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TRIUMPH & TREACHERY: THE BRIAN MULRONEY STORY

LLOYD ROBERTSON (Host): Brian Mulroney inspired both intense loyalty and fierce outrage among Canadians. As the 18th Prime Minister, he took this country through tumultuous times with sweeping reforms that reshaped Canada, and a momentous failure that left the nation divided. Only now is he giving us the inside story of his life and politics. He tells us that up until this time, he has been busy fighting to save his reputation against attacks from opponents. In this series of interviews based on his memoirs, you'll meet a Brian Mulroney you've never seen before, and hear stories that will both amuse and amaze, including an account of a dark plot to undo his government and threaten the country. It is one man's journey that brought both triumph and treachery.

BRIAN MULRONEY (Former Prime Minister of Canada): I had one of the biggest majorities in history. I was the first Prime Minister in 35 years to win back-to-back majorities. First Conservative to do it in a hundred years.

LLOYD ROBERTSON: The arena in Baie-Comeau, Quebec. Here Brian Mulroney, the political warrior, celebrated his biggest electoral triumph, September 4th, 1984. Did you have any idea that evening that you were about to go into the fishbowl existence that your life became?

BRIAN MULRONEY: Not a clue. I knew it would change, but I didn't realize it would change as much as it did.

LLOYD ROBERTSON: The Conservatives had been out of office by that time for most of the previous 21 years. Did you feel that you and your team were prepared and ready to go?

BRIAN MULRONEY: Well, there's always a problem of inexperience. I was an inexperienced leader. The team had not had much exposure, if any, to government, hardly at all. And so I knew that we were going to encounter some difficulties. Plus we had guided the country through a recession, the GST, free trade, NAFTA, the Gulf war, you name it, a lot of controversy.

LLOYD ROBERTSON: It was said by some that more people believed Elvis was alive than were prepared to support Brian Mulroney when you left office in 1993. Do you feel that Canadian attitudes towards you have mellowed a little bit in the last 14 years?

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BRIAN MULRONEY: In 1993 that was kind of the situation I'd obtained. Today, well, it's entirely different in the sense that I've been out for a long time. Mila and I are greeted marvellously everywhere we go, the crowds...we've gone into restaurants and people stand up and cheer.

LLOYD ROBERTSON: For Brian Mulroney, his long road to politics and power began in Baie-Comeau, on the North Shore of the St. Lawrence River.

BRIAN MULRONEY: When I was a child in this town, I didn't even know there was a Prime Minister, you know? We were pretty isolated, pretty far away. The core of the town is unchanged. This is the way it was 60 years ago.

LLOYD ROBERTSON: It's a pulp mill town that sprang out of the forest during the Great Depression. Mulroney's father, Ben, moved here with his wife Irene, settled into full-time work and began building a family. Martin Brian Mulroney was born on March 20th, 1939, the third of six children. And while he certainly became Baie-Comeau's most famous native son, there is one other who gets equal billing: an American newspaper tycoon who built the town to provide newsprint for the Chicago Tribune and his chain of papers. Walking along the

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street here, can't help but miss some representations of Colonel McCormack, who started the mill here right out of the bush years ago.

BRIAN MULRONEY: Without Colonel McCormack, there are tens and tens of thousands of families, starting with the Mulroneys, who would never have had the same opportunity that we've had in life because of his willing to invest and to build.

LLOYD ROBERTSON: Your relationship with Colonel McCormack is often spoken of. You actually sang for the colonel and for his wife one time.

BRIAN MULRONEY: Well, it happened to be her birthday. Colonel McCormack asked if somebody could sing "Dearie", his wife's favourite song. Maybe one of the Mulroney kids would, because they're singing all the time. And so he came and we knew it, and so I was asked to sing it. My sister Olive played.

LLOYD ROBERTSON: Can you sing a few bars of "Dearie" for us? Do you still remember the words?

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BRIAN MULRONEY: Well, it was 50-odd years ago. It went something like: (SINGING) Dearie, do you remember when we waltzed to the Sousa band? My, wasn't the music grand?

LLOYD ROBERTSON: (SINGING) Da-da-da-da-da-da, that's it!

BRIAN MULRONEY: (SINGING) Chowder parties down by the seashore every Fourth of July. (LAUGHS) Got a big round of applause and 50 US dollars.

And as I told the New York Economics Club years later when I was Prime Minister, was that I took the money and gave it to my mother, and it was in that way the Mulroney family became the first direct beneficiaries of American foreign aid. (LAUGHS)

LLOYD ROBERTSON: When you made that speech, some Canadians said, "Aha! There it is. Brian Mulroney, to his very roots, is pro-American. He's crowing for the industrialists."

BRIAN MULRONEY: That's right, I was ten years old. (LAUGHS) The loony left, you know, you've got to love 'em! In Canada. What a nutty bunch!

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LLOYD ROBERTSON: In Mulroney's childhood, home was along this strip of company-owned houses. Aside from several coats of paint, not much has changed today.

BRIAN MULRONEY: Champlain Street was the Elm Street of my dreams. Everybody knew one another. Everyone got along. We were Irish Catholics, and we lived right next to the Hall family. They were English-speaking Protestants. Next to us were Catholics. By the time I was 12, I didn't have a clue who was what. They were all just people from Champlain Street.

LLOYD ROBERTSON: It's impossible for him to walk up the street without running into old pals and neighbours.

BRIAN MULRONEY: Long time no see!

UNIDENTIFIED: You're God damned right!

BRIAN MULRONEY: One thing we all learned pretty early, although we didn't know what it was called then, is tolerance. And that was the principle hallmark of Baie-Comeau, which I carried with me through life.

UNIDENTIFIED: Bonjour!

BRIAN MULRONEY: La famille de Charlie!

UNIDENTIFIED: Oui!

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BRIAN MULRONEY: Bien oui, de Charlie et Isabelle!

LLOYD ROBERTSON: Young Brian was an altar boy, but he admits to being a challenge.

BRIAN MULRONEY: Me, I was a bit of a pain.

LLOYD ROBERTSON: That's why that sister in school said of you, "Brian Mulroney, you have the face of an angel, but you're no angel."

BRIAN MULRONEY: (LAUGHING) Sister Rose Rita, from the Sisters of the Holy Cross. Absolutely. And so my father...

LLOYD ROBERTSON: And she had you cleaning graffiti off the wall, is that right?

BRIAN MULRONEY: She did. She did.

LLOYD ROBERTSON: So you and your chums were putting graffiti on the wall.

BRIAN MULRONEY: That's right. We'd get caught at it.

LLOYD ROBERTSON: Like most families in Baie-Comeau, the Mulroneys were working class poor. In your book you say that you respected your father, you feared him a little bit, but your mother was the core of the family.

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She held everything together, and you never wanted to disobey her because you loved her so much.

BRIAN MULRONEY: That's right. It's amazing, you know, what they achieved with so little, and we're...we lived right there, at 99 Champlain, and I can see her in my mind's eye looking after six kids, my father, borders, with no educational background to do it. My father we were a little fearful of, didn't want to disappoint him, but my mother, we didn't want to disappoint her because we loved her so much. She was the centre of our lives. There it is, 99 Champlain.

LLOYD ROBERTSON: A small semi-detached house that Brian Mulroney has not been inside in 50 years.

UNIDENTIFIED: Bonjour!

BRIAN MULRONEY: Allô, salut! Tu sais, on me dit que je peux visiter deux minutes?

UNIDENTIFIED: Pas de problème!

BRIAN MULRONEY: Ah, comment ça va?

LLOYD ROBERTSON: A new young family moved in just days before this visit. Despite the years, all very familiar.

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BRIAN MULRONEY: And in here was my brother and me originally in here.

LLOYD ROBERTSON: And in the living room, Mulroney can still see his dad coming home after working two jobs to make ends meet.

BRIAN MULRONEY: And he'd have a beer, put his feet up and say, "Well, Brian, we're almost over the hump. We're just about over the hump. You know, a little while, everything's going to be ok." This was, he was referring to our financial problems. And of course, we both knew that that wasn't entirely accurate. We had a long way to go before we got over any hump.

LLOYD ROBERTSON: To help, young Brian took on a series of jobs, like delivering fliers with his sled. Your father had something to say to you the day you went home and said, "I'm sick of distributing those fliers. I don't want to do it anymore. I want to throw them in a snow bank." And he said:

BRIAN MULRONEY: "Don't you ever quit anything that you're doing. Even though you're down and defeated, keep going. Get up and keep going. Never quit anything that you have taken on. Finish it off to the end. Do your very best."

LLOYD ROBERTSON: In spite of criticism.

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BRIAN MULRONEY: In spite, "Never," he said, "never let any criticism stop you or deter you from what you want to do."

LLOYD ROBERTSON: Determination was to become a hallmark of Brian Mulroney's personality. He went to university at St. Francis Xavier in Nova Scotia, but every summer he'd come home to Baie-Comeau to earn his tuition. He'd sit at the Taverne aux Amis with pals who'd stayed to work in the mill. But when Mulroney offered to quit university...

BRIAN MULRONEY: And so I said to my father, "You know, Dad, what I really ought to do here is interrupt my education and join this great apprenticeship program that the company has started, and I'd be able to contribute more quickly to the finances of the family." And he said, "Well, Brian," he said, "it's true that we need the money, but the only way out of a paper mill town is through a university door, and you're going to university to finish it off."

(COMMERCIAL BREAK)

LLOYD ROBERTSON: May 1959. This rare home movie shows Brian Mulroney at his graduation from St. Francis Xavier University in Antigonish, Nova Scotia, St. FX. Here with his father and mother. Having found

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that university door they had told him was his exit from a mill town. It was at St. FX that Mulroney chose the Progressive Conservative Party.

BRIAN MULRONEY: That's where I got involved in politics for the first time, and developed a taste for it that carried me throughout my life.

LLOYD ROBERTSON: It would seem that coming from a working class family on the Quebec North Shore, having voted Liberal in the family, that you might be inclined to go with the Liberals first.

BRIAN MULRONEY: I was approached by a young guy on the campus who asked me to consider joining the Conservative Party, and what appealed to me about it at the time was the fact that the Liberals had been in power federally for almost 22 years, and they were in power in Nova Scotia for about 40 years, and I've always liked the underdog, so I figured this is for me.

LLOYD ROBERTSON: The pages of the St. FX annual at his graduation year laud Mulroney's achievements: a champion debater, a silver-tongued orator, undefeated in three intercollegiate debates, Prime Minister of a model Parliament, and a committed Conservative.

BRIAN MULRONEY: I attended the leadership convention that selected John Diefenbaker in December of 1956 in Ottawa. This was an

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extraordinary thing for a kid from Baie-Comeau to wind up at a national convention. And I was supporting Dief. The chairman of the Youth for Diefenbaker movement was Ted Rogers.

LLOYD ROBERTSON: The Ted Rogers?

BRIAN MULRONEY: The Ted! Ted was my chairman. He had recruited me to be on the Youth for Diefenbaker committee.

LLOYD ROBERTSON: You did have a job there, did you not? Ted Rogers said, "We want you to..."

BRIAN MULRONEY: Put up posters. He said, "I want this town blanketed with posters of Diefenbaker."

LLOYD ROBERTSON: Did you meet him?

BRIAN MULRONEY: Oh, sure!

LLOYD ROBERTSON: What did he say when you met him?

BRIAN MULRONEY: "Brian, I want to thank you for all your help." I just about died! Then in a dead giveaway, he said, "You know, posters are an important part of winning a campaign." So I knew that Ted had given him the gears on this thing.

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LLOYD ROBERTSON: Chosen as leader, Diefenbaker went on to the biggest win ever. And the young Brian Mulroney would learn soon enough that politics is a blood sport, where loyalties are often questioned, and betrayal is not uncommon. Even his early hero would eventually do him in. Back at university, Mulroney focused on his thesis, which would help define his later life and politics.

BRIAN MULRONEY: Which dealt with the politics of Quebec.

LLOYD ROBERTSON: Now, you believed of course that Quebec was a distinct society. How did you set out the idea that it was distinct?

BRIAN MULRONEY: Well, simply because it is. It's the only French-speaking part of geography in North America that exists.

LLOYD ROBERTSON: Back then, there wasn't much research on the political changes stirring in Quebec. So Mulroney asked for help from Quebec scholars and politicians.

BRIAN MULRONEY: One of the responses that I got back was a hand-written letter from a University of Montreal professor who said, "I

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congratulate you on trying to do a thesis on such an important topic," and the author of the letter, the hand-written letter was signed Pierre Elliot Trudeau.

LLOYD ROBERTSON: Pierre Trudeau's letter, made public here for the first time, goes on to offer Mulroney suggestions to further his research, including a paper written by Trudeau himself, and concludes, "I hope these suggestions will be useful to you, and I would be interested in reading your thesis. Best of luck to you." Did you have any sense from the letter of the kind of Quebecker he was or would become?

BRIAN MULRONEY: I knew of him. I knew what he was doing at the time. He was a very active socialist in those days, and I'd never thought of him as a...you know, would be much of a political success.

LLOYD ROBERTSON: Then Mulroney puts his love of politics and his home province together. It's 1961. He's at Laval University in Quebec City, studying law. Mulroney sends this telegram to John Diefenbaker: "Warning of separatists in Quebec." He offers a five-point plan to fight them, which Mulroney believes will bring the Tories support in Quebec needed to keep winning majority governments. 22 years old, and you set out a number of conclusions you've reached about keeping Quebec in Confederation and how it should be done, including a flag and an anthem. What happened with this?

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BRIAN MULRONEY: And an official bilingualism policy.

LLOYD ROBERTSON: Right.

BRIAN MULRONEY: It may not have been consistent with his own views. I don't know. He never responded. I got responses from secretaries and advisors, but never from him.

LLOYD ROBERTSON: However, all those suggestions were implemented later by...

BRIAN MULRONEY: The Liberals.

LLOYD ROBERTSON: The Liberals, under Lester Pearson.

BRIAN MULRONEY: Every one of them. That translated into, I don't know, another 25 years of power for them.

LLOYD ROBERTSON: Undaunted, Brian Mulroney remains an active Conservative. At Laval he builds a network of friends, and one friend is closer than any other, a young law student from a poor Quebec background similar to his own: Lucien Bouchard.

(COMMERCIAL BREAK)

LLOYD ROBERTSON: Brian Mulroney is unquestionably one of the most successful politicians of our time, and with Mila at his side, he
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really had the country dancing to his tune. They met when he was a dashing young labour lawyer in Montreal, and working the back rooms of the Conservative Party, here with the ultimate backroom boy, Dalton Kemp.

BRIAN MULRONEY: More Tories got more free booze during that period than you could shake a stick at.

LLOYD ROBERTSON: At 33 after settling a big strike, he was resting up poolside.

BRIAN MULRONEY: This girl wafted by in a bikini...

LLOYD ROBERTSON: Do you remember the colour?

BRIAN MULRONEY: Yeah, it was blue and white. And I said holy smokes! So I go over to see the manager, Charlie, of the club. And I said to him, "Charlie, who's this girl anyway? Stunner!" He said, "Why don't you wait a day?" I said, "Why?" He said, "Because she's 18." I said, "What's that got to do with anything?" Well, he said, "Tomorrow's her birthday. She'll be 19. Be easier for you then." (LAUGHS) I say, "Well, Charlie, thank you very much," and I went and introduced myself.

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LLOYD ROBERTSON: And you sensed something right on the spot. You sensed that she was going to be the one you were going to marry shortly after you met her.

BRIAN MULRONEY: Yeah we had a chat, and I said to myself this is the girl I'm going to marry.

LLOYD ROBERTSON: That girl was Mila Pivnički, who'd come to Canada as a refugee from communist Yugoslavia at the age of five.

MILA MULRONEY (Wife of Brian Mulroney): At 19, I had my career planned. I was going to be an engineer. I was going to be an architect. But when we did finally go out, he was so amusing and so worldly and so kind, that everything came together.

LLOYD ROBERTSON: So there was a spark pretty fast.

MILA MULRONEY: He came over for dinner, and my mother said to me, "Who is this person?" And I said, "I don't know, but I think he wants to marry me." So it was one of those... I mean, I think we both had an inkling, but I was thinking marry me down, say in six years.

LLOYD ROBERTSON: Not that...

MILA MULRONEY: Not that year!

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LLOYD ROBERTSON: Not the kind of plan he had, which was immediate.

MILA MULRONEY: Yes, exactly, exactly.

LLOYD ROBERTSON: Right, right. Ten months later, they were married and honeymooned in Europe. Did you have any sense that you might be marrying a future Prime Minister?

MILA MULRONEY: I think he once mentioned that he had hoped in his life that he could run in politics. He would do something. Maybe one day he would like to hold public office, and maybe Prime Minister. At that point I said, "Oh, that's so nice! What a great idea!" Never actually thinking that it was going to take place. You know, it's pie in the sky for a lot of us. We can talk like that, but to actually go out and do it is quite an amazing feat.

LLOYD ROBERTSON: After a year of marriage, Caroline is born. Life in Montreal's toney Westmount neighbourhood is good. But an orgy of organized crime is rocking Quebec's construction industry. March 1974, violence paralyses the huge James Bay power project in Northern Quebec. The Quebec government appoints a commission under Justice Robert Cliche to investigate. As

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one of the three commissioners, Brian Mulroney is thrust onto the stage and becomes a household name in the province.

BRIAN MULRONEY: It became, as they say, "un vrai téléroman". It was like the biggest thing on TV every night. It was extraordinary stuff about people getting murdered and people getting maimed and people getting threatened, and criminals violating your basic rights.

LLOYD ROBERTSON: The commission report wins Mulroney praise. It is now 1976, and the Tories are looking for a new leader. Friends convince Brian Mulroney to move from the backrooms to centre stage.

BRIAN MULRONEY: (ARCHIVE): I want to try, with your support, to bring the province of Quebec into the fullness and the magnificence of Canadian life. This is what must be done through the Conservative Party.

LLOYD ROBERTSON: By the convention, he is a serious contender, until he runs smack into the man he once idolized, John Diefenbaker. Mulroney didn't back Dief a decade earlier when the former Prime Minister's leadership was under attack. Now it's the chief's turn to get even.

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BRIAN MULRONEY: He made it very clear that someone who had not been elected to the House of Commons should never be leader of the Conservative Party, and inasmuch I was the only one, it applied to me.

JOHN DIEFENBAKER (Former Prime Minister of Canada):
(ARCHIVE): In the British Parliamentary tradition, those that achieve the prime ministership must have had years of experience.

BRIAN MULRONEY: As soon as he spoke those words, I said to Mila, "Honey, we're dead in the water."

LLOYD ROBERTSON: In his book, Mulroney presents evidence that the elected MPs ganged up against him and persuaded Diefenbaker to sink him. Joe Clark wins the leadership.

BRIAN MULRONEY: (ARCHIVE): I have no regrets at all. We put together...I always thought that we could make a contribution to the party and to the country.

LLOYD ROBERTSON: When you write of that convention, you say, "Joe Clark and I both sought the leadership, both too young, too inexperienced. Unfortunately for him, he won." What did you mean by that?

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BRIAN MULRONEY: Joe won the convention fair and square, but as it turned out, he, like I, was really too young at that time, too inexperienced. And so he suffered as a result of that, and as you know, lost the government within some months. I was well served, as it turns out, by my defeat in '76. Time went by, and I moved on to the Iron Ore Company where I spent eight or nine years developing experience and international experience and so on.

LLOYD ROBERTSON: And Pierre Trudeau intervenes in your life once again.

BRIAN MULRONEY: Yes, he did. In the autumn of 1976, his trusted aide came to see me and said that he had been instructed by the Prime Minister to visit with me to see if I would be interested in switching parties and joining the cabinet.

LLOYD ROBERTSON: Well, this was a pretty attractive offer. Did you think hard about it, or did you reject it quickly?

BRIAN MULRONEY: I think I rejected it quickly. I joined the Conservative Party as a youngster, and here I had sought the leadership and was rejected, and I felt if I had just moved on the basis of that, it would have shown a complete lack of principle and commitment.

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(COMMERCIAL BREAK)

LLOYD ROBERTSON: At age 36, Brian Mulroney, the poor boy from Baie-Comeau, has grabbed for the leadership of the Progressive Conservative Party, and has come up short.

BRIAN MULRONEY: We were kind of road kill, and we were left there, and we went back to Montreal, and had to start all over again with no assistance or no encouragement, or very little. I mean, there was no outreach to Mila or me by the party or anything.

MILA MULRONEY: I was very sad for him. I knew how gruelling the last few months had been for him, and I knew how...well, how much it all entailed. Not only the financial, not only the...his energy levels, his lack of sleep, his writing your own speeches; he was sort of a one man band for that first campaign. And so I was very sad. But I knew it wasn't the end.

LLOYD ROBERTSON: In the book, both on the page and between the lines, you can see that he was really devastated after that first...

BRIAN MULRONEY: Of course he was. Of course he was. And he was devastated because to have people that you admired, to have them say, "No, you're not good enough," that's a very tough thing to accept.

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LLOYD ROBERTSON: Mulroney leaves his law practice and becomes president of the Iron Ore Company of Canada, a high-flying international executive, working for an American subsidiary. At home, three children now: Caroline, Ben, named after his grandfather, and Mark. These private photos show a happy family. But now Mulroney must face a nagging problem. Social drinking that started in his youth is getting out of control.

BRIAN MULRONEY: The drinking was a...unquestionably a problem, I think graduating to a serious problem, and had I not dealt with it, would have clearly knocked me out of contention for the kind of life I've been able to lead.

LLOYD ROBERTSON: Over what period of time were you...what should we call yourself, a heavy drinker?

BRIAN MULRONEY: Maybe for...ten years.

LLOYD ROBERTSON: Ten years. And what was the revelation that made you come to and say, "Hey, I've got to stop this,"?

BRIAN MULRONEY: Well, nothing in particular. It wasn't an epiphany. I had not been to any group or anything like that. But a couple of my very good friends, starting with my wife, were saying, you know, "Hey, you better watch it. You know, you're doing too much of this."

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LLOYD ROBERTSON: When Mrs, you said Mrs. Mulroney was the beginning of that, was that in the nature of an ultimatum, that is, "get this right or we're in trouble"?

BRIAN MULRONEY: No. It was "get this right or you're in trouble." (LAUGHS)

LLOYD ROBERTSON: So how did you go about dealing with it?

BRIAN MULRONEY: I woke up one morning and said, "I'm never going to have another drink."

LLOYD ROBERTSON: Just like that.

BRIAN MULRONEY: Just like that. And from that day to today, which is 27 years, I've never had a drink.

LLOYD ROBERTSON: So you quit cold turkey with no help. How tough is that to do?

BRIAN MULRONEY: Very tough. Very tough. Although, I have to tell you, that I found it tougher to give up smoking. I loved smoking cigarettes, and I smoked too much, and probably a dimension of some kind of an addictive personality, although the alcohol was something that I felt urgently that I

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had to do. And I did. And in fact, it was, I don't know, a couple of weeks went by, and Mila said to me, "What are you doing?" I said, "I'm not doing anything!" She said, "Yes, you're doing something different." And then she said, "Oh, I know what's going on."

LLOYD ROBERTSON: You hadn't told her you'd quit drinking.

BRIAN MULRONEY: I hadn't told her, because I didn't want to tell anybody.

LLOYD ROBERTSON: Why, in case you fell back into the...?

BRIAN MULRONEY: In case you fell back.

LLOYD ROBERTSON: And then Mulroney gets what few politicians are ever offered: a second chance. Joe Clark had gone on to win a minority government, but he blows it. December 1979, Clark's government loses a non-confidence motion.

BRIAN MULRONEY: And there were specials on television saying the government had just been defeated, which I couldn't believe. I thought it was lunacy.

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JOE CLARK (Former Prime Minister of Canada):

(ARCHIVE): Mr. Speaker, I rise on a point of order. The government has lost a vote on a matter which we have no alternative but to regard as a question of confidence, and I simply want to advise the House that I will be seeing his Excellency the Governor General tomorrow morning. (APPLAUSE)

LLOYD ROBERTSON: How do you categorize that event in modern political history?

BRIAN MULRONEY: I think it was one of the great mistakes in judgement to go into the House of Commons after 16 years in opposition and to place the government, the life of the government in peril and in this case, certain defeat, is an unusual decision. I believe that if you get elected, hang on to power. Do what you can. Exercise your authority as best you can for as long as you can, and then consult the people.

LLOYD ROBERTSON: So Joe Clark's fault?

BRIAN MULRONEY: It's always the Prime Minister's fault. It's always the Prime... Even when it's not the Prime Minister's fault, it's the Prime Minister's fault, as I've found out.

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LLOYD ROBERTSON: Joe Clark's fall from grace is not yet complete.

REPORTER: (ARCHIVE): Have you heard any voices saying they would prefer that you didn't stay on as leader, or are you happy with the support you got?

JOE CLARK: (ARCHIVE): We had a very productive caucus today.

LLOYD ROBERTSON: He wins a leadership review, but insists two-thirds support is not enough. Clark calls for a full-blown leadership convention.

BRIAN MULRONEY: Had the roles been reversed, I guarantee you, I would never have surrendered the leadership the way he did. You know, it's often said that Joe was removed from the leadership in Winnipeg. Absolutely false! He resigned the leadership.

LLOYD ROBERTSON: For Brian Mulroney, it's all coming together. As President of Iron Ore, he closes down an entire town, Shefferville, Quebec, potential political suicide. But it isn't.

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BRIAN MULRONEY: (ARCHIVE): The people who are affected, temporarily or otherwise, by these decisions are going to be treated very honourably and very fairly.

LLOYD ROBERTSON: Mulroney's labour relations moves are praised. Ready for the next step, Mila gives him the green light. And when he came to you to ask you specifically about running a second time, you seemed ready at that point.

MILA MULRONEY: I just felt it was time for him to go again. I just felt that if he wanted to go, if he wanted to run, now was the time, and we were ready as a family. The children were young enough and busy enough, and I was strong enough physically that we could handle the challenge.

LLOYD ROBERTSON: And what he said, "Will I win," you said...

MILA MULRONEY: I just said to him, "If you don't run, you'll never know."

LLOYD ROBERTSON: March 21st, 1983, the day after his 44th birthday, Brian Mulroney announces his leadership campaign.

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BRIAN MULRONEY: (ARCHIVE): I'm going to run a frugal and a thoughtful and a delegate-oriented campaign.

LLOYD ROBERTSON: With Mila by his side, he criss-crosses the country and wins over the delegates one at a time. And sometimes in unconventional ways.

BRIAN MULRONEY: Well, Ace McCann, who is my great friend from Pembroke, had lined up this wonderful young lady by the name of Jacquie Cotnam, and so Ace said, "Now look, she's key here. And she's very policy-driven, so you're going to have to meet with her alone, and answer all of her questions, and she may or may not vote for you." So we get together in a diner for breakfast. We both order bacon and eggs. The eggs come, and the bottle of Heinz ketchup wasn't producing. So Jacquie takes her knife and puts it in the bottle and shakes it out a little bit, and get some ketchup for the eggs. And I watch this, and I promptly grab the bottle myself and do exactly what she did, put it on my eggs. And we had it, and she asked me every question under the sun. And then Mila and I got on the plane and went to Vancouver to campaign. So I called Ace when I got in that night. And, "Oh, jeez," he said, "I've got good news for you." I said, "What's that?" He said, "Jacquie Cotnam's going to vote for you, and she's going to round up every vote in the valley." "By God," I said, "Ace, what was it? Do you

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think it was my forestry policy for the...or my economic development policy for the valley, or...and my constitutional position?" He said, "No, it's the way you handled the ketchup!" (LAUGHS)

LLOYD ROBERTSON: By the time Progressive Conservatives gather in Ottawa, Brian Mulroney is the one to beat, but not guaranteed. Leadership candidates Michael Wilson and Peter Pocklington are knocked out on the first ballot. They're expected to throw in with Mulroney, but...

BRIAN MULRONEY: Michael and Peter, you could see them heading across the floor towards us. And then all of a sudden, they switch course, and they started to walk right by us. And Mila saw this, and she burst into tears because she said, "My God, this is '76 all over again." But what happened was that they had gotten lost in the hurly-burly of the convention floor, and stopped finally, and then turned around and saw us and headed back to our box.

REPORTER: (ARCHIVE): Yes, they're both coming into Brian Mulroney's camp now, Wilson and Pocklington together.

BRIAN MULRONEY: And what Michael Wilson and Peter Pocklington did that day was key to our success.

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LLOYD ROBERTSON: On the fourth ballot, Brian Mulroney is the new leader of the Progressive Conservative Party, his next step on his road to success.

(COMMERCIAL BREAK)

LLOYD ROBERTSON: For nine years, this was Brian Mulroney's office on Parliament Hill. Today it belongs to the current PM, Stephen Harper. But memories of Mulroney's first days here are still fresh.

BRIAN MULRONEY: Exactly one floor above this is the office of the Leader of the Opposition. I told my senior staff soon after I became leader that the Liberals like to think that because we're upstairs, that we had won something. But we haven't won a single thing, and the truth of the matter is that what I planned to do was to go across to the Langevin Block and throw all the furniture out on the street, and throw all those Liberals out, and then go for a swim in Trudeau's swimming pool. And then and only then will we realize we've won something.

LLOYD ROBERTSON: Brian Mulroney gets his chance in 1984. Pierre Trudeau resigns.

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PIERRE ELLIOT TRUDEAU (Former Prime Minister of Canada): (ARCHIVE): The skies were right. Went for a long walk. Came back at midnight. Took a sauna, got rid of all the...the accumulated baggage and just made up my mind.

LLOYD ROBERTSON: John Turner takes over as Prime Minister, and calls an early election. Almost immediately, the issue is patronage. Turner appoints Liberals to government jobs at the request of Pierre Trudeau.

JOHN TURNER (Former Prime Minister of Canada): (ARCHIVE): The appointments that were announced earlier today, all those appointments except one were in furtherance of my commitment to Mr. Trudeau.

LLOYD ROBERTSON: And Mulroney was criss-crossing the country, also talking patronage, appointments for Conservatives should he win the election. Then Brian Mulroney makes his first major campaign mistake. It's Mila's birthday, celebrated with reporters at the back of the plane.

BRIAN MULRONEY: (ARCHIVE): I started as a waiter, and here I am again. (LAUGHTER)

LLOYD ROBERTSON: But Mulroney doesn't stop his joking there. Off the record comments that are reported in the Ottawa Citizen.

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REPORTER: (ARCHIVE): Mulroney referred to Bryce Mackasey's appointment as ambassador to Portugal. His comment last Saturday was, "Let's face it. There's no whore like an old whore. If I had been in Bryce's position, I'd have been right in there with my nose in the public trough like the rest of them.

BRIAN MULRONEY: (ARCHIVE): I was mistaken to treat so important a matter in a way which might be misunderstood, and very much regret having done so.

LLOYD ROBERTSON: During the TV debate, Turner tries to nail Mulroney on patronage. It turns into one of the most electric moments of any campaign.

BRIAN MULRONEY: He came out with this patronage thing, and I said the only people who've been appointed around here for 25 years are the Liberals. You should be ashamed of yourself for even mentioning this. And he said...

JOHN TURNER: (ARCHIVE): I had no option.

BRIAN MULRONEY: (ARCHIVE): Well, you had an option, sir. You could have said, "I am not going to do it. This is wrong for Canada." You

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had an option to say no, and you chose to say yes to the old attitudes and the old stories of the Liberal Party. That, sir, if I may say respectfully, that is not good enough for Canadians.

JOHN TURNER: (ARCHIVE) I had no option. I was able to...

BRIAN MULRONEY: (ARCHIVE): That is an avowal of failure. That is a confession of non-leadership, and this country needs leadership. You had an option, sir. You could have done better.

BRIAN MULRONEY: I knew when it had happened something cataclysmic had occurred. I didn't know whether it was good or bad, and I never said anything 'til we left the studio and I got in the car with Mila, and I said, "What happened?" She said, "The Earth just moved."

MILA MULRONEY: The minute the hands went up, "I had no option," it was almost, as tragic as it sounds, a deer caught in the headlights. It was just...it's over. It was over.

LLOYD ROBERTSON: Momentum is now with Mulroney. On the last day of the campaign, even protesters can't put him off.

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BRIAN MULRONEY: (ARCHIVE): I have a grown man here conducting himself like a child.

LLOYD ROBERTSON: And at the next stop...

BRIAN MULRONEY: Who walks by outside the school bus, but a guy carrying a sign that says, you know, "Down with that SOB Mulroney." And I said to him in French, I said, "Hey, come on over. Come on over." The guy looked at me. My God! "Oh," he said, "c'est Monsieur Mulroney." J'ai dit, "Oui, oui, venez me voir, venez me voir," and I leaned down and I said in very inelegant French words to the effect of, you know, why don't you go (PAUSE) yourself. (LAUGHS) And he looked absolutely...like he was going to have cardiac arrest.

LLOYD ROBERTSON: You've had some problems with a little profanity over the years, haven't you? And your mother said to you...

BRIAN MULRONEY: She said all it indicates, "You're not impressing anybody," she said. "All this indicates is that you have a weak vocabulary." And she said, "If you keep this up, I'm going to wash your mouth out with soap." Which she did.

LLOYD ROBERTSON: She did?

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BRIAN MULRONEY: Which she did. Absolutely. And unfortunately even the soap didn't completely cure me. It cut me down, cut it down a little bit, but it didn't completely extricate it.

LLOYD ROBERTSON: September 4th, 1984.

CTV: (ARCHIVE): From the CTV News Election Centre in Toronto, Decision '84.

LLOYD ROBERTSON: (ARCHIVE): And this is the story of the 33rd general election. CTV News projects a Conservative landslide.

LLOYD ROBERTSON: Brian Mulroney sweeps to power with the most seats in Canadian history.

BRIAN MULRONEY: (ARCHIVE): New opportunity, a new day for Quebec, and a brand new day for this wonderful Canada. (APPLAUSE)

LLOYD ROBERTSON: And regarding your parents at a time like this, what do you think your father would have thought if he'd been around long enough to see your success, elected as Prime Minister?

BRIAN MULRONEY: My mother did.

LLOYD ROBERTSON: Yes.

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BRIAN MULRONEY: My mother did, which was...for which I'm eternally grateful, because she did see the...one of the people who went through the tough times saw some of the sunshine. I think my father would first have been flabbergasted, so surprised would he have been by this. But then I think he would have been secretly proud and...he was very quiet in terms of expressing that kind of enthusiasm for anything.

LLOYD ROBERTSON: That night in 1984 from his hotel suite, Brian Mulroney can see the house where his father lived and died, never to see his son's success.

BRIAN MULRONEY: I lay down in a little room that looked over that street, and I listened to the radio coming in of the reports of our victory, and I was of course pretty hyper, and I couldn't sleep at all. And at three minutes to seven, I heard the mill whistle, which was the whistle that controlled his life, and from the window, I could see my dad's little house, and I was just overcome with emotion because of what he might have thought, and how hard he had worked to see some success, but never quite saw it. And so I think of him regularly and what he did, and what a great father he was, and a great husband for my mother, and a source of strength and admiration for all of us. And in my case, I felt that I...he deserved better from me, that I...I never thanked him properly.

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(COMMERCIAL BREAK)

LLOYD ROBERTSON: September 17th, 1984, Brian Mulroney is sworn in as Canada's 18th Prime Minister. The official photographer captures the moment when Mark asks, "Daddy, what's happening to us?" It was equally overwhelming for his father.

BRIAN MULRONEY: The international agenda was extraordinary. There was apartheid in South Africa, nuclear missiles pointed at London, New York and Washington, the Germanys divided, hostility and danger everywhere.

LLOYD ROBERTSON: It was the height of the Cold War. The nuclear arsenals were on a hair trigger. Relationships were critically important. You had to understand your enemies, but you had to nurture the ties with your friends. To Brian Mulroney, no relationship was more important than the one with the Americans. He worked closely with three presidents, beginning with Ronald Regan, at the time considered the leader of the free world.

BRIAN MULRONEY: He was a delightful guy. He was warm and funny, friendly, and tough as nails.

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LLOYD ROBERTSON: Which leads to the Shamrock Summit, Quebec City, and two Irish guys, as you say, singing "When Irish Eyes Are Smiling".

BRIAN MULRONEY: On St. Patrick's Day.

LLOYD ROBERTSON: But in the eyes of Mulroney's opponent...

BRIAN MULRONEY: This was the most demeaning moment in the history of Canada-United States relations.

LLOYD ROBERTSON: You were cow tying to the Americans, in their view.

BRIAN MULRONEY: How insecure can you be? How insecure can you be? This was demeaning. Not, mind you, not when President Kennedy called John Diefenbaker an SOB, not when Richard Nixon referred to Pierre Trudeau as an a-hole, not when the Chrétien crowd referred to the President of the United States as a moron. No, no, that was not demeaning. What was demeaning, according to these jerks on the loony left, were the idea of two Irish guys singing "When Irish Eyes Are Smiling" on St. Patrick's Day. How silly and insecure can you be?

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LLOYD ROBERTSON: Criticized, maybe, but the relationship established in Quebec City led to agreement with the Americans on many tough issues. There is this perception that Canadian Prime Ministers publicly have to criticize the Americans once in a while.

BRIAN MULRONEY: This is goofy stuff. If you think that you are going to insult the President of the United States or his administration or his people, how much progress do you think you're going to make on sensitive files after you have done something like this? I'll give you the answer: zero. In my nine years as Prime Minister, we did the Canada-United States free trade agreement, the Canada-United States acid rain treaty, the North American Free Trade Agreement, and the Arctic sovereignty agreement. Those are four big-ticket items that we were able to achieve in nine years.

LLOYD ROBERTSON: It wasn't only the men who advanced Canadian-American relations. It was their wives too, and Ronald Regan and Brian Mulroney knew it.

BRIAN MULRONEY: One day in a state visit in Ottawa, we were in the hangar out there, just the two of us with the RCMP and the secret service waiting for Nancy and Mila. And bands were playing, and you could hear Air Force One gearing up and so on outside, and in comes the limos. Out get Mila

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and Nancy, and they're walking towards us, and as they do, Regan puts his arm around my shoulder, and he said, "You know Brian, for two Irishmen, we sure married up!" (LAUGHS)

(COMMERCIAL BREAK)

LLOYD ROBERTSON: Brian Mulroney doesn't get back to Baie-Comeau very often these days, but when he does, the town on the North Shore of the St. Lawrence River offers a chance to remember how his personal life and political goals are rooted in Quebec. On this visit at the Manoir, where he was once a bellhop, a chance for Mulroney to visit with friends from his youth.

UNIDENTIFIED: I took my first beer on Champlain Beach because of Brian Mulroney.

BRIAN MULRONEY: And I really had to twist your arm too, as you can see. (LAUGHTER)

LLOYD ROBERTSON: So did you ever think he would go on to be Prime Minister one day? Was he one of those people you sort of red circled and said, "There's a fellow going places!"

UNIDENTIFIED: Oh well, I think we always knew he was going...he was going to go places, because he was pretty sure of himself.

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UNIDENTIFIED: Ah, ça fait 52 ans!

BRIAN MULRONEY: 52 ans.

LLOYD ROBERTSON: An Anglo-Irish kid living in a sea of French.

BRIAN MULRONEY: The integration was so total.

LLOYD ROBERTSON: Mulroney learned early that Francophones and Anglophones could live together. So when in 1982 Pierre Trudeau patriated the constitution without Quebec's signature, Mulroney was appalled. When he finally became Prime Minister, he vowed to bring Quebec on side. Mulroney summons the Premiers to Ottawa for intense negotiations. What did you have to do to get them on side?

BRIAN MULRONEY: Well, I had to focus their minds on the tremendous benefits that would come from a united Canada, and the dangers that were inherent in leaving this situation festering. Anybody who thinks that it's wise to have a country like Canada linguistically divided as we have been for 140 years, and to have a constitution that has been repudiated by the federalists and the separatists in the province of Quebec, that doesn't bear their signature, anybody who thinks this is wise had better think again.

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LLOYD ROBERTSON: Behind the scenes photos never revealed until now capture the tension. Seven long days of negotiations, horse trading Senate seats for federal spending powers. Convincing Liberal and NDP and Conservative premiers to work together. And Mulroney, the skilled negotiator, gets his deal.

BRIAN MULRONEY: (ARCHIVE): I'm delighted to announce that we have concluded a unanimous agreement with the First Ministers.

LLOYD ROBERTSON: The Meech Lake Accord, which includes recognition of Quebec as a distinct society within Canada.

ROBERT BOURASSA (Former Premier of Quebec): (ARCHIVE): I'm extremely satisfied. Ok? Could I go and sleep now?

BRIAN MULRONEY: It was nothing revolutionary, and yet it was painted by some as a sop to Quebec, and people eventually conspired to undermine it.

LLOYD ROBERTSON: Your main antagonist in all of this, at the beginning at least, was Pierre Trudeau.

BRIAN MULRONEY: Mm-hmm.

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LLOYD ROBERTSON: Did you try to establish any kind of relationship with Pierre Trudeau as a former Prime Minister? Did you reach out to him in any way?

BRIAN MULRONEY: Well, I called him and said look, we've just gotten a preliminary agreement at Meech. We have 30 days or so to make amendments to it. We have lots of time to make changes. If you've got any problems with any of it, let me hear from you. He said fine.

LLOYD ROBERTSON: Mulroney sends two senior aides to brief Trudeau in Montreal.

BRIAN MULRONEY: I expected I would hear from him. I never heard from him again.

LLOYD ROBERTSON: But you did see him again. You saw him at an event in Toronto.

BRIAN MULRONEY: About three and a half weeks later. Cardinal Carter was celebrating his 50th anniversary as a priest, and Mila and I came in, and there was Trudeau. So we walked over and shook hands, and "How are you doing?" "Parle, parle, jase, jase" kind of thing. And he was...he looked a little awkward that night, and he was hesitant, as if he was hiding something from me.

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And I woke up the next morning, and there in eight column headlines in the Toronto Star was the most vicious personal attack ever levelled by a former Prime Minister against a sitting Prime Minister and premiers in Canadian history. Never before had there been anything of such venom and virulence laid out.

LLOYD ROBERTSON: Called you a weakling.

BRIAN MULRONEY: He called me a weakling. He called us cowards. He called the premiers snivellers. Well, you name it, it was all there. It was a vicious personal attack. One of his cabinet ministers, Francis Fox, said, "Look, the only reason for this is that Pierre Trudeau doesn't want Brian Mulroney to succeed where he has failed."

LLOYD ROBERTSON: Trudeau's attack begins to turn public opinion against Meech. But Mulroney doesn't give up. He gets the premiers together again and one by one, the provinces ratify an amended agreement. But there's a holdout: newly elected Clyde Wells of Newfoundland.

BRIAN MULRONEY: (ARCHIVE): And now as we turn to deal with Quebec, to try and bring Quebec in on honourable terms, it is so easy to say, "I wouldn't do that. No distinct society for this. No this, no that, because that's a favour to Quebec."

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CLYDE WELLS (Former Premier of Newfoundland):

(ARCHIVE): I don't think there's a fundamental difference of philosophy between us and I don't want you to characterize it in that way. But no one province can hold up the constitutional development of this nation forever.

BRIAN MULRONEY: Oh, I think he had a view of Canada as a unitary state in which the provinces played a peripheral role, and that all power was best exercised centrally. He was a practitioner of the...in the Trudeau school, totally infatuated with Mr. Trudeau's view and vision, and desirous of implementing the master's voice.

LLOYD ROBERTSON: Mulroney is despondent. Without Newfoundland, Meech is finished. But Mulroney is determined. He even flies to St. John's to try to convince the Newfoundland House of Assembly to ratify Meech.

BRIAN MULRONEY: (ARCHIVE): I believe that of all of the qualities that one can associate with a democratic nation, tolerance is the highest one of all.

LLOYD ROBERTSON: The vote is scheduled for the next day.

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BRIAN MULRONEY: After dinner, I said, "Clyde, what are our chances tomorrow." And he said, "On a scale of one to ten, I'd give it a five." In other words, that for me was encouraging, because we'd have given it a zero given his opposition before. So I went home pretty confident that we were going to make it the next day in the vote.

LLOYD ROBERTSON: But it doesn't happen. The official photographer captures a stunned Mulroney and his staff, watching Clyde Wells announce that the Newfoundland Legislature will not even vote on the deal.

CLYDE WELLS: (ARCHIVE): The present government of Canada is still rolling the dice, gambling with the future of this country.

LLOYD ROBERTSON: Meech is dead.

BRIAN MULRONEY: (ARCHIVE): Yesterday evening, the last remaining hope that the accord would be ratified was dashed when the House of Assembly of Newfoundland and Labrador adjourned without a vote.

LLOYD ROBERTSON: What was his explanation for cancelling that vote afterwards?

BRIAN MULRONEY: Well, it was interesting. I remember an interview that he went to the late Bill Cameron on the Journal. When three times

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Cameron says to him, "But Mr. Wells, you had Prime Minister Mulroney down there the night before at dinner at your house. Did you not tell him you were going to cancel the vote the next day in the Legislature?" Three times. And three times Mr. Wells says, "Honestly, Bill, I can't remember. I can't remember." Can you imagine that? That was Clyde Wells. There, you just had it right there.

LLOYD ROBERTSON: The next day at a Liberal convention in Calgary, Clyde Wells sits with Pierre Trudeau. In his memoirs, Mulroney blames Wells for the failure of Meech, but attacks Trudeau as the hidden architect of its defeat.

BRIAN MULRONEY: He had the option of being helpful or being destructive, and he chose the destructive course.

LLOYD ROBERTSON: Trudeau's actions cause Mulroney to rise to the attack. In his book, he castigates the former Prime Minister. Was it necessary to go right back into his past as a young man?

BRIAN MULRONEY: His friends did! They described what kind of conduct that he had. I didn't. And I felt it's relevant to an understanding of his mindset, that this is far from a perfect man. This is a man who questioned the allies and when the Jews were being sacrificed, when the great extermination

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program was on, he was marching around Outremont here on the other side of the issue.

LLOYD ROBERTSON: But how much of that past, Mr. Mulroney, would be part of youthful exuberance? He was a rebellious youth, yes, and a lot of people in Quebec were against conscription. He wasn't alone there.

BRIAN MULRONEY: Of course he wasn't. But they aren't around 50 years later to say, "I'm Captain Canada." Look out of 11 million citizens of this country, there were a million people, young men from British Columbia to Newfoundland, who rose to fight the Nazis, the most evil machine ever known to man, trying to exterminate the Jews. Everybody knew that. And all these young Canadians rose and went overseas to fight them. Pierre Trudeau was not among them. That's a decision he made. He's entitled to make that kind of decision. But it doesn't qualify him for any position of moral leadership in our society.

LLOYD ROBERTSON: The two of you were both sons of Quebec, both trying to get Quebec into the constitution. In the end, looking at it, did both of you lose, because neither one of you achieved what you wanted to get?

BRIAN MULRONEY: I think Canada lost.

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LLOYD ROBERTSON: Where does Meech sit with you now today? Do you think about it very much?

BRIAN MULRONEY: Well, Meech is like a death in the family. I...it's almost like a throbbing toothache that you have that comes and goes from time to time. Anytime...in 1995, for example, during the referendum, this was like a movie that I had seen, and everybody could predict the outcome except some people who kept saying, "Don't worry. We don't need Meech." You know who I'm talking about.

LLOYD ROBERTSON: October 1995, and in that Quebec referendum, Canada comes within 54 000 votes of breaking up.

(COMMERCIAL BREAK)

LLOYD ROBERTSON: During his nine years as Prime Minister, on the world stage Brian Mulroney found the success that often eluded him at home, working with the most prominent leaders of his time. US Presidents Ronald Regan, George Bush Senior, British Conservative Prime Minister Margaret Thatcher.

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BRIAN MULRONEY: Tough as nails, a great hostess, charming, thoughtful, who could then hit you over the head with a baseball bat if she disagreed with you on a matter of substance.

LLOYD ROBERTSON: She had a little bit of ambivalence about you at time when she was asked about you as a conservative. She said, "He's a progressive conservative."

BRIAN MULRONEY: In her book she said, "Brian Mulroney, he's charming and charismatic, but I fear he places too much emphasis on the adjective, rather than on the noun." In other words, I wasn't right wing enough for her. (LAUGHS)

LLOYD ROBERTSON: They were allies most of the time, but there was one matter of substance on which they locked horns: apartheid in South Africa, and how to get rid of it.

BRIAN MULRONEY: (ARCHIVE): This is all about dealing with a regime that is rooted in evil.

LLOYD ROBERTSON: Mulroney pushed for economic sanctions. Thatcher disagreed.

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BRIAN MULRONEY: She was against apartheid. She was against it. She thought it was morally reprehensible. But her problems were that there was huge British investment in South Africa compared to any of the rest of us. Colossal investment. She tried to get me to moderate my position and I wouldn't do it.

LLOYD ROBERTSON: Mulroney remembers this meeting at Montreal's Mirabel airport where Thatcher gives him a dressing down.

MARGARET THATCHER (Former Prime Minister of the United Kingdom): (ARCHIVE): In the end, the matter always has to be done by negotiations, so let's concentrate on getting those negotiations going.

LLOYD ROBERTSON: But then, as at later Commonwealth meetings, Mulroney doesn't give in.

BRIAN MULRONEY: (ARCHIVE): We are prepared to invoke total sanctions against that country and its repressive regime.

LLOYD ROBERTSON: Year after year supporting the African National Congress and its jailed leader Nelson Mandela.

BRIAN MULRONEY: So I said to our guys, to hell with it! We're going to go and lower the boom here. And we're going to be firmly on the

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side of Mandela in South Africa, and we are going to reject the arguments that Mandela is a communist. As I said to them, "How would you know he's a communist? He's been in jail for 27 years. Has he spoken to you lately?" The answer of course was no. "Well, why do you say these things? Moreover," I said, "if I were in jail for 27 years and the communists of Cuba were helping me, they'd be my friends. If the Americans were against me, I wouldn't like it. If the British were against me, I wouldn't like it. I would be friends, if I were from South Africa, and I were a young black man imprisoned there, I would support those who supported me."

LLOYD ROBERTSON: Mulroney takes the lead and eventually it works. Mandela is freed.

REPORTER: (ARCHIVE): There's Mr. Mandela taking his first steps into a new South Africa.

LLOYD ROBERTSON: Ultimately apartheid is dismantled. Nelson Mandela's first foreign visit is to Canada.

NELSON MANDELA (Former President of South Africa): (ARCHIVE): It gives me a great deal of pleasure to come and thank the people of Canada directly.

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LLOYD ROBERTSON: Throughout his years in politics, Mulroney changed Canada's international profile. He used his connections with the Americans to provide a back channel for other leaders, and offered a moderating opinion. When Saddam Hussein invaded Kuwait, Brian Mulroney convinced George Bush to get the United Nations on side before responding, meetings that weren't always held in formal settings, as one might expect.

BRIAN MULRONEY: If you have that kind of friendly relationship, oftentimes you can persuade him to take steps which are in a multilateral interest as opposed to a unilateral interest.

LLOYD ROBERTSON: When war looms, Canada sends troops, and Mulroney picks up the phone to call allies like Egypt's President Hosni Mubarak.

BRIAN MULRONEY: And so I said to Mubarak one day, "I'm a little concerned about putting Canadians in harm's way there." He said, "Brian," he said, "look, you don't have to worry about the Iraqi Air Force." I said, "Why not?" He said, "They're awful pilots." He said, "I know. We trained them."

(LAUGHS)

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LLOYD ROBERTSON: And who could know that international affairs of state could occasionally be fraught with unforeseen dangers like this, in a meeting with Chinese leader Deng Xiaoping.

BRIAN MULRONEY: And he was sitting where you are, and I was sitting here. Over here there was a spittoon. Every once in a while you psst! Bing! And he'd hit the spittoon dead on. And I had my leg up like this, and Mila had gotten me some new loafers, and I had to move...I didn't want them assaulted by Deng Xiaoping on his way to the spittoon.

(COMMERCIAL BREAK)

LLOYD ROBERTSON: May 22nd, 1990.

LUCIEN BOUCHARD (Former Leader, Bloc Québécois):
(ARCHIVE): Monsieur le Président, je suis venu à la politique (inaudible).

LLOYD ROBERTSON: Lucien Bouchard stands in the House of Commons and announces his resignation from the Progressive Conservative Party. 24 hours earlier, he'd been the party's senior Quebec minister, Environment Minister, and one of Brian Mulroney's oldest and dearest friends. Now he was announcing that he was really a separatist.

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LUCIEN BOUCHARD: (ARCHIVE): I knew that there would be some flack, but honestly, I did not foresee the magnitude of the impact.

LLOYD ROBERTSON: An act of betrayal unseen in Canadian history.

BRIAN MULRONEY: We became friendly in 1960 at Laval when we were both in first year law. We're the same age, same backgrounds, and we became very close friends.

LLOYD ROBERTSON: Close at Laval, and dragged along on Mulroney's coattails. At the Cliche Commission, Mulroney gets Bouchard appointed as the inquiry's lawyer. And when Brian Mulroney becomes Prime Minister, his old friend Lucien Bouchard is handed one of Canada's most important jobs overseas.

BRIAN MULRONEY: In 1985, I appointed him ambassador to Paris where he served in an exemplary fashion. Then I brought him back and put him in the cabinet.

LLOYD ROBERTSON: Did he express his feelings for the country at all to you, about coming back and serving in your government?

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BRIAN MULRONEY: I said to him, "Lucien, now that you've served two or three years in Paris representing Canada, how do you feel about the country?" And he said, "I've come to really admire and love Canada. It's a magnificent country."

LUCIEN BOUCHARD: (ARCHIVE): Since Quebeckers have decided in a democratic way that their future was within the federation, it is our duty, all Canadians, and it is the duty of Francophone Quebeckers to make it work.

LLOYD ROBERTSON: When it comes to getting Bouchard elected as MP, Mulroney pulls out all the stops.

BRIAN MULRONEY: So we finally won the seat and he came down to Ottawa. I eventually promoted him to Minister of the Environment, and Quebec leader.

LLOYD ROBERTSON: Now, Minister of the Environment to you was a very important portfolio.

BRIAN MULRONEY: Absolutely, because...

LLOYD ROBERTSON: Head of the Quebec caucus, also very, very important. So you put him right up there in a parallel situation, in many respects, to yourself.

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BRIAN MULRONEY: I loved him like a brother. I trusted him implicitly. And I put him in these highly sensitive positions, particularly Quebec leader, because I knew that he would protect my interests, defend me against attack. Any attempt to undermine my leadership, he'd be there like a hawk.

LLOYD ROBERTSON: So there was no indication through that 30-year relationship that there was anything different about him that would cause you to doubt him, doubt his loyalty to you at any point?

BRIAN MULRONEY: It was totally inconceivable that a man to whom I was this close could do anything other than reciprocate the friendship.

LLOYD ROBERTSON: A friendship so deep that when Bouchard marries his second wife, Audrey Best, Brian and Mila host the reception at 24 Sussex Drive. But Mila always had doubts.

MILA MULRONEY: I just was never totally comfortable with him. I just never was. He came into our lives...I know he was a great friend of Brian's, but he came into my life shortly after I married Brian. I couldn't put my finger on it, but there was just...I was just never totally comfortable.

LLOYD ROBERTSON: Then the first open indication there was reason for the Mulroneys not to be comfortable with Lucien Bouchard.

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Bouchard supports Quebec Premier Robert Bourassa's position that there should only be French-language signs in the province of Quebec.

BRIAN MULRONEY: Bouchard, in spite of an agreement with me, spoke out and agreed with Bourassa. I wanted to fire him that night. I was talked out of it. I made a mistake, and I should have fired him then, and I didn't.

LLOYD ROBERTSON: The friendship unravels further. Mulroney is stunned to read in Quebec newspapers that several Quebec Tories are about to defect. Confronted at this caucus meeting, Lucien Bouchard tells Brian Mulroney there is nothing to worry about. But there was. From Paris, Bouchard sends this telegram of support for the separatists, read at a meeting of the Parti Québécois by leader Jacques Parizeau.

JACQUES PARIZEAU (Former Leader, Parti Québécois):
(ARCHIVE): Et c'est signé Lucien Bouchard, député de Lac-St-Jean. (APPLAUSE)

LLOYD ROBERTSON: A federal cabinet minister cozying up to the separatist cause, betraying a 30-year friendship.

BRIAN MULRONEY: I called him over to 24 Sussex, where he reluctantly appeared, and I fired him, in my den at 24 Sussex. It didn't make any

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sense what he had done. I couldn't figure out why he had done this. He said it was an emotional decision taken in Europe. It wasn't until many years later that we found out the truth.

LLOYD ROBERTSON: In fact, 14 years later. Mulroney only learns the true story behind the treachery in this biography of Jacques Parizeau. According to Mulroney, Bouchard had been working with the separatists for months, trying from within to destroy the Quebec wing of the Conservative Party while professing his loyalty to Mulroney and his cause, and sending the telegram was not an instant emotional decision.

BRIAN MULRONEY: When he sent the telegram from Paris, the whole thing was a hoax. He had cooked up the deal with Parizeau weeks before, while he was a member of my cabinet. While he was meeting with me, they were meeting secretly with the separatists. The letter, the famous telegram had been given to Parizeau personally, and Parizeau had made six corrections to it. This emotional telegram that he's alleged to have sent from Paris...had been cooked up, signed, sealed and delivered weeks before in Montreal.

LLOYD ROBERTSON: Just to get this straight now, are you saying that there was a kind of fifth column operating within your government, that Jacques Parizeau was dealing with Lucien Bouchard when he was your cabinet

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minister representing Canada to overturn Quebec MPs minds about whom they should support, which side they should be on? Is that what was going on?

BRIAN MULRONEY: That's exactly what I'm saying. That's exactly the evidence that is contained in the book that was published on the life of Jacques Parizeau. I knew nothing of it. I was flabbergasted, stunned when I read that.

LLOYD ROBERTSON: How could you know nothing of it?

BRIAN MULRONEY: How could I? As Marcel Denis, who was a great cabinet minister of mine and a friend said later, he said, "Prime Minister, we had heard stories about Bouchard's shenanigans and what he was up to, but it was so...inconceivable for us. You were like brothers! How could anyone betray someone in this kind of a relationship?"

LLOYD ROBERTSON: Two months later, Bouchard has his own party, the separatist Bloc Québécois, and it has a mission.

LUCIEN BOUCHARD: (ARCHIVE): There is nothing subversive in what we are doing. We are very open. We say we're going to Ottawa to defend and promote the province of Quebec.

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LLOYD ROBERTSON: For Canadians, the result of Bouchard and Parizeau working together to undermine the government and the country could have been disastrous and almost was. Mulroney still harbours deep wounds.

BRIAN MULRONEY: You have to trust people at a given point in time. Most of all, you have to trust family and friends.

LLOYD ROBERTSON: This is a betrayal of almost Shakespearian proportions. People must have told you that.

BRIAN MULRONEY: Yeah. People have told me that. It doesn't make me feel any better.

LLOYD ROBERTSON: Have you spoken to him since all of this?

BRIAN MULRONEY: No.

LLOYD ROBERTSON: No contact with him at all.

BRIAN MULRONEY: No.

LLOYD ROBERTSON: There is word out there that you have said to Mrs. Mulroney that you wouldn't want him to be at your funeral.

BRIAN MULRONEY: He won't come to my funeral. He wouldn't want to be at my funeral.

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LLOYD ROBERTSON: And you don't want him there.

BRIAN MULRONEY: He can do whatever he wants, but he won't come to my funeral.

(COMMERCIAL BREAK)

LLOYD ROBERTSON: For the first time in 14 years, Brian Mulroney is back in the House of Commons. In this chair, he was the main event, although the opposition, on the other side of the House, tried to steal his limelight.

BRIAN MULRONEY: Well, these were the days of the Rat Pack. These were the days of the degradation of the House of Commons, where a group of people sitting over there for the Liberals put together the Rat Pack designed to initiate the politics of personal destruction.

BRIAN TOBIN (Former Liberal MP): (ARCHIVE): The Prime Minister has lied. Lied!

BRIAN MULRONEY: I remember the night we passed free trade, the Liberals over here, holding Canadian flags and singing "O Canada", calling us traitors and disloyal to our country. And guess what? Five years later, the Liberals adopted free trade as the greatest idea they'd ever heard, once they got to office.

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LLOYD ROBERTSON: Well, the free trade debate, as you know, was a long, drawn out affair, and it ran close to Christmas, and one of the opposition members came over with a special request for you.

BRIAN MULRONEY: Yeah, Brian Tobin. And Tobin comes over and he stands right here, right in front of me. And he said, "Prime Minister, will you be continuing the tradition of providing planes for opposition members to get home for Christmas?" (LAUGHING) I looked up at him. I said, "Brian, get your own blank plane. And merry Christmas to you too." So Brian and I chuckle over that today.

LLOYD ROBERTSON: Throughout the Mulroney years, his government was dogged by a series of scandals. Key ministers forced to resign, questions of patronage, and the GST, an unpopular tax that Mulroney says he needed to balance the government books.

PROTESTER: (ARCHIVE): We do not want the GST!

LLOYD ROBERTSON: Now, you managed to incite passions in people, fierce loyalty to you from some people, raw hatred from others. What was it about you that caused that?

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BRIAN MULRONEY: I don't know. I suppose that's what...just the way life is. When I won the largest victory in Canadian history in 1984, 211 seats, I got 50 percent of the popular vote. That meant that on the day of the greatest victory in Canadian history, one out of two Canadians voted against me. This is another way to look at it.

LLOYD ROBERTSON: Does it bother you a little bit that some people still refer to you as the most hated Prime Minister?

BRIAN MULRONEY: Not at all! You'd have to be silly and ignorant to make that statement. But we have our share of silly, ignorant people in Canada. Every society does.

LLOYD ROBERTSON: On the subject of criticism, Mila Mulroney is philosophical.

MILA MULRONEY: I always said to him consider the source. People who don't know you who have an opinion on you, that's fine, but they get an opinion that's formulated on what? It comes from what?

LLOYD ROBERTSON: Well, you remember some were getting at you for closets full of clothes, for your husband's Gucci shoes.

MILA MULRONEY: (LAUGHING) Poor thing! Poor thing!

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LLOYD ROBERTSON: Where did they get this idea?

MILA MULRONEY: The shoes, the poor man never went into a store. The only reason he wore those shoes was because I went in, bought the same size, two pairs a year. He never throws anything out. I mean, it's just, it's so ridiculous to think about it now. I mean, who cares?

LLOYD ROBERTSON: For the Mulroneys, life at 24 Sussex Drive was made to be as normal as possible.

MILA MULRONEY: The children had a wonderful life there. Brian made it an extension of his office. He wanted to be accessible to his children and he wanted to show people that life went on.

BRIAN MULRONEY: Well, you're living in a fishbowl. The children, of course, they rolled along merrily. The four of them grew up in this fishbowl, never seemed to be affected by it in any way. 24 Sussex for us, and Harrington Lake was like a sanctuary. We were able to close the doors and be a family.

LLOYD ROBERTSON: Every summer, the Mulroney family would head off to what has long been a retreat for Prime Ministers at Harrington Lake in the Gatineau Hills, north of Ottawa. Here, the family could relax. But for a

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Prime Minister, there is no such thing as a summer vacation. Back at 24 Sussex Drive, it was also not uncommon for affairs of state to mix with domestic matters. And all the while, the comings and goings brought world leaders to their home. Some left with more than just moments to remember, like Russian President Boris Yeltsin.

MILA MULRONEY: Boris really loved our sofa in the living room. And he sort of, just sort of get very comfortable in the sofa. And he was in heaven. Finally, Brian said to him, "Boris, if you sit down and eat, I will send you one of these sofas." So we laughed. Boris came down. President Yeltsin sat, ate all his food and left, and a few days later, the phone rings. The Prime Minister's switchboard says, "Mrs. Mulroney, President Yeltsin would like to speak to you." So he gets on the phone and he says, "Milica, where are my sofas?" I phoned Brian. I said, "What sofas? When are we going to...?" He said, "Send him sofas."

LLOYD ROBERTSON: Which you bought for him.

MILA MULRONEY: Which we bought for him, thank you very much! (LAUGHS)

LLOYD ROBERTSON: Summer 1992, and Brian Mulroney asks a future TV star to document Harrington on tape.

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BEN MULRONEY (Brian Mulroney's son): (HOME VIDEO):

I'm Ben Mulroney. Dad has asked me to tape the whole house so he can get a good look at it, just in case it's our last summer here, which I doubt.

LLOYD ROBERTSON: Ben Mulroney might not believe it, but indeed it is the last summer. In his memoirs, Brian Mulroney writes that he never wanted to stay in office for more than two terms. Christmas Eve 1992, the family gathers to celebrate, to exchange gifts.

BRIAN MULRONEY: (HOME VIDEO): How come you know about my musical tastes?

LLOYD ROBERTSON: Later that night, Brian Mulroney writes his resignation letter. He announces his retirement in February 1993.

BRIAN MULRONEY: (ARCHIVE): The time has come for me to step aside.

LLOYD ROBERTSON: In June there are tears at the final cabinet meeting, hugs from Mila in his office. And they walk out of the Governor General's residence hand in hand.

(COMMERCIAL BREAK)

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LLOYD ROBERTSON: On this perfect summer day in 2007, it's Brian Mulroney back on Parliament Hill. To these tourists, he is as popular as ever. He is seen as the senior statesman who did his best for his country. But life after he left office has not allowed Brian Mulroney many moments of calm reflection. He was pursued by allegations of kickbacks in the sale of Airbus planes to Air Canada. Investigated by the RCMP, Mulroney was cleared. Now, you suggest that the Liberal government led by Jean Chrétien, who sat there in your chair, attempted to smear you and ruin your reputation and that that campaign was driven from the top. Do you really believe that?

BRIAN MULRONEY: That matter was indeed organized by the government acting on flimsy and false information.

LLOYD ROBERTSON: This was the Airbus affair.

BRIAN MULRONEY: Absolutely. And the case collapsed on the courthouse steps. I was totally exonerated by the Commissioner of the RCMP and by six judgements in the Ontario...six, I believe, various judgements. But the origins of it, we now know a great deal more about. And they are unflattering in the extreme to those people who held positions of influence in the government that succeeded me.

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LLOYD ROBERTSON: More than that, Brian Mulroney believes what happened to him should be a lesson for all Canadians.

BRIAN MULRONEY: I think that any time the force of the government is used against any citizen unfairly and inappropriately is a...represents a fundamental threat to our most basic rights. It happened that it was in my case I was able to fight back and the government had to apologize. It was extremely unpleasant for me and my family, but you know, any mother or father sitting out there tonight, he or she should be warned and know that if the government comes after you and uses the resources, financial and otherwise, of the state, they can crush any Canadian citizen, and this is the greatest threat to the individual liberties of an ordinary Canadian citizen that can exist anywhere. And we have to fight it!

LLOYD ROBERTSON: And Mulroney is still fighting to protect his reputation.

REPORTER: Your book's coming out.

BRIAN MULRONEY: My book is coming out.

REPORTER: Will people who want to know about this \$300 000...

BRIAN MULRONEY: Buy a copy. Buy a copy. Buy it.

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LLOYD ROBERTSON: There are lingering questions about a business deal with this man, Karlheinz Schreiber, who paid Mulroney \$300 000 after he left office. Well, in spite of being fully exonerated by the RCMP, there are still questions swirling around out there about cash payments to you.

BRIAN MULRONEY: Ah, this is the usual trash and trivia of politics. And there's litigation ongoing, so I can't discuss some of these matters, but I'm dealing with it, and I've won every case, I've won everything at every step of the road, and I'll continue to do so.

LLOYD ROBERTSON: And at a certain point you'll be telling Canadians about this?

BRIAN MULRONEY: I'm going to write about it in my next book.

LOYD ROBERTSON: But until that next book, Mulroney is happy to be judged on his record.

BRIAN MULRONEY: And I hope Canadians will say of me when I'm gone that "He loved his country. He loved Canada. And he worked relentlessly to try and make a helpful and beneficial difference."

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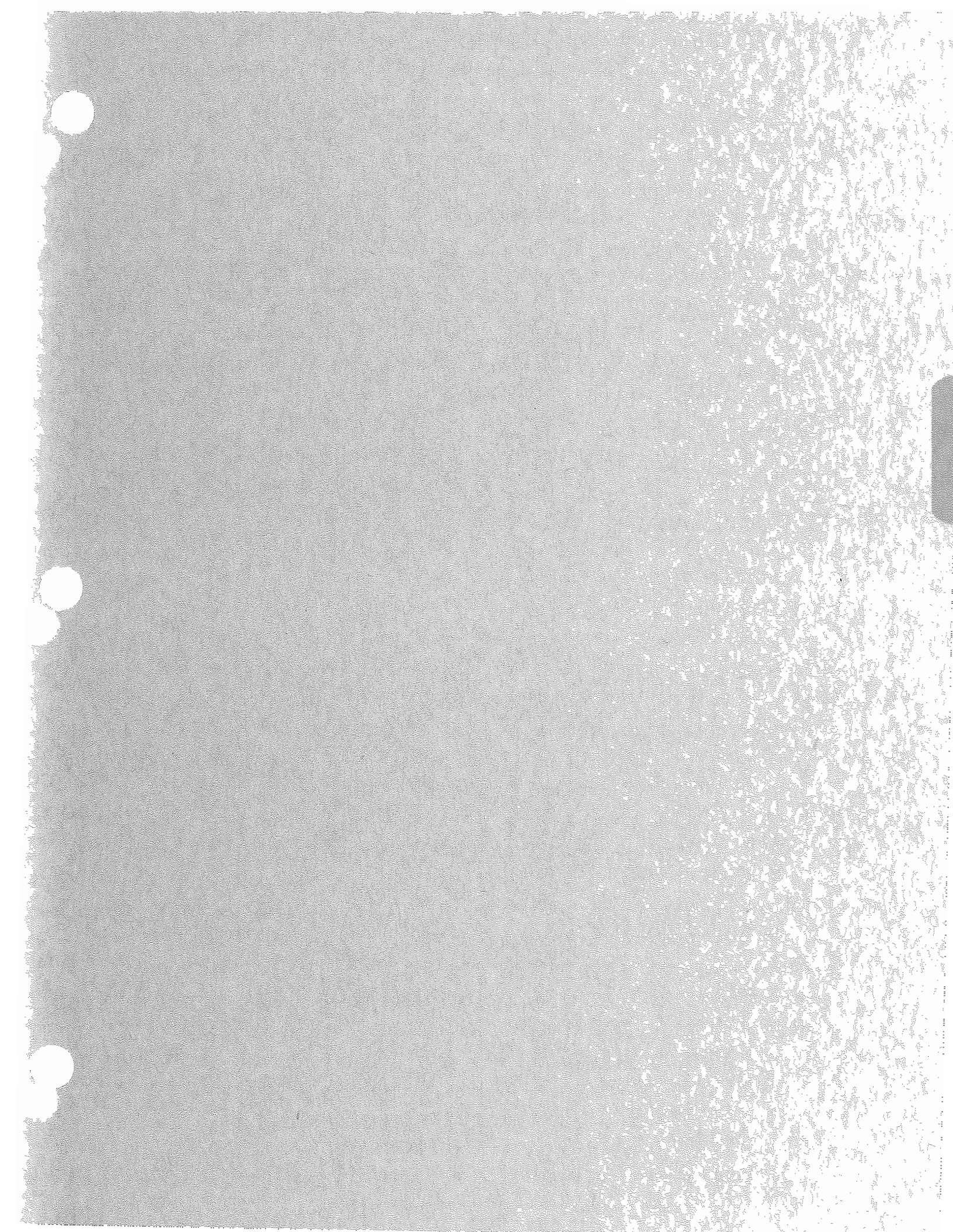
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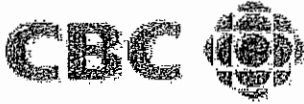
LLOYD ROBERTSON: For nine years as Prime Minister, Brian Mulroney dominated Canadian politics. The House was his home. But in his heart, Baie-Comeau will always be his true home. On this night, he drops in on a summer cabaret performance and is called to the stage to join in the song he sang for his town's founder all those years ago.

BRIAN MULRONEY: (SINGING) Test your memory my Dearie. Do you recall when Henry Ford couldn't even fix the running board under a Chandler six? Dearie, life was cheery, in the good old days gone by! Do you remember, if you remember, well, Dearie, you're much older than I! (APPLAUSE)

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[Zurich, Switzerland. February 2, 1998. A former Canadian prime minister on a business trip to Europe makes a private side trip. The purpose of the visit to the financial heart of Switzerland is for reassurance]

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LINDEN MACINTYRE (HOST):

Zurich, Switzerland. February 2, 1998. A former Canadian prime minister on a business trip to Europe makes a private side trip. The purpose of the visit to the financial heart of Switzerland is for reassurance. He's in a crisis that could mar his legacy and his career. There have been serious allegations of corruption. They will not go away, in spite of a successful legal battle with the government of Canada. In a high-priced suite in the Savoy Hotel, the former prime minister will meet the author of his troubles, a businessman who has become a fugitive. His name is Karlheinz Schreiber.

KARLHEINZ SCHREIBER (BUSINESSMAN):

Brian Mulroney rented a suite there for lunch with me.

LINDEN MACINTYRE (HOST):

What did he want?

KARLHEINZ SCHREIBER (BUSINESSMAN):

The reason for the visit was to more or less find out whether there would be any evidence that he received any money.

LINDEN MACINTYRE (HOST):

Good evening and welcome to "The Fifth Estate". I'm Linden Macintyre in Zurich, Switzerland. Tonight, Brian Mulroney, once one of Canada's most reviled prime ministers, enjoys redemption in a book he wrote himself and a television portrait partly crafted by his image-makers. But an old political associate who helped finance his rise to power and its awkward monetary aftermath faces a more uncertain future, extradition followed by imprisonment in a land he left behind a decade ago. Tonight, an unauthorized and still unwritten chapter in the political biography of Brian Mulroney.

The legendary secrecy of the Swiss banking system could not prevent disclosure of clandestine bank accounts and cash advances of \$300,000. Now tonight, revelations of a struggle to keep the public in the dark about that money. It is the literary event of the year. The launch of Brian Mulroney's memoirs, his turn to shape the story of his life, from humble beginnings to the highest political office in the land. A memoir is a time to settle scores, a time to set the record straight. And this one does all that, with one notable exception at the centre of the darkest chapter of his life, this man, a businessman named Karlheinz Schreiber. Karlheinz Schreiber is now in jail in the grim Metro West Detention Centre near Toronto's Pearson International Airport, awaiting extradition to face imprisonment in Germany. Germany accuses him of bribery, fraud, and tax evasion, which he denies. His only crime in Canada, embarrassing the powerful. He spoke to us before he went to jail. With nothing left to lose, he will now,

for the first time, explain how powerful friends attempted to induce him to construct an elaborate lie to save their reputations.

KARLHEINZ SCHREIBER (BUSINESSMAN):

There comes somehow a moment from my family and from my friends, especially from my wife where we say enough is enough. And Canadians should get to know what really happened. Because I came to Canada, I fall in love with the country. And what I faced then are lies and betrayal. It's incredible. And I keep my mouth shut. But now I have enough. I have simply enough.

LINDEN MACINTYRE (HOST):

Winnipeg 1983. They go back a long way, to the early '80s and Brian Mulroney's emergence as a force within the Tory Party. In Winnipeg, Mulroney observes the death throes of his party leader, Joe Clark, as he fails to get the vote of confidence he wants.

JOE CLARK (then LEADER OF THE CONSERVATIVE PARTY):

My friends, that mandate is not clear enough.

LINDEN MACINTYRE (HOST):

In his memoirs, Mulroney is surprised Clark didn't stay on. $\frac{1}{2}$ I was flabbergasted. He's throwing in the towel with 67%? This can't be happening. But it was happening and Mulroney knew it was no accident. Mulroney partisans, led by the former premier of Newfoundland, Frank Moores, had been busy undermining Clark among the delegates. And he had financial help from Karlheinz Schreiber.

KARLHEINZ SCHREIBER (BUSINESSMAN):

Think about when we came here, it started all with the dumping of Joe Clark, right. That is how it all got started. So I came, I got to know Frank Moores in St. John's and then the next meeting was then in Montreal when Mulroney was the president from Iron Ore.

LINDEN MACINTYRE (HOST):

In 1982, the man who would soon become prime minister congratulated Schreiber on becoming a Canadian citizen. Schreiber had an agenda, cultivating influential friendships and generating business for European companies.

KARLHEINZ SCHREIBER (BUSINESSMAN):

So that is the secret more or less of my personality. That I made all these friends before and we helped them. And when you come with money and when you help them and when you are friendly, it's easy to make friends. And it's easy to have relations, and then it's easy to do business.

LINDEN MACINTYRE (HOST):

Easier still by 1988, when his friends were close to the people who were running the country. Frank Moores, who helped Mulroney on his way to power, was the leading lobbyist in Ottawa. Moores is in the memoir, but discretely. $\frac{1}{2}$ He was a political veteran. We would meet from time to time for dinner, Mulroney wrote. But the political veteran turned lobbyist had become a target for opposition charges of cronyism and corruption.

UNIDENTIFIED MP:

(In the House of Commons) The firm of Moores and Doucet obviously has connections into the Prime Minister's Office.

UNIDENTIFIED MP:

(In the House of Commons) It's not what you know but who you know and how much you pay to get results.

LINDEN MACINTYRE (HOST):

Moores was tight with the prime minister and he was working for Karlheinz Schreiber and a major Schreiber client, the European airplane maker Airbus Industrie. Moores also had connections with Air Canada and Air Canada was shopping for airplanes. Over a billion dollars worth of airplanes.

JOHN CROSBIE (then CONSERVATIVE MP):

(In the House of Commons) ...or its honesty or whatever. The honourable member is insinuating, he is trying to set an innuendo as he did yesterday, thoroughly unscrupulous in his approach.

BRIAN TOBIN (then LIBERAL MP):

(In the House of Commons) This is a \$1.5 billion contract we are talking about and the people of Canada have a right to have questions asked and answers given by a minister without bluster or false outrage.

LINDEN MACINTYRE (HOST):

But what the opposition didn't know was potentially more explosive than their wildest speculation. Schreiber had a secret deal with Airbus, that if Air Canada bought their planes while the Mulroney government was in power, Airbus would pay Schreiber nearly \$20 million in commissions, fees they called grease money that he'd share with people he felt helped to make the deal happen, people like the lobbyist Frank Moores. In 1988, Air Canada bought 34 planes from Airbus. For Frank Moores, it was payday and party time. Frank Moores' performance both as premier and lobbyist gave new meaning to "party politics". The nasty fallout from the Airbus sale was still far in the future. Frank had lots to celebrate on this business trip to Germany and Switzerland with Karlheinz Schreiber.

KARLHEINZ SCHREIBER (BUSINESSMAN):

Oh, he was happy. We were all very happy. (Footage from amateur film, speaking to Frank Moores): This here is Vetliner Keller. Vetliner Keller means...

LINDEN MACINTYRE (HOST):

Schreiber was the perfect tour guide. He knew Zurich well. They opened new accounts here to handle all that Airbus grease money for Moores and others. But money often has a strange effect on partnerships. They didn't know it yet, but a key figure in the deal was feeling left out of the bonanza.

KARLHEINZ SCHREIBER (BUSINESSMAN):

Look, this is very simple. When it goes with money, I have never seen in these circumstances that people say, oh, this is too much, please take it back. It's always not enough.

LINDEN MACINTYRE (HOST):

Lugano, Switzerland. **Schreiber** had a business partner living here. Giorgio Pelossi had been his accountant for years. He helped set up the secret Airbus accounts and he clearly felt he wasn't getting his fair cut of the grease money, so he started helping himself.

GIORGIO PELOSSI (ACCOUNTANT):

I took some money from the account and then he said, 'Oh, it's not correct and you have to give it back', and so on.

LINDEN MACINTYRE (HOST):

His actions would ignite a firestorm for **Schreiber** and his friends, in Canada and Germany. Bonn, Germany, June 13, 1991. Brian Mulroney cut an impressive figure internationally. Among his foreign interests, the reunification of East and West Germany for which he earned the gratitude of the German Chancellor Helmut Kohl. His memoir savours moments on the global stage and the personal relationships he'd formed. ½Kohl and his wife took Mila and me to their favourite brunch restaurant. We toasted our successful visit. But in the book, you'll find no mention of a lunch that included Karlheinz **Schreiber** or the diplomatic dinner for Mulroney and his wife where the Schreibers were included on the guest list. (Helmut Kohl shaking hands with Karlheinz **Schreiber**) **Schreiber** had a gift for cultivating friendship and his friends would one day pay a heavy price for it. When we come back...

KARLHEINZ **SCHREIBER** (BUSINESSMAN):

Oh, he was terribly upset about the whole thing and Mila Mulroney was totally scared.

(Commercial break)

LINDEN MACINTYRE (HOST):

June 1993. For Brian Mulroney, the relationship with Karlheinz **Schreiber** would veer into dangerous waters in Harrington Lake, the prime minister's summer residence just outside Ottawa. The smallest details of these days, the closing hours of his public life, will also close his book. ½My feeling is bittersweet, some sadness at leaving such a powerful and exciting job, but serenity in the knowledge that it was time. The memoir will be silent about one crucial meeting just two days before he formally left office. June 23rd. A former Mulroney adviser, now a lobbyist, named Fred Doucet has arranged a meeting at the PM's summer residence north of Ottawa. A limousine will pick up a mutual friend in the city that afternoon, deliver him to the prime ministerial retreat. The visitor has been informed the prime minister, now approaching private life, has a pressing need for money. He is a man with known financial resources, global business interests, and a streak of whimsical generosity. Perhaps they can reach a mutually beneficial understanding. Karlheinz **Schreiber**:

KARLHEINZ **SCHREIBER** (BUSINESSMAN):

It really happened through Fred Doucet who told me, 'Karlheinz, Brian is now leaving, he has to go to the private sector and he has really financial problems.'

LINDEN MACINTYRE (HOST):

Schreiber was happy to help. 33 days later, he flew to Switzerland, visited his bank in Zurich, opened up a secret bank account, code named ½Britan. There, he deposited \$500,000 of the secret commissions he received from European companies, including Airbus. Then he withdrew \$100,000 in cash, flew back to Canada, and handed it over to the now ex-prime minister at an airport hotel north of Montreal.

KARLHEINZ **SCHREIBER** (BUSINESSMAN):

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This was the first meeting where I really brought the first 100,000 to him.

LINDEN MACINTYRE (HOST):

Just over three months later, another \$100,000 from that bank account in Zurich and then another hotel room meeting at the Queen Elizabeth in Montreal and another cash delivery. The final meeting was here at the Pierre Hotel in New York City early in December 1994. **Schreiber** handed Mulroney another envelope stuffed with \$1,000 bills. But this time, there was a shadow hanging over the payment. There was a little problem overseas. Awkward inquiries were being made. It seems that **Schreiber's** partner, the Lugano-based accountant named Giorgio Pelossi, had done the unthinkable. He had gone to the police. And soon he'd be in the media in Germany and Canada.

GIORGIO PELOSSI (ACCOUNTANT):

(TV interview) I met with Mr. **Schreiber** and Mr. Moores in Zurich, and we went to the Swiss Bank Corporation. The purpose was to open two accounts in the name of Mr. Moores. One for Mr. Moores personally and the second for Canadian friends.

LINDEN MACINTYRE (HOST):

12 years later, Giorgio Pelossi is still unapologetic about unleashing a whirlwind that would sweep up both Frank Moores and eventually his friend, Brian Mulroney. (Interview): So you had heard Moores or Mulroney's name mentioned early on?

GIORGIO PELOSSI (ACCOUNTANT):

Yes.

LINDEN MACINTYRE (HOST):

Who told you that?

GIORGIO PELOSSI (ACCOUNTANT):

Schreiber. He told me all the time. And he told me that he went to... met him a few times and met him in Ottawa.

LINDEN MACINTYRE (HOST):

So were you concerned in any way that when you did start to talk about this that it was going to create a huge political scandal in Canada?

GIORGIO PELOSSI (ACCOUNTANT):

Possibly.

LINDEN MACINTYRE (HOST):

Montreal. November 2, 1995. The former prime minister is living in comfortable retirement in Westmount. The hard transition to private life somewhat softened by the generosity of Karlheinz **Schreiber**. Now shocking news. **Schreiber** phones to inform him that the RCMP have sent an official "letter of request" to Switzerland. The Mounties wanted access to **Schreiber's** bank accounts and they were alleging that Mulroney, while in office, had received a share of those secret Airbus commissions. That night, Mulroney spoke with Karlheinz **Schreiber**.

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KARLHEINZ SCHREIBER (BUSINESSMAN):

Oh, he was terribly upset about the whole thing. And Mila Mulroney was totally scared because he threatened to commit suicide and I had not the smallest clue why he would do that.

LINDEN MACINTYRE (HOST):

The panic didn't last long. Within days, Brian Mulroney hired three of the best lawyers in Canada and a public relations firm. And he sued the government of Canada for \$50 million. It was a gamble. After all, he'd recently received \$300,000 from Schreiber. But it was all cash, almost impossible to trace. And he wasn't about to make it any easier. It was the beginning of an aggressive cover-up that almost worked. A cover-up that until now has never fully been reported.

LUC LAVOIE (then BRIAN MULRONEY SPOKESMAN):

Good afternoon, ladies and gentlemen. My name is Luc Lavoie. I will be the moderator for this press conference.

LINDEN MACINTYRE (HOST):

Round one: A categorical denial.

HARVEY YAROSKY (then ONE OF BRIAN MULRONEY'S LAWYERS):

Mr. Mulroney categorically and unequivocally states that he had absolutely nothing to do with Air Canada's decision to buy Airbus, nor did he receive a cent from anyone. He was simply not a part of any conspiracy whatsoever.

LINDEN MACINTYRE (HOST):

Round two: The denials became more sweeping. In his statement of claim, he insisted he "never received any of the alleged payments in any form, from any person, for any consideration whatsoever".
Round three: The media were boiling his denials down to an absolute assertion.

CLIP FROM NEWS REPORT:

½...that he never received any payment from anyone.

BRIAN MULRONEY (FORMER PRIME MINISTER):

Good morning. Nice to see you.

(People encouraging Brian Mulroney)

LINDEN MACINTYRE (HOST):

In the pre-trial testimony, Mulroney would have to handle the tricky question of his relationship with Karlheinz Schreiber under oath.

UNIDENTIFIED MAN:

Did you maintain contact with Mr. Schreiber after you ceased becoming prime minister?

VOICE OF BRIAN MULRONEY:

Well, from time to time, not very often, on his way to Montreal, he would call me. As I say, perhaps once or twice I could come to a cup of coffee with him at a hotel.

LINDEN MACINTYRE (HOST):

At no time did he ever mention the \$300,000 cash he got from **Schreiber** at those hotel room meetings. But then, nobody asked directly. At one point, he asserted boldly...

VOICE OF BRIAN MULRONEY:

I had never had any dealings with him.

ALLAN ROCK (then JUSTICE MINISTER):

Good morning.

LINDEN MACINTYRE (HOST):

And it worked. The government of Canada didn't just back down, they fled the field. Then federal justice minister soon to be an ex-politician, Allan Rock, apologized. And more.

ALLAN ROCK (then JUSTICE MINISTER):

It should be noted that the government and the RCMP have decided that costs are to be paid to achieve this settlement.

LINDEN MACINTYRE (HOST):

The Canadian taxpayer would pay for all of Mulroney's legal and P.R. costs, \$2.1 million worth in all. For Mulroney, it was victory and vindication.

BRIAN MULRONEY (FORMER PRIME MINISTER):

The stain had to be purged and that's what we were fighting for. I was fighting for my family's reputation and honour and my own. If the government has learned from this and never again does this to another Canadian family, then I guess in some ways, the experience would have been beneficial.

LINDEN MACINTYRE (HOST):

His relief was palpable. He dodged the Airbus bullet. But there was a time bomb ticking in a still-secret bank account in Switzerland. When we come back, secret bank accounts exposed.

KARLHEINZ **SCHREIBER** (BUSINESSMAN):

The reason for his visit was to more or less find out whether there would be any evidence that he received any money.

(Commercial break)

LINDEN MACINTYRE (HOST):

It is the fall of 1995, winter is coming, but the heat is on in Germany, thanks to incriminating disclosures by **Schreiber's** treacherous accountant, Giorgio Pelossi. **Schreiber** makes a shrewd pre-emptive dash for the Swiss frontier. Within a year, he would be a wanted man in Germany. Switzerland, his banking haven, now becomes his temporary home. But according to his personal records, the fugitive kept in remarkably close contact with Brian Mulroney, who had recently protested that he hardly knew the man. According to **Schreiber's** records, there were calls from the former PM, from New York, Disneyworld, Paris.

KARLHEINZ **SCHREIBER** (BUSINESSMAN):

In 1998, then there was a series of telephone calls. Then he came to see me in Switzerland. And I thought it was nice.

LINDEN MACINTYRE (HOST):

It is now 1998. You'd think the last person on the planet Brian Mulroney would want to see again was Karlheinz **Schreiber**. Remember just a couple of years ago, testifying under oath, he narrowly avoided disclosing those peculiar cash payments, \$300,000 from a man he said he barely knew. But on February 2, the former prime minister is in a suite in the Savoy Hotel in Zurich, Switzerland, waiting for a crucial meeting with none other than Karlheinz **Schreiber**. By now a fugitive from German justice. Shortly after noon that day, **Schreiber** would be met in the Savoy lobby by a former Mulroney speechwriter, escorted to the elevators.

KARLHEINZ **SCHREIBER** (BUSINESSMAN):

It was a beautiful hotel. Hotel Savoy. In the centre of Zurich at the Paradeplatz where all the nice banks are around and everything.

LINDEN MACINTYRE (HOST):

But now he's a visitor on his way to a second floor suite for a private lunch, just the two of them.

KARLHEINZ **SCHREIBER** (BUSINESSMAN):

And so Brian Mulroney rented a suite there for lunch with me.

LINDEN MACINTYRE (HOST):

A suite?

KARLHEINZ **SCHREIBER** (BUSINESSMAN):

I was a little bit surprised. Maybe we could have gone to the restaurant.

LINDEN MACINTYRE (HOST):

Room service?

KARLHEINZ **SCHREIBER** (BUSINESSMAN):

Room service. And as far as I recall, we had smoked salmon and pumpernickel. Two hours or so.

LINDEN MACINTYRE (HOST):

How much did that cost?

KARLHEINZ SCHREIBER (BUSINESSMAN):

Yeah, when I found out later on that he paid 2,106.05 Swiss francs which is somehow the same in Canadian dollars.

LINDEN MACINTYRE (HOST):

He paid it?

KARLHEINZ SCHREIBER (BUSINESSMAN):

Yeah, with his Visa, a credit card.

LINDEN MACINTYRE (HOST):

There was small talk over the smoked salmon and the capers, reminiscences about happier times, like the day of vindication in 1995 when Ottawa surrendered to his indignation, apologized, and coughed up \$2.1 million for his trouble. Yet here, Schreiber found him tense.

KARLHEINZ SCHREIBER (BUSINESSMAN):

And then I found a very nervous, very nervous Brian Mulroney and the reason for this, for his visit was more or less to find out whether there would be any evidence that he received any money.

LINDEN MACINTYRE (HOST):

So that was what the meeting was about, the \$300,000, and it seems the Mounties were still sniffing at those nasty rumours about payments to Mulroney. Schreiber said there wasn't a thing to worry about. Cash is untraceable.

KARLHEINZ SCHREIBER (BUSINESSMAN):

If he would have said I never received from him 300,000, I don't even know what he is talking about, I would have had no way to prove that he got 300,000 from me. So when he left, I thought he was somehow in good shape.

LINDEN MACINTYRE (HOST):

The meeting ended. Mulroney returned to Canada, reassured. Schreiber was discreet. Schreiber could be trusted. Schreiber would remain in Switzerland, in exile for another year. He had explosive documents and secrets, but his mouth was firmly buttoned. By mid-1999, Mulroney was talking tough again about the RCMP.

BRIAN MULRONEY (FORMER PRIME MINISTER):

They are unrelenting in their pursuit of whomever or whatever. They've got nine or ten people going around the world, year after year, talking to everybody and his brother about this and they can do it until the cows come home as far as I'm concerned. They won't find a single solitary thing, because nothing, as far as I'm concerned, was ever done wrong. But they go around the world but they don't come down the street to see me.

LINDEN MACINTYRE (HOST):

Maybe the Mounties were just too busy tracking Mulroney's old friend Karlheinz **Schreiber**, who by this point was living in Toronto, which was where they caught him in August 1999, after Germany issued an international arrest warrant alleging bribery, fraud, and tax evasion. He hired one of Canada's top criminal lawyers. It wasn't long before he was free on bail. His friends, especially those with troubling secrets, would have been encouraged by his words.

KARLHEINZ **SCHREIBER** (BUSINESSMAN):

(Outside of courtroom) It is I think a great pleasure, honour, to have friends. I've always had friends in my life and will never let a friend down. So they came here to get me out. I will never do anything to harm them.

LINDEN MACINTYRE (HOST):

But his legal problems were only just beginning. In Germany, there was a growing scandal over payments he had made to important people there. Among the casualties, businessmen and public servants and big name politicians, including the former chancellor Helmut Kohl. The time bomb was in the **Schreiber** bank accounts from Switzerland. And they were now in the hands of German authorities and soon to be in the hands of the media. And there it was, the secret bank account named ½ Britan with cash withdrawals totalling \$300,000. Brian Mulroney had denied getting money from anyone connected with **Schreiber**. But if Britan meant Brian, Brian was lying. During a phone conversation with "The Fifth **Estate**", his spokesperson, Luc Lavoie, remained adamant in his denial.

LUC LAVOIE (MULRONEY'S SPOKESPERSON):

I mean, the bottom line is that he never received any money from anybody. There was never any money. Because he is too smart to do something like that. It is just too dumb. It is too damn stupid.

LINDEN MACINTYRE (HOST):

And now the stakes were raised dramatically for Brian Mulroney. His early denial that he had anything to do with the Airbus contract, which was probably true, had evolved into dangerous territory. Flat-out claims that he'd never received any money, ever, from anybody connected to the Airbus sale. This assertion was at odds with **Schreiber's** Swiss bank documents. Mulroney needed absolute deniability and there was only one man who could provide it. Karlheinz **Schreiber**. Then, a member of Mulroney's team, desperate to distance him from Britan, made a catastrophic error. With the Britan account about to become public on "The Fifth **Estate**", Mulroney's spokesman Luc Lavoie exploded in frustration.

LUC LAVOIE (MULRONEY'S SPOKESPERSON):

(On the phone) Karlheinz **Schreiber** is the biggest fucking liar the world has ever seen. That's what we believe.

LINDEN MACINTYRE (HOST):

Karlheinz **Schreiber**, up to now the loyal guardian of secrets, was outraged.

KARLHEINZ **SCHREIBER** (BUSINESSMAN):

And then I thought what the hell is this for and I got the message. I must say that message got pretty fast. This is how more or less dummies or little children play these games.

LINDEN MACINTYRE (HOST):

Schreiber felt betrayed and that was dangerous. It was time for reconciliation.

BRIAN MULRONEY (FORMER PRIME MINISTER):

Life takes its toll on all of us. And this has not been a pleasant experience for anybody.

LINDEN MACINTYRE (HOST):

Months later, a public gesture of concern for Mr. **Schreiber**.

BRIAN MULRONEY (FORMER PRIME MINISTER):

(To CBC reporter Brian Stewart): What is sad about this is the assumption people presume guilt on his part and on the part of others. Mr. **Schreiber** should be presumed to be innocent. And moreover, he has a wife and a family and the personal dimension of this should not be lost on people.

LINDEN MACINTYRE (HOST):

So far, so good. **Schreiber** was under enormous legal pressures. He'd been publicly insulted by Mulroney's alter ego. The Britan account was public now. But still, not a whisper that would link him to secret payments. And then, a bonus.

VOICE OF PETER MANSBRIDGE (HOST, CBC'S ½THE NATIONAL):

The RCMP today announced it has closed the file on Airbus.

RCMP SPOKESPERSON:

No further chance that he will be charged with anything criminal with respect to this investigation.

LINDEN MACINTYRE (HOST):

It was over. RCMP documents show they just could not confirm allegations Mulroney had actually received money. Mulroney himself declined to talk to the Mounties. When we come back, a scramble that came within a whisker of breaking the law.

KARLHEINZ **SCHREIBER** (BUSINESSMAN):

I was not prepared to do that because it was a clear request towards me to commit perjury.

(Commercial break)

LINDEN MACINTYRE (HOST):

It is now a new millennium and things have settled down for everyone but Karlheinz **Schreiber**. The Germans are still after him. He's fighting a losing battle to stay in Canada. He has secrets that make a lot of people anxious to see him go. Eventually, a big one came out, the \$300,000 cash payments to the former prime minister. There was a media flurry, but it soon became apparent that Mulroney's biggest problem wasn't all that money after all. It was potentially worse. All those passionate claims that he hardly new Karlheinz **Schreiber**, that he'd never had any dealings with him, were now demonstrably untrue. It was a problem that wasn't going to go away, at least until Karlheinz **Schreiber**

went away. But **Schreiber**, it seemed, wasn't going anywhere. And, still exiled in Toronto, he seemed to be thawing toward old adversaries in the media, dropping tantalizing hints about money that he gave away.

KARLHEINZ **SCHREIBER** (BUSINESSMAN):

If you want me to disclose to whom I gave donations, I would become a book like a bible.

LINDEN MACINTYRE (HOST):

You've given a lot of money to a lot of people.

KARLHEINZ **SCHREIBER** (BUSINESSMAN):

Sure.

LINDEN MACINTYRE (HOST):

Then February 2006, he was talking about money he gave to Brian Mulroney, for the first time confirming cash payments, disclosing that, whether Brian Mulroney knew it or not, the money actually came from secret commissions paid by, among others, Airbus.

LINDEN MACINTYRE (HOST):

So I draw the conclusion that the money came out of Britan and went to Brian Mulroney.

KARLHEINZ **SCHREIBER** (BUSINESSMAN):

Yeah, sure.

LINDEN MACINTYRE (HOST):

And when asked what the former pm had done to earn the \$300,000, he mocked his former friend.

KARLHEINZ **SCHREIBER** (BUSINESSMAN):

What are you asking me now is...

LINDEN MACINTYRE (HOST):

Very simple. What did he do?

KARLHEINZ **SCHREIBER** (BUSINESSMAN):

What has he done for the money. (Laughing)

LINDEN MACINTYRE (HOST):

But there were people in Ottawa who didn't find it quite so funny, people in the Justice Department who recalled the humiliating retreat in 1995, when a minister apologized and paid \$2.1 million after Mulroney flatly denied any dealings with **Schreiber**. What now, the more audacious wondered. Could they try to get the money back? The answer, yes, it might be possible. But it wasn't likely to happen. Ottawa was now under new political management. The answer never made it to the minister's office.

Brian Mulroney was part of the transition team. **Schreiber's** revelations were going nowhere. But he wasn't finished. Tonight, for the first time, he gives details of an attempted cover-up to save Mulroney's reputation. It began just before the secret Britan account became public on "The Fifth Estate".

October 17, 1999. Brian Mulroney and one of his lawyers place a series of phone calls to a lawyer in Edmonton, a member of **Schreiber's** legal team. The former PM, himself a lawyer, had a highly unusual request for Robert Hladun. Mulroney wanted a written statement from **Schreiber** that "at no time did he ever solicit or receive" money from the German businessman. An unusual request because it simply wasn't true.

(Interview): He called your lawyer.

KARLHEINZ **SCHREIBER** (BUSINESSMAN):

Yeah.

LINDEN MACINTYRE (HOST):

Asking for an affidavit.

KARLHEINZ **SCHREIBER** (BUSINESSMAN):

Affidavit or a declaration or whatever. Mulroney wants some kind of declaration or affidavit that he never received any money from you.

LINDEN MACINTYRE (HOST):

The request to deny what both knew to be true ended up on the desk of Edward Greenspan, a **Schreiber** lawyer in Toronto. It didn't take him long to alert his client that they were in perilous territory. **Schreiber** got the message.

KARLHEINZ **SCHREIBER** (BUSINESSMAN):

I was not prepared to do that because it was a clear request towards me to commit perjury. And why would I do that?

LINDEN MACINTYRE (HOST):

The lawyer Greenspan didn't mince words.

KARLHEINZ **SCHREIBER** (BUSINESSMAN):

He only said to me, if you ever sign any affidavits or any documents or whatever without my permission, as long as I'm your lawyer, I cut your hands off or you look for a new lawyer. He's a very humorous guy.

LINDEN MACINTYRE (HOST):

So Eddie was concerned about this request.

KARLHEINZ **SCHREIBER** (BUSINESSMAN):

When I asked him that there was a request that I should give such a declaration, he said, under no circumstances. End of story.

LINDEN MACINTYRE (HOST):

The Britan account, and those withdrawals adding up to \$300,000, created a brand new headache for the former prime minister, an inconvenience called income tax. The payments, five years earlier, had been in cash. He hadn't paid the taxes when he got the money. Now he made a voluntary disclosure of the "income". But the taxman would want to know where the money came from and what it was for. (Interview): How do we know you know about the voluntary tax declaration?

KARLHEINZ SCHREIBER (BUSINESSMAN):

I learned this from my lawyer. Imagine you are my lawyer and I tell you we need an affidavit from **Schreiber** that he never received, that he never gave any money to me. Two days later I tell you, you know what, call Revenue Canada, the two of us have to go there, I have to make a voluntary disclosure. I mean, how in the name of God can you do this? I would be so embarrassed. I would hope the soil opens and I disappear to the middle of the earth.

LINDEN MACINTYRE (HOST):

Schreiber is a hard man to shock, but Mulroney's manoeuvring floored him. First, they wanted him to say there was no money, then there was money but for vaguely described legal services, ½to keep a watching brief, ½to develop new economic opportunities, ½travelling abroad for new markets for Canadian-made peacekeeping. All designed to explain \$300,000 cash from five years earlier. (Interview): This is a funny piece of paper that asks you to create after the fact a reason for having given money to Mr. Mulroney.

KARLHEINZ SCHREIBER (BUSINESSMAN):

Yeah.

LINDEN MACINTYRE (HOST):

That's what that does?

KARLHEINZ SCHREIBER (BUSINESSMAN):

Yeah.

LINDEN MACINTYRE (HOST):

And what did you do with it?

KARLHEINZ SCHREIBER (BUSINESSMAN):

I forgot about it. I didn't even look at it. I took it home and left it in my file and that's it.

LINDEN MACINTYRE (HOST):

It has become his albatross. Even in moments of glory, recognition as Canada's most environmentally-friendly PM, the questions surface.

JOURNALIST:

Un mot sur le 300 000 dollars de monsieur **Schreiber**, monsieur Mulroney?

BRIAN MULRONEY (FORMER PRIME MINISTER):

Bonjour, madame. Merci. Ha, ha, ha!

JOURNALIST:

In English, Mr. Mulroney, what was the money from Mr. **Schreiber** for? Can you answer that?

BRIAN MULRONEY (FORMER PRIME MINISTER):

Stay tuned.

UNIDENTIFIED MAN:

Okay. Thank you very much. This way. Follow me.

LINDEN MACINTYRE (HOST):

And what about Karlheinz **Schreiber** who gave the \$300,000 in the first place? No questions asked. He's never been charged in Canada, but he now sits in a Toronto jail awaiting extradition to Germany, pleading with politicians, Stephen Harper, even Brian Mulroney, for a public inquiry. A place to safely unpack all his secrets from his days of doing business in the corridors of power, what he did with all that money, \$20 million on the Airbus sale alone, whom he gave it to and why.

KARLHEINZ **SCHREIBER** (BUSINESSMAN):

But this is exactly what they don't want. They want me out of the country or in jail but in any event seal my mouth.

LINDEN MACINTYRE (HOST):

You're at the end of the rope.

KARLHEINZ **SCHREIBER** (BUSINESSMAN):

Yeah. I have enough from this bullshit. And I told him this, it's over. With me, it's over. That's it.

LINDEN MACINTYRE (HOST):

The story could finally end here, a German prison not far from Munich, where a youthful Adolf Hitler once did time. At 73, Karlheinz **Schreiber** could spend his final years in a jail like this one without ever going to trial, locked up with his secrets. Karlheinz **Schreiber** has proven repeatedly during a long and complex life that among his considerable skills, the most enduring is survival. But in past difficulties, he has often had the support of influential friends and the wealth that drew so many of them to him. Now the wealth is mostly gone and the friends have fallen silent, hoping against hope that Karlheinz **Schreiber** will, before too long, fall silent too. And he might, but not just yet. (Interview): What is going through your head as you face the real prospect of having to leave after all those years here.

KARLHEINZ **SCHREIBER** (BUSINESSMAN):

Yeah, it's not my intention to leave the country, under no circumstances.

LINDEN MACINTYRE (HOST):

So the suggestion is if you go to Germany...

KARLHEINZ SCHREIBER (BUSINESSMAN):

I'm finished. I'm eight years in custody.

LINDEN MACINTYRE (HOST):

Eight years in custody?

KARLHEINZ SCHREIBER (BUSINESSMAN):

Seven or eight years. This would be lifetime sentence. It would finish me off, therefore that's not going to happen.

LINDEN MACINTYRE (HOST):

As we reported, Karlheinz Schreiber is now being held in a Canadian jail awaiting likely extradition. And there's an ironic footnote. Switzerland, his refuge in times past, might come to his rescue again. The Swiss government is angry at the German authorities for the way they have been using Swiss banking records to prosecute him and others they've accused of corruption. And they want it stopped. So far, the Germans aren't listening. You can visit our website at cbc.ca/fifth for additional video and documents related to this story. Of course, we will keep you posted on any future developments.

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Idnumber: 200710310003
Length: 5854 words

Tone: Strongly Negative [REDACTED]
Audience Reach: 656,000 [REDACTED]



Brian Mulroney: The payments and the taxman

Karlheinz Schreiber paid the former prime minister \$300,000 in cash in three instalments in 1993 and 1994. But Mr. Mulroney did not declare the money at tax time. The Globe reveals new details about a series of phone conversations and private meetings from Canada to Switzerland in the years after the payments

-  Article
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GREG MCARTHUR
FROM WEDNESDAY'S GLOBE AND MAIL
OCTOBER 31, 2007 AT 2:00 AM EDT

TORONTO — Former prime minister Brian Mulroney, who received \$300,000 in cash from German-Canadian deal maker Karlheinz Schreiber in 1993 and 1994, did not pay taxes on the payments in the years he received the money.

The former prime minister filed a voluntary tax disclosure some time later, The Globe and Mail and CBC's *the fifth estate* have learned, an option that the Canada Revenue Agency offers for people who have previously filed inaccurate returns and subsequently decide to correct the record. Mr. Mulroney had declined to say when he paid taxes on the cash Mr. Schreiber handed over to him in hotels in Montreal and New York over a 19-month period.

A letter received late last night from an intermediary of Mr. Mulroney's explained that the former prime minister was delayed in paying his taxes because of the "cataclysmic event" that disrupted his life in November, 1995 — the RCMP letter to the government of Switzerland that falsely accused him of a crime.

"As such, it is understandable that until all these matters were resolved — as they eventually were with his total vindication — he could not resume normal functioning and attend to normal day-to-day affairs ... and indeed to the point of the finalization of his tax matters with his accountants," the letter said.



[Enlarge Image](#)


Brian Mulroney, left, Elmer Mackay, centre, and Karlheinz Schreiber are seen in this undated photo taken while Mr. Mulroney was prime minister. The photo has a personalized inscription from Mr. Mulroney to Mr. Schreiber.

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- [Read the memo from Mr. Schreiber's lawyer on his conversations with Mr. Mulroney \(pdf\)](#) 



Two of the cash payments given to Mr. Mulroney by Mr. Schreiber, totalling \$200,000, were made in 1993. The taxes owing on those payments would have been due by May 2, 1994, 18 months before Mr. Mulroney discovered that the RCMP was investigating him.

The taxes owing on the final \$100,000 payment from 1994 would have been due on May 1, 1995, six months before Mr. Mulroney learned about the RCMP investigation.

The response last night said: "He complied with all prevailing Canadian tax law and was entitled to do so in any way he chose and was to his best interest. He — like all of us — is entitled to do so."

Although Mr. Mulroney's intermediary fails to address when Mr. Mulroney made his voluntary tax disclosure, he states that it is "understandable" that Mr. Mulroney could not finalize his tax matters until he was vindicated in his legal battle with the federal government and the RCMP. Mr. Mulroney didn't receive a \$2.1-million settlement in the matter until January, 1997.

For roughly a decade after he received the cash payments, the public knew very little about Mr. Mulroney's relationship with Mr. Schreiber, who supported the former Conservative leader and helped him with campaign financing early in his political career.

Mr. Mulroney has always played down his relationship with the German-Canadian middleman. Mr. Schreiber's name doesn't appear once in his recently published 1,100-page memoir.

In 1995, when Mr. Mulroney sued the federal government for sending an intergovernmental letter that suggested he had conspired to defraud Canadians on Air Canada's purchase of Airbus airplanes, he testified under oath that he had only met Mr. Schreiber for a cup of coffee "once or twice" after leaving office and that he "had never had any dealings with him."

Over the past few years, the curtain on Mr. Mulroney's history with Mr. Schreiber has been gradually pulled back. In 2003, author William Kaplan revealed that Mr. Schreiber gave Mr. Mulroney \$300,000 in cash. Mr. Mulroney's spokesman later explained that the money was to help him promote Mr. Schreiber's pasta

business, as well as establishing a light-armoured vehicle factory in Montreal for Mr. Schreiber's client Thyssen AG.

In 2006, CBC's *the fifth estate* revealed that the payments were made in hotel rooms in New York and Montreal and that the cash came from a Swiss bank account codenamed "Britan."

Mr. Schreiber, at times, has been inconsistent. In 2006, he sent Mr. Mulroney a letter saying that he had been "misled" by the CBC when he agreed to appear on *the fifth estate*. Although he has publicly presented himself as feuding with Mr. Mulroney he has, at times, privately praised him. In 2004, he wrote Mr. Mulroney a letter to commend him on his eulogy at Ronald Reagan's funeral, saying "your performance ... has put you to the top of respect and admiration around the world."

Now faced with a possible extradition to Germany, where he is wanted on charges of bribery, fraud and tax evasion, Mr. Schreiber has offered up a version of events that contains new details about a series of private meetings and phone conversations that took place between 1998 and 2000, around the same time that a CBC journalist was digging into the still secret cash payments.

During those discussions involving the two principals and various lawyers and advisers, Mr. Schreiber says the former prime minister's counsel revealed that Mr. Mulroney had filed a voluntary disclosure on the cash.

In his most recent interviews, Mr. Schreiber has supplied copies of memorandums and entries from his day-timer that he says support his claims that certain meetings and phone conversations took place. The Globe has sought to verify his version of events by attempting to speak with parties to the meetings.

One of these meetings occurred in Switzerland on Feb. 2, 1998. Mr. Schreiber arrived that day at the Savoy, a luxury hotel in Zurich, he says, at the invitation of the former prime minister. Mr. Mulroney was in the midst of a series of visits with European central bankers on behalf of the World Gold Council and took time out to catch up with his old political backer.

In 1998, Mr. Schreiber was not the sort of character with whom many politicians – Canadian or German – were eager to be spotted. His home in Germany had already been raided by authorities, who alleged that he was at the centre of a political financing scandal. A warrant for his arrest had been issued in his native country, which prevented him from going there from Switzerland. Back in Canada, he was known as the man at the centre of the Airbus affair, a scandal that Mr. Mulroney said had unfairly ruined his reputation.

Mr. Schreiber was met in the hotel lobby by Mr. Mulroney's assistant and former speechwriter, Paul Terrien, who escorted him to Room 209, where Mr. Mulroney was waiting.

According to Mr. Schreiber, after small talk and a plate of smoked salmon and pumpernickel, Mr. Mulroney got to the point: The former prime minister wanted to be sure there was nothing that linked him to the cash payments he had accepted five years earlier, Mr. Schreiber says.

"And the reason for his, for his visit, was more or less to find out whether there would be any evidence that he received any money," Mr. Schreiber said in an interview.

The businessman says he informed the former prime minister that he didn't know of any evidence that would link them financially. Mr. Mulroney charged the cost of the room and food to his Visa card.

Mr. Terrien, who currently serves as chief of staff to Transport Minister Lawrence Cannon, confirms he walked Mr. Schreiber to the suite and saw him leave, but was not present for the meeting itself. Whatever was discussed, he says he didn't hear it – and he never asked his boss.

"I really, honestly, I never, never asked him and I wasn't interested in asking him and he didn't volunteer anything," Mr. Terrien said.

As it turned out, there was something that did, in fact, connect Mr. Mulroney to the cash payments.

Across the square from the hotel stood a building filled with secrets: the headquarters of the Swiss Bank Corporation. A bank account there would soon catch the attention of a journalist at *the fifth estate*, a bank account with a codename similar to the name Brian.

When Mr. Schreiber was preparing to distribute cash to politicians and friends, he liked to disperse the money from sub-accounts and he would give codenames based on the recipient's real name: "Maxwell" was for Max Strauss, the son of a former Bavarian premier, and "Frankfurt" was for Canadian lobbyist and former Newfoundland premier Frank Moores, who is now deceased.

That's why CBC producer Harvey Cashore was so intrigued when he obtained Mr. Schreiber's bank records and noticed an account titled "Britan." Between 1993 and 1994, cash withdrawals totalling \$300,000 had been made from the Britan account. Mr. Cashore wondered – does "Britan" refer to Mr. Mulroney?

In a series of phone calls in October, 1999, the CBC producer tried to persuade Mr. Mulroney's spokesman, Luc Lavoie, to grant an interview with the former prime minister. The spokesman insisted that Mr. Mulroney, who was still under RCMP investigation, would not speak on the subject. "He is going nuts," Mr. Lavoie told Mr. Cashore, before repeatedly denying that Mr. Mulroney had accepted money from Mr. Schreiber.

"I mean the bottom line is that he never received any money from anybody," Mr. Lavoie said later.

Another denial came again: "Because there never was any money. And to think otherwise is really to not know Mulroney. He is too smart to do something like that. It is just too dummy. It is too damn stupid. He wouldn't do that."

Mr. Lavoie also attempted to distance Mr. Mulroney from Mr. Schreiber, stressing that they were never close and were never friends. "Karlheinz Schreiber is the biggest fucking liar the world has ever seen. That is what we believe," Mr. Lavoie said at one point in the interview.

It was at this juncture that a frenzy of activity took place that suggested Mr. Mulroney was concerned about the CBC's inquiries.

He had stated under oath that he only met Mr. Schreiber "once or twice" for coffee, the Mounties were still on the case and now a journalist was sniffing around the still-secret cash payments.

After four phone calls over a period of nine days between the CBC producer and Mr. Lavoie, Mr. Mulroney's lawyer, Gérald Tremblay, called Mr. Schreiber's Alberta lawyer, Robert Hladun, according to Mr. Hladun. Several hours later, Mr. Mulroney followed up with a call of his own, Mr. Hladun said.

Mr. Hladun did not produce a written summary of the exchanges until three months after they took place, and only after being asked to do so by the lawyer acting for Mr. Schreiber in his extradition case, Edward Greenspan.

According to the memorandum, which was obtained by The Globe and Mail, Mr. Tremblay advised Mr. Hladun of the impending broadcast and of Mr. Mulroney's intention to send a letter to the CBC in an effort to quash whatever the network was about to say about the mysterious bank account.

"Received a call from Mr. Mulroney," Mr. Hladun would later write, "who advised that he had instructed Mr. Tremblay to issue a letter to CBC's Fifth Estate that if there was the slightest implication that Mr. Schreiber, Mr. Moores and Brian Mulroney were involved in any way... (I assumed as alleged in the Letter of Request) then there would be terrible consequences (I assumed that to mean a lawsuit)."

But before he sent the letter, Mr. Mulroney wanted "an assurance or comfort in writing from Mr. Schreiber," Mr. Hladun's memorandum states. Mr. Mulroney wanted Mr. Schreiber to say, according to the memorandum, "what he had said publicly on many occasions, that at no time did Brian Mulroney solicit or receive compensation of any kind from Mr. Schreiber."

Mr. Hladun now says he was under the impression that Mr. Mulroney was asking for a statement denying that he received Airbus money. "Yeah, I don't think it was out of order for how I took it and what he was asking. You have to understand – I didn't know about any 300," he said, referring to the \$300,000 in cash payments that Mr. Schreiber handed to the former prime minister.

According to Mr. Hladun's memorandum, Mr. Mulroney phoned him again later the same day: "Another call from Mr. Mulroney at which time I indicated that I was not sure whether or not a letter would be forthcoming," Mr. Hladun's memorandum states.

In the days that followed, there was a second set of discussions, these between Mr. Mulroney's legal team and Mr. Greenspan, both Mr. Hladun and Mr. Schreiber said in separate interviews.

It was during these discussions that Mr. Mulroney's camp eventually let it slip that he had made a voluntary tax disclosure, Mr. Schreiber says.

Mr. Tremblay did not return a message left on his voicemail nor respond to a letter that The Globe and the CBC sent to his Montreal office. Mr. Greenspan declined repeated requests for an interview. When he was sent a letter outlining what Mr. Schreiber had recounted about the voluntary tax disclosure and how it came to light, the Toronto criminal lawyer replied with a letter of his own.

"I am not released from my obligation of confidentiality owed to my client and, in any event, I would not voluntarily discuss conversations with other counsel that were off the record or privileged," Mr. Greenspan wrote.

"Therefore, my refusal should not be construed as affirmation of the information attributed to me."

Since Mr. Schreiber gave his interviews, he has had to surrender himself to a Toronto-area jail, where he is waiting for a Nov. 15 court hearing before the Ontario Court of Appeal. That hearing will likely determine whether he will be extradited to Germany, where he is wanted on charges of bribery, fraud and tax evasion.

* * *

Although many of the people involved in the discussions between the Mulroney and Schreiber camps have elected not to speak publicly, it can be said with certainty that Mr. Mulroney did not disclose the cash payments as income in the years that he received the money. He later exercised the legal right of any Canadian to come forward to the Canada Revenue Agency and paid what he owed.

The CRA created its voluntary disclosure program in 1973 so that taxpayers could declare unreported income without fear of prosecution. Tax lawyers and CRA officials often refer to the program as a "win-win" situation; it's an opportunity for taxpayers to rectify past errors and an opportunity for the government to collect funds it might otherwise never receive. CRA literature calls it a "fairness program that is aimed at providing clients with an opportunity to correct past omissions."

None of the government officials or tax experts interviewed by The Globe and CBC spoke directly about Mr. Mulroney's case; rather, they were asked to answer questions about the process and provide insight into hypothetical situations. CRA officials are forbidden by law from discussing the filings of individual taxpayers.

According to the agency's data from 2005-2006, there were 7,300 applications for voluntary disclosures, of which around 2,200 were denied. The program helped uncover \$330-million that had yet to be assessed for taxes.

One of the key stipulations for making such a disclosure is that the income has to be declared without any hint of an investigation by the agency. In other words, people can't wait until tax investigators discover they made a mistake on their taxes and then try to make things right by disclosing the income. A valid disclosure must also provide a complete explanation of the circumstances behind the unreported income.

Those facts raise questions about when Mr. Mulroney filed his disclosure and what he told investigators about the income. If Mr. Mulroney made his voluntary disclosure any time after Nov. 2, 1995, he would have been aware that he was the subject of an investigation by the RCMP, a highly publicized probe that focused specifically on his relationship with Mr. Schreiber – the very person who provided him the undisclosed income.

According to CRA spokeswoman Béatrice Fénelon, a person who is the subject of a criminal investigation can still file a valid voluntary disclosure, but the taxpayer must be completely upfront with investigators.

"If he is the subject of an investigation and is aware of it, [he] is under the obligation to disclose that they are under investigation as part of making a complete disclosure of information," she wrote.

Also, Mr. Mulroney's spokesman, Mr. Lavoie, has repeatedly referred to the cash payments as a "retainer." Stevan Novoselac, a partner at the law firm Gowlings and a tax expert, said in an interview that a retainer isn't taxable income until the funds are taken out of a lawyer's trust account and a bill is rendered to the client.

Is it possible that Mr. Mulroney waited to pay his taxes because he had been holding Mr. Schreiber's payment in trust and didn't immediately consider it income? If so, he wouldn't need to file a voluntary tax disclosure. He simply would have disclosed the payment on his annual tax return the same year that he took the \$300,000 out of trust. Moreover, Mr. Schreiber maintains he never received a bill for the services Mr. Mulroney provided.

Mr. Mulroney has repeatedly given public indications that he will get around to addressing the cash he took from Mr. Schreiber. When a CBC reporter questioned him about the payments in Ottawa in 2006 after *the fifth estate* aired its last interview with Mr. Schreiber, Mr. Mulroney responded: "Stay tuned."

A few weeks before the launch of his memoirs in September, he was asked by a Canadian Press reporter, as he climbed into a car in Ottawa, whether the book would broach the issue of the \$300,000 in cash.

"Buy a copy. Buy a copy. Buy a copy," Mr. Mulroney responded.

But the book doesn't mention Mr. Schreiber.

Then, on the eve of the book launch, Mr. Mulroney appeared in a CTV program. When CTV anchor Lloyd Robertson asked about the matter, Mr. Mulroney dismissed the cash as "the usual trash and trivia of politics." An explanation will come, he told Mr. Robertson – but not now.

"I'm going to write about it in my next book," he said.

CBC News: fifth estate is scheduled to air a documentary tonight.

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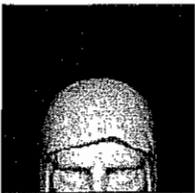
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Phillip Crawley, Publisher



Collins, Francine

De: Luc.Lavoie@quebecor.com
 Envoyé: 5 novembre 2007 18:37
 À: Collins, Francine
 Objet: Tri 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 8:26 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 1998 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 Falossi, a money launderer who was trying to force his business partner, Karlheinz Schreiber, to give him more money. Mr. Falossi 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 Chrétien 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" [mailto:bcsmith@thentor.ca]
 Sent: 11/05/2007 04:22 PM EST
 To: Luc Lavoie
 Subject: RE: hi

05/11/2007



Court File No. 07-CV-329949PD3

ONTARIO
SUPERIOR COURT OF JUSTICE

BETWEEN:

KARLHEINZ SCHREIBER

Plaintiff

- and -

BRIAN MULRONEY

Defendant

AFFIDAVIT OF KARLHEINZ SCHREIBER

I, KARLHEINZ SCHREIBER, of the City of Toronto and of Ottawa in the Province of Ontario, MAKE OATH AND SAY:

1. I am the plaintiff in the above noted matter and have personal knowledge of the matters set out in this Affidavit, except to the extent such matters are based upon information and belief, in which case I have stated the source of my information and believe such matters to be true.
2. The first contact I had with Mr. Mulroney was in the early 1980's after I became a landed immigrant in Canada, which was on September 2, 1978. It was Mr. Frank Moores who introduced me to Mr. Mulroney.
3. I had several meetings with Mr. Mulroney at the Ritz Carleton hotel in Montreal all taking place before Mr. Mulroney became the leader of the Progressive Conservative party in 1983.

4. Needless to say during my many meetings with Mr. Mulroney in the early 1980's neither the cash payments made by me to Mr. Mulroney nor the agreement (the "Agreement") made between Mr. Mulroney and I, as referred to in the statement of claim, were discussed, or even contemplated at that time.
5. The Agreement giving rise to this action was not entered into until some 10 years after my first dealings with Mr. Mulroney.
6. My first official meeting with Mr. Mulroney was in late 1983 (when Mr. Mulroney had become the Leader of the Conservative Party and was the Leader of the Opposition) when I introduced Mr. Max Strauss to Mr. Mulroney.
7. Having received very encouraging assistance from the Government of Canada in Ottawa and the Government of the Province of Nova Scotia in Halifax to bring a significant manufacturing plant to Cape Breton and in order to establish a corporate presence in Canada for Thyssen Industrie Aktiengesellschaft, one of the largest industrial concerns in Europe, Bear Head Industries Limited ("Bear Head Industries") was incorporated on November 6, 1985 with an office in Ottawa. Attached hereto as Exhibit "1" is a copy of my Bear Head Industries business card and a Province of Ontario, Ministry of Consumer and Business Services, corporate profile report for Bear Head Industries.
8. Finally, after considerable efforts, we managed to secure an agreement with the Province of Nova Scotia and an "Understanding in Principle" with the Government of Canada, which was signed September, 27, 1988 and which confirmed that the Government of Canada was interested in expanding the industrial development of Cape Breton and that Bear Head Industries was prepared to establish a heavy industry manufacturing facility for the production of light armoured defence products, to create at least 500 full time jobs and to commit an initial capital investment of \$58. Million and the transfer of significant

manufacturing know how by its parent company Thyssen Industrie Aktiengesellschaft (the "Bear Head Project").

9. The Understanding in Principle was signed by three Ministers of the Government of Canada and by me as Chairman of Bear Head Industries on September 27, 1988, a copy of which is attached hereto as Exhibit "2".
10. A year later I received a letter dated September 18, 1989 from Mr. Mulroney who by then had been Prime Minister of Canada for over 5 years, in which Mr. Mulroney confirmed not only that we had met on previous occasions, that we had been writing letters to one another, but also that he had sent a telegram to me back in 1982 when I received my Canadian citizenship, which telegram I received on or about February 3, 1982, a copy of which letter is attached hereto as Exhibit "3".
11. On one occasion Mr. Mulroney, The Honourable Elmer Mackay, at that time Minister of Public Works and Minister for the Atlantic Canada Opportunities Agency Act, and I met for a breakfast meeting at 24 Sussex Drive, Ottawa, Ontario.
12. On April 10, 1991, at a meeting arranged by Mr. Fred Doucet at the request of Mr. Mulroney, I had the pleasure of meeting Mr. Mulroney, Mr. Doucet and Mr. Paul Tellier, who at the time was the Clerk of the Privy Council, and who was also involved with the Bear Head Project.
13. Then on June 13, 1991 I met Mr. Mulroney in Bonn, Germany at a luncheon hosted by the Government of Germany in honor of Canada's role and in particular Mr. Mulroney's efforts in bringing about the reunification of Germany on October 3, 1990 and also at a reception that same evening hosted by the Government of Canada.

14. Almost a year later on May 22, 1992 I wrote another letter to Mr. Mulroney, a copy of which letter is attached hereto as Exhibit "4", which confirmed our ongoing efforts and certain meetings towards making the Bear Head Project a success and that at that time it was still my understanding that the Government of Canada was supportive of locating production facilities for light armoured vehicles in Nova Scotia and possibly even certain parts in Quebec.
15. On June 23, 1993 Mr. 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 (the "Harrington Lake Meeting"). 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 and consequently resided at 24 Sussex Drive, Ottawa, Ontario.
16. One of the terms of the Agreement which Mr. Mulroney and I agreed to on June 23, 1993 was that Mr. Mulroney would perform certain services on my behalf. Mr. Mulroney undertook to support my efforts in obtaining approval of the establishment of a production facility for light armoured vehicles by Bear Head Industries Limited, and we discussed that if matters got difficult in the Province of Nova Scotia, then Mr. Mulroney would assist in moving parts of the project to the Province of Quebec (the "Bear Head Quebec Project").
17. At the Harrington Lake Meeting Mr. Mulroney told me that in his opinion The Honorable Kim Campbell, would win a majority government in the next election, which would enable him (Mr. Mulroney) to accomplish much on my behalf.

18. During our meeting Mr. Mulroney, as a token of his appreciation of our friendship that had developed over the years, proudly promised that he would send to me a copy of his official picture which would be placed in the House of Commons. Shortly after the Harrington Lake Meeting I received, as promised by Mr. Mulroney, the picture with Mr. Mulroney's hand written note: "For my friend, Karlheinz with gratitude and best personal regards" and which he signed "Brian Mulroney". A copy of said picture is attached hereto as Exhibit "5".
19. I then proceeded to make arrangements for certain cash funds to be paid to Mr. Mulroney as an advance for his services as had been agreed by us during the Harrington Lake Meeting.
20. 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.
21. 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.
22. Mr. Mulroney honored me again on the occasion of my sixtieth birthday when he sent to me a letter dated March 25th, 1994 in which he expressed his very good wishes and best personal regards, a copy of which letter is attached hereto as Exhibit "6".
23. And finally some 18 months after the Harrington Lake Meeting I met with Mr. Mulroney on December 8, 1994 in New York at the Pierre Hotel and delivered to Mr. Mulroney a third cash payment also in the amount of \$100,000.
24. I made this third payment, even though, at the time that I made this third payment, it was clear that it was practically impossible for Mr. Mulroney to become involved in the Bear

Head Quebec Project (after Mr. Mulroney announced his retirement, The Honourable Kim Campbell, then Leader of the Conservative Party, became the Prime Minister of Canada and called an election in October 1993 but lost and The Right Honourable Jean Chrétien became Prime Minister on October 25, 1993) because Mr. Mulroney and I agreed that Mr. Mulroney would continue to be available to assist me in my other business endeavours.

25. In his testimony before the District Court of Montreal on April 17, 1996 Mr. Mulroney confirmed that he had not just had numerous meetings with me going back as early as the 1980's, including meetings in his office in Ottawa, but also that we had ongoing business dealings. Attached hereto as Exhibit "7" is a copy of parts of the transcript of the testimony of Mr. Mulroney (see Questions 192, 228, 241, 425 and 432).
26. In spite of all the difficulties that Mr. Mulroney and I encountered in 1995 and 1996 I did not lose confidence in Mr. Mulroney and was relieved when I received a letter from the Government of Canada dated January 9, 1997 signed by The Honourable Allan Rock, then Minister of Justice & Attorney General of Canada and Mr. Philip Murray, Commissioner, RCMP which contained a "full apology" and acknowledged that "some of the language contained in the Request of Assistance indicates, wrongly, that the RCMP had reached conclusions that you had engaged in criminal activity", a copy of which letter is attached hereto as Exhibit "8".
27. Then at the request of Mr. Mulroney I agreed to meet him on or about February 2, 1998 at the Hotel Savoy in Zürich, Switzerland (the "Savoy Meeting"). During the Savoy Meeting Mr. Mulroney and I discussed Mr. Mulroney's personal concerns regarding evidence of any payments made to him. I informed Mr. Mulroney about statements made by Mr. Frank Moores and Mr. Gary Ouseff regarding The Government Business Consulting Group Incorporated ("GBCI") business affairs and the earlier request made by Mr. Fred Doucet to transfer funds from GBCI to Mr. Mulroney's lawyer in Geneva related to the Airbus deal. The Ontario corporate profile report for GBCI is attached as Exhibit "9".

28. During the Savoy Meeting Mr. Mulroney and I also discussed how we could move forward with various business matters in the future which included Mr. Mulroney's support of the business activities of Spaghetissimo North America Inc. ("Spaghetissimo") and the potential for Archer Daniels Midland Company to get involved in this new business venture. The Ontario corporate profile report for Spaghetissimo North America Inc. is attached as Exhibit "10".
29. Several months before the Savoy Meeting my lawyer Mr. Robert Hladun, Q.C. to the best of his recollection had received a telephonic message (the "Tremblay Message") to call Mr. Gerald Tremblay, a lawyer acting for Mr. Mulroney, on October 17, 1997 regarding a letter Mr. Tremblay wanted to send to the CBC in connection with the Airbus Affair.
30. Two years after the Tremblay Message (almost 20 months after the Savoy Meeting), Mr. Hladun to the best of his recollection received two calls from Mr. Mulroney on October 17, 1999 during which Mr. Mulroney repeated to Mr. Hladun a similar request as made on prior occasions all to the effect that I provide in an affidavit assurances that "at no time did Brian Mulroney solicit or receive compensation of any kind from Schreiber".
31. On January 10, 2000 Mr. Edward Greenspan, Q.C., my lawyer representing me in my extradition case, requested that Mr. Hladun confirm his recollection of the above mentioned calls in connection with this request from Mr. Mulroney. A copy of Mr. Hladun's responding letter to Mr. Greenspan's inquiry dated January 26, 2000 is attached hereto as Exhibit "11".
32. Following our a meeting during Christmas 1999 with the family of Mr. Doucet during which I told Mr. Doucet that I would not commit perjury I met again with Mr. Doucet at his request in early 2000 in Ottawa. At that meeting, Mr. Doucet presented to me a draft

document that Mr. Mulroney requested I sign in order to confirm the terms of our Agreement. A draft of said document is attached hereto as Exhibit "12".

33. On May 23, 2000 I met Mr. Mulroney at a black tie dinner function at the Royal York Hotel, Toronto (the "Royal York Meeting") hosted by the Canadian Council for International Business and asked Mr. Mulroney for a private meeting to discuss our business relations and Mr. Mulroney agreed that we should meet and promised to arrange a meeting after his return from Florida.
34. Not only did Mr. Mulroney and I have many meetings with one another, exchanged correspondence and telephone calls with one another, and attended fund raising dinners together, starting as early as 1985 and continuing until the Royal York Meeting, but as already mentioned we also had considerable dealings with one another through intermediaries before and after the Royal York Meeting.
35. Reto's Restaurant Systems International Inc. ("Reto's") was incorporated on June 26, 2001 with its head office in Toronto and another office in Ottawa. Reto's continued the business activities of Spaghetissimo and in late 2002 we were working on the opening of the first pasta franchise store under the trade mark "Reto and The Machine Bistro-Bar" in Toronto. Attached hereto as Exhibit "13" is a copy of my Reto's business card and an Ontario corporate profile report for Reto's.
36. At this time I approached Mr. Mulroney to assist in obtaining private or government commitments towards the expansion of the Reto pasta manufacturing process and Reto pasta franchises (the "Reto Pasta Business") in Ontario and across Canada.
37. In a letter dated July 19, 2004 addressed to Mr. William Kaplan, author of two books about Mr. Mulroney, Mr. Pat MacAdam confirmed that after reviewing his correspondence and emails he found that I had "hired Mulroney to sell Bearhead armoured vehicles to

China" and that "Schreiber also engaged Mulroney to explore the sale of pasta machines...". A copy of this letter is attached hereto as Exhibit "14".

38. At the special request of Mr. Mulroney I wrote a letter to him on July 20, 2006 suggesting to Mr. Mulroney that the public rhetoric regarding the sale of Airbus planes by Airbus Industries G.I.E. (the "Airbus Affair") and the conspiracy against me personally amounted to the largest political scandal in the history of Canada, and that Mr. Mulroney and I must expose the people behind the scandal around the Airbus Affair, a copy of which letter is attached hereto as Exhibit "15".
39. I wrote the July 20, 2006 letter at the request of Mr. Mulroney because he told me that he was going to meet with The Right Honourable Stephen Harper, the current Prime Minister of Canada, by the end of July, 2006 at Harrington Lake, and that he (Mr. Mulroney) was going to show to Mr. Harper a copy of Exhibit 15 to show that he and I were on good terms.
40. There was no apparent follow up by Mr. Mulroney to my July 20, 2006 letter and therefore I wrote a letter on January 29, 2007 advising Mr. Mulroney that I was still counting on his support to engage the Government of Canada to commence a public inquiry into the Airbus Affair and how the Airbus Affair triggered my extradition case, a copy of which letter is attached hereto as Exhibit "16".
41. Finally, on February 20, 2007, having realized that Mr. Mulroney no longer intended to fulfill his part of the Agreement (Mr. Mulroney had denied to meet with Mr. MacKay and Mr. Michael Cochrane to discuss the Reto-Pasta Business and in particular the pasta obesity fighting program for children, which is described in the George Brown College Reto-Pasta Demonstration Project (the "Reto-Pasta Demonstration Project"), a copy of which is attached hereto as Exhibit "17"), I sent a letter to Mr. Mulroney dated February 20, 2007

demanding the repayment of the cash payments totaling \$300,000 plus interest, a copy of which letter is attached hereto as Exhibit "18".

42. Since Mr. Mulroney did not respond I instructed my lawyer Mr. Richard Anka, Q.C. to send a demand letter for the recovery of the moneys owing to me in the amount of \$300,000 plus interest. A copy of Mr. Anka's letter dated March 14, 2007 is attached hereto as Exhibit "19".
43. The reply to this letter was written on March 20, 2007 by Mr. Kenneth Prehogan of Weir Foulds LLP, who confirmed that he represented Mr. Mulroney and that he had received a copy of Mr. Anka's letter and that Mr. Mulroney denied "that he owes any money to me" and that his firm had "instructions to accept service" of Mr. Anka's initiating process on Mr. Mulroney's behalf, a copy of which letter is attached hereto as Exhibit "20".
44. Since Mr. Mulroney never provided the services as promised, nor did he return the \$300,000.00 and even though our Agreement contemplated that Mr. Mulroney provide certain services relating to the Bear Head Quebec Project and when it became clear that the Bear Head Quebec Project could not succeed Mr. Mulroney did not return the \$300,000.00 plus interest, but instead we agreed that Mr. Mulroney would perform other services in Ontario and elsewhere all relating to companies and persons doing business and residing in Ontario, I instructed Mr. Anka to commence an action in Ontario.
45. Not only was the Agreement formed by two Ontario residents but I believe that the Agreement was breached by Mr. Mulroney in Ontario. Furthermore, I have suffered damages in Ontario as a result of Mulroney's failure to repay me.
46. The statement of claim was issued on March 22, 2007 and Mr. Anka sent a letter to Mr. Prehogan on March 22, 2007 enclosing two copies of the statement of claim as issued and filed with the court requesting that Mr. Prehogan endorse acceptance of service on the back

page and return one original to Mr. Anka at his earliest convenience, a copy of which letter is attached hereto as Exhibit "21".

47. On March 26, 2007 Mr. Prehogan wrote a letter to Mr. Anka wherein he acknowledged receipt of the statement of claim, however Mr. Prehogan declined to accept service. Instead Mr. Prehogan confirmed that he will assist in arranging for personal service on Mr. Mulroney in Quebec, a copy of which letter is attached as Exhibit "22".

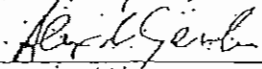
48. As a courtesy to Mr. Mulroney I sent a personal reminder letter on April 14, 2007 to Mr. Mulroney, a copy of which letter is attached hereto as Exhibit "23".

49. Nevertheless, not only had Mr. Prehogan resiled from his earlier agreement to accept service on behalf of Mr. Mulroney, but then once Mr. Mulroney was personally served on April 20, 2007 with the statement of claim, as amended, Mr. Prehogan filed a notice of motion to dismiss this action for lack of jurisdiction returnable on July 17, 2007 which he never set down for a hearing for reasons I have never clearly understood. It is my honest belief that Mr. Mulroney and his legal team have been engaged in delaying tactics in this action in the hope that I would be extradited to Germany and less able to pursue my action with any measure of dispatch or diligence.

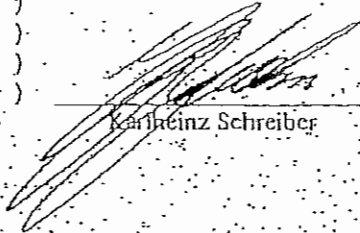
50. I am informed by counsel, and believe, that the statute of limitations in the Province of Quebec is three (3) years. Depending on when a court finds my cause of action against Mr. Mulroney to have arisen, this has the potential to deprive me of my cause of action, if I am compelled to bring this action in the Province of Quebec instead of Ontario.

51. I swear this affidavit in relation to a Motion brought by Mr. Mulroneý for an order dismissing this action for lack of jurisdiction and for no other or improper purpose.

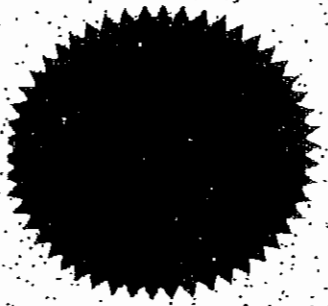
SWORN before me at the City)
of Toronto, in the Province of)
Ontario, this 7th day of November, 2007)



Notary Public)



Karlheinz Schreiber



BETWEEN:

KARLHEINZ SCHREIBER

- and -

BRIAN MULRONEY

ONTARIO
SUPERIOR COURT OF JUSTICE

AFFIDAVIT OF
KARLHEINZ SCHREIBER
DATED NOVEMBER, 2007

BALDWIN ANKA SENNECKE HALTMAN LLP

Barristers & Solicitors

Suite 900

Victoria Tower

25 Adelaide Street East

Toronto, Ontario

M5C 3A1

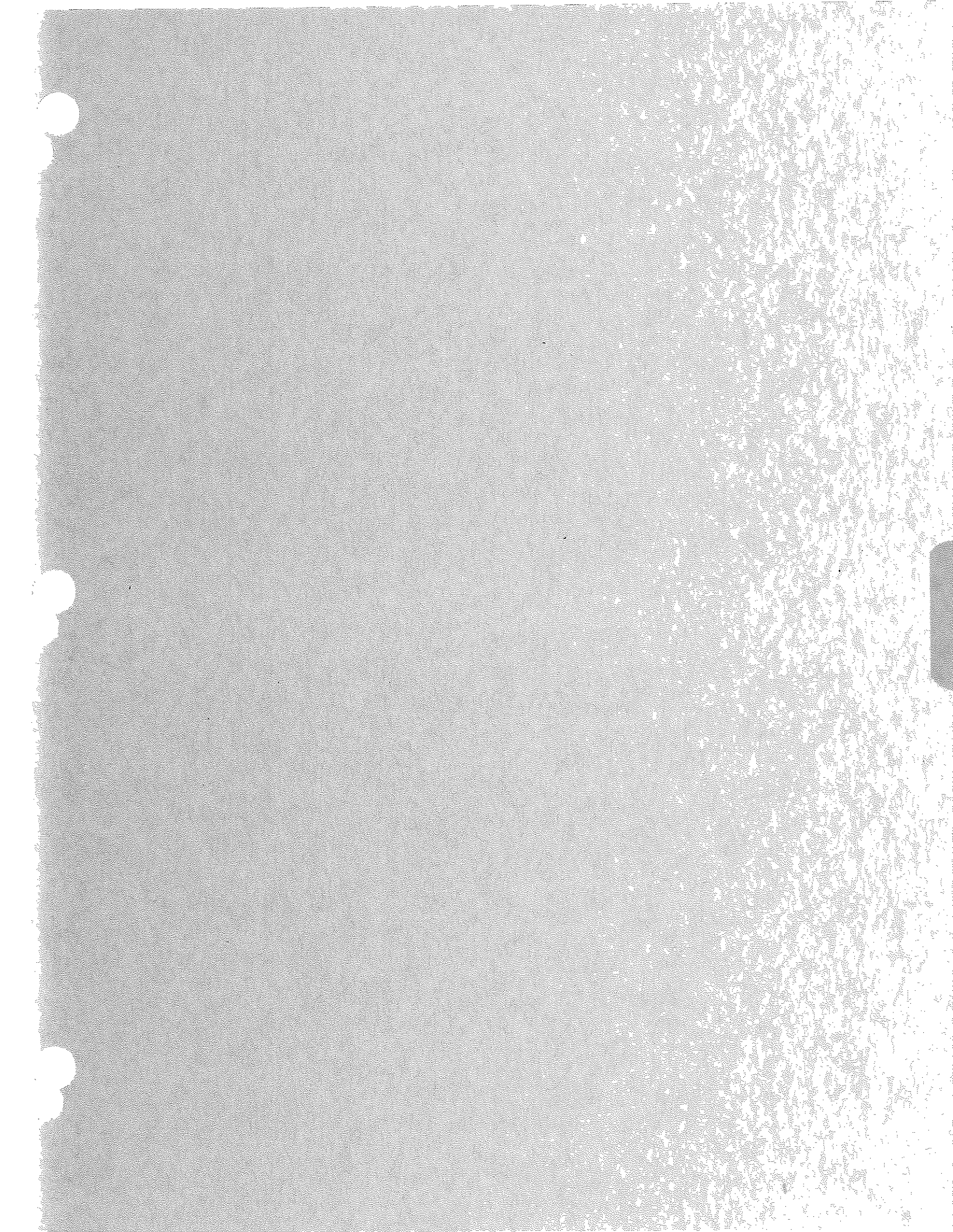
Richard E. Anka, Q.C.

LSUC No. 109959E

(416) 601-1030

Fax: (416) 601-0655

Solicitors for the Plaintiff



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

GREG MCARTHUR
GLOBE AND MAIL UPDATE
NOVEMBER 8, 2007 AT 8:11 PM EST

TORONTO — 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 Thursday 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.

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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
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- Brian Mulroneys: 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. Mulroneys 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. Mulroneys 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. Mulroneys, 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. Mulroneys's official resignation.

"It was at this meeting that Mr. Mulroneys and I entered into the Agreement," Mr. Schreiber states in his affidavit.

In a phone call late Thursday night, Mr. Mulroneys'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. Mulroneys 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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November 9, 2007

GLOBE AND MAIL (METRO)

PAGE: A1 (ILLUS) (NATIONAL NEWS)

THE MULRONEY-SCHREIBER SAGA: THE MEETING AT THE HOTEL SAVOY

Mulroney 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 Mulroney, as well as a series of meetings with the former prime minister's associates

KEYWORDS: "EXTRAD*" AND "CANAD*", "INTERNATIONAL" NEAR "LAW**"

GREG MCARTHUR

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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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Tuesday » April
28 » 2009

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."

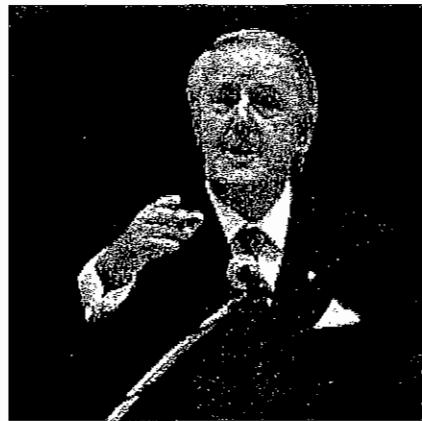
Lavoie also said the payments represented a \$100,000-a-year retainer for Mulroney's consulting services on a couple of projects - a military vehicle plant in Montreal and a pasta business - which didn't need to be claimed immediately on his income taxes.

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."

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Monday » April
20 » 2009

Mulroney's ultimate righthand man, Fred Doucet, plays key role in story

NORMA GREENAWAY
CanWest News Service

Friday, December 07, 2007

Fred Doucet was so close to Brian Mulroney when he was prime minister that officemates used to joke "he sleeps at the foot of Mulroney's bed."

When Doucet married in 1987, the reception was held at 24 Sussex Drive, the prime minister's official residence.

As Mulroney's former chief of staff and a senior policy adviser, Doucet handled everything from his boss's personal affairs to the organization of a string of international summits. Their bond was forged during their university days at St. Francis Xavier in Antigonish, N.S., where they shared interests in the debating club, student politics and the campus newspaper.

Doucet formally joined Mulroney's staff in 1984 after he became Progressive Conservative leader.

The Cape Breton native was hardly a household name during the Mulroney reign from 1984 to 1993. But he was, and still is, a big name in political Ottawa, all the more so since he keeps resurfacing in the unfolding Schreiber-Mulroney drama being played out before the Commons ethics committee. Karlheinz Schreiber said it was Doucet who told him Mulroney was in "desperate need" of cash as he prepared to step down as prime minister in the summer of 1993.

Yesterday, Schreiber testified Doucet asked him in late 1992 or early 1993 to take funds from an Ottawa lobby firm that worked on the Airbus sale, and send them to Mulroney's lawyer in Switzerland. Doucet, now a registered lobbyist in Ottawa, denied the charge within hours of Schreiber's testimony.

Doucet's statement also said he is prepared to "co-operate fully" with the committee.

Still, Schreiber's latest allegation, plus his accounts of Doucet's alleged role in arranging meetings between him and Mulroney during the 1990s, has some MPs anxious to get him before the ethics committee as quickly as possible.

Mulroney, who is expected to testify as early as Dec. 13, has been unabashed over the years in his praise for Doucet, the second of six sons born to a fisherman from the Cape Breton village of Grand Étang.

"You know," Mulroney mused to the Toronto Star in 1987, "if I asked Fred to move a building across the street one inch to the left by morning, Fred would do it, no question."

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TIMELINE: 2007

January 24, 2007

The Globe and Mail reveals justice department pondered setting aside Mulronev settlement in light of the fifth estate revelations.

March 23, 2007

Karlheinz Schreiber files \$300,000 lawsuit against Brian Mulronev for failing to provide services he promised in exchange for the \$300,000 in cash payments he made 1993 and 1994.

July 5, 2007

Ontario Supreme Court Justice Edward Then rules that former RCMP superintendent Al Mathews acted in good faith when he bestowed confidential informant status on investigative journalist Stevie Cameron, during his investigation of Eurocopter.

July 26, 2007

Lawyers for Karlheinz Schreiber obtain a default ruling against Brian Mulronev. Mulronev is ordered to pay \$470,000.

August 3, 2007

Justice Newbold quashes default order obtained by lawyers for Karlheinz Schreiber.

November 8, 2007

Karlheinz Schreiber filed an affidavit alleging he negotiated a \$300,000 lobbying deal with Mulronev at the prime minister's Harrington Lake retreat in Quebec on June 23, 1993 — two days before Mulronev stepped down as prime minister. See the affidavit.

November 9, 2007

Prime Minister Stephen Harper said he will appoint an independent third party to review new allegations by German-Canadian businessman Karlheinz Schreiber over his dealings with former prime minister Brian Mulronev.

November 13, 2007

Brian Mulronev addresses a fundraiser in Toronto for his alma mater St. Francis Xavier University. He tells the attendees:

"The half-truth, innuendo and smear are the insidious weapons of the political stalker or defamer. No clear accusations are ever made, just a series of sly suggestions. Hint, hint, nod nod. If only I could tell you the whole story. All from anonymous, dubious sources. And a vendetta surreptitiously works its way up to the next plateau. The difficulty with such people in the process, it's like punching jello in a pool. The only way to confront them, the only way is to confront them. Directly, put them under the spotlight and force them to testify under oath so that their conduct and their motives can be fully analyzed.

It is for this reason that last night I called for a full-fledged Royal Commission of Inquiry into the so-called Airbus affair. This inquiry, its terms of reference, must begin from the beginning in 1988. The

conduct of all high elected officials, advisors, lobbyists, public servants, police officials and those few members of the media who played a role in this matter. There can be no exceptions, and there can be no exclusions. I'm very pleased to find that Mr. Harper today agreed to appoint such a commission....So I'm grateful to the Prime Minister for announcing his intention to appoint this royal commission of inquiry and when that commissioner is appointed and these sessions begin, I want to tell you tonight that I Martin Brian Mulroney the 18th Prime Minister of Canada will be there before the Royal Commission with bells on because I've done nothing wrong and I have absolutely nothing to hide."

Listen to a clip.

November 14, 2007

Prime Minister Stephen Harper named David Johnston, president of the University of Waterloo to draft the terms of reference for the public inquiry into the Schreiber affair.

November 15, 2007

Karlheinz Schreiber lost the latest round of his battle against extradition when the Ontario Court of Appeal dismissed his application for a review. His lawyers, Eddie and Brian Greenspan, asked the federal government to give them two weeks to ask a court to halt Schreiber's surrender.

for the latest on this story visit cbcnews.ca.

Collins, Francine

De: michael.lipsitz@chase.com
Envoyé: 14 janvier 2008 10:56
A: fanny.l.sliwinski@chase.com; Collins, Francine; allen_frederick@jpmorgan.com
Objet: Re: Fw: RE : Brian Mulroney

Folks -

Unfortunately, all we can say for certain is that Mr. Mulroney has not visited the box since July 2006, which is when we started keeping records about safe deposit box visits in New York, New Jersey and Connecticut. Before then we only verified authorization to enter the box but did not maintain logs or keep copies of the access requests. As noted below, I think it is possible he visited the box on or around December 13, 1999 when the lock was replaced and a new key issued but we do not know for sure. Sorry we cannot provide more detail - it just does not exist.

ML

Fanny L. Sliwinski/IL/ONE

Michael Lipsitz/IL/ONE@JPMCHASE

Frederick Allen/JPMCHASE@JPMCHASE, FCollins@ogilvyrenault.com

Fw: RE : Brian Mulroney

01/14/2008 09:16 AM To

cc

Subject

Michael

Received the additional request below from Mr. Mulroney's office. Would you be able to provide him with this information?

Thanks,
Fanny

☐ Fanny Sliwinski, Executive Assistant to William M. Daley | JPMorgan Chase, 10 South Dearborn, IL 1-0883, Chicago, IL 60693 | ☎ W: 312.732.3038
☎ F: 312.732.8428

— Forwarded by Fanny L. Sliwinski/IL/ONE on 01/14/2008 09:14 AM —

"Mulroney, Brian" <BMulroney@ogilvyrenault.com>

Sent by: "Collins, Francine" <FCollins@ogilvyrenault.com>

<fanny.l.sliwinski@chase.com>

01/14/2008 09:04 AM To

cc

RE: Brian Mulrone

Subject

Ms. Sliwinski:

Mr. Mulrone would very much appreciate if you could let him know how many times - including the dates - Mr. Mulrone visited his safety box.

With many thanks and best regards.

Francine Collins
Adjointe administrative du très honorable Brian Mulrone
Administrative Assistant To The Right Honourable Brian Mulrone
Ogilvy Renault S.E.N.C.R.L., s.r.l. / LLP
(514) 847-4779
fcollins@ogilvyrenault.com

-----Message d'origine-----

De : fanny.l.sliwinski@chase.com [mailto:fanny.l.sliwinski@chase.com]
Envoyé : 14 janvier 2008 08:56
À : Mulrone, Brian
Cc : allen.frederick@jpmorgan.com
Objet : Fw: Brian Mulrone

Dear Mr. Mulrone,

In response to your inquiry to Freddy Allen, below is the information we were able to locate with regards to your safe deposit box.

Kind regards
Fanny Sliwinski

+ Fanny Sliwinski, Executive Assistant to William M. Daley | JPMorgan
+ Chase,
10 South Dearborn, IL1-0883, Chicago, IL 60603 | (W: 312.732.3038 | 7 F: 312.732.8428

----- Forwarded by Fanny L. Sliwinski/IL/ONE on 01/14/2008 07:51 AM -----

Michael
Lipsitz/IL/ONE

01/11/2008 02:20
PM

William M Daley/IL/ONE@JPMCHASE

Dan Cooney/IL/ONE

Brian Mulrone

To
cc

Subject

Bill

Mr. Mulroneý opened a safe deposit box (now numbered 0030606) at the 270 Park Avenue branch on December 8, 1994 and the box is still open. There's been no access to the box since July 2006. We didn't log access in Tri-State before then. However, we changed the lock at Mr. Mulroneý's request on December 13, 1999, apparently because he lost the key - it's possible he accessed the box at that time.

FYI, the \$100 annual rental fee was due December 8, 2007 but not paid yet. Including \$8.38 in tax and a \$5.00 late fee, the current amount due is \$113.38. The account address is 47 Forden, Canada, 99999. If that's no longer current we can update the file.

If you or Mr. Mulroneý have questions or need additional information please let me know.

ML

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**Fax Cover Sheet**

Date/time: January 16, 2008

If you do not receive a clear transmission,
please call:No. of pages
(including this cover sheet): 2Diane Mowrer
Telephone: 312-732-7677

Deliver to: Hon. Brian Mulroney

Sent from:

Company/department:

Michael Lipsitz, Esq.
10 S. Dearborn - Mail Code IL1-0075
Chicago, IL 60603

Address/location:

Fax number: 514-286-1238

Fax number: 312-732-7677

Telephone:

Telephone: 312-732-4223

Message:

Please see attached, as discussed. I will be in New York tomorrow and can be reached most quickly on my cell phone: 847-302-3565.



Michael Lipsitz
General Counsel, Retail Banking

- DRAFT -

January 16, 2008

Re: Brian Mulroney

To Whom It May Concern:

Mr. Mulroney opened a safe deposit box at Chase's 270 Park Avenue branch in New York on December 8, 1994, and the box is still open. Mr. Mulroney has not visited the box since July 2006, which is when we started keeping records about safe deposit box visits in New York, New Jersey and Connecticut. Before then we did not maintain logs or keep copies of the access requests. It is possible he visited the box on or around December 13, 1999 when the lock was replaced and a new key issued but we do not know for sure. We are unable to provide further detail as it does not exist.

If you have questions please contact the undersigned.

Very truly yours,

Michael Lipsitz

CHASE 

Michael Lipsitz
General Counsel, Retail Banking

January 28, 2008

Re: Brian Mulroney

To Whom It May Concern:

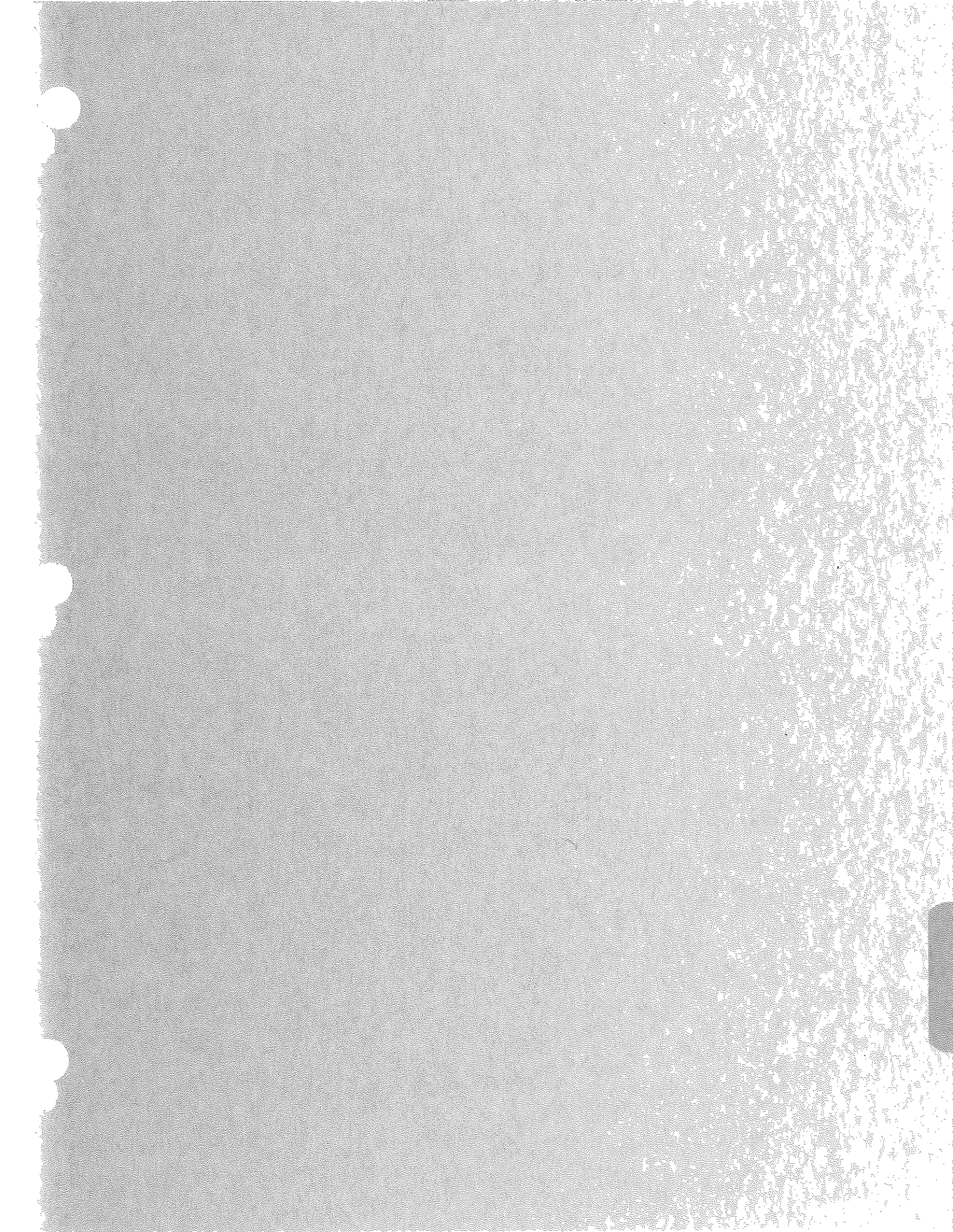
Mr. Mulrone had on December 8, 1994 a safe deposit box at Chase's 270 Park Avenue branch in New York, and the box is still open.

Very truly yours,


Michael Lipsitz




JPMorgan Chase Bank, N.A. • (L1-0075, 10 South Dearborn, Chicago, IL 60603

Telephone: 312-732-4223 • Facsimile: 312-732-7677
michael.lipsitz@chase.com



How one file set off Schreiber's string of mystery payments

Mulroney's Atlantic minister speaks out on proposed arms plant

-  Article
-  Comments 

GREG MCARTHUR
FROM FRIDAY'S GLOBE AND MAIL
MARCH 14, 2008 AT 2:46 AM EDT


It was Lowell Murray's first day on the job and his boss – Prime Minister Brian Mulroney – had one task in particular he asked the senator to tackle.

The two men were flying somewhere over Eastern Canada in the government's Challenger jet, bound for an afternoon news conference in St. John's.

It was June 6, 1987, the day Mr. Mulroney announced the creation of the Atlantic Canada Opportunities Agency and Mr. Murray's appointment as its inaugural minister. At some point during the three-hour flight, Mr. Mulroney reached over and handed a single file folder to Mr. Murray.

"Here's something you want to have a look at," Mr. Murray recalled Mr. Mulroney saying.

Internet Links

- **Audio Slideshow:** Reporter Greg McArthur takes you through the paper trail 



Inside there was a single letter – a proposal for a light-armoured vehicle factory that Thyssen Industrie AG, a German arms manufacturer, wanted to build in Cape Breton.

It's been more than 20 years since that flight, and until now it has not been understood how this factory became such a priority for the Mulroney government. Speaking for the first time publicly about the proposed factory, Mr. Murray, a Progressive Conservative senator, played down the significance of that handoff. "I didn't attach any greater importance to it," he said.

However, when Mr. Mulroney gave Mr. Murray that file, it set in motion a chain of events that resulted in some of the former prime minister's friends and political allies getting paid hundreds of thousands of dollars by German-Canadian lobbyist Karlheinz Schreiber.

There's no evidence to suggest Mr. Mulroney knew his associates stood to profit from the Thyssen file he handed Mr. Murray in 1987. What is clear is that after receiving that assignment, Mr. Murray spent the next 15 months trying to make the factory, known as Bear Head Industries, a reality, and he helped persuade three ministers to sign an "understanding in principle" to support the project.

Those signatures prompted \$2-million to take a circuitous route from Thyssen's headquarters in Germany to shell companies in Liechtenstein, on to Mr. Schreiber's Swiss bank accounts, until a portion of that money made its way into Canadian pockets. The factory was never built.

Mr. Murray, who still serves as one of three Progressive Conservatives in the Senate, says he was shocked to discover through recent news reports who was paid as a result of that document being signed 21 years ago. He also expressed bewilderment that Thyssen would pay so much for a document that, he says, didn't force the government to do much of anything.

"Incredulous. That's all I can say. Absolutely incredulous. But of course I don't know what [the money] was for," Mr. Murray said, later adding, "I'd like to know."

In his interviews with *The Globe*, Mr. Murray said the recipients of those commissions – only two are still alive – should publicly explain what work they performed for the money.

"It's important at a minimum because it's become a public issue. It's out there."

Mr. Murray insists that his intentions were pure; he wanted to make the agency a success and bring a potential 500 manufacturing jobs to an economically depressed area of Cape Breton, he said.

Others who were close to Mr. Mulroney also saw an opportunity. And documents originally obtained by *CBC's the fifth estate* – including Mr. Schreiber's Swiss banking records show just how much money there was to spread around.

Pushing the proposal

Ten days after receiving the Thyssen file from the Prime Minister, Mr. Murray's phone rang.

On the other end of the line was Fred Doucet, Mr. Mulroney's former chief of staff and long-time friend, Mr. Murray said. The senator says he made a note of the conversation in his agenda book. Mr. Doucet, who had recently left the Prime Minister's Office to become Canada's ambassador of international summits, congratulated Mr. Murray on his new post and encouraged the senator to get moving on his first assignment, Mr. Murray said.

"[He] also told me that the Thyssen thing was important," Mr. Murray said. "The idea was that it would be of great political advantage, that it was extremely important, that the Prime Minister thought it was important."

"I didn't consider that untoward. [Mr. Doucet] had been a political assistant in the PMO and he came from Cape Breton and he was interested in the political fortunes of the party."

The very same day, Mr. Murray says he received a call from Mr. Doucet's brother, the lobbyist, Gerry Doucet. Gerry Doucet was one of the partners of Government Consultants International, the firm made up of prominent Tories such as Frank Moores, the late former Newfoundland premier, and Conservative organizer Gary Ouellet, who has also died. The firm represented Mr. Schreiber and Bear Head Industries and Gerry Doucet called to make sure the senator was

"moving the project forward," Mr. Murray said.

In the latter half of 1987, Mr. Murray would go on to have more than a dozen conversations with the Doucet brothers – three with Fred and 10 with Gerry – about the proposed factory, Mr. Murray said. The senator also recalled Fred Doucet urging Mr. Murray to promote the project with Perrin Beatty, who at that time was defence minister.

(When contacted by The Globe, Fred Doucet declined to comment on any of his conversations with Mr. Murray. Gerry Doucet did not return messages.)

Across the Atlantic, Karlheinz Schreiber and his accountant Giorgio Pelossi were plotting to ensure that lots of money would be available if the federal government made its support for the factory more official.

A series of 1987 letters between Mr. Pelossi and Thyssen show that the arms manufacturer gave Mr. Schreiber \$1.9-million to support his lobbying efforts, and the company agreed to give him another \$2-million if he delivered a "letter of intent" from the Canadian government.

On Christmas Eve, 1987, Mr. Pelossi sent Thyssen the good news – such a letter was just around the corner.

"On the part of the responsible government offices, we have been assured that this letter of intent will be granted to you at the beginning of next year," Mr. Pelossi wrote.

Back to the drawing board

It took a little longer. On Aug. 30, 1988, Mr. Murray spoke with Fred Doucet again, and again, Mr. Murray says, the former PMO staffer was calling about the proposed factory – but this time in a different capacity.

Mr. Doucet had left the government just weeks earlier and became a lobbyist. Mr. Murray says Mr. Doucet called to let him know he was now representing the Bear Head project. He would go on to speak with Mr. Doucet three more times in September about the project, Mr. Murray said. With hindsight, it was a good time to be associated with the project. A windfall was on the horizon.

A federal election was imminent, and Mr. Murray said he wanted something in writing to make sure the proposal wasn't left behind when all the campaigning was over – especially if there was a change in government. His agency started to pursue a "letter of comfort," Mr. Murray said.

The only problem was, the defence department was firmly against the idea – and had already rebuffed Mr. Schreiber's proposal on numerous occasions. The only way Mr. Beatty was going to sign anything, the former defence minister told The Globe in an interview, was if "there was no obligation to choose" the Thyssen vehicles.

Mr. Murray went back to the drawing board.

"So we then started drafting and redrafting and drafting and redrafting," the senator said. "Originally we thought agreement in principle and this thing was lawyered and lawyered and lawyered again. And the Department of Justice, I think it was, probably came up with 'understanding in principle' to make the commitment even less serious on the part of the government," Mr. Murray said.

Finally, on Sept. 27, 1988 – just days before Mr. Mulroney called a federal election – the ministers signed the document. Thyssen issued a press release and the Nova Scotia media ran with stories about a potential 500 jobs for Cape Breton.

But back in Ottawa, at least one high-ranking defence official was still in the dark, saying it was the only occasion he could recall not being informed about his minister, Mr. Beatty, signing such an agreement.

"It wasn't processed in normal channels," said the official. "We were not interested in this deal because we just didn't have the money or the priority... and that position was taken quite consistently."

"I frankly, to this day, don't know what the [understanding] in principle was supposed to achieve."

Invoices roll in

After the document was signed, one of the first invoices to arrive for Mr. Schreiber was from Fred Doucet, whose new company was Fred Doucet Consulting International.

It was dated Nov. 2, 1988, which was less than three months after Mr. Doucet left his government job and about a month after the document was signed. His invoice was for \$90,000.

Other invoices started rolling in. The law firm of Gerry Doucet, Mr. Doucet's brother, also billed for \$90,000. Gary Ouellet's consulting company billed for a further \$90,000. Frank Moores sent his \$90,000 invoice and his lobby firm, Government Consultants International, issued an invoice for \$250,000.

All of the invoices used similar language to describe the work that was performed: "professional services," "services rendered" and "consulting services."

And sure enough, over a period of 20 days, money started winding its way from Germany back to the lobbyists. Thyssen sent \$2-million to one of Mr. Schreiber's Liechtenstein shell companies. That was transferred to another shell company, which in turn sent \$1-million to one of Mr. Schreiber's Swiss bank accounts. Then, \$610,000 was transferred out of the Swiss bank account – codenamed "Frankfurt" – the same day Fred Doucet invoiced Mr. Schreiber.

After the money made its way through another Liechtenstein company, Mr. Schreiber paid all of the parties – a total of \$610,000 – on Nov. 15, 1988, from one of his Calgary companies, Bitucan.

(Neither of the former ministers interviewed for this story – Mr. Murray and Mr. Beatty – said they had any knowledge of the commissions that were set to flow as a result of that document being signed. Mr. Beatty said he never received "any pressure" to sign the document.)

Mr. Murray said he couldn't recall speaking about the factory with Mr. Ouellet, and he said he has a vague recollection of meeting with Mr. Moores, but said he couldn't remember the exact date.

Fred Doucet's only public comments about his role with the Bear Head project came in February when he testified before the House of Commons ethics committee. In his sworn testimony, the former Mulroney staffer was asked when he started working for Mr. Schreiber. His answer – "I believe I got on the payroll in February

of '90" – was 14 months after he issued his \$90,000 invoice to Mr. Schreiber. When the contradiction was exposed in the media, Mr. Doucet's lawyer sent a letter to the committee apologizing and explaining that his client was "mistaken" – but neglected to explain how Mr. Doucet came to make that mistake.

Questions about what Mr. Mulroney knew about the commission deal, and why he selected the Thyssen file as the only file to hand Mr. Murray during his first day on the job remain unanswered.

The public relations firm handling inquiries for the former prime minister declined to comment.

In December, Mr. Mulroney testified before the House of Commons ethics committee that he was "supportive of the project" but was never asked about the money that was funnelled back to Canada as a result of that document.

TIMELINE

Behind the Bear Head project

Feb. 23, 1982: A 42-year-old Brian Mulroney sends a Telex to German businessman Karlheinz Schreiber, congratulating him on becoming a Canadian citizen.

January, 1983: Progressive Conservative Leader Joe Clark announces a leadership race after receiving only 66.9 per cent support from delegates at a Winnipeg convention. Mr. Schreiber later reveals that he paid to fly anti-Clark delegates to the convention.

Sept. 4, 1984: Brian Mulroney, who replaced Mr. Clark as Progressive Conservative party leader, becomes Canada's 18th prime minister.

June 6, 1987: During a flight to St. John's to announce the creation of the Atlantic Canada Opportunities Agency, Prime Minister Brian Mulroney hands his new minister, Senator Lowell Murray, a single file folder, Mr. Murray says. Inside is a proposal from Thyssen Industrie AG, a German arms manufacturer, to build a light-armoured vehicle factory in Cape Breton known as Bear Head Industries, Mr. Murray says. There's no evidence to suggest that Mr. Mulroney knew his associates stood to profit from the Thyssen file he handed Mr. Murray.

June 15, 1987: Mr. Murray says he receives a phone call from Fred Doucet, the ambassador of summits and Mr. Mulroney's friend. Mr. Doucet tells Mr. Murray the Prime Minister considers the project "important," Mr. Murray says. The same day, Mr. Murray gets a phone call from Mr. Doucet's brother, Gerry Doucet, a lobbyist with Government Consultants International, the firm representing Bear Head, Mr. Murray says.

Nov. 26, 1987: In a letter, Thyssen informs Karlheinz Schreiber that the German-Canadian middleman is entitled to millions of dollars in success fees if he can deliver a "letter of intent" from the federal government for the proposed factory.

Dec. 24, 1987: Mr. Schreiber's accountant informs Thyssen that a letter is on the way.

July 13, 1988: Mr. Murray says he starts drafting a "letter of comfort" to solidify the government's support for the project.




Aug. 30, 1988: Mr. Murray gets a phone call from Fred Doucet, who informs the senator that he's now working as a lobbyist and representing Mr. Schreiber and the Bear Head project.

Sept. 27, 1988: Three of Mr. Mulroney's ministers sign an "understanding in principle" with Bear Head Industries.

Oct. 25, 1988: Thyssen sends \$2-million to the Liechtenstein bank account of Mr. Schreiber's shell company, half of which later flows into Mr. Schreiber's Swiss bank accounts.

Nov. 15, 1988: Mr. Schreiber's Alberta company, Bitucan Holdings, issues \$90,000 cheques to Fred Doucet's consulting company, Frank Moores, Gerry Doucet's law firm and Gary Ouellet's consulting company – as well as a \$250,000 cheque to Government Consultants International.

1993-1994: Mr. Mulroney accepts at least \$225,000 in cash from Mr. Schreiber in hotels in Montreal and New York.

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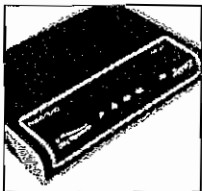
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The Midtown Book

THE METROPOLITAN CLUB

1 EAST 60TH STREET

Developer: The Metropolitan Club

Architect: McKim, Mead & White; Ogden Codman Jr. (east wing)

Erected: 1893; 1912 (east wing)



By Carter B. Horsley

The city's grandest palazzo, the Metropolitan Club, shown above, was organized by J. P. Morgan in protest against not being admitted to some of the city's other exclusive private men's clubs.

He showed them.

This is Stanford White's most sumptuous and lavish work in Manhattan. Its supremely elegant white marble exterior with its strong accents and regal demeanor is but a hint of its very lavish and spectacular interiors. Charles McKim's University Club further down the avenue at 54th Street actually has more impressive interiors, but a decidedly more somber less extravagant air about it. As Morgan was wont to say, if you have to ask the price, forget

about it. This club, whose cornice projects 6 feet from the building's walls, flaunts its stuff in the grandest traditions of merchant princes only interested in the very best *piece de resistance*.

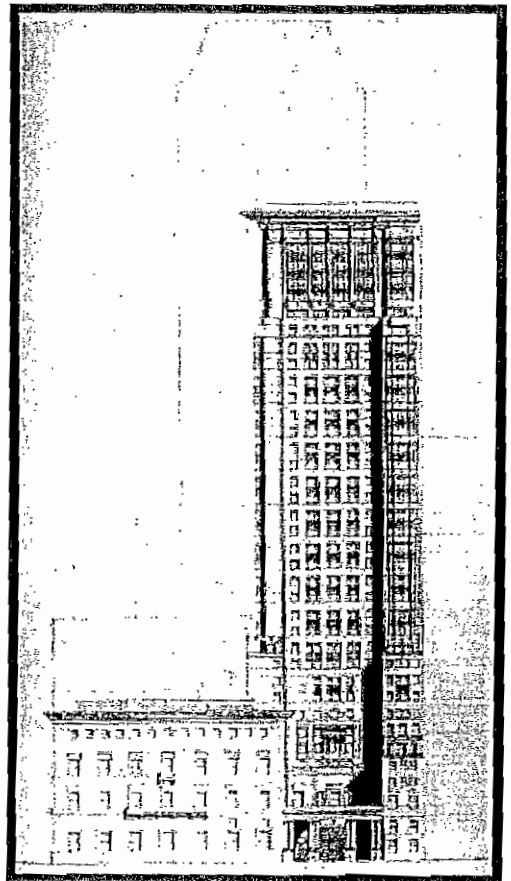
The building's entrance is remarkable.

It is approached through a very wide, tall and elaborate gate that opens onto a large curved courtyard framed by the rear and the east by a two-story wing and on the west by the four-story main clubhouse. The asymmetrical composition was somewhat balanced by Ogden Codman Jr.'s 6-story addition at No. 3 that was designed for bachelor quarters. In the late 1960's, a small room with very tall ceilings and a fireplace could be rented for the night for about \$25 by members. The club subsequently leased this east wing to the Canadian Club and in 1993 it was leased to the American Academy in Rome, which had been also designed by McKim, Mead & White.

In 1987, the club agreed to lease its undeveloped air rights to Park Tower Realty, headed by George Klein, who commissioned James Stewart Polshek and Partners to design a 37-story luxury apartment tower to rise above the courtyard and the east wing. The plan, shown at the right, set off a major preservation controversy that ended with the city's Landmarks Preservation Commission declining to issue a certificate of appropriateness for the plan.

The commission's decision was deplorable, a complete capitulation to the anti-development forces that had outshouted virtually all voices of reason, or at least architectural awareness, in the city.

The Municipal Art Society and other civic groups conceded that the design was "handsome" and admirable, but argued it would compromise the Upper East Side Historic District of which it was a part. Many civic activists claimed that the principle was that the area could not tolerate more density, but since the proposal only called for a total of 51 apartments, their argument was not intellectually convincing. Furthermore, the more important context was not the Upper East Side Historic District, but the Plaza District, the city's premier cosmopolitan showcase!



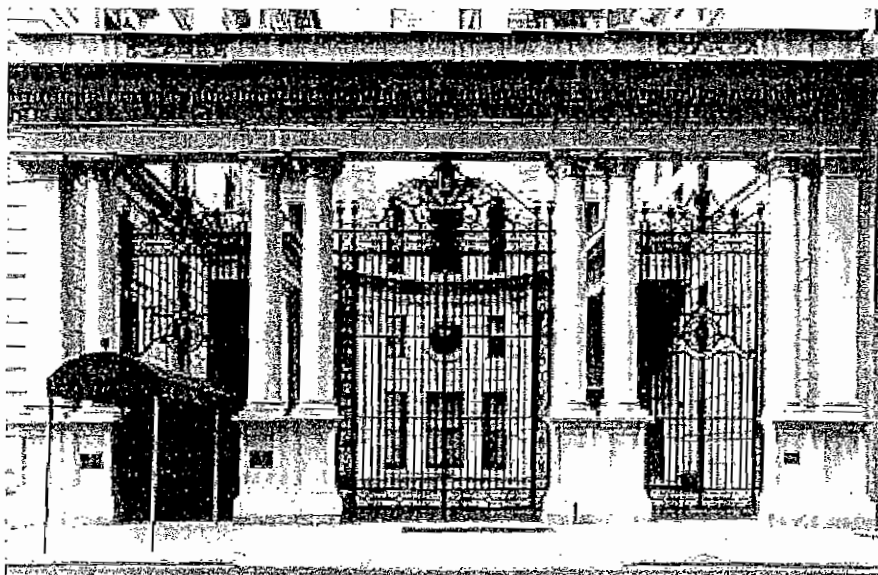
When members of the architectural and development community learned of Klein's plan to use the club's air rights, most were horrified as the club was one of the rare genuine landmarks of true architectural distinction among the city's large inventory of officially designated "landmarks" and it was hard to conceive how such a large project could not

severely violate the architectural integrity of the club and its great courtyard.

Polshek, however, dumbfounded everybody by performing the magical feat of violating neither the courtyard nor the club's great interior spaces. He designed a limestone tower that was very compatible with the club's exteriors but also strikingly sophisticated and a strong statement of contemporary styling.

The projecting window treatment on the proposed tower's Fifth Avenue side was as classically modern as Lever House, but it had a large cornice to echo the club's and its top had multi-story columns to thematically repeat those used in the club's great entrance gate. Moreover, the protrusions and recesses of the tower's plan created a rich visual interest that stopped short of overwhelming both the club and the adjacent Pierre Hotel (see [The City Review article](#)) that already loomed over the club. Furthermore, Polshek stopped his tower at a height significantly below the great mansard roof of the Pierre and positioned his tower considerably back of the Pierre tower's west front. Indeed, the Polshek tower covered over most of the Pierre's blank walls on its south facade where the hotel's elevator bank was located. Polshek's siting did not interrupt the park and midtown views from the Pierre's west corner apartments and hardly impinged at all over the main clubhouse.

Viewed from the west, however, the Polshek tower was flush with the Pierre and therefore added a degree of bulkiness to that hotel's rather slender shaft. Ideally, some space between the two towers would have retained more of the Pierre's soaring élan, but that was not possible without building in the courtyard, shown below, or cantilevering over it, neither a very acceptable solution.



Polshek's solution, in retrospect, was quite similar to Cesar Pelli's marvelous addition of a skyscraper tower to Carnegie Hall that raised no hackles among preservationists whose record of consistency since the belated creation of the city's Landmarks Preservation Commission in 1965 has been abysmal.



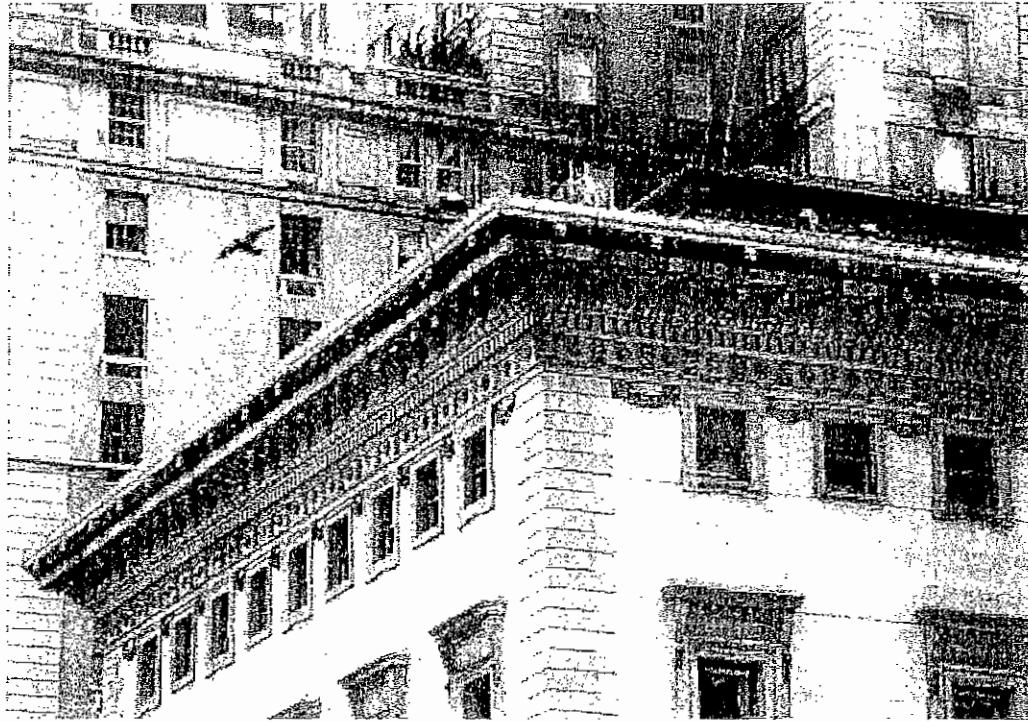
The Klein/Polshek design was brilliant and should have been built.

The main feature of the Metropolitan Club's interior is its great central hall with a grand staircase on its north side facing a massive fireplace on its south side. At the second level, the hall was ringed on its west, south and east sides by a handsome broad arcade leading to a variety of gaming and meeting rooms and a much smaller staircase leading to the third floor dining room overlooking Fifth Avenue.

The main central hall is exceptionally bright because of its polished white marble walls.

A large attractive bar room occupies most of the first floor's south end overlooking the sidestreet while the entire Fifth Avenue frontage on this floor is occupied by a spectacularly ornate reading room that often is converted to a dining room for special banquets and balls.

Unlike some clubs, the Metropolitan has no special athletic facilities. It just is wonderfully palatial, which is as healthy a tonic as exists.



New dining room and lounge are in setback roof addition added in 2007

In 2007, the club opened a setback roof-top addition that included a lounge, a skylit dining room on a raised level and a terrace. The new rooms were modern in style but very sumptuous and are a very significant addition to the club.

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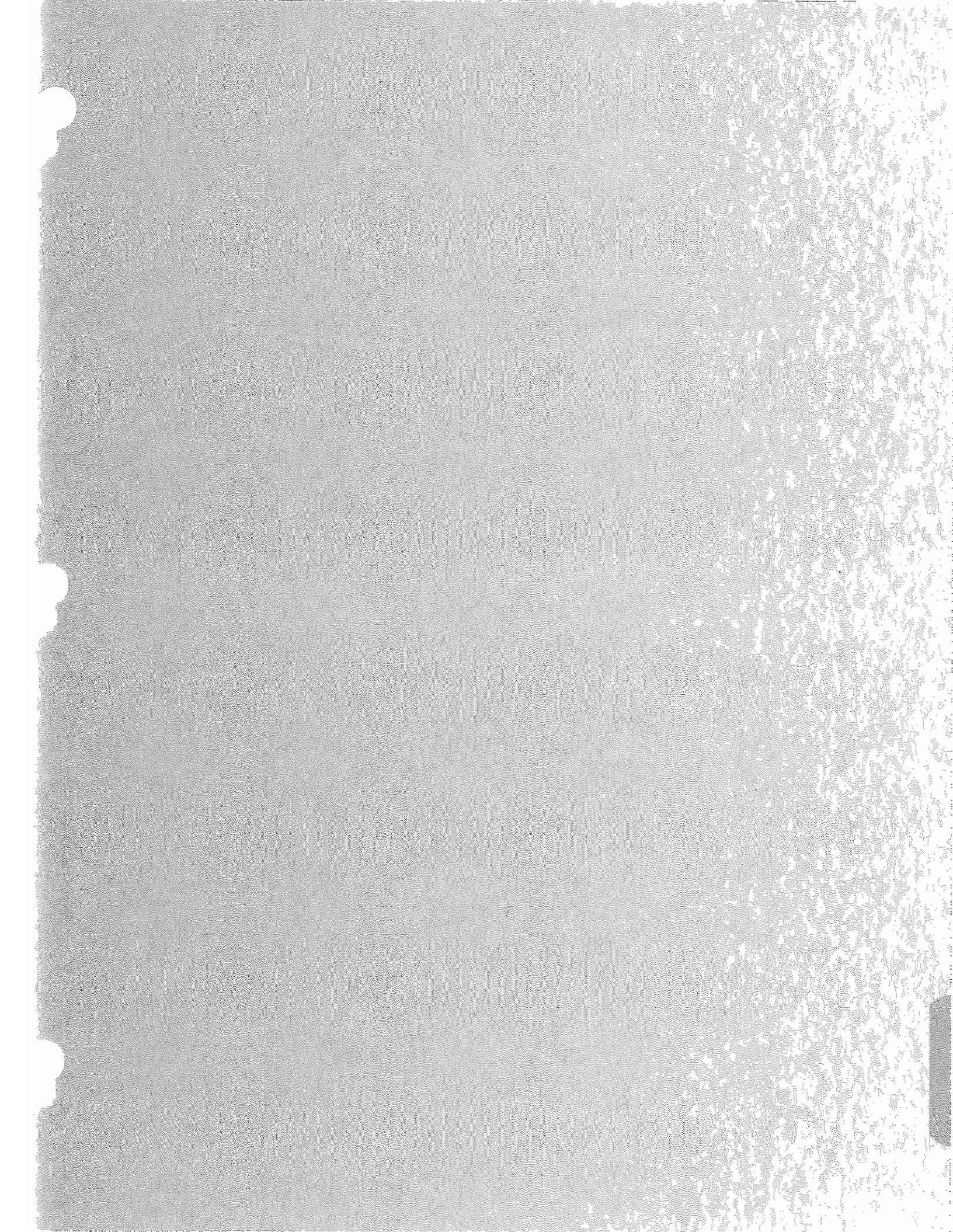
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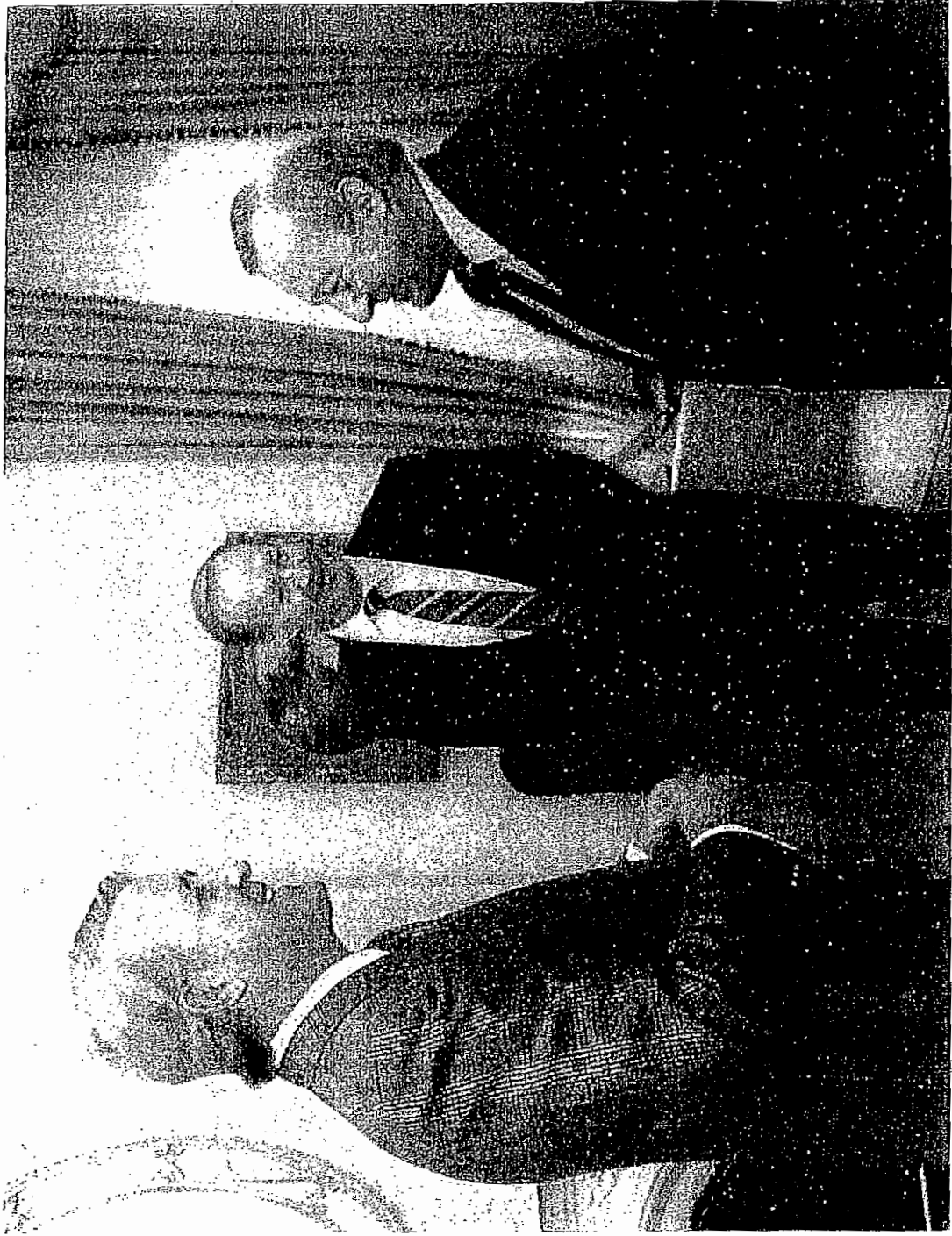
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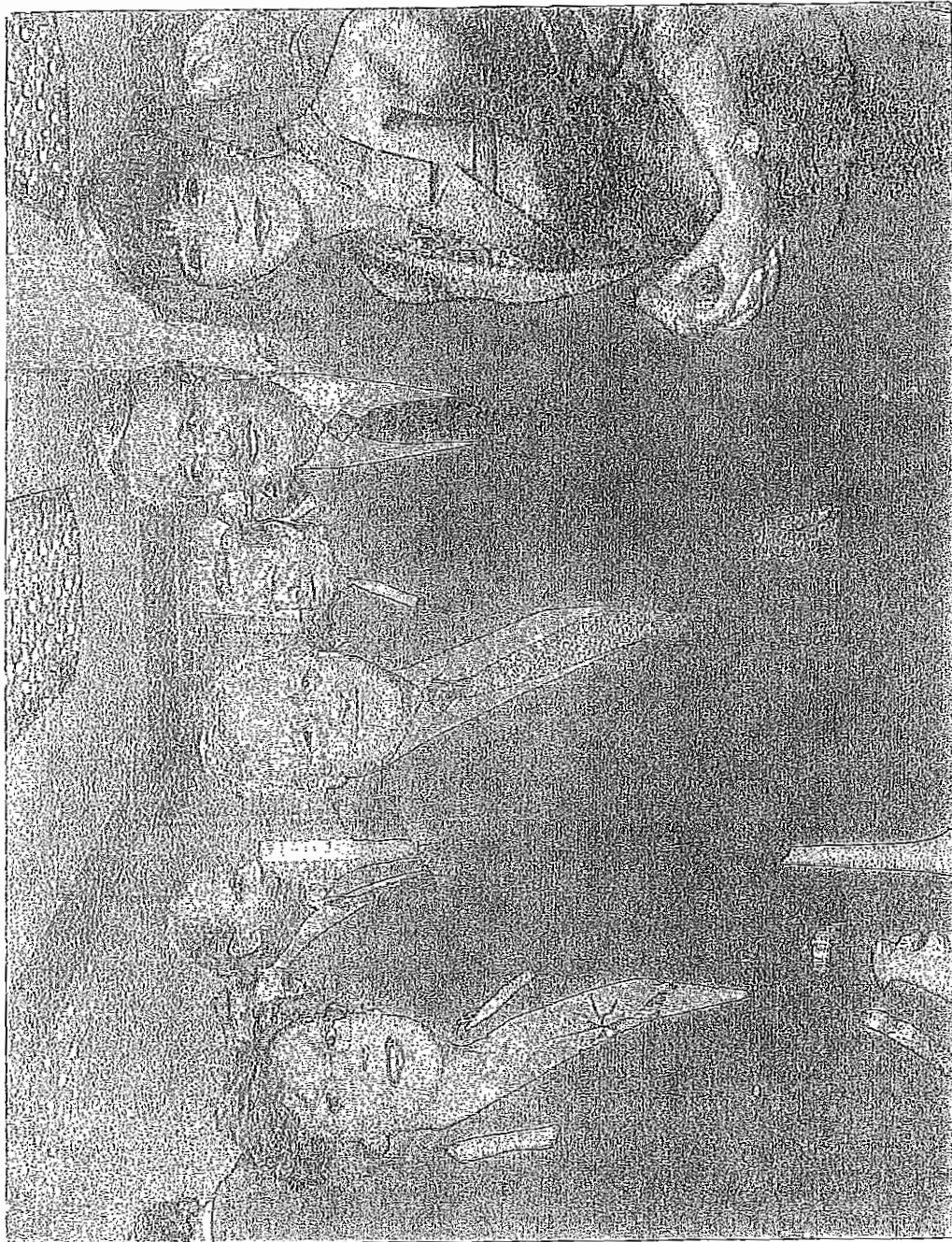


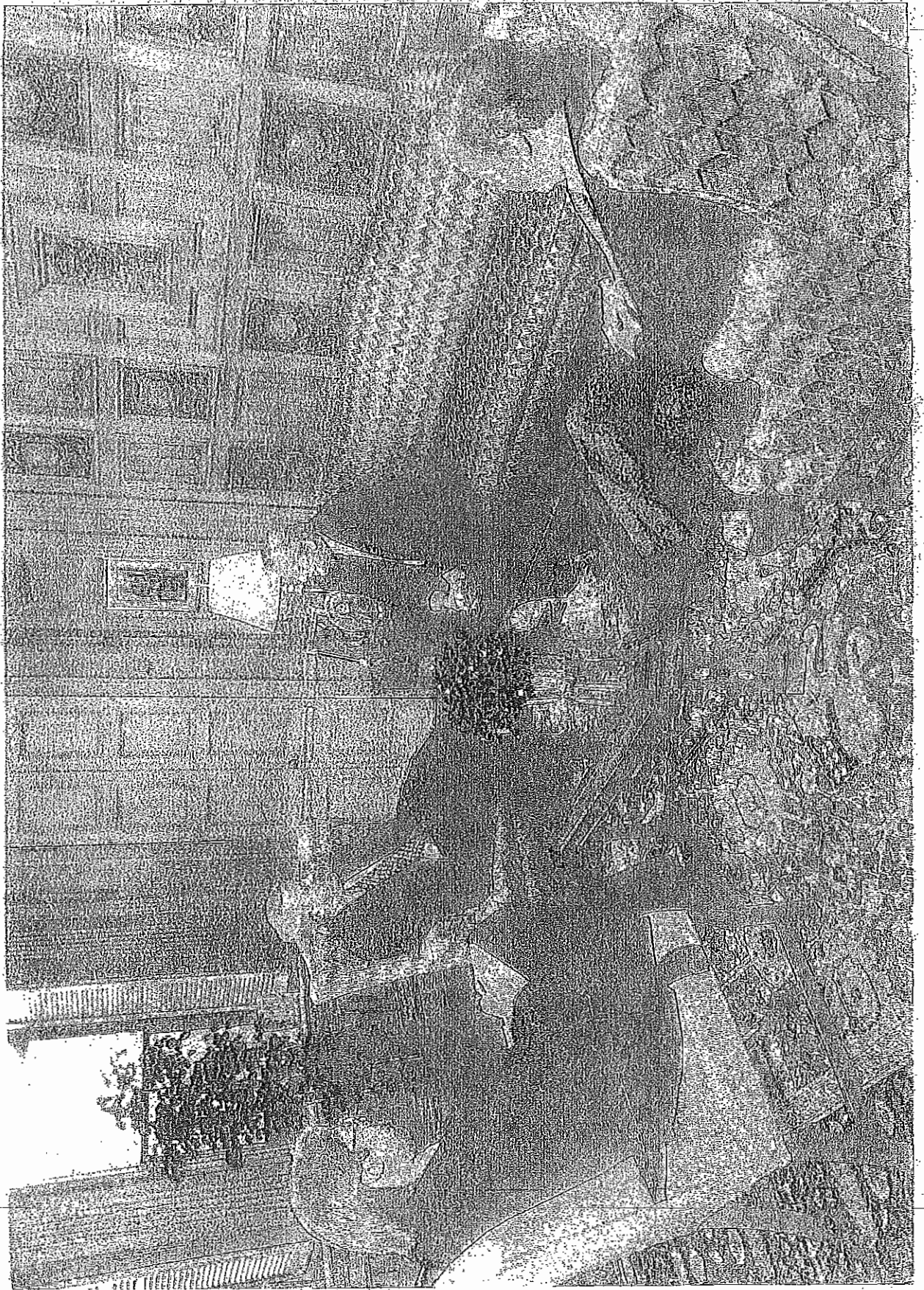


for my friend, Karl Heinz
with gratitude and best personal regards
Gavin Huberman



Ned Kelly. Was his personal signature
Gavin Ballantine



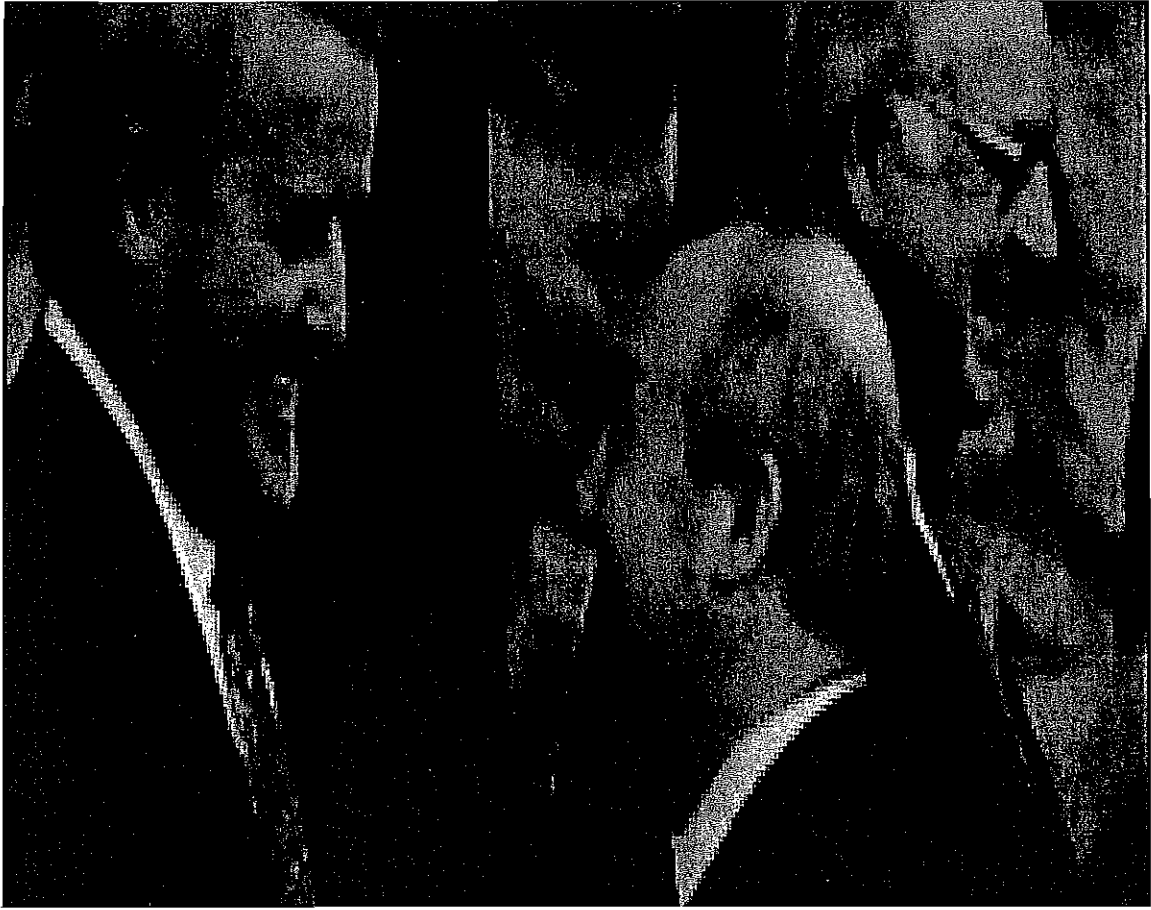


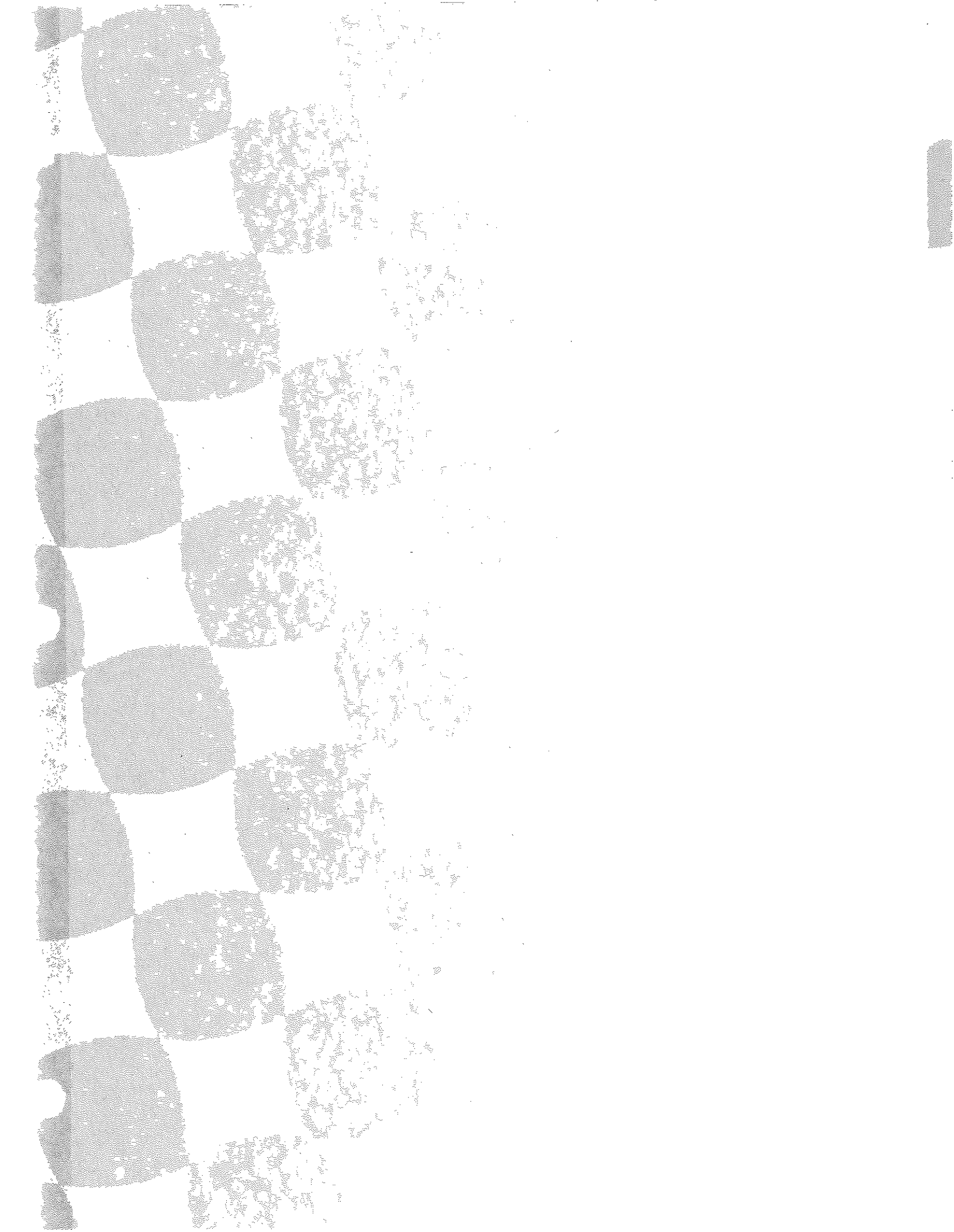
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OFFICIAL COMMISSION TRANSLATION

Montreal, January 10, 2000

BY FAX (283-6924)

Mr. Jean-Louis Lussier
Officer
Voluntary Disclosures
Canada Customs and Revenue Agency
Appeals Division
305 René Lévesque Blvd. West
Montreal, QC
H2Z 1A5

Subject: Voluntary Disclosure
No. MTL-DV-1999-215

Dear Mr. Lussier:

This is in follow-up to our meeting of January 5, 2000, during which I informed you of a voluntary disclosure.

We agreed on the following:

1. The aforementioned number was assigned to this disclosure as of January 5, 2000.
2. The complete disclosure of the amounts involved (between \$150,000 and \$225,000) will be completed by March 5, 2000.

3. We will agree upon the basis of imposition, in accordance with the Agency's policy, once the particulars of the amounts involved are known. Taxation years 1994 to 1996 are affected. As agreed, we ask that you please inform Revenu Québec's taxation authorities.

Sincerely,

[Signature]

Wilfrid Lefebvre, Q.C.

WL/ts

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OFFICIAL COMMISSION TRANSLATION

Montreal, January 27, 2000

Mr. Jean-Louis Lussier
Officer
Voluntary Disclosures
Canada Customs and Revenue Agency
Appeals Division
305 René Lévesque Blvd. West
Montreal, QC
H2Z 1A5

Subject: Voluntary Disclosure
No. MTL-DV-1999-215

Dear Mr. Lussier:

This is in follow-up to our meeting this morning and to my letter of January 10, 2000. This letter is to confirm certain aspects of the agreement to be signed with the Agency and to suggest a course of future action.

The parties agree on the following:

1. The disclosure will be considered voluntary in that no investigation has been initiated by the Agency or Revenu Québec, or is currently underway. We can confirm that no such investigation or audit is currently underway.
2. \$75,000 is the amount involved for each of the following taxation years: 1993, 1994 and 1995. Although a significant portion of those amounts was

used to defray expenditures that would be eligible for deduction, evidentiary difficulties preclude us from claiming said expenditures.

3. We can confirm that the payer of said amounts is a non-resident and that no Canadian tax implications have resulted or now result for the payer. Given the complete agreement that these amounts be treated as revenue accounts, the name of the payer will not be disclosed.
4. As indicated in my letter of January 10, 2000, it will be necessary to agree on a basis of imposition, in accordance with the Agency's policy and taking into account that the taxation years in question are 1993 to 1995 inclusively.

I understand that you are going to inform the Director of the Montreal office of this voluntary disclosure. In the circumstances, we would like to attend your meeting with the Director. We also understand that Revenu Québec's taxation authorities have already been informed of the situation.

Sincerely,

[Signature]

Wilfrid Lefebvre, Q.C.

WL/ts

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DIRECT LINE: (514) 847-4440
wlefebvre@ogilvyrenault.com

OFFICIAL COMMISSION TRANSLATION

Montreal, February 2, 2000

BY FAX (283-6924)

Mr. Jean-Louis Lussier
Officer
Voluntary Disclosures
Canada Customs and Revenue Agency
Appeals Division
305 René Lévesque Blvd. West
Montreal, QC
H2Z 1A5

Subject: Voluntary Disclosure
No. MTL-DV-1999-215

Dear Mr. Lussier:

This constitutes an agreement between the taxpayer involved in the aforementioned voluntary disclosure and the Canada Customs and Revenue Agency (the Agency) and the Ministry of Revenu Québec (Revenu Québec). The parties agree on the following:

- 1) The disclosure is considered voluntary in that no investigation has been initiated by the Agency or Revenu Québec, or is currently underway.
- 2) It is agreed that the amounts described in my letter of January 27, 2000, involve the amount of \$75,000 for each of the following taxation years: 1993, 1994 and 1995. These amounts will be taxed at the federal and provincial levels as follows:

a) The taxpayer will file an application for an amended return correcting the amounts entered in his returns for 1996, 1997 and 1998 to add \$37,500 for each of these years. Those amounts will be assessed with interest; and

b) No penalty will be assessed.

- 3) The taxpayer confirms that this disclosure is complete and that he does not own property outside Canada except for property listed on his tax returns, if applicable.
- 4) The taxpayer also confirms that the payer of the amounts in question is a non-resident and that no Canadian tax implications have resulted or now result for the payer. The name of the payer will not have to be disclosed as part of this disclosure.

If this agreement is acceptable, we ask that you return a copy of this letter, duly signed. The name of the taxpayer will be disclosed to you next week.

Sincerely,

[Signature]

Wilfrid Lefebvre, Q.C.

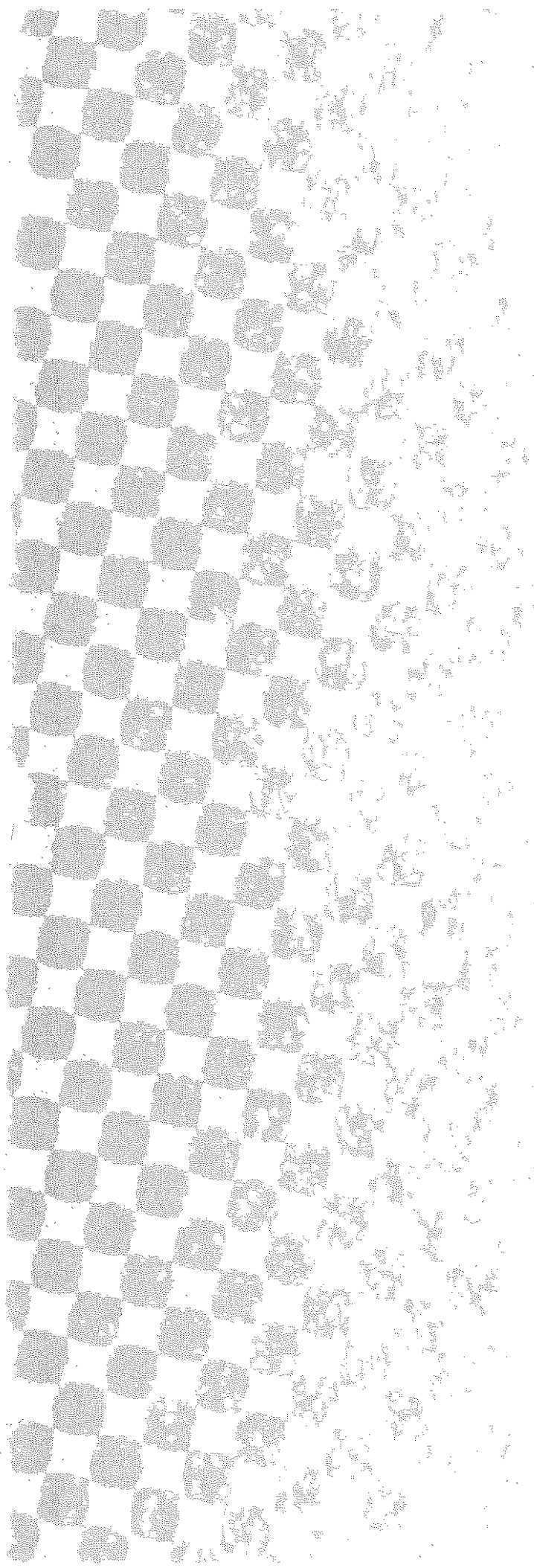
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Brian Mulroney issues full statement

Nov 12, 2007 10:42 PM

Brian Mulroney's full statement, issued on Nov. 12:

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The Right Honourable Brian Mulroney wants a Full Fledged Public Commission of Inquiry

Montreal, November 12, 2007 – Twelve years ago to the day I was trying to deal with very grave and damaging accusations against me contained in a letter sent to the Swiss authorities.

These accusations were related to the sale in 1988 of Airbus planes to Air Canada, back then a Crown Corporation. After a tough and lengthy battle against these false and horrendously libellous accusations, the government of the day had to admit that they had absolutely no evidence to support them and apologized to me and my family. In addition they had to reimburse me for all legal and other expenses.

Twelve years later, the same people at the CBC and in certain other media organizations, who were at the origin of the 1995 accusations, are still conducting their vendetta.

Last Friday, Prime Minister Stephen Harper decided that he needed the counsel of an independent third party to advise him on the course of action to follow after new allegations were made in an affidavit filed by Karlheinz Schreiber from his prison cell where he is detained pending the execution of an extradition order confirmed twice by the Supreme Court of Canada.

I will fully cooperate with the special adviser soon to be appointed by the Prime Minister but I have come to the conclusion that in order to finally put this matter to rest and expose all the facts and the roles played by all the people involved, from public servants to elected officials, from lobbyists to police authorities as well as journalists, the only solution is for the government to launch a full fledged public Commission on Inquiry, which would cover the period from 1988 to today. Only then will the whole truth be finally exposed and tarnished reputations restored.

I am willing to meet the special adviser that the prime minister will appoint to reiterate my conviction that this is the only way to prove to Canadians that I have done nothing wrong.

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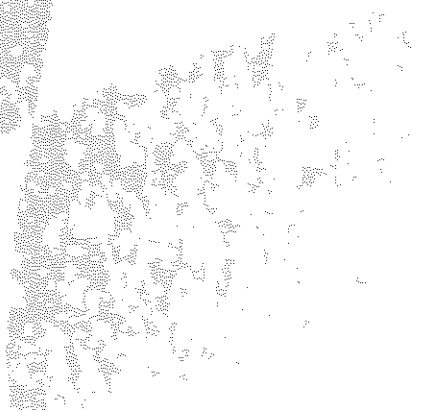
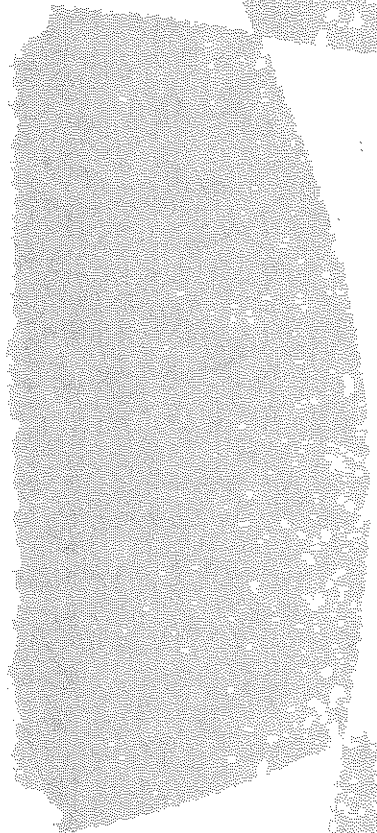
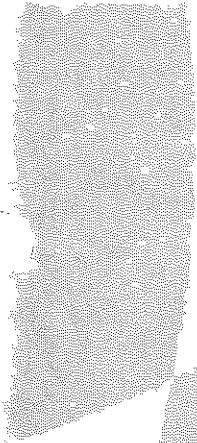
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[This week on Parliament Hill, political power hangs in the balance as a high stakes chess match plays out in back rooms and corridors, a game of brinksmanship that has become a common]

CBC Television - the fifth estate
Broadcast Date: Wednesday, December 3, 2008
Time: 21:00EDT
Network: CBC - Television

LINDEN MACINTYRE (HOST):

This week on Parliament Hill, political power hangs in the balance as a high stakes chess match plays out in back rooms and corridors, a game of brinksmanship that has become a common feature of the nation's business. Tonight a rare insight into one such game, how it burst into the open and transfixed the country just a year ago, and why it's set to once again erupt in controversy. It was a visit to Parliament unlike any before. A man who has been here many times, who once commanded the attention of the most influential people on the hill. A wealthy businessman named Karlheinz **Schreiber** who arrives on this day in handcuffs.

JOURNALIST:

How are you today, Mr. **Schreiber**?

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

Good morning.

JOURNALIST:

What will you say?

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

...(inaudible) Canadian justice.

LINDEN MACINTYRE (HOST):

It is political theatre, a spectacle that will captivate the press, the politicians and the public for weeks. And like the best of theatre, much of what will play out here is fiction.

PAUL SZABO (CHAIR, ETHICS COMMITTEE, LIBERAL MP):

I think it was very clear that there were people who for whatever reason, and it likely will come out, were not truthful.

PAT MARTIN (ETHICS COMMITTEE, NDP MP):

It's an insult to the Canadian people and an insult to the parliamentarians there if these people were trying to cover something up or lying to us.

LINDEN MACINTYRE (HOST):

This is a story about the way the world works. An inside look at how and why some very clever men manipulated Parliament a year ago. Good evening, and welcome to "The Fifth **Estate**". I'm Linden Macintyre and like many Canadians I was convinced in the fall of 2007 that we were about to get the truth of what has come to be known in the shorthand of scandal as the "Airbus affair." Well, we didn't. What we did get was a promise that the truth would eventually come out at a formal inquiry before a judge. Well, as matters now stand, that isn't going to happen either. And the reasons are as old as politics itself: theatrics, posturing and lies.

UNIDENTIFIED WOMAN:

The Right Honourable Brian Mulroney and Mrs. Mila Mulroney. (Applause)

LINDEN MACINTYRE (HOST):

It was a historic moment for Conservatives. Canada's 22nd prime minister publicly acknowledges the former leader of a Tory party he once considered too left wing and too corrupt to be worth salvaging.

STEPHEN HARPER (PRIME MINISTER OF CANADA):

I've only come to know Brian Mulroney personally over the past three years. In our relationship, Brian Mulroney has proven generous with his time and frank with his advice.

LINDEN MACINTYRE (HOST):

It was a public act of faith by Stephen Harper that would soon come back to haunt him.

STEPHEN HARPER (PRIME MINISTER OF CANADA):

What all of this shows, I believe, is that history will be kind to Brian Mulroney.

LINDEN MACINTYRE (HOST):

In a matter of months, old allegations about kickbacks and cover-ups would bring new scrutiny for the old prime minister and, by association, his new political admirer. October 31, 2007, "The Fifth **Estate**" reports new information about cash payments to Mulroney by Karlheinz **Schreiber**. There is evidence the money was somehow linked to the billion dollar Airbus sale of planes to Air Canada 20 years ago and that Mulroney tried to engineer a cover-up.

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

(October 31, 2007) It was a clear request towards me to commit perjury. And why would I do that?

LINDEN MACINTYRE (HOST):

In the House of Commons, the next day, there are demands by the opposition for an official public inquiry to once and for all decode the murky Airbus deal.

ST PHANE DION (LEADER OF THE OPPOSITION, LIBERAL PARTY OF CANADA):

When you have serious allegations of this kind, you go to the bottom of this issue. Faced with this information about Mr. Mulroney, will the prime minister call a public inquiry?

LINDEN MACINTYRE (HOST):

The demand for an inquiry resurfaces at a press conference. The prime minister responds with a threat.

STEPHEN HARPER (PRIME MINISTER OF CANADA):

Well, if I can just say, I think this call by the Liberal Party is really extraordinarily dangerous. Do they really want to say that I, as prime minister, should have a free hand to launch inquiries against my predecessors?

LINDEN MACINTYRE (HOST):

But the demands for an independent public inquiry wouldn't go away.

ROBERT THIBAUT (LIBERAL MP):

Mr. Speaker, I know this is very difficult for the Conservatives. Many of them are close personal friends of Mr. Mulroney, some even served in his government. But that does not excuse this government from taking immediate action to clear up this matter.

LINDEN MACINTYRE (HOST):

But the man they needed to clear up this matter wasn't exactly available. He was in jail just outside Toronto and days away from extradition to Germany to face charges of bribery and tax evasion. He'd been stalling extradition since 1999, successfully so far, often using courtroom tactics worthy of a chess master. And sure enough, on November 7th last year, **Schreiber** launched another legal gambit from inside the jailhouse walls. It was an affidavit with two explosive allegations that in the early 1990's, he'd been asked to divert money to the then-prime minister Mulroney through a lawyer in Switzerland, money allegedly from Airbus, and perhaps, to shut him up. Mulroney had recently promised to ask Stephen Harper to prevent **Schreiber's** extradition. For the puritanical Harper, it was a stomach turner, a ghost from the Tory past, rising up to haunt his squeaky-clean, rebranded Tory team. He moved quickly and with unusual spontaneity. November 9th, at 4 pm on a Friday afternoon with only 30 minutes notice, he called a press conference.

STEPHEN HARPER (PRIME MINISTER OF CANADA):

Under these circumstances I am announcing today that I will be appointing an independent and impartial third party to review what course of actions may be appropriate given Mr. **Schreiber's** new sworn allegations.

LINDEN MACINTYRE (HOST):

And there was this shocking afterthought.

STEPHEN HARPER (PRIME MINISTER OF CANADA):

I think it will be incumbent upon myself and also upon members of the government not to have dealings with Mr. Mulroney until this issue is resolved.

BRIAN MULRONEY (FORMER PRIME MINISTER OF CANADA):

And he said your principle responsibility...

LINDEN MACINTYRE (HOST):

If Brian Mulroney was offended by this turn of events, he didn't show it. At a speech to alumni from his old Nova Scotia alma mater he called for a, quote, "full-fledged royal commission of inquiry."

BRIAN MULRONEY (FORMER PRIME MINISTER OF CANADA):

I want to tell you here tonight that I, Martin Brian Mulroney, 18th prime minister of Canada, will be there before the royal commission with bells on because I've done nothing wrong, and I have absolutely nothing to hide. (Applause)

LINDEN MACINTYRE (HOST):

It was a magic moment. The Airbus story has for years been Canada's great unfinished political symphony or comic opera, depending on where you fit in it. We could now look forward to the final movement, a formal inquiry that would once and for all nail down the particulars of what, if anything, had been improper, illegal, or just plain sleazy about the \$1.8 billion airplane contract. Mulroney, **Schreiber**, a cast of secondary characters would all assemble and get to tell their stories. And some honourable judge would get to winnow fact from fiction. But right from day one, there were hitches.

Hitch number one: the main player in the Airbus drama was about to disappear, back to Germany. There was no way his departure could be stalled for the time it takes to mobilize a formal inquiry. Not a bad thing if you are a Tory. And many Tories were already having serious misgivings about Harper's hasty move toward an independent inquiry.

PAT MARTIN (ETHICS COMMITTEE, NDP MP):

We were running against the clock. If the Conservatives ragged the puck anymore, Karlheinz **Schreiber** would be on an airplane back to Germany and we would lose our last faint hope of ever getting to the bottom of this.

LINDEN MACINTYRE (HOST):

Pat Martin was an NDP member of the House of Commons ethics committee, an all-party group set up to probe suspected ethical lapses by public officials. He was worried by what he saw as Tory efforts to retreat from Harper's undertaking to hold a public inquiry.

PAT MARTIN (ETHICS COMMITTEE, NDP MP):

I think the party managers started to come in and say, "Okay, look, we're going to have to be seen to be in favour of a public inquiry, but we have to find a way to not let it happen." (Committee hearing): Mr. Chairman, I have the floor and I would like to move the motion that I submitted on...

LINDEN MACINTYRE (HOST):

For Martin, one solution would be a kind of mini-inquiry by the ethics committee. All they had to do was get **Schreiber** to appear before them, get him to air some dirty laundry here, and in doing so make a more substantial independent inquiry unavoidable, but first there was that small complication. **Schreiber** was about to leave for Germany, and a lot of Tories would be glad to see him go.

PAUL SZABO (CHAIR, ETHICS COMMITTEE, LIBERAL MP):

We went to extraordinary lengths to keep him in the country.

LINDEN MACINTYRE (HOST):

Paul Szabo, a Liberal MP, was the chair of the Commons ethics committee.

PAUL SZABO (CHAIR, ETHICS COMMITTEE, LIBERAL MP):

We understand we're not a court of law, but when you get somebody, give them an opportunity to talk not only to the committee but talk directly to the people of Canada about what the facts are, then that becomes extremely important to those who can determine whether or not there are any wrongdoings.

LINDEN MACINTYRE (HOST):

Parliament has extraordinary powers, many rarely used. But opposition MPs remembered one that just might do the trick for them. The power to issue arrest warrants. And because they outnumbered government supporters on the committee, they used it. They made Karlheinz Schreiberer a prisoner of Parliament.

PAUL SZABO (CHAIR, ETHICS COMMITTEE, LIBERAL MP):

We had to fight the minister of justice to keep him here. We had to get a Speaker's warrant. We had to get the unanimous consent of the House to allow him to stay and put him into the custody of-- the protective custody of the Parliament of Canada. It's extraordinary. It only happened once before in our history.

LINDEN MACINTYRE (HOST):

The ethics committee was supposed to be a stopgap measure, a way to keep a crucial witness in the country until a real inquiry before a judge could go to work. For the opposition it would provide some politically useful tidbits about the controversial Airbus deal and other **Schreiber** ventures. For the Tories it would be a chance to discredit **Schreiber**, a one-time party supporter who had become a loose cannon in their midst. But what the politicians didn't seem to count on was that Karlheinz **Schreiber** had his own agenda, and it wasn't even close to theirs. It was a made-for-television moment and Karlheinz **Schreiber** was about to make the most of it. The immediate prospect of extradition and its unappealing consequences had suddenly evaporated. But if the politicians thought that he was their grateful prisoner, they were in for a surprise.

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

The evidence I shall give...

CLERK:

On this examination...

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

On this examination....

CLERK:

Shall be the truth.

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

Shall be the truth.

CLERK:

The whole truth.

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

The whole truth.

CLERK:

And nothing but the truth.

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

And nothing but the truth.

CLERK:

So help me God.

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

So help me God.

LINDEN MACINTYRE (HOST):

What was about to unfold here would leave politicians wondering just who really was running the committee. **Schreiber** had a game plan of his own, and it started with obstruction.

RUSS HIEBERT (CONSERVATIVE MP):

Mr. **Schreiber**, did you ever offer Mr. Mulroney employment?

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

I will not answer the question.

ROBERT THIBAUT (LIBERAL MP):

Did you provide funds to any other Canadians?

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

I rest on my statement, and I will not answer this question.

PAT MARTIN (ETHICS COMMITTEE, NDP MP):

Did the cash payments that you gave to Mr. Mulroney come from the account of the secret commissions on the Airbus sale?

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

I rest on my statement.

PAT MARTIN (ETHICS COMMITTEE, NDP MP):

Well, surely that's a very straightforward question. You must remember where the money came from, Mr. **Schreiber**.

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

I am not prepared to answer that.

PAT MARTIN (ETHICS COMMITTEE, NDP MP):

Surely he has some personal memory if at some point from 1980 to now he bribed somebody, somewhere, sometime. Surely he can remember that without checking all of his notes.

LINDEN MACINTYRE (HOST):

For Karlheinz **Schreiber** it was the beginning of a long chess match. This was just the opening and he was playing with his pawns.

CAROLE LAVALL E (BLOC QUEBECOIS MP):

(Voice of translator): If I asked for \$300,000 because I've trouble making ends meet, would you give it to me?

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

Under the circumstances, yes. (Laughter)

LINDEN MACINTYRE (HOST):

Day one ends, **Schreiber** leaves as he arrived, but the handcuffs are deceptive. The prisoner of Parliament has captured Parliament's agenda.

(Commercial break)

LINDEN MACINTYRE (HOST):

It would have been for most a crippling humiliation, but for Karlheinz **Schreiber** it was a moment of victory. He was free to fight another day.

MALE JOURNALIST:

Mr. **Schreiber** do you have some juicy morsels for us today?

LINDEN MACINTYRE (HOST):

Just days ago he was destined for an uncertain future in Germany where he'd face immediate imprisonment and a trial that would, regardless of the outcome, probably consume the rest of his life.

MALE JOURNALIST:

What do you have to say, sir? What are you going to say? Do you really need to do this, Mr. **Schreiber**? It's all been sort of said and done...

LINDEN MACINTYRE (HOST):

He has now captured centre stage in the nation's largest theatre, Parliament Hill. In his first appearance here, he refused to talk to the politicians. Today, he'll smother them with information. Thick binders crammed with documents and letters.

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

This is my correspondence with Mr. Mulroney. Ready for you to go. Give it to them. (Laughter) Gentlemen, I enjoy that you have some humour in that you laugh with me because the big laugh is I wanted this! So what the hell do you expect from me, what I would do today with you? Here is all the correspondence with Mr. Harper. Here you go.

LINDEN MACINTYRE (HOST):

It was like Christmas morning. He was handing out the goodies, prettily packaged and promising hours of titillating reading for opposition members who could already smell the blood of scandal. Prematurely, they'd discover. But for now, they all believed in Santa. Before the day was ended, a sense of seasonal goodwill prevailed.

PAUL SZABO (CHAIR, ETHICS COMMITTEE, LIBERAL MP):

We understand that you wanted to tell your story, and you've proved it. And that's a wonderful Christmas gift to us. And I can only give you a small Christmas gift back. I've just been advised that you have received bail.

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

Thank you so much.

PAUL SZABO (CHAIR, ETHICS COMMITTEE, LIBERAL MP):

So you'll be sleeping in your own bed, hopefully, tonight.

LINDEN MACINTYRE (HOST):

(Interview): So what did you think Mr. **Schreiber** was going to bring to the committee to be helpful?

PAUL SZABO (CHAIR, ETHICS COMMITTEE, LIBERAL MP):

Um, the question of the-- initially of the cash payments made to Mr. Mulroney was new information. It had been rumoured, written about in some media and some literature but it was always just speculation. This issue is inextricably linked to the whole investigation on the Airbus purchase by Air Canada and the alleged kickbacks and some \$20 million of commissions that were paid to a company that was controlled by Mr. **Schreiber**.

LINDEN MACINTYRE (HOST):

There would be simple questions about complex matters. And the committee would discover that simple questions, simply put, can yield surprising answers. And another unexpected gift, this time for the Conservatives.

DEAN DEL MASTRO (CONSERVATIVE MP):

Had you ever had any private dealings with Mr. Mulroney prior to the Airbus-- when the Airbus purchase was going on? Had you ever had any private dealings with him? Had you ever paid him any money personally?

KARLHEINZ SCHREIBER (RETIRED BUSINESSMAN):

No.

DEAN DEL MASTRO (CONSERVATIVE MP):

No you had not, thank you. Mr. **Schreiber** I want to come back to something else, because the reason why Airbus has been a big story for a long time is because opposition members have alleged that the former prime minister took bribes...

KARLHEINZ SCHREIBER (RETIRED BUSINESSMAN):

Yes.

DEAN DEL MASTRO (CONSERVATIVE MP):

...to aid in the purchase of Airbus jets.

KARLHEINZ SCHREIBER (RETIRED BUSINESSMAN):

Yes.

DEAN DEL MASTRO (CONSERVATIVE MP):

Everything that you've said today leads me to believe that Airbus jets were bought because it made sense, because there was a cost-benefit to it, because it was a good choice for Air Canada. Is that accurate?

KARLHEINZ SCHREIBER (RETIRED BUSINESSMAN):

Yes, sir.

DEAN DEL MASTRO (CONSERVATIVE MP):

Anything sinister about a person that represents a company receiving commissions for representing a company?

KARLHEINZ SCHREIBER (RETIRED BUSINESSMAN):

No.

DEAN DEL MASTRO (CONSERVATIVE MP):

I didn't think so.

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

No.

DEAN DEL MASTRO (CONSERVATIVE MP):

Thank you, Mr. Chair.

LINDEN MACINTYRE (HOST):

So there! It seems the Airbus scandal, the most politically sensitive outcome of **Schreiber's** Canadian business dealings, was a fantasy of the media and opposition politicians. The story fizzled. So what was **Schreiber** up to? First a bit of background. Karlheinz **Schreiber** was the middleman in a flow of secret commissions from Airbus to people in a company in Ottawa called GCI. GCI was populated by political insiders with close ties to then-prime minister Mulroney. Here's the controversial part: **Schreiber** had claimed that a lobbyist named Fred Doucet, who was close to both GCI and Mulroney, had tried to divert some Airbus money indirectly to Mulroney in 1992 when he was still PM. But now, in front of the committee he was being cagey.

LINDEN MACINTYRE (HOST):

We now know **Schreiber** had a plan, a kind of tease: tease, seduce, repel, seduce.

MALE JOURNALIST:

Mr. **Schreiber**, do you have anything new to add today or is that all the documents? Is that all the documents that you provided the other day?

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

I would recommend you wait, what's going to happen. You should not--

MALE JOURNALIST:

So is there something new?

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

(Committee hearing) Mr. Doucet asked me to make sure that from the GCI money, money goes to the lawyer in Geneva for Mr. Mulroney.

LINDEN MACINTYRE (HOST):

Now he has their attention. This was the moment that committee members had been waiting for.

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

You don't have the feeling from me that I am, what can I say, that I can easily be shocked, but that day I was. I said, "What are you talking about? Why the hell would one send money to a lawyer in Geneva

for Mr. Mulroney? What for?" And now came this unbelievable answer. He said, "For Airbus." And I hear myself even today saying, "What the hell has Mulroney to do with Airbus?" And his answer was, "Are you naive?"

LINDEN MACINTYRE (HOST):

So surely, in all the bulky binders, stuffed with thousands of letters and other documents, there was something to confirm this conversation? But there wasn't. If he had the proof, he wasn't ready to share it yet. So what was he really up to? Whatever the game plan, he was keeping the next moves to himself.

JULIE VAN DUSEN (CBC REPORTER):

Mr. **Schreiber**, it was a little confusing when you were talking about the transfer of money and so on. Do you think Mr. Mulroney actually got Airbus money or not?

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

I don't know.

JULIE VAN DUSEN (CBC REPORTER):

It was very confusing. What's the answer? Did he get Airbus money or not?

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

I don't know.

JULIE VAN DUSEN (CBC REPORTER):

What did you think of the whole experience of being at the committee? Do you think it's turning into a circus or are you happy with the results?

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

I think they started something pretty important.

JULIE VAN DUSEN (CBC REPORTER):

Why is it so important? What's important about it?

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

That Canadians get to know what really happened.

LINDEN MACINTYRE (HOST):

But when and where? Did he or didn't he have evidence that Mulroney's friends attempted to steer Airbus money in the prime minister's direction? It was the question on everybody's mind. For Tories on the committee it was a defining moment; he was bluffing. Opposition members were no longer sure where this was going. But they couldn't escape the feeling that he still had something up his sleeve. What if he was holding back for another time and place? One after the other, committee members

spun their own interpretations. But for **Schreiber**, the one that really resonated came from a Conservative.

RUSS HIEBERT (CONSERVATIVE MP): -

The evidence that he has provided indicates that nobody's done anything wrong other than himself. It also became clear throughout the last four days and especially today that I believe Mr. **Schreiber** appears to be influenced by his desperate desire to avoid extradition to Germany.

MALE JOURNALIST:

So Mr. Mulroney, are you all set? Are you all set for this today?

LINDEN MACINTYRE (HOST):

That was clearly how Mulroney saw it. The former PM was predictably confident as he prepared for his appearance before the ethics committee in mid- December. He had loyalists, family and friends, but it's a safe bet that his greatest comfort came from the belief that **Schreiber** had taken his best shot and it was a blank, an undocumented allegation that could not be taken seriously.

BRIAN MULRONEY (FORMER PRIME MINISTER OF CANADA):

Twelve years and one month ago, my family and I were hit by the biggest calamity of my life. The government of Canada stated formally to a foreign government that I was a criminal from the time I took office. I was completely devastated by these totally false allegations. They had capacity to destroy my reputation and to destroy my family. Only a person who has gone through such an ordeal can fathom its impact. It was like a near death experience.

LINDEN MACINTYRE (HOST):

His denial was unambiguous, no money from anybody who had anything to do with Airbus.

BRIAN MULRONEY (FORMER PRIME MINISTER OF CANADA):

I never received a cent from anyone for services rendered to anyone in connection with the purchase by Air Canada from Airbus of 34 aircrafts in 1988.

LINDEN MACINTYRE (HOST):

By now everybody knew he'd received money from **Schreiber**, but that was different. And he was sorry for a gross mistake.

BRIAN MULRONEY (FORMER PRIME MINISTER OF CANADA):

My second-biggest mistake in life, for which I have no one to blame but myself, is having accepted payments in cash from Karlheinz **Schreiber** for a mandate he gave me after I left office. I will tell you today how that came about. My biggest mistake in life, by far, was ever agreeing to be introduced to Karlheinz **Schreiber** in the first place.

LINDEN MACINTYRE (HOST):

A frustrated Pat Martin recalled that Mulroney sued a Liberal federal government in 1995 and settled for more than two million dollars after he denied that he'd ever had any business dealings with **Schreiber**, particularly on Airbus. Did he, maybe, want to correct that now?

PAT MARTIN (ETHICS COMMITTEE, NDP MP):

Are you willing to give that \$2.1 million back to the people of Canada? Now that we know that you did take money from **Schreiber**?

BRIAN MULRONEY (FORMER PRIME MINISTER OF CANADA):

No, I took compensation from **Schreiber** for serious work done on his behalf around the world. And I have also indicated...

PAT MARTIN (ETHICS COMMITTEE, NDP MP):

Then why did you deny even having any dealings with the man?

BRIAN MULRONEY (FORMER PRIME MINISTER OF CANADA):

That's completely false.

PAT MARTIN (ETHICS COMMITTEE, NDP MP):

By omission you led us to believe you had virtually no dealings with the man under sworn testimony.

BRIAN MULRONEY (FORMER PRIME MINISTER OF CANADA):

I did not omit anything! I explained to you that in the province of Quebec, the manner in which, and I think...

PAT MARTIN (ETHICS COMMITTEE, NDP MP):

Well, you're splitting hairs, sir.

BRIAN MULRONEY (FORMER PRIME MINISTER OF CANADA):

I'm not splitting hairs!

PAT MARTIN (ETHICS COMMITTEE, NDP MP):

You're splitting hairs, sir, and the country isn't buying it.

PAUL SZABO (CHAIR, ETHICS COMMITTEE, LIBERAL MP):

Answer, and a question.

PAT MARTIN (ETHICS COMMITTEE, NDP MP):

I'm not calling you a liar, Mr. Mulroney, but I don't want anybody here to think I believe you. Let's put it that way.

LINDEN MACINTYRE (HOST):

It was insulting, but he'd survived much worse. At this point it became clear that he was reconsidering that royal commission he'd promised to appear before "with bells on". After all, the committee wasn't hearing anything that hadn't been reported a hundred times before.

MIKE WALLACE (CONSERVATIVE MP):

Mr. **Schreiber** wants one, you want one, I'm not sure I want one, but what is your expectations from the public inquiry and why are you asking for it?

BRIAN MULRONEY (FORMER PRIME MINISTER OF CANADA):

Well let's put that perhaps in a different tense. I asked for a royal commission of inquiry into this. But when you look at what has happened now, the evidence that you have, I think it's now clear that we've got an entirely different situation on our hands.

MIKE WALLACE (CONSERVATIVE MP):

Okay, thank you for that.

LINDEN MACINTYRE (HOST):

And with that, Mulroney left, probably hoping he'd never again have to talk in public about Karlheinz **Schreiber** and his obviously undocumented allegations.

MALE JOURNALIST:

Mr. Mulroney, do you still believe there should be a public inquiry? You suggested that there might not be a need?

LINDEN MACINTYRE (HOST):

The committee broke for Christmas and wouldn't return until February. In the hiatus the talk was all about Mulroney, he'd been the star witness; he had the most to lose, he'd walked away unscathed. But what if the game had only just begun? What if Mulroney hadn't been the target in Karlheinz **Schreiber's** crosshairs at that point? If this was a chess game, maybe there were lesser pieces left to topple before **Schreiber's** final move against the king. Fred Doucet, one of Brian Mulroney's oldest friends from university days in Nova Scotia, his days in opposition and in government was, allegedly, the man who tried to funnel money from a company called GCI to the then prime minister. Doucet would tell the committee, unequivocally, that **Schreiber** was dead wrong.

FRED DOUCET (FORMER ADVISOR TO BRIAN MULRONEY):

I want to say I have no knowledge at all about anything involving Airbus.

RUSS HIEBERT (CONSERVATIVE MP):

Okay.

LINDEN MACINTYRE (HOST):

When we come back, **Schreiber** springs a trap. (Interview): You're becoming famous for producing little bits of ammunition...

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

No.

LINDEN MACINTYRE (HOST):

...when you need it. It's quite amazing, just when we think you're going down for the third and final time, you pull another rabbit out of the hat.

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

How can one be so stupid? I mean when you go to war with me, this is not the kind of stuff you should do because I'll pull the trigger. You know that I'm not fooling around.

(Commercial break)

LINDEN MACINTYRE (HOST):

By February, Stephen Harper's hasty promise to hold a formal inquiry into the Mulroney-**Schreiber** affair was starting to look like a mistake. The prime minister had gone so far as to name Dr. David Johnston, president of the University of Waterloo, to come up with terms of reference. And it was a little late for turning back, but not too late for some damage control. Ethics committee Chairman Paul Szabo found himself under pressure to end his committee hearings.

PAUL SZABO (CHAIR, ETHICS COMMITTEE, LIBERAL MP):

The prime minister shut us down. He demanded that Mr. Johnston, David Johnston who was going to set the terms of reference would not do his work and file his final report until the committee finished its work. He forced us to shut it down early so that we could get the public inquiry.

LINDEN MACINTYRE (HOST):

Harper seemed to have decided that nothing new of any political significance was going to come out before the parliamentary committee. They'd heard their major witnesses, Mulroney and **Schreiber**, and it had been a rehash of old accusations and denials. But Harper hadn't reckoned on what Karlheinz **Schreiber** knew by then that the most startling testimony before the parliamentary committee would probably come from secondary players. **Schreiber's** plan was simple: if other witnesses appearing before the ethics committee thought that he had nothing new to tell the politicians it might inspire a lapse in caution and the truth. And here's what happened.

GREG ALFORD (FORMER VP OF GCI):

The evidence I shall give on this examination...

LINDEN MACINTYRE (HOST):

February 12th, Greg Alford, a former senior officer in the lobby group at the centre of the Airbus controversy, GCI, testified in a video link with the committee.

GREG ALFORD (FORMER VP OF GCI):

...the whole truth and nothing but the truth.

COMMITTEE CLERK:

So help me God.

GREG ALFORD (FORMER VP OF GCI):

So help me God.

SUKH DHALIWAL (LIBERAL MP):

What can you tell us sir about the involvement of GCI in the Airbus purchase by the Air Canada?

GREG ALFORD (FORMER VP OF GCI):

GCI had no involvement. Airbus was not a client of GCI.

LINDEN MACINTYRE (HOST):

This was stunning news. One thing everybody took for granted was that GCI had helped to make the Airbus deal happen and got paid a lot of money for it.

CHARLES HUBBARD (LIBERAL MP):

Maybe I missed what you said, but you seemed to indicate, or at least what I heard, is that GCI was not involved with the Airbus deal. Did I hear correctly? GCI is not...

GREG ALFORD (FORMER VP OF GCI):

That's right.

CHARLES HUBBARD (LIBERAL MP):

Pardon? Is that true?

GREG ALFORD (FORMER VP OF GCI):

That's correct.

CHARLES HUBBARD (LIBERAL MP):

They were not involved?

GREG ALFORD (FORMER VP OF GCI):

That's right.

LINDEN MACINTYRE (HOST):

Even if Airbus was not, officially, "a client," GCI was deeply involved with **Schreiber** in the Airbus deal and so was Alford. This is a memorandum that Alford wrote to **Schreiber** about Airbus in June 1987. Details about how to lobby then-minister of transport John Crosbie and his staff, on behalf of Airbus.

PAUL SZABO (CHAIR, ETHICS COMMITTEE, LIBERAL MP):

Mr. Lalonde.

LINDEN MACINTYRE (HOST):

Schreiber lawyer and former Liberal cabinet minister, Marc Lalonde knew something about GCI and Airbus. But he wasn't asked about that, only about his work for **Schreiber**.

MARC LALONDE (FORMER LAWYER AND LOBBYIST FOR **SCHREIBER**):

Je n'ai eu aucun mandat de M. **Schreiber**... (Voice of translator): Neither Mr. **Schreiber** nor any of his businesses hired me to represent them regarding the Airbus affair. Nor GCI.

LINDEN MACINTYRE (HOST):

What he could have told them is apparent in this internal GCI memo. In November 1987, Lalonde met with Air Canada President Pierre Jeannot to see where Airbus stood in the bidding for the airplane contract. And he later briefed a GCI official about that meeting. And then there was Fred Doucet, the lobbyist and long time friend and political associate of Brian Mulroney, allegedly the man who tried to funnel Airbus money to the then prime minister.

CLERK:

Shall be the truth

FRED DOUCET (FORMER ADVISOR TO BRIAN MULRONEY):

Shall be the truth.

CLERK:

The whole truth.

FRED DOUCET (FORMER ADVISOR TO BRIAN MULRONEY):

The whole truth.

CLERK:

And nothing but the truth.

FRED DOUCET (FORMER ADVISOR TO BRIAN MULRONEY):

And nothing but the truth.

CLERK:

So help me God.

FRED DOUCET (FORMER ADVISOR TO BRIAN MULRONEY):

So help me God.

ROBERT THIBAUT (LIBERAL MP):

Were you aware of any dealings that GCI would have had with Airbus through those years?

FRED DOUCET (FORMER ADVISOR TO BRIAN MULRONEY):

Not at all.

ROBERT THIBAUT (LIBERAL MP):

When we look on the CBC website and those places and we look at the distribution of funds from Karlheinz **Schreiber**, Georgio Pelossi, they were managing these funds these \$20 million that came I think to 22 to 24 million total, are you aware of those?

FRED DOUCET (FORMER ADVISOR TO BRIAN MULRONEY):

Not at all.

ROBERT THIBAUT (LIBERAL MP):

Of those facts?

FRED DOUCET (FORMER ADVISOR TO BRIAN MULRONEY):

Not at all.

LINDEN MACINTYRE (HOST):

Fred Doucet had worked with **Schreiber** on a proposal to build light armoured military vehicles in Nova Scotia, at a place called Bear Head. That was all.

RUSS HIEBERT (CONSERVATIVE MP):

So my question to you is, do you have any evidence of any wrongdoing by any public official with respect to the Bear Head project, or the Airbus purchase, or the consulting agreement between Brian Mulroney and Mr. **Schreiber**?

FRED DOUCET (FORMER ADVISOR TO BRIAN MULRONEY):

None. I want to say I have no knowledge at all about anything involving Airbus.

RUSS HIEBERT (CONSERVATIVE MP):

Okay.

LINDEN MACINTYRE (HOST):

It was a startling claim. We can only assume that Fred Doucet had been fooled by **Schreiber's** testimony and by **Schreiber's** failure to produce proof to back his allegation that Doucet once asked for Airbus money for Mulroney. We still don't know if that was true but we have documents that seem to show Fred Doucet knew plenty about Airbus, and that he was very much involved in tracking

specific deliveries of Airbus aircraft and the distribution of secret payments to people credited with making the sale happen. March 24, 1992, Doucet writes to Karlheinz **Schreiber**. He refers to "the matter of the birds", their code for Airbus airplanes.

KARLHEINZ SCHREIBER (RETIRED BUSINESSMAN):

Whenever they spoke to me and wanted to know something about Airbus or whatever it was, they always spoke about "The Birds" on the phone. They never said, "What about aircrafts for Airbus?" always "The Birds". This is - "The Bird" is the name for Airbus.

LINDEN MACINTYRE (HOST):

August 27, 1993, Fred Doucet was still preoccupied with the Airbus birds. He'd just received a fax from Air Canada's manager of investor relations, Dennis a. Biro, confirming delivery dates for 34 Airbus airplanes. The dates were important, because each delivery triggered a substantial commission payment to GCI and Fred Doucet was keeping track of the cash flow. We don't know whose interests he represented but he was clearly in the loop.

KARLHEINZ SCHREIBER (RETIRED BUSINESSMAN):

But the point is if people would listen they would have recalled what I said - the mess started to my surprise in '92 when there was this constant fight how much is it, how much do we get? And Fred was never satisfied.

LINDEN MACINTYRE (HOST):

And in April 1994 Doucet's pre-occupation with the Airbus commissions continued. "For me settling this matter is so very important for reasons I will tell you about in person."

KARLHEINZ SCHREIBER (RETIRED BUSINESSMAN):

Fred was really under pressure when you look then in the letter in '94 when he says this is so important and we got to talk about this, and blah, blah, blah. Right?

LINDEN MACINTYRE (HOST):

So what was so important that people in the know about details of the Airbus deal would years later, fudge the facts before a parliamentary committee? Well if **Schreiber** knows their secret, he isn't ready to reveal it yet. Only to insist that in his opinion they were hiding something when they showed up here and that this should be sufficient to Persuade a commission of inquiry into his financial dealings with Brian Mulroney to take his Airbus allegations seriously. (Interview): If you had given them that letter last year it would have been explosive. So why didn't you?

KARLHEINZ SCHREIBER (RETIRED BUSINESSMAN):

No he would not have said then anything. Imagine what these two guys did to the ethics committee? They lied...

LINDEN MACINTYRE (HOST):

Brian Mulroney and...?

KARLHEINZ SCHREIBER (RETIRED BUSINESSMAN):

...the two like a duo, lied - like, like a choir!

LINDEN MACINTYRE (HOST):

You're talking about...?

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

Yes! And I have-

LINDEN MACINTYRE (HOST):

...Mulroney and Doucet?

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

And Doucet. I have proven already everything dealing with Mulroney. How much he lied to the committee and the rest, we are going to get from the witnesses. Later on when the camera is not going on anymore I'm going to tell you something. I cannot say it in the camera.

LINDEN MACINTYRE (HOST):

Why not?

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

No. Under no circumstances.

LINDEN MACINTYRE (HOST):

Because we're here talking to everybody. You see here's the problem, Mr. **Schreiber**. Here's the problem, you play games with people.

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

No.

LINDEN MACINTYRE (HOST):

Yes you do and you say -

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

Why would I play games?

LINDEN MACINTYRE (HOST):

Because you keep hinting that you have - you have the atomic bomb in your basement and you're going to drop it on...

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

No. No. There are things which I want to release when I think it's right, not when you think you want to have it.

LINDEN MACINTYRE (HOST):

Well-

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

I have no obligation to-

LINDEN MACINTYRE (HOST):

But this has been going on for years!

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

Where is my obligation to give you anything?

LINDEN MACINTYRE (HOST):

Schreiber's tactics have left him with one more challenge. Soon after the ethics committee finished hearings, Dr. Johnston issued terms of reference for the much-anticipated commission of inquiry that shut down any further examination of the Airbus deal.

PAT MARTIN (ETHICS COMMITTEE, NDP MP):

Ironically Dr. Johnston recommended we hold a public inquiry to study the one thing that's not in dispute, the fact that Brian Mulroney took money from Karlheinz **Schreiber**. We know that. The only disagreement is the size of the bag of the envelope.

PAUL SZABO (CHAIR, ETHICS COMMITTEE, LIBERAL MP):

What we've done is we've basically set up the situation for the inquiry to very quickly find out that there is a lot of misinformation on the table and that people have in fact lied to Parliament.

LINDEN MACINTYRE (HOST):

But **Schreiber** isn't finished. He even has a website now promoting safer hardware for Canadian troops in Afghanistan. But above all, trying to enlarge the limited mandate of the coming inquiry.

KARLHEINZ **SCHREIBER** (RETIRED BUSINESSMAN):

It is not the fault of the inquiry, the judge and the lawyers who are involved what their mandate is. That was done by Mr. Harper and Mr. Johnston.

LINDEN MACINTYRE (HOST):

Not surprisingly he's already executing moves to change that. He's been busy filing new documents with inquiry staff including personal day timers from the eighties and early nineties in which there are scores of tantalizing references to Airbus. Like this one, December 18, 1992, a handwritten note about the distribution of Airbus funds with this reference to "PM 460".

LINDEN MACINTYRE (HOST):

There is no doubt that this is Airbus-related?

KARLHEINZ SCHREIBER (RETIRED BUSINESSMAN):

Mm-hmm.

LINDEN MACINTYRE (HOST):

But you don't know who 'PM' is?

KARLHEINZ SCHREIBER (RETIRED BUSINESSMAN):

No. It's difficult. It's really difficult.

LINDEN MACINTYRE (HOST):

Perhaps he's calculating that the commissioner in charge of the inquiry will want to know what 'PM 460' means and that he'll expand his terms of reference to include the Airbus deal. It's just an airplane but for more than 20 years it has overshadowed the legacy of Canada's 18th prime minister. There will be a public inquiry starting in February. And when it meets, agenda item number one will be an argument by **Schreiber** that the only issue worth investigating is the Airbus deal and 20 million dollars in secret commissions from the aircraft sale, where the money went, and who got what. It's a high stakes game for many, but most of all for Karlheinz **Schreiber**.

KARLHEINZ SCHREIBER (RETIRED BUSINESSMAN):

This is the best.

LINDEN MACINTYRE (HOST):

If the inquiry avoids the Airbus controversy, he could be quickly gone to Germany and charges of bribery, fraud, and tax evasion that could take years to settle, more years than he has ahead of him. Then again we thought that he was gone a year ago. There's more about this report on our website. It's easy to find at cbc.ca/fifth. And there's more about the Fifth **Estate**, coming up right here in a moment.

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