring role, their enemy number one: Canada's best-known investigative journalist, Stevie Cameron.



that my interview would come out at trial. I never asked to be a confidential informant and had I been in court the day Eddie Greenspan started throwing my name around, I would have said, 'Who, me?' ... The only chance I had to respond to these charges came the day before all those pages went to press. I denied them vehemently.

In light of these remarks, Mathews decided he had to contact Cameron to "determine if she was in fact waiving confidential informant privilege, or was denying it ever existed, or if in fact her references to not being a 'paid' informant were intended to divert examination of a relationship with the police which she still intended to conceal under confidential informant privilege."³⁴

Before Mathews could contact Cameron, her new lawyer, Clayton Ruby, was on the telephone on December 5, 2003, to the Crown attorney's office. He also left the superintendent a message over the holiday season that Cameron was reviewing her options. As part of that process, she called Mathews twice, on January 12 and 16, 2004. She offered various explanations about what had taken place — explanations that Mathews did not accept as consistent with the facts about the relationship and with his own observations and experience of it. "Ms. Cameron may find the designation of 'confidential informant' distasteful, but in my interactions with her she clearly wanted to benefit from the operational effect of the assertion of confidential informant privilege, namely that her identity and the fact of her cooperation with the police would be kept confidential from all."³⁵ Mathews told her that if she attempted to revoke her confidential status or deny it, he had an obligation to inform the court and would do so forthwith. He suggested that she consult a lawyer, and he laid out her only options: waive the privilege or hang tough and hold on to the privilege. Cameron told Mathews that "Clay" was advising her to hang tough. That was good advice, and she should have taken it. The whole thing would eventually have blown over, with most people believing her stories. Mathews continued, "she indicated that Mr. Ruby had told her that one of the advantages of Confidential Informant status was that she could deny it." However, she decided not to listen to her lawyer. That left Mathews with no choice but to inform his superiors, and in due course the Crown served its notice of motion of its intention to reveal Cameron's identity.³⁶ So began the extraordinary court proceedings on March 4, 2004, and the presentation of irrefutable evidence that Cameron was both a police informer and a liar.

Conclusion

The Difficulty in Getting to the Truth

It can be extremely difficult to get to the truth. When I wrote *Presumed Guilty* I thought I had the story right. To be sure, just about everything in that book is factually correct — there are a couple of mistakes, including one whopper — but the story itself is wrong because a key piece of information is missing: that Karlheinz Schreiber hired and paid Brian Mulroney \$300,000 and that the payments were in cash and handed over in hotels. That single piece of information changes everything. No evidence has ever come forward, none whatsoever, that Mulroney had any improper involvement with Airbus, MBB, or Bearhead. What the evidence does demonstrate, however, is that Mulroney went to great lengths to conceal his commercial relationship with Schreiber: he misled the Canadian people, when his overriding obligation both as a citizen and as our former prime minister was to tell the whole truth, every single unvarnished detail, whether the government lawyers asked him about it or not. Instead, Mulroney turned the examination on discovery into political theatre and violated the public's trust. In all probability Mulroney's acolytes, who also blasted the government for its perfidy in the Airbus investigation, were, like me, unaware of the Mulroney-Schreiber commercial relationship. Mulroney's unrelenting campaign to persuade me not to publish the story about the money for one reason only — to protect his reputation — was brutal, heavy-handed, and extremely wearing.

No satisfactory explanation about the money and the commercial relationship has ever been given. Instead, all we have are mushy conflicting accounts from Mulroney and his circle. The payment was to assist Schreiber with his pasta business. It was for international introductions. It was legally privileged. It was to help out with Bearhead. The fact is that we are still far from fully informed about why the money was paid or, put another way, what exactly Mulroney did

its home-field advantage to European Airbus? And why? Perhaps it was very straightforward: Airbus had the better product.

While Mulroney ultimately declined to give his government's green light to the Bearhead project, his officials did sign a letter of intent with Thyssen just before the 1988 election. Thyssen money, in the millions, began to flow soon after. Where did that money go? Schreiber considered suing over the letter of intent and even got an opinion from a leading counsel that the German industrial giant had a good case. Schreiber wanted to proceed with the action, but Thyssen said no. Some losses are best just written off. The commissions in the helicopter deal were, in contrast to the other deals, chump change. So what was it all really about?

There are a number of interesting theories about the movement of Schreiber's money, to Mulroney and to others. One of them is that Mulroney needed money, so Schreiber gave him some. "I can tell you," Mulroney told me on June 4, 1998, "when I first started out, I needed ... money quite badly." There were certainly indications at the time. In the summer of 1993 the Mulroneys were moving back home to Montreal. Between April and October, Boyd's Moving made many trips between Ottawa and Montreal with trailers filled with Mulroney stuff, as they transported their 24 Sussex lifestyle to Westmount. Initially they made a deal to sell sixty-five pieces of furniture, along with bedding, carpets, wallpaper, curtains, and assorted knickknacks, to the government for \$150,000, but the media got wind of the arrangement and a public outcry erupted, forcing the Mulroneys to rescind their offer and return the government cheque.²⁸ Schreiber was aware of Mulroney's financial situation the day he went to visit him at Harrington Lake, and he was more than willing to help out.

Still pitching his Bearhead project, Schreiber believed the former prime minister would be an excellent ambassador for the company — at home and abroad — with its peacekeeping vehicles and other products. "I am aware that many of the companies that Brian Mulroney is involved with today have similar reasons for employing him," he told me. "After Mr. Mulroney left office he was looking for clients to generate income that, in my opinion, he badly needed in those days. When I look back, I have to say that I like Brian Mulroney. I liked him from the beginning ... I was introduced to him at the request of Mr. Strauss through Walter Wolf and Michel Cogger at the time that he was president of Iron Ore. From then on I was involved to support his political activities ... Whatever comes, whatever shows up in the public as negative about me coming from Mr.



Brian Mulroney, Karlheinz Schreiber, and Helmut Kohl — together in happier days

Mulroney or his circle will not excite me because he has done something that I begged him to do, and that is to support the reunification of Germany. At the time, François Mitterrand and Margaret Thatcher were not in favour. George Bush, James Baker, and Brian Mulroney were the ones who supported the idea of reunification and made it happen with the governments of Mikhail Gorbachev and Helmut Kohl."

Canada and Mulroney played a part in German reunification, although not, perhaps, as significant a role as Schreiber believes. Former president George H. Bush recalls in *A World Transformed* (co-written with Brent Scowcroft) various discussions with the Canadian prime minister on German reunification — an initiative that, with certain reservations, Mulroney supported. When Soviet leader Gorbachev agreed in late September 1989 to negotiate Bush's proposed Open Skies Treaty, Mulroney offered Ottawa as the first site for talks. The Ottawa Conference took place February 12–24, 1990, attended by all member nations of the Warsaw Pact and NATO. Before the participants turned their attention to Open Skies, however, discussions were initially dominated by the German question. On February 13, 1990, the foreign ministers of the Federal Republic of Germany, the German Democratic Republic, the United States, the Soviet Union, Great Britain, and France reached agreement on the start of the "two-plus-four" talks, which culminated in reunification later that year. When Mulroney was examined in Montreal as part