

Commission of Inquiry into Certain Allegations  
Respecting Business and Financial Dealings  
Between Karlheinz Schreiber and  
the Right Honourable Brian Mulroney



Commission d'enquête concernant les allégations  
au sujet des transactions financières et  
commerciales entre Karlheinz Schreiber et  
le très honorable Brian Mulroney

## Public Hearing

## Audience publique

Commissioner

L'Honorable juge /  
The Honourable Justice  
Jeffrey James Oliphant

Commissaire

**Held at:**

Bytown Pavillion  
Victoria Hall  
111 Sussex Drive  
Ottawa, Ontario

Wednesday, April 29, 2009

**Tenue à :**

pavillion Bytown  
salle Victoria  
111, promenade Sussex  
Ottawa (Ontario)

le mercredi 29 avril 2009

**APPEARANCES / COMPARUTIONS**

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The Right Honourable Brian Mulroney

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1 Ottawa, Ontario / Ottawa (Ontario)  
2 --- Upon resuming on Wednesday, April 29, 2009  
3 at 9:53 a.m. / L'audience reprend le mercredi,  
4 29 avril 2009 à 09 h 53  
5 25373 COMMISSIONER OLIPHANT: Good morning,  
6 counsel. Be seated, please.  
7 25374 Ms Campbell, good morning.  
8 25375 THE RIGHT HON. A. KIM CAMPBELL: Good  
9 morning.  
10 25376 COMMISSIONER OLIPHANT: Ms Campbell,  
11 I understand that you would like to be affirmed?  
12 25377 THE RIGHT HON. A. KIM CAMPBELL: Yes,  
13 please.  
14 25378 COMMISSIONER OLIPHANT: Could I just  
15 ask you to stand, please, Ms Campbell.  
16 AFFIRMED: THE RIGHT HON. A. KIM CAMPBELL /  
17 DÉCLARATION SOLENNELLE : LA TRÈS HON. A. KIM CAMPBELL  
18 25379 COMMISSIONER OLIPHANT: Thank you  
19 very much.  
20 25380 Mr. Wolson...?  
21 25381 MR. WOLSON: Good morning, sir.  
22 25382 Madam Clerk is just providing a book  
23 of documents which I would ask be marked as the next  
24 exhibit in the cause, subject to my friends consenting  
25 to that.

1 25383 COMMISSIONER OLIPHANT: By consent,  
2 counsel? Thank you.

3 25384 The booklet of documents for  
4 Ms Campbell will be received and marked as Exhibit  
5 P-31.

6 EXHIBIT NO. P-31: Documents in  
7 support of The Right Honourable  
8 Kim Campbell's testimony

9 EXAMINATION: THE RIGHT HON. A. KIM CAMPBELL BY  
10 MR. WOLSON / INTERROGATOIRE : LA TRÈS HON. A. KIM  
11 CAMPBELL PAR Me WOLSON

12 25385 MR. WOLSON: Ms Campbell, good  
13 morning.

14 25386 THE RIGHT HON. A. KIM CAMPBELL: Good  
15 morning.

16 25387 MR. WOLSON: Thank you for being here  
17 this morning.

18 25388 I want to ask you some questions  
19 first of all dealing with background and your  
20 background in particular.

21 25389 You were elected and became a Member  
22 of Parliament from Vancouver in 1988?

23 25390 THE RIGHT HON. A. KIM CAMPBELL: That  
24 is correct.

25 25391 MR. WOLSON: And you became Minister

1 of Justice in February of 1990?

2 25392 THE RIGHT HON. A. KIM CAMPBELL: Yes,  
3 that's correct.

4 25393 MR. WOLSON: And you held that  
5 portfolio for about three years?

6 25394 THE RIGHT HON. A. KIM CAMPBELL: That  
7 is correct.

8 25395 MR. WOLSON: In 1993, January, you  
9 moved portfolios and became the Minister of National  
10 Defence?

11 25396 THE RIGHT HON. A. KIM CAMPBELL: That  
12 is correct.

13 25397 MR. WOLSON: And held that portfolio  
14 for about six months?

15 25398 THE RIGHT HON. A. KIM CAMPBELL: Yes,  
16 until I was sworn in as Prime Minister in June.

17 25399 MR. WOLSON: And you were sworn in as  
18 Prime Minister on June 25?

19 25400 THE RIGHT HON. A. KIM CAMPBELL: That  
20 is correct.

21 25401 MR. WOLSON: I want to ask you, your  
22 time as the Defence Minister, what was your involvement  
23 when you were Defence Minister? What projects were on  
24 the go that you were involved in primarily?

25 25402 THE RIGHT HON. A. KIM CAMPBELL: When

1 I was Minister of National Defence we were in Somalia.  
2 We had Canadian troops in Somalia. Things were heating  
3 up in the Balkans, so there was a lot of engagement of  
4 the Canadian military.

5 25403 In terms of actual projects -- first  
6 of all, it was very clear that we were in the fifth  
7 year of our mandate, so there wasn't a great deal to  
8 initiate and the Department of National Defence was  
9 under great pressure to cut its budget. Finance  
10 Minister Mazankowski was trying to cut the federal  
11 deficit.

12 25404 The major project that I was  
13 concerned with in terms of Defence procurement was  
14 ship-borne and search and rescue helicopters, the EH  
15 101. That was the most important project. I had  
16 inherited it from my predecessors but believed it was  
17 the right decision and I was very engaged in that.

18 25405 The other project, I might add, was  
19 the leadership campaign of the Progressive Conservative  
20 Party because shortly after I became Minister of  
21 National Defence, Prime Minister Mulroney announced he  
22 would step down and in March I announced my own  
23 candidacy.

24 25406 MR. WOLSON: Going back to the time  
25 when you were the Minister of National Defence, did you



1 know about the Bear Head Project, a project first in  
2 Nova Scotia and then to Montréal by way of proposal for  
3 the establishment of a plant for Thyssen for light  
4 armoured vehicles?

5 25407 THE RIGHT HON. A. KIM CAMPBELL: I  
6 have no recollection of knowing about the project. I  
7 can't say that no one ever mentioned it to me, but it  
8 certainly was not something that I remember or that was  
9 front and centre of my concerns at that time.

10 25408 I don't remember it at all.

11 25409 MR. WOLSON: Did you know Karlheinz  
12 Schreiber?

13 25410 THE RIGHT HON. A. KIM CAMPBELL: No.

14 25411 MR. WOLSON: He never approached you,  
15 that you recall, in your capacity as the Minister of  
16 National Defence and met with you privately?

17 25412 THE RIGHT HON. A. KIM CAMPBELL: No,  
18 never.

19 25413 MR. WOLSON: I want to ask you about  
20 meetings with businessmen or lobbyists.

21 25414 You would have had a Chief of Staff?

22 25415 THE RIGHT HON. A. KIM CAMPBELL: Yes.

23 25416 MR. WOLSON: What was your  
24 understanding as Minister in terms of meeting people  
25 from the private sector who were interested perhaps in

1 selling to the country a product?

2 25417 THE RIGHT HON. A. KIM CAMPBELL: I  
3 don't recall having any such meetings while I was  
4 Defence Minister. Again, it was a time when we were  
5 not looking to initiate procurement projects. We were  
6 looking to try to cut our budget and also to salvage  
7 the ones that we were already committed to.

8 25418 It is not unknown or I think even  
9 inappropriate to meet with people who have projects in  
10 place or projects they would like to advocate.  
11 Normally those meetings, particularly in Defence, come  
12 up through the Department because they tend to be  
13 highly technical.

14 25419 There are two kinds of projects that  
15 one would talk about. One would be where the  
16 Department identifies something that is needed and  
17 there are calls for proposals, and then people stream  
18 in to make presentations, usually to committees of the  
19 military and the technical people sift through them and  
20 they come into the Minister's office.

21 25420 There can also be projects where the  
22 government has not expressed an interest but somebody  
23 says, you know, we think this would be a good project.  
24 You should be making this, you need these, let us  
25 persuade you.

1 25421 And either of those are known in  
2 government.

3 25422 Again, I think that the only  
4 constraint is that if people are meeting with a  
5 minister or minister's staff to aggregate these issues,  
6 they need to be registered as lobbyists and it needs to  
7 be clear if they are trying to sell something.

8 25423 But I think the effort of people to  
9 try to sell things to the government and define  
10 whatever access they can to interest government in  
11 doing this is kind of standard practice in government.

12 25424 MR. WOLSON: So you would expect that  
13 if you were to meet with people in the capacity of a  
14 Minister that you would expect to meet with somebody  
15 that is properly a lobbyist, registered and registered  
16 to lobby?

17 25425 THE RIGHT HON. A. KIM CAMPBELL: Yes.  
18 Now, if somebody said to me at a social gathering, you  
19 know, we have a great project or I have a great idea,  
20 then you would refer to them to the people on your  
21 staff and in your department to begin an appropriate  
22 form of interaction.

23 25426 I can't say that you would never have  
24 a casual conversation with somebody that you happen to  
25 meet on a social occasion, but normally -- and I think

1           shortly before I came to Ottawa as a Member of  
2           Parliament, lobbying legislation was passed in Ottawa  
3           to try and clarify what was an appropriate basis for  
4           people to approach the government and to begin to  
5           create the transparency necessary to ensure that it was  
6           a positive process, not an improper one.

7   25427                   MR. WOLSON:   So you would expect  
8           perhaps that if somebody like that were to come along,  
9           your staff would meet with them and filter things  
10          out --

11   25428                   THE RIGHT HON. A. KIM CAMPBELL:   Yes.

12   25429                   MR. WOLSON:   -- so that it would be  
13          the staff who would do the meeting for the most part?

14   25430                   THE RIGHT HON. A. KIM CAMPBELL:   I  
15          think certainly the initial contact to determine  
16          whether it was worth your while, but also because -- I  
17          mean, Justice might be a little bit different.   There  
18          is not much procurement in Justice so those weren't the  
19          issues.   They might have been issues of policy and what  
20          you would take in.   So talking more directly to the  
21          Minister might be helpful.

22   25431                   MR. WOLSON:   Yes.

23   25432                   THE RIGHT HON. A. KIM CAMPBELL:   But  
24          in terms of procurement issues, they are so technical  
25          that a minister, even the most knowledgeable and

1 hard-working minister, cannot be expected to have any  
2 idea of what the right kind of specifications would be  
3 for something.

4 25433 So you would always work very  
5 closely, not only with your ministerial staff but with  
6 the Department of Defence civilian and military  
7 experts.

8 25434 MR. WOLSON: Without wanting to go  
9 into the area of gossip or conjecture, your  
10 relationship with Prime Minister Mulroney when you were  
11 Minister of National Defence, what was the  
12 relationship?

13 25435 THE RIGHT HON. A. KIM CAMPBELL: My  
14 relationship with Prime Minister Mulroney was always  
15 very cordial and very professional. People often have  
16 to view that Prime Ministers hang out with their  
17 ministers; they don't. It is important for them to  
18 maintain a certain distance because they have to be  
19 able to turf you if you get into trouble.

20 25436 But my relationship with Mr. Mulroney  
21 was always very cordial but also, you know, he kind of  
22 left me to do -- I mean, it wasn't an intrusive  
23 relationship. We always had a very good relationship  
24 with the Prime Minister's office. We were very  
25 fastidious about keeping them apprised of whatever we

1           were doing in any of the portfolios.

2   25437                    It was a very I think collegial and  
3           very appropriate relationship, and clearly he put great  
4           confidence in me and gave me important responsibilities  
5           that were I think a measure of his view.

6   25438                    MR. WOLSON: Did he ever approach you  
7           and ask you directly if you would give consideration to  
8           the establishment of a light armoured vehicle plant in  
9           either Nova Scotia or the East End of Montréal or any  
10          place in Canada?

11   25439                   THE RIGHT HON. A. KIM CAMPBELL:  
12          Never. Never.

13   25440                   MR. WOLSON: What discussions did you  
14          have in terms of commitments that he may have made to  
15          people?

16   25441                   THE RIGHT HON. A. KIM CAMPBELL:  
17          Nothing ever of that sort in any portfolio I had.

18   25442                   Even when we were having discussions  
19          in the transition, when I had been elected Leader of  
20          the Party before I was sworn in as Prime Minister, I  
21          met with Prime Minister Mulroney and the only thing he  
22          mentioned to me about possible commitments was he  
23          mentioned a number of my colleagues who would like to  
24          do certain things, have certain appointments, and he  
25          said that he had made no commitments. I discovered

1 after that wasn't how everyone saw it, but that he had  
2 made no commitments and it was up to me what I did with  
3 them.

4 25443 But there was no -- never any  
5 effort -- and I think throughout my time as Prime  
6 Minister -- as Minister, there was never any effort --  
7 or as Prime Minister -- to ask me to take an interest  
8 in any kind of project like that of any sort.

9 25444 MR. WOLSON: I want to take you  
10 through some documents. If you would look at the  
11 document book in front of you -- which you have seen  
12 obviously before today.

13 25445 THE RIGHT HON. A. KIM CAMPBELL: Yes.

14 25446 MR. WOLSON: If you could look at Tab  
15 2, please.

16 25447 THE RIGHT HON. A. KIM CAMPBELL: Yes.

17 25448 MR. WOLSON: Tab 2 is a letter which  
18 was sent to you by Karlheinz Schreiber.

19 25449 THE RIGHT HON. A. KIM CAMPBELL: Yes.

20 25450 MR. WOLSON: It signed on the third  
21 page by Mr. Schreiber and it is on his letterhead. He  
22 wrote to you and I am interested in the first page, the  
23 third paragraph:

24 "... I feel I must write you  
25 about a serious concern which I

1                   have with respect to Canada's  
2                   Armed Forces, a situation which  
3                   I have kept the Prime  
4                   Minister..."

5   25451                   That would be Mulroney:

6                   "... fully informed of over the  
7                   past years. Also Your Deputy  
8                   Minister Mr. Fowler will be able  
9                   to tell you how hard I have  
10                  tried in my capacity as Chairman  
11                  of Thyssen BHI, to convince him  
12                  and his colleagues of the need  
13                  to protect the lives of Canada's  
14                  soldiers."

15   25452                  He goes on to indicate in the last  
16                  paragraph on that page that the vehicles which Canada  
17                  presently had were inadequate and throughout the letter  
18                  indicates that if he could be of assistance -- in the  
19                  third page, for instance, he says at the end:

20                                "If I may be of any assistance  
21                                ... do not hesitate to contact  
22                                me."

23   25453                  Do you know whether or not you saw  
24                  this letter?

25   25454                  THE RIGHT HON. A. KIM CAMPBELL: I



1 don't know whether I saw it. There might be some  
2 notation in the official records of the correspondence  
3 of the Department of National Defence that would  
4 indicate whether it had been seen by the Minister.

5 25455 MR. WOLSON: If you would look at Tab  
6 4, that may be of some assistance to you.

7 25456 THE RIGHT HON. A. KIM CAMPBELL: It  
8 is acknowledged by my Military Liaison Officer, Major  
9 Bouchard, and it doesn't say, you know, that the  
10 Minister has seen the letter.

11 25457 It says:

12 "... rest assured a response  
13 will be forthcoming as soon as  
14 possible."

15 25458 There are notes on the letter, of  
16 course, and I don't know if they are the deputy's or  
17 who's, but it says -- where it says I have The Prime  
18 Minister fully informed, and I think it says eight  
19 times to be exact.

20 25459 In the first paragraph --

21 25460 MR. WOLSON: Yes...?

22 25461 THE RIGHT HON. A. KIM CAMPBELL: --  
23 where, you know, he indicates that.

24 25462 MR. WOLSON: Let me ask you about  
25 those notes. If you go back to the second tab, which

1           you are on now, because you are reading from it, the  
2           March 17, 1993 letter, which was the letter that I had  
3           referred you to, there are comments which are written  
4           in hand.

5   25463                    Is that your handwriting?

6   25464                    THE RIGHT HON. A. KIM CAMPBELL:  No.

7   25465                    MR. WOLSON:  Would you expect that  
8           somebody in your department would have -- this letter  
9           would have been referred to somebody on your staff and  
10          they would then have reviewed the letter and then  
11          offered a letter back to Mr. Schreiber that we see at  
12          Tab 4?

13   25466                    THE RIGHT HON. A. KIM CAMPBELL:  I  
14          think this letter was probably handled -- although it  
15          would have been seen in my office, I think it might  
16          have been referred through the military to the Military  
17          Staff Officer.

18   25467                    The notes suggest to me -- and I'm  
19          sorry, I mean I can't -- it says DND referred to and I  
20          can't read what it says.  Probably the original one  
21          would be able to see exactly to whom it was referred.

22   25468                    It looks like MS something or other,  
23          but "DND / MND".

24   25469                    What is very clear from this is that,  
25          you know, the person who was writing the notes was

1 familiar with the history of this because they write  
2 that it was eight times.

3 25470 MR. WOLSON: Sure.

4 25471 THE RIGHT HON. A. KIM CAMPBELL: The  
5 notes are not very friendly towards Mr. Schreiber.  
6 They are the notes of somebody who is sort of irritated  
7 and taking issue with what he is saying in the letter.

8 25472 MR. WOLSON: So what would happen in  
9 the ordinary course for mail coming to you? Would it  
10 be deposited with your Chief of Staff or with somebody  
11 in your Department and they would then refer it on?

12 25473 Is that what the norm would be?

13 25474 THE RIGHT HON. A. KIM CAMPBELL: I'm  
14 honestly not sure whether all correspondence would be  
15 treated the same, but probably something like this  
16 would come into my office and my Chief of Staff or his  
17 deputy would sit with the Military Liaison Officer and  
18 they would determine which were letters that were  
19 appropriately responded to by the political staff and  
20 which were letters appropriately to be responded to  
21 through the Department.

22 25475 MR. WOLSON: Because if you look at  
23 Mr. Schreiber's letter, some of it is technical in  
24 nature in terms of suggesting that equipment that the  
25 government had was inadequate and for reasons stated.

1 25476 I'm assuming, then, that somebody  
2 with some technical knowledge and with some knowledge  
3 perhaps of the file would be the one that would respond  
4 to it.

5 25477 Would that be a fair assessment?

6 25478 THE RIGHT HON. A. KIM CAMPBELL: Yes.  
7 Yes.

8 25479 MR. WOLSON: If you would look,  
9 please, to the third tab, if you would turn that up,  
10 March 24, '93. So a week later there is a second  
11 letter which comes from Mr. Schreiber addressed to you.

12 25480 Again there are notes in hand written  
13 on the side. They appear to be the same person --

14 25481 THE RIGHT HON. A. KIM CAMPBELL: Yes.

15 25482 MR. WOLSON: -- who wrote the notes  
16 from before.

17 25483 Are you familiar with this letter?

18 25484 THE RIGHT HON. A. KIM CAMPBELL: No,  
19 I don't recall seeing it. It doesn't mean that I never  
20 saw it, but I don't recall seeing it.

21 25485 And again, I can't read from the  
22 photocopy to who it was referred, but the original will  
23 probably indicate more clearly to whom it was referred.

24 25486 And it is the same person who has  
25 made the notes on the letter.

1 25487 MR. WOLSON: So then the fourth tab  
2 is the document that we saw, April 6, 1993, written by  
3 Maj. Bouchard.

4 25488 THE RIGHT HON. A. KIM CAMPBELL: Yes.

5 25489 MR. WOLSON: And he writes to  
6 Mr. Schreiber:  
7 "On behalf of the Honourable Kim  
8 Campbell, I wish to acknowledge  
9 receipt of your letter of March  
10 17, 1993 concerning the Canadian  
11 Forces peacekeeping equipment.  
12 Please rest assured a response  
13 will be forthcoming as soon as  
14 possible."

15 25490 THE RIGHT HON. A. KIM CAMPBELL: Yes.

16 25491 MR. WOLSON: Then if you go to the  
17 fifth tab, this is a letter written by Tom Siddon.  
18 25492 Do you see that?

19 25493 THE RIGHT HON. A. KIM CAMPBELL: Yes.

20 25494 MR. WOLSON: And who is Mr. Siddon?

21 25495 THE RIGHT HON. A. KIM CAMPBELL: Mr.  
22 Siddon was Minister of National Defence in my  
23 government.

24 25496 MR. WOLSON: Yes. And it is not  
25 dated, but obviously it refers to, in the first

1 paragraph, the letters of March 17th and 24th,  
2 addressed to you. It says "to the former Minister of  
3 National Defence", so obviously this letter was written  
4 when you were Prime Minister.

5 25497 THE RIGHT HON. A. KIM CAMPBELL: It  
6 also refers to correspondence of June 29th, so we know  
7 this letter was after June 29th.

8 25498 MR. WOLSON: Yes. My colleague  
9 Ms Brooks points out that that date is supposed to be,  
10 or seems to be, July 8, '93. It's hard to make that  
11 out, but nonetheless from the first paragraph you can  
12 see that you are Prime Minister already and Mr. Siddon  
13 is responding to Mr. Schreiber's first two letters.

14 25499 Do you see that?

15 25500 THE RIGHT HON. A. KIM CAMPBELL: Yes.

16 25501 MR. WOLSON: If you would go, please,  
17 to Tab 6, Tab 6 is a letter I think signed by you.

18 25502 What can you tell the Commissioner  
19 about that?

20 25503 I will just refer to it. It is a  
21 July 23, 1993 letter addressed to Mr. Schreiber:

22 "I want to thank you for your  
23 kind letter of June 30. Your  
24 encouraging words are much  
25 appreciated."

1 25504 We don't have the letter, but I'm  
2 assuming that he wrote to congratulate you.

3 "My colleagues and I now look  
4 forward to building an even  
5 brighter future for all  
6 Canadians. With your support,  
7 we can ensure the long term  
8 prosperity and equality of  
9 opportunity which remain the  
10 goals of our Government.  
11 The challenges which lie ahead  
12 will require determination and  
13 co-operation. I look forward to  
14 your participation.  
15 With warm regards..."

16 25505 Is that your signature?

17 25506 THE RIGHT HON. A. KIM CAMPBELL: Yes,  
18 it is. It is not a machine signature, it's a personal  
19 signature.

20 25507 MR. WOLSON: All right. What can you  
21 tell me about this document?

22 25508 THE RIGHT HON. A. KIM CAMPBELL:  
23 Well, anyone who has worked in a Minister's office will  
24 recognize the tone of this letter. It is sort of a  
25 standard letter I think that was probably written to

1 many people who sent letters of congratulations after I  
2 became Prime Minister.

3 25509 If I had known Mr. Schreiber  
4 personally, because I do recognize -- I'm quite sure  
5 that's my personal signature. It doesn't look like a  
6 machine signature and I think I signed it.

7 25510 If I had known him, I would have  
8 written his name. "Mr. Schreiber", I probably would  
9 have written "Karlheinz" or "Karl" or "K" or something  
10 there.

11 25511 MR. WOLSON: Yes...?

12 25512 THE RIGHT HON. A. KIM CAMPBELL: Also  
13 I would have probably written one or two words, you  
14 know, "Great to hear from you", you know, "thanks  
15 again" or something.

16 25513 MR. WOLSON: Something that connected  
17 you to Mr. Schreiber.

18 25514 THE RIGHT HON. A. KIM CAMPBELL:  
19 Yeah, and it's the kind of courteous response that one  
20 sends to people who write to you, and I am sure that I  
21 signed many of them, and I genuinely appreciated Mr.  
22 Schreiber's good wishes, but I didn't know him. It is  
23 clear from here that -- there is no personal addition  
24 to this letter.

25 25515 MR. WOLSON: All right. If you would



1 go to Tab 8, please, I have one area of questioning,  
2 and it is on page 3 of Tab 8.

3 25516 Let me, first of all, identify what  
4 Tab 8 is. It is a letter dated the 3rd of March 2008.  
5 It is addressed to Mr. Paul Szabo, who was the Chair of  
6 the Standing Committee on Access to Privacy and Ethics.

7 25517 It is a letter that he wrote,  
8 summarizing some of his positions, and at page 3 of the  
9 letter he wrote this in talking about his relationship  
10 with Mr. Mulroney -- and I don't need to read more than  
11 this. He said:

12 "...Prime Minister of Canada..."

13 25518 -- which would be Mulroney:

14 "...told me that he would be of  
15 great help to me in relation to  
16 the Thyssen Bear Head project  
17 especially with Kim Campbell as  
18 the next Prime Minister of  
19 Canada in office."

20 25519 Having referred you to that -- and I  
21 know you have read that before -- what, if anything,  
22 can you tell me of that?

23 25520 THE RIGHT HON. A. KIM CAMPBELL:

24 Well, I have no way of knowing whether that is a  
25 correct rendition of what Mr. Mulroney did or did not

1 say. I am happy to see his optimism about the  
2 longevity of my time in office, which turned out not to  
3 have been well-founded.

4 25521 It is what it is. I have no way of  
5 knowing whether that was actually said. Certainly, in  
6 the period that I was prime minister, Mr. Mulroney  
7 never approached me about this or any other project.

8 25522 MR. WOLSON: In the transition  
9 period, when Mr. Mulroney retired and resigned and you  
10 became prime minister, do you recall how many times you  
11 met with him in that transition period?

12 25523 THE RIGHT HON. A. KIM CAMPBELL:  
13 Aside from cabinet meetings --

14 25524 MR. WOLSON: Yes.

15 25525 THE RIGHT HON. A. KIM CAMPBELL: --  
16 because I continued to serve in the government -- and I  
17 don't remember how many there were -- I met with him  
18 once at 24 Sussex Drive, shortly after I became leader  
19 of the party, and we had a very nice conversation. In  
20 fact, at that time Mr. Mulroney read for me from some  
21 notes that he -- he had been keeping a journal, and he  
22 read some notes that he had written about me, which  
23 were very nice.

24 25526 Then, shortly before I was sworn  
25 in --

1 25527                   Incidentally, I notice that this  
2           document makes reference to a meeting on July the 12th  
3           between Prime Minister -- former Prime Minister at that  
4           time -- Mulroney -- at Harrington Lake --

5 25528                   I can't remember the exact date that  
6           I moved into Harrington Lake. I did not move in right  
7           away. I think the Mulroneys were not ready to move,  
8           and I held off moving in for a couple of weeks. I  
9           don't think that I moved in right -- so he may well  
10          have -- I mean, he had access to Harrington Lake  
11          when --

12 25529                   I mean, it is obviously a matter of  
13          public record, I just don't remember, but I do remember  
14          that there was some confusion there.

15 25530                   I'm sorry, I forgot what question you  
16          were asking.

17 25531                   MR. WOLSON: I was asking you about  
18          the transition period --

19 25532                   THE RIGHT HON. A. KIM CAMPBELL: Yes,  
20          and the second meeting was at Harrington Lake, when I  
21          went out and had dinner with the Mulroneys before the  
22          swearing in, and that was where we had the conversation  
23          about colleagues who were hoping to have some kind  
24          of -- retiring colleagues who were hoping to have some  
25          kind of appointments.

1 25533                   You know, it's interesting, because  
2           Mr. Mulroney was known for, you know, liking to be a  
3           manager or whatever, but he was remarkably diffident in  
4           that respect and did not say, you know: You should do  
5           this, you should do that. He simply said: Let me tell  
6           you, these are what some of our colleagues would like,  
7           and they have spoken to me about it, and I have made no  
8           commitments.

9 25534                   MR. WOLSON: So you can unequivocally  
10          say that at no time, to your knowledge, did he approach  
11          you and ask you to consider a project such as the one  
12          we are talking about, the Thyssen Bear Head Project.

13 25535                   THE RIGHT HON. A. KIM CAMPBELL:  
14          Absolutely, and I am very confident of my memory there,  
15          because it would have been very uncharacteristic of my  
16          relationship with the Prime Minister for him to have  
17          made such a suggestion. I'm very sure that it did not  
18          happen, ever.

19 25536                   MR. WOLSON: So you can say quite  
20          confidently that there was no direct approach.

21 25537                   THE RIGHT HON. A. KIM CAMPBELL: No.

22 25538                   MR. WOLSON: What about an indirect  
23          approach, for him to have approached someone from your  
24          staff, and then your staff approach you?

25 25539                   THE RIGHT HON. A. KIM CAMPBELL: No,

1 I'm quite sure not.

2 25540 Now, whether there were  
3 conversations -- I mean, I can't speak to that, but  
4 certainly not through me, or, I think, anyone on my  
5 staff.

6 25541 Well, certainly not that I can  
7 remember. I don't remember any indirect approach.

8 25542 I mean, there -- well, I won't get  
9 ahead of it, but there is a document in Mr. Schreiber's  
10 collection about an understanding to pursue  
11 discussions --

12 25543 MR. WOLSON: Yes.

13 25544 THE RIGHT HON. A. KIM CAMPBELL: --  
14 that was signed by ministers in Mr. Mulroney's  
15 government, and whether there were ever any  
16 conversations about that --

17 25545 If there were, they were very minor,  
18 they were not --

19 25546 You see, I think that had there been  
20 a real sense that this was something we wanted to  
21 proceed with, or follow up, or whatever, it would have,  
22 had it been a project that went ahead, been an  
23 important project for Atlantic Canadian economic  
24 development, and one would have wanted to include it in  
25 an election platform.

1 25547 The fact that it's just absent  
2 confirms my view that we were not discussing it, it  
3 wasn't part of the conversation at all.

4 25548 MR. WOLSON: While I asked you  
5 earlier about lobbyists approaching you in government,  
6 did you know Fred Doucet?

7 25549 THE RIGHT HON. A. KIM CAMPBELL: No.  
8 25550 I mean, I know who he was, but I --  
9 25551 Can I say that I never said how-de-do  
10 to him? No, but, no, he was not somebody I knew.

11 25552 MR. WOLSON: I was more concerned not  
12 with the pleasantries, but whether he ever approached  
13 you --

14 25553 THE RIGHT HON. A. KIM CAMPBELL: No.  
15 No, I never had a business meeting with him at all.

16 25554 MR. WOLSON: All right.  
17 25555 If I may just have one moment,  
18 please, Mr. Commissioner...  
19 --- Pause

20 25556 MR. WOLSON: Again, I want to thank  
21 you very much for being here this morning and answering  
22 my questions. Some of my colleagues may have  
23 questions, but thank you again.

24 25557 THE RIGHT HON. A. KIM CAMPBELL:  
25 Thank you. I'm happy to respond.

1 25558 COMMISSIONER OLIPHANT: Mr.  
2 Grondin...

3 25559 MR. GRONDIN: Mr. Commissioner, it  
4 would have been an honour, but we have no questions.  
5 Thank you.

6 25560 COMMISSIONER OLIPHANT: Mr. Landry...

7 25561 MR. LANDRY: No questions, Mr.  
8 Commissioner.

9 25562 COMMISSIONER OLIPHANT: No questions  
10 from the Government of Canada.

11 25563 Mr. Houston, for Mr. Doucet...

12 25564 MR. HOUSTON: I have no questions.  
13 Thank you, Commissioner.

14 25565 COMMISSIONER OLIPHANT: Mr. Auger...

15 25566 MR. AUGER: Very briefly,  
16 Commissioner, with your permission.

17 25567 COMMISSIONER OLIPHANT: Mr. Auger  
18 represents Mr. Schreiber, Ms Campbell.

19 EXAMINATION: THE RIGHT HON. A. KIM CAMPBELL BY  
20 MR. AUGER / INTERROGATOIRE: LA TRÈS HON. A. KIM  
21 CAMPBELL PAR Me AUGER

22 25568 MR. AUGER: Good morning.

23 25569 THE RIGHT HON. A. KIM CAMPBELL: Good  
24 morning.

25 25570 MR. AUGER: If I could ask you to

1           turn up Tab 2, Mr. Wolson had referred you to this  
2           correspondence, and I don't need to take you through  
3           all of the text, but, in general, as I read the thrust  
4           of this correspondence, Mr. Schreiber is advocating,  
5           obviously, the equipment produced by Thyssen, or  
6           anticipated to be produced.

7   25571                            Correct?

8   25572                            THE RIGHT HON. A. KIM CAMPBELL:  Yes,  
9           that's correct.

10  25573                            MR. AUGER:  I listened to your  
11           evidence and I got the impression that, first of all,  
12           you don't have an independent recollection of that  
13           advocacy.

14  25574                            THE RIGHT HON. A. KIM CAMPBELL:  No,  
15           no.

16  25575                            MR. AUGER:  Obviously, in terms of  
17           the technicalities of the equipment, is that something  
18           that, on a general level, you would have been aware of?

19  25576                            THE RIGHT HON. A. KIM CAMPBELL:  If  
20           you read the comments on the letter, whoever is  
21           commenting on the letter, which is obviously going to  
22           be the basis of a response, takes issue with some of  
23           the things that Mr. Schreiber says.

24  25577                            So there is obviously some  
25           disagreement on his reading of the technicalities and



1           that of the Department, and that would have been part  
2           of a discussion in terms of responding.

3   25578                   Mr. Schreiber's letter, I think, is a  
4           very -- for the purpose of trying to interest the  
5           government in Thyssen, it is a well written, forceful  
6           letter, but the conclusions he draws were obviously not  
7           shared by the Department.

8   25579                   And, ultimately, when my colleague  
9           Tom Siddon replied -- I don't mean to get ahead --  
10          those views were made clear.

11   25580                   MR. AUGER: And that is exactly the  
12          point, that there was at least a debate, if I could put  
13          it that way, in terms of the adequacy of the equipment  
14          at that time.

15   25581                   THE RIGHT HON. A. KIM CAMPBELL: I  
16          don't know, "debate" may be too strong a term. I don't  
17          know the answer to that question, but clearly --

18   25582                   Let me put it this way. I think that  
19          Mr. Schreiber raised points that were responded to  
20          seriously. There is a certain impatience with the fact  
21          that, obviously -- there were eight times, to be exact,  
22          that he has made this point, but that was his job, to  
23          make the point, and the Department's job was to respond  
24          and give its point of view, whether it agreed or not.

25   25583                   MR. AUGER: And to be fair to Mr.

1 Schreiber on an overall review of the material before  
2 you, it is not only his personal view, it is supported  
3 by others, including Lewis MacKenzie, evidence before  
4 the House, et cetera. I don't need to go through those  
5 examples, but --

6 25584 THE RIGHT HON. A. KIM CAMPBELL: In  
7 fairness, the note suggests that his interpretation --  
8 25585 He says, "That's not true", "literacy  
9 licence", "MacKenzie referred..."

10 25586 There is a debate over their reading  
11 of General MacKenzie's views as well.

12 25587 MR. AUGER: Correct.

13 25588 THE RIGHT HON. A. KIM CAMPBELL: But  
14 that's quite understandable.

15 25589 MR. AUGER: One aspect of the debate,  
16 obviously, was the economics.

17 25590 Correct?

18 25591 COMMISSIONER OLIPHANT: Mr. Auger, Ms  
19 Campbell has said that "debate" is too strong a word.

20 25592 You keep using the word "debate", and  
21 she said that's not an appropriate word.

22 25593 MR. AUGER: Thank you, Commissioner.

23 25594 In terms of the dialogue on the  
24 project, one aspect was, obviously, the adequacy of the  
25 equipment, or the technical requirements.

1 25595 Fair?

2 25596 THE RIGHT HON. A. KIM CAMPBELL:

3 M'hmm.

4 25597 MR. AUGER: The other aspect that I

5 think you have alluded to is the economics.

6 25598 Is that a fair way to summarize?

7 25599 THE RIGHT HON. A. KIM CAMPBELL: Yes,

8 I think adequacy and cost, but I think that adequacy

9 was probably the most important. I think the bottom

10 line is that the Department did not agree with Mr.

11 Schreiber's reading of that, but it was perfectly

12 understandable, from his perspective, that he would

13 make the strongest case possible for a product that he

14 obviously believed in.

15 25600 MR. AUGER: Just a final point, if I

16 could. I would ask you to go to Tab 7. This is a

17 letter addressed to Robert Fowler, and the Commissioner

18 has heard some evidence relating to Mr. Fowler.

19 25601 Did you have discussions with Mr.

20 Fowler about the Thyssen project in any way that you

21 recall?

22 25602 THE RIGHT HON. A. KIM CAMPBELL: I

23 don't recall. If I could be corrected by any

24 memorandum, I would revisit that, but I don't recall it

25 at all.

1 25603 This letter was written after -- on  
2 June 29th, when I was no longer Minister of Defence,  
3 and my guess is, in fact, that the notes on the letters  
4 may have been in Bob Fowler's hand, I don't know, and  
5 somebody will be able to identify that appropriately.

6 25604 I think that it was an ongoing -- the  
7 Department of National Defence doesn't make policy  
8 based on what the newspapers say, but, clearly, Mr.  
9 Schreiber was pushing for this program, and I see  
10 nothing wrong with that. I think it's perfectly  
11 appropriate. That was his job, and that's what he was  
12 supposed to do, to make the very best possible case,  
13 and the Department didn't agree with him, but that's  
14 grist for the mill in government.

15 25605 MR. AUGER: Thank you very much,  
16 those are my questions.

17 25606 Thank you, Commissioner.

18 25607 COMMISSIONER OLIPHANT: Thank you.

19 25608 Is there any reason why Ms Campbell  
20 ought not to be excused at this point?

21 25609 MR. WOLSON: No, none at all. Thank  
22 you.

23 25610 COMMISSIONER OLIPHANT: All right.

24 25611 Ms Campbell, thank you very much for  
25 coming to assist us. I know you have a busy schedule;

1           you are free to leave at this time.

2   25612                            Just let me say that it's nice to see  
3           you again.

4   25613                            THE RIGHT HON. A. KIM CAMPBELL:

5           Thank you, and thank you, Commissioner, for being so  
6           flexible in accommodating my schedule. I appreciate  
7           that every much.

8   25614                            Best wishes on your deliberations.

9   25615                            COMMISSIONER OLIPHANT: Thank you.

10  25616                            Mr. Roitenberg...

11  25617                            MR. ROITENBERG: Thank you, Mr.  
12           Commissioner.

13  25618                            Mr. Beatty is our next witness. He  
14           has arrived within the last four or five minutes. I  
15           would like an opportunity to speak with him and his  
16           counsel before we commence, if we could take the  
17           morning recess...

18  25619                            COMMISSIONER OLIPHANT: Do you need  
19           more than 15 minutes?

20  25620                            MR. ROITENBERG: I do not.

21  25621                            COMMISSIONER OLIPHANT: All right.

22           It is 10:30, we will break until 10:45.

23  25622                            MR. ROITENBERG: Thank you, sir.

24           --- Upon recessing at 10:30 a.m. / Suspension à 10 h 30

25           --- Upon resuming at 10:55 a.m. / Reprise à 10 h 55

1 25623 COMMISSIONER OLIPHANT: Be seated,  
2 please.

3 25624 Good morning, Mr. Beatty.

4 25625 THE HON. PERRIN BEATTY: Good  
5 morning.

6 25626 COMMISSIONER OLIPHANT: Mr. Beatty, I  
7 understand that you prefer to be sworn rather than  
8 affirmed.

9 25627 THE HON. PERRIN BEATTY: Yes, sir.

10 25628 COMMISSIONER OLIPHANT: I think there  
11 is a Bible there.

12 SWORN: HON. PERRIN BEATTY /  
13 ASSERMENTÉ: L'HON. PERRIN BEATTY

14 25629 COMMISSIONER OLIPHANT: Mr.  
15 Roitenberg...

16 EXAMINATION: HON. PERRIN BEATTY BY MR. ROITENBERG /  
17 INTERROGATOIRE: L'HON. PERRIN BEATTY PAR Me ROITENBERG

18 25630 MR. ROITENBERG: Thank you, sir.

19 25631 Mr. Beatty, thank you for joining us  
20 this morning, sir.

21 25632 I understand that you served as a  
22 minister in the government of Prime Minister Mulroney.

23 25633 THE HON. PERRIN BEATTY: I did.

24 25634 MR. ROITENBERG: I want to, if I can,  
25 enlighten the Commissioner somewhat as to your

1 background.

2 25635 As I have it, you were first elected  
3 as a Member of Parliament at the age of 22 years.

4 25636 THE HON. PERRIN BEATTY: That's  
5 right.

6 25637 MR. ROITENBERG: Remarkable.

7 25638 When was it that you first became a  
8 member of cabinet, sir?

9 25639 THE HON. PERRIN BEATTY: 1979, under  
10 Joe Clark.

11 25640 MR. ROITENBERG: And your position at  
12 that time?

13 25641 THE HON. PERRIN BEATTY: I was  
14 Minister of State for the Treasury Board.

15 25642 MR. ROITENBERG: And I understand  
16 that you then held the position of Minister of State  
17 for Fitness and Amateur Sport for a period of time.

18 25643 THE HON. PERRIN BEATTY: Just on an  
19 acting basis, yes, when Mr. Charest stepped down from  
20 cabinet.

21 25644 MR. ROITENBERG: And following that  
22 you served as the Solicitor General of Canada?

23 25645 THE HON. PERRIN BEATTY: No, the  
24 order was different, actually, Mr. Roitenberg. Under  
25 Mr. Clark's government I was Minister of State for the

1 Treasury Board. Under Mr. Mulroney, I was then  
2 Minister of National Revenue and Minister responsible  
3 for Canada Post Corporation, then Solicitor General,  
4 then Minister of National Defence, Minister of National  
5 Health and Welfare, Minister of Communications, and  
6 then, under Mrs. Campbell, I was Secretary of State for  
7 External Affairs.

8 25646 MR. ROITENBERG: So a variety of  
9 different portfolios.

10 25647 THE HON. PERRIN BEATTY: That's  
11 right.

12 25648 MR. ROITENBERG: Since you have left  
13 public life, at least in terms of being an elected  
14 Member of Parliament, you have carried on in what line  
15 of work, sir?

16 25649 THE HON. PERRIN BEATTY: Initially,  
17 after Parliament -- I think it would be incorrect to  
18 say that I left Parliament; Parliament left me in the  
19 general election of 1993, when the government was  
20 reduced to two seats in the House of Commons.

21 25650 I then sat on a number of boards,  
22 worked as a consultant, and was a visiting professor --  
23 honorary visiting professor at the University of  
24 Western Ontario. I did some writing, as well.

25 25651 After that, Mr. Chrétien asked me to



1           become President of the Canadian Broadcasting  
2           Corporation.

3   25652                   Following that, for seven years, I  
4           was President of Canadian Manufacturers & Exporters,  
5           and I am currently President and C.E.O. of the Canadian  
6           Chamber of Commerce.

7   25653                   MR. ROITENBERG:   And I was proud of  
8           myself for making it through law school.

9   25654                   THE HON. PERRIN BEATTY:  Well, that's  
10          something I didn't do.

11         --- Laughter / Rires

12   25655                   MR. ROITENBERG:   I understand that  
13          you appear here today with your counsel, Mr. Leonard  
14          Shore --

15   25656                   THE HON. PERRIN BEATTY:  Yes.

16   25657                   MR. ROITENBERG:   -- who is seated at  
17          the counsel table.

18   25658                   COMMISSIONER OLIPHANT:  Good morning,  
19          Mr. Shore.

20   25659                   THE HON. PERRIN BEATTY:  Mr.  
21          Commissioner, before you is a book of documents in  
22          support of the Hon. Perrin Beatty's testimony.  I am  
23          going to ask that it be marked as the next exhibit.  I  
24          believe it is Exhibit P-32.

25   25660                   COMMISSIONER OLIPHANT:  Is this book

1 of documents going in by consent, counsel?

2 25661 MR. AUGER: Yes, sir.

3 25662 COMMISSIONER OLIPHANT: Lots of  
4 affirmation from everyone.

5 25663 The book of documents, then, in  
6 support of Mr. Beatty's evidence, will be received and  
7 marked as Exhibit P-32.

8 EXHIBIT NO. P-32: Book of  
9 Documents in support of the  
10 testimony of the Hon. Perrin  
11 Beatty

12 25664 MR. ROITENBERG: In going through  
13 your career as a parliamentarian, and as a member of  
14 cabinet, you mentioned that you were the Minister of  
15 National Defence, and unless I am mistaken, you took  
16 over that portfolio at the end of June of 1986.

17 25665 Would that be right?

18 25666 THE HON. PERRIN BEATTY: That's  
19 correct.

20 25667 MR. ROITENBERG: And you held it  
21 until January, or late January, of 1989.

22 25668 THE HON. PERRIN BEATTY: That's  
23 correct.

24 25669 MR. ROITENBERG: During your tenure  
25 as Minister of National Defence you prepared a

1 document, or were involved in the preparation of a  
2 document, with, I am sure, some assistance from  
3 individuals within your department, which was a White  
4 Paper on the needs of the Ministry of National Defence.

5 25670 Is that correct?

6 25671 THE HON. PERRIN BEATTY: That's  
7 correct.

8 25672 MR. ROITENBERG: Now, unless my math  
9 is faulty, there hadn't been such a document prepared  
10 in nearly two decades, in terms of the needs of that  
11 department.

12 25673 Is that fair?

13 25674 THE HON. PERRIN BEATTY: No, I don't  
14 think that's correct. I think the previous one was in  
15 the 1970s, under the Hon. Donald Macdonald.

16 25675 MR. ROITENBERG: I think it was 1971.

17 25676 THE HON. PERRIN BEATTY: I believe  
18 so.

19 25677 MR. ROITENBERG: So we are talking  
20 about 16 years.

21 25678 THE HON. PERRIN BEATTY: My White  
22 Paper was 1987.

23 25679 MR. ROITENBERG: Okay. So about 16  
24 years had gone by between the two.

25 25680 THE HON. PERRIN BEATTY: Yes.

1 25681 MR. ROITENBERG: By preparing this  
2 document, what was it that you, as the Minister of  
3 National Defence, hoped to accomplish?

4 25682 THE HON. PERRIN BEATTY: What we  
5 wanted to do was to ensure, first of all, that the  
6 mission that we gave to the Canadian Forces was  
7 contemporary, that it met what was taking place in the  
8 world, and secondly, that it was doable.

9 25683 When I came in as Minister, what I  
10 discovered very quickly was that Canada was  
11 overextended. We had commitments that we simply  
12 couldn't keep.

13 25684 Secondly, the men and women of the  
14 Armed Forces were not properly equipped to be able to  
15 do the job, in many instances, and the world had  
16 changed. It was important for us to look at what were  
17 the strategic changes that had taken place in the  
18 geopolitical relationships and what were the threats to  
19 Canada's sovereignty and to Canada's security in 1987,  
20 as opposed to 1971.

21 25685 So it was to modernize and to ensure  
22 that the mandate was realistic.

23 25686 MR. ROITENBERG: At the time that you  
24 prepared the White Paper and had these goals on your  
25 horizon, were there obstacles that you perceived to be

1 in your way that would prevent you from achieving the  
2 goals as set out in the White Paper?

3 25687 THE HON. PERRIN BEATTY: Yes, there  
4 were many. The White Paper was exceptionally  
5 ambitious.

6 25688 What we did was to set a totally  
7 different direction, in terms of the sovereignty of  
8 Canada. For me, that was the single most important  
9 element.

10 25689 I was concerned that when countries  
11 contract out their defence to another country, as we  
12 had to the United States, you are not a sovereign  
13 country, you are a protectorate. You accept that  
14 protection on the terms on which it is given, and  
15 particularly as it related to areas such as our  
16 maritime waters, where there were potential threats to  
17 our sovereignty, the Americans didn't accept our  
18 claims. I wanted to shift our commitments back from a  
19 focus on Europe much more to the question of how do we  
20 enhance our security and our sovereignty in our own  
21 territory.

22 25690 So, first, it represented a  
23 significant change from the past.

24 25691 Secondly, the men and women of the  
25 Armed Forces had been asked to deal with equipment that

1 was older than they were. In many instances the single  
2 greatest threat to their survival was the equipment  
3 they were using.

4 25692 Now, ironically, Mr. Roitenberg, the  
5 very first announcement that I made as Minister of  
6 National Defence was that the Sea King helicopters had  
7 become obsolete and that we were going to replace them.  
8 They were older than the men and women who were flying  
9 in them.

10 25693 Those helicopters still have not been  
11 replaced, and it takes 30 hours of maintenance for  
12 every hour in the air.

13 25694 That will give you an idea, then, of  
14 the challenge that there is in terms of modernizing the  
15 Armed Forces and ensuring that they have the equipment  
16 they need.

17 25695 What was critical for me was very  
18 straightforward. We have a contract with the men and  
19 women of the Armed Forces. We ask them to put their  
20 lives on the line for the country. The quid pro quo  
21 is, the mission that we ask them to accept has to be  
22 realistic, and we have to give them the tools that they  
23 need to do the job.

24 25696 MR. ROITENBERG: To that end, an  
25 obstacle that hasn't really been highlighted yet by you

1 was financial, one would expect.

2 25697 THE HON. PERRIN BEATTY: Yes.

3 25698 MR. ROITENBERG: There was not a  
4 blank cheque written by the government to the Ministry  
5 of National Defence --

6 25699 THE HON. PERRIN BEATTY: No.

7 25700 MR. ROITENBERG: -- do what you wish,  
8 outfit your men and women of the Forces, as you see  
9 fit, with the best equipment.

10 25701 That wasn't something you saw  
11 forthcoming.

12 25702 THE HON. PERRIN BEATTY: There was no  
13 blank cheque. What there was, I think, was a sympathy  
14 on the part of this government to move ahead to  
15 re-equip the Armed Forces, but very quickly this  
16 collides with the reality that, for every dollar  
17 available to government, there are many demands.

18 25703 So the challenge was to demonstrate  
19 to my colleagues that the needs of the men and women of  
20 the Forces was more important than the other demands we  
21 were receiving.

22 25704 MR. ROITENBERG: Now, I understood  
23 that, in order to hopefully accomplish much, or as much  
24 as you could of what you had hoped to accomplish by way  
25 of the White Paper, you needed to protect the integrity

1 of the processes in which you were engaged, so that,  
2 hopefully, you would receive the funds necessary to  
3 accomplish some or much of what you hoped to.

4 25705 Would that be fair?

5 25706 THE HON. PERRIN BEATTY: Yes.

6 25707 MR. ROITENBERG: And to protect the  
7 integrity of the process, you had to ensure that there  
8 was some protection of the integrity of the contracting  
9 process itself.

10 25708 THE HON. PERRIN BEATTY: Yes.

11 25709 MR. ROITENBERG: You were kind  
12 enough, with your counsel, to meet with myself and Ms  
13 Corbeil, of Commission counsel, for an interview on  
14 March the 17th of 2009.

15 25710 You recall that.

16 25711 THE HON. PERRIN BEATTY: Yes, I do.

17 25712 MR. ROITENBERG: And we met at our  
18 office.

19 25713 THE HON. PERRIN BEATTY: Yes.

20 25714 MR. ROITENBERG: At that time, we  
21 focused much of the discussion on the Bear Head  
22 proposal, as we deemed it, for ease of reference; the  
23 Thyssen proposal regarding light-armoured vehicles.

24 25715 THE HON. PERRIN BEATTY: That's  
25 right.



1 25716 MR. ROITENBERG: As you understood it  
2 at the time that it came to be on your plate, what was  
3 proposed was a sole-sourcing of some 200 to 300  
4 light-armoured vehicles, which would have been  
5 purchased, if it had been approved and agreed to, by  
6 the Department of National Defence directly from  
7 Thyssen Bear Head.

8 25717 THE HON. PERRIN BEATTY: That's  
9 right.

10 25718 MR. ROITENBERG: This raised concerns  
11 with you because it was your view at the time that to  
12 agree to such a sole-source purchase would vitiate your  
13 Department's policy on procurement at the time and, in  
14 your view, compromise the contracting process, as you  
15 hoped to maintain it.

16 25719 THE HON. PERRIN BEATTY: There are  
17 essentially two issues. The first is, ideally,  
18 wherever possible, you want to see a competed contract.  
19 There are very good reasons for that. The first is  
20 that it helps to ensure that you get the best possible  
21 value for the money that is being spent by the  
22 taxpayers.

23 25720 The second is that it gives  
24 confidence to potential suppliers that, if they have a  
25 product that they want to sell to the government, the

1 government will seriously consider their proposal.

2 25721 The other concern that I had was,  
3 whose priorities would be followed here.

4 25722 The Thyssen proposal originated as an  
5 economic development proposal in Cape Breton. The  
6 proposal had been made -- the unsolicited proposal had  
7 been made to ACOA, not to the Department of National  
8 Defence.

9 25723 Now, you kindly, in the book that you  
10 provided for me, included a section from the Auditor  
11 General's report. The Auditor General, in that report,  
12 points out the strains there are as you look at  
13 regional development issues, Canadian content issues,  
14 military issues, and all of the others. The critical  
15 element for me was, in the choosing of the final  
16 bidder, whoever it was, for whatever contract, that it  
17 be the Department of National Defence, based on  
18 military criteria, who made the decision, rather than  
19 having the decision driven strictly by Canadian content  
20 or regional development purposes.

21 25724 That, even more so than the issue of  
22 sole-sourced contracting, was a concern: Is this the  
23 equipment that the military themselves feel is best for  
24 the job.

25 25725 MR. ROITENBERG: As you raised the

1 Auditor General's report, if you could open the book of  
2 materials, Exhibit P-32, to Tab 5, which is Chapter 9  
3 of the Auditor General's report for 1987 --

4 25726 THE HON. PERRIN BEATTY: Yes.

5 25727 MR. ROITENBERG: -- and if you go to  
6 what is known as page 5 of 26 in the top right-hand  
7 corner, you will come to paragraph 9.20 at the centre  
8 of the page.

9 25728 It reads:

10 "As a result of this audit, we  
11 have suggested five areas where  
12 we believe additional management  
13 attention should be given..."

14 25729 -- and it raises in the middle of  
15 that paragraph three items, one of which is  
16 sole-sourcing.

17 25730 THE HON. PERRIN BEATTY: That's  
18 right.

19 25731 MR. ROITENBERG: If you then turn to  
20 paragraph 9.50, which commences at page 9 of 26, toward  
21 the bottom of the page, it highlights some of the  
22 things of which you have just spoken.

23 "Treasury Board contract  
24 regulations specify that  
25 competitive processes are to

1 apply, unless a) the need is of  
2 pressing emergency in which  
3 delay would be injurious to the  
4 public interest; b) the  
5 expenditure is below certain  
6 limits; c) the nature of the  
7 work is such that it would not  
8 be in the public interest to  
9 invite tenders; or d) only one  
10 person is capable of performing  
11 the contract."

12 25732 I understood -- and you can correct  
13 me if I am wrong, I am going to do it in a summary  
14 fashion --

15 25733 THE HON. PERRIN BEATTY: Sure.

16 25734 MR. ROITENBERG: -- that the Auditor  
17 General's report was, in essence, suggesting: Avoid  
18 sole-sourcing. Here are four criteria where you may  
19 have to engage in it, but aside from that, it should be  
20 avoided to protect the process.

21 25735 THE HON. PERRIN BEATTY: In  
22 principle, yes.

23 25736 MR. ROITENBERG: If I could then  
24 direct you to Tab 13 in the book of documents. As the  
25 matter -- the matter at hand being the Bear Head

1           proposal -- was being discussed, you came to realize  
2           that there was a suggestion that a certain agreement be  
3           entered into between the Government of Canada and  
4           Thyssen Bear Head.

5   25737                           Am I right?

6   25738                           THE HON. PERRIN BEATTY:  That's  
7           right.

8   25739                           MR. ROITENBERG:  This would have been  
9           around the summer -- spring and summer of 1988, where  
10          it was really coming to some fruition in terms of the  
11          discussions about:  Do we enter such an agreement?  
12          Don't we?  What are the pros and cons?

13  25740                           Would that be fair?

14  25741                           THE HON. PERRIN BEATTY:  That's  
15          correct.

16  25742                           MR. ROITENBERG:  As I understand it,  
17          you had certain deputy ministers who assisted you in  
18          running your ministry.

19  25743                           THE HON. PERRIN BEATTY:  I had two  
20          people at the deputy minister level.  One was the  
21          Deputy Minister of National Defence, the other was the  
22          Chief of the Defence Staff.

23  25744                           MR. ROITENBERG:  Certainly, and they  
24          would be who, please?

25  25745                           THE HON. PERRIN BEATTY:  Bev Dewar

1           was the Deputy Minister of National Defence, and  
2           General Paul Manson was the Chief of the Defence Staff.

3   25746                   MR. ROITENBERG:  And you relied on  
4           another individual by the name of Healey, Ed Healey.

5   25747                   THE HON. PERRIN BEATTY:  Yes.

6   25748                   MR. ROITENBERG:  What was his  
7           position?

8   25749                   THE HON. PERRIN BEATTY:  He was the  
9           Assistant Deputy Minister, Materiel, so he was  
10          responsible for procurement.

11   25750                   MR. ROITENBERG:  If you could, before  
12          we speak of this particular tab, enlighten the  
13          Commissioner -- and all of us, I expect -- as to how  
14          the interaction was between these different individuals  
15          and their responsibilities and the advice they would  
16          give to you.

17   25751                   THE HON. PERRIN BEATTY:  I am not  
18          sure, Mr. Roitenberg, what you mean by what the  
19          interaction was.  I got one piece of advice at the end  
20          of the day, for which I was very grateful.

21   25752                   The challenge previously, prior to  
22          the integration of the Armed Forces, was that you would  
23          get competing advice from the various services as to  
24          what the priorities should be.

25   25753                   Now, during my tenure as Minister of

1 National Defence, the Department and the Canadian  
2 Forces operated quite seamlessly, and it meant that I,  
3 as minister, received one advice, ultimately, from the  
4 appropriate person, whether the Deputy Minister of  
5 National Defence or the Chief of the Defence Staff,  
6 that represented the view of the whole of the  
7 Department.

8 25754 What I wasn't called upon to do,  
9 fortunately, was to mediate squabbles within the  
10 Department. Those were resolved before they came to  
11 me.

12 25755 MR. ROITENBERG: But these people had  
13 different responsibilities, I would think.

14 25756 THE HON. PERRIN BEATTY: Yes, very  
15 much so.

16 25757 MR. ROITENBERG: If you could  
17 highlight what their responsibilities were, and the  
18 differences between them.

19 25758 THE HON. PERRIN BEATTY: The Deputy  
20 Minister of National Defence had the responsibility for  
21 the administrative responsibilities, the civilian  
22 aspects, if you like, within the Department of National  
23 Defence.

24 25759 The Chief of the Defence Staff was  
25 the most senior serving military officer, and his

1 function was very much focused, as you can imagine, on  
2 the military: What is the strategy that we are  
3 following here in terms of our defence configuration.  
4 Is this a commitment that we can take on, that is  
5 doable. What is the best way to respond to a  
6 particular crisis. Is the equipment that we are  
7 dealing with the most suitable for the particular  
8 needs.

9 25760 So there was a distinction between  
10 what were, essentially, administrative and more  
11 civilian aspects and those which were strictly  
12 military.

13 25761 MR. ROITENBERG: And the ADM for  
14 Materiel?

15 25762 THE HON. PERRIN BEATTY: It was his  
16 responsibility to be on top of the procurement process,  
17 to look at what is the process that we are going to  
18 follow in order to obtain equipment and to ensure that  
19 it meets the needs of the Canadian Forces.

20 25763 MR. ROITENBERG: You said a few  
21 moments ago that you were fortunate enough to not have  
22 to mediate amongst this group of individuals, that  
23 there seemed to be some synergy between them in the  
24 advice that you received from them as a group.

25 25764 THE HON. PERRIN BEATTY: Yes, very



1 much so.

2 25765 MR. ROITENBERG: Would it be fair to  
3 say that your views on the Thyssen proposal were shared  
4 by those individuals on whom you relied for advice?

5 25766 THE HON. PERRIN BEATTY: For the most  
6 part. They were certainly shaped by that.

7 25767 I had further responsibilities, as a  
8 member of cabinet, that went beyond the  
9 responsibilities of officials within the Department of  
10 National Defence.

11 25768 Any minister has, in essence, two  
12 jobs. The first is to run his department, but the  
13 other is that he is a colleague with other ministers  
14 and has to look after, has to attend to the shared  
15 agenda of the government, as well.

16 25769 MR. ROITENBERG: I can appreciate  
17 that, certainly, but as it was the case that you didn't  
18 have to mediate between these individuals and the  
19 advice they were giving you, I take it that you would  
20 share your views with them and come to some consensus.

21 25770 THE HON. PERRIN BEATTY: Oh, yes.

22 25771 MR. ROITENBERG: Now, I had you turn  
23 to Tab 13, and the reason I did so -- it is dated  
24 August 31st, 1988. It is a memorandum from Wynne  
25 Potter, who was then the Vice-President of ACOA, Nova

1           Scotia, and Don McPhail, who, as I understand it, was  
2           the President of ACOA.

3   25772                    If you go down the first page, it  
4           has, "DND (Ed Healey)", and it seems to be a  
5           highlighting -- that is, this document is a  
6           highlighting of the departmental concerns, as voiced to  
7           ACOA by the particular departments highlighted.

8   25773                    Would you agree with that?

9   25774                    THE HON. PERRIN BEATTY: Yes.

10   25775                   MR. ROITENBERG: Under "DND (Ed  
11           Healey)", it says:

12                            "Position: Will recommend to  
13                            Minister Beatty that he not  
14                            sign."

15   25776                    I take it that was to mean not sign  
16           the proposed Understanding in Principle at the time.

17   25777                    THE HON. PERRIN BEATTY: As it stood  
18           at that time, yes.

19   25778                    MR. ROITENBERG: Okay. Again, this  
20           is August 31, 1988.

21   25779                    THE HON. PERRIN BEATTY: Yes.

22   25780                    MR. ROITENBERG: It then goes on to  
23           speak of:

24                            "- Thyssen proposal only one of  
25                            several unsolicited proposals,

1                                   each of which DND..."

2   25781                   Department of National Defence:

3                                   "... would like to reject

4                                   because they involve some degree

5                                   of sole-sourcing or lowered

6                                   competition..."

7   25782                   THE HON. PERRIN BEATTY:  Yes.

8   25783                   MR. ROITENBERG:  So this would have

9            been a highlighting of one of the concerns that DND

10           had, which was, as we had already discussed, the

11           protection of the contracting process and not wanting

12           to agree at that time to the proposal as it stood

13           then --

14   25784                   THE HON. PERRIN BEATTY:  Yes.

15   25785                   MR. ROITENBERG:  -- which was for

16           this sole source contract to Thyssen?

17   25786                   THE HON. PERRIN BEATTY:  Yes.

18   25787                   MR. ROITENBERG:  And you take no

19           issue with how it is characterized here?

20   25788                   THE HON. PERRIN BEATTY:  No, I don't.

21   25789                   MR. ROITENBERG:  If I could then ask

22           you --

23   25790                   THE HON. PERRIN BEATTY:  I'm sure

24           there were other concerns in addition to that.

25   25791                   MR. ROITENBERG:  And some are named,

1           such as the source of funds, whether there is an  
2           operational requirement for this particular LAV  
3           project, et cetera, et cetera.

4   25792                    But I am solely concerned at this  
5           point with the sole source aspect.

6   25793                    THE HON. PERRIN BEATTY: Fine.

7   25794                    MR. ROITENBERG: If you go to Tab 17,  
8           this appears to be a memorandum from PCO and more so  
9           than concerning myself over who it is from and who it  
10          is to, there seems to be a summary of what your view of  
11          the Thyssen proposal is at page 3 of the document, in  
12          the middle of the page.

13   25795                    Page 3 --

14   25796                    THE HON. PERRIN BEATTY: Yes, under  
15          point 4?

16   25797                    MR. ROITENBERG: As it's noted at the  
17          top of each page of the document that includes blank  
18          pages, sir.

19   25798                    Yes, item 4 "Thyssen". If you go to  
20          the third paragraph down it says:

21                            "The central issue, other than  
22                            source of funds, is the impact  
23                            on defence procurement, and the  
24                            language of any undertaking  
25                            given to Thyssen. Mr. Beatty is

1                   opposed to providing any  
2                   undertaking that would limit the  
3                   government's options with  
4                   respect to an armoured vehicle  
5                   competition in the early  
6                   1990's."

7   25799                   THE HON. PERRIN BEATTY:   Yes.

8   25800                   MR. ROITENBERG:   Would that be, as  
9           well, a correct statement of what your concern was in  
10          terms of this, as it stood then, proposed sole source  
11          contract?

12   25801                   THE HON. PERRIN BEATTY:   It's a  
13          significant part of it.   In any instance where it is  
14          possible to have competition, I would favour doing that  
15          for the reasons I cited earlier.

16   25802                   The other concern is obviously that  
17          if we got drawn into something where the primary  
18          consideration was regional economic development as  
19          opposed to the military needs of the Canadian Forces,  
20          that would be the primary concern that I would have.

21   25803                   By ensuring that there was a genuine  
22          competition was the best way of ensuring that it wasn't  
23          simply a regional issue.

24   25804                   MR. ROITENBERG:   So to put it into  
25          terms that even I can understand, you didn't want to

1           sacrifice the level of value that you would get through  
2           a true competition simply for regional development  
3           concerns?

4   25805                   THE HON. PERRIN BEATTY:  You know, I  
5           guess I would put it somewhat differently.

6   25806                   I was very much aware that the  
7           government had made a good faith commitment to the  
8           people of Cape Breton that we would attempt to find a  
9           private sector employer for what is one of the poorest  
10          areas of Canada.

11   25807                   We had closed a Crown corporation  
12          there that had been -- was a money-losing Crown  
13          corporation that had been maintained for years.  That  
14          had increased the unemployment rate in Cape Breton and  
15          we had made a good faith commitment to the people of  
16          Cape Breton that we would try to find private sector  
17          employer.

18   25808                   Now, that was the government's goal,  
19          but not at any price.  If it meant sacrificing being  
20          able to choose the equipment that best suited the needs  
21          of the Canadian Forces, that was too high a price to  
22          pay as far as I was concerned.

23   25809                   MR. ROITENBERG:  Now at this point in  
24          time, as we have discussed, what is still on the table  
25          is a direct sole source order from Thyssen, or at least

1           that is what was being sought by way of this  
2           Understanding in Principle, as we were in the summer of  
3           1988.

4   25810                   THE HON. PERRIN BEATTY:  Certainly  
5           well into the summer of 1988 that was the case.

6   25811                   MR. ROITENBERG:  Now, one of the  
7           things that occurred, there were ongoing discussions  
8           between yourself and the Minister Responsible for ACOA,  
9           Sen. Murray.

10  25812                   THE HON. PERRIN BEATTY:  Yes.

11  25813                   MR. ROITENBERG:  And as we moved into  
12           September of 1988 these discussions were taking place  
13           not infrequently.  Would that be fair?

14  25814                   THE HON. PERRIN BEATTY:  I can't say  
15           to you how often they were, but certainly there were  
16           discussions.

17  25815                   This was a matter that had to be  
18           resolved one way or the other, and it was Sen. Murray  
19           who is carrying the file because the proposal had been  
20           made to him.  But clearly it couldn't proceed without  
21           the Department of National Defence's involvement.

22  25816                   MR. ROITENBERG:  If I could ask you  
23           to go to Document 15A.

24  25817                   THE HON. PERRIN BEATTY:  Fifteen?

25  25818                   MR. ROITENBERG:  Fifteen "A".  If you

1 go to Tab 15, you will then see an "A" and a "B".

2 25819 THE HON. PERRIN BEATTY: I don't.

3 25820 COMMISSIONER OLIPHANT: I think there

4 is no "A" in the binder, but you can take it as a given

5 that the first document is "A" (off microphone).

6 25821 MR. ROITENBERG: Are you referring --

7 perhaps I should ask you this, sir.

8 25822 Are you referring to the actual

9 exhibit or your book that was forwarded to you ahead of

10 today?

11 25823 THE HON. PERRIN BEATTY: I'm

12 sorry...?

13 25824 MR. ROITENBERG: Are you referring to

14 the actual exhibit that was given to you --

15 25825 THE HON. PERRIN BEATTY: Yes.

16 25826 MR. ROITENBERG: -- or the document

17 that was forwarded to you?

18 25827 THE HON. PERRIN BEATTY: Yes. Is it

19 the one that you sent me two days ago?

20 25828 MR. ROITENBERG: Okay. If you turn

21 to the --

22 25829 THE HON. PERRIN BEATTY: I have Tab

23 15 with one document and that is to D.S. McPhail from

24 John McDowell.

25 25830 MR. ROITENBERG: Okay. If you turn



1 to the book that our Registrar has just provided you...

2 25831 THE HON. PERRIN BEATTY: Yes...?

3 25832 MR. ROITENBERG: And if you turn to

4 the second page of the document at 15A.

5 25833 COMMISSIONER OLIPHANT: I'm sorry,

6 under my Tab 15 I have a document dated September 6,

7 1988, John McDowell to D.S. McPhail. It is a single

8 page document and then there is a Tab B followed by a

9 handwritten document.

10 25834 THE HON.PERRIN BEATTY: Mine is quite

11 different, Your Honour. All I have in mine is one page

12 and that's a memorandum signed by John McDowell, dated

13 September 6th, called "Thyssen Update".

14 25835 COMMISSIONER OLIPHANT: That's the

15 one I have.

16 25836 MR. ROITENBERG: Yes, that is at Tab

17 15. There were amendments made to the books this

18 morning, Commissioner, and for some reason --

19 25837 COMMISSIONER OLIPHANT: I don't have

20 it.

21 25838 MR. ROITENBERG: -- I guess the

22 amendment wasn't made to yours.

23 25839 Ms Corbeil is just ensuring that both

24 the witness and you have the appropriate document.

25 25840 COMMISSIONER OLIPHANT: Let's just

1 take a moment while that is done.

2 --- Pause

3 25841 THE HON.PERRIN BEATTY: Thank you,  
4 Mr. Roitenberg. Yes...?

5 25842 MR. ROITENBERG: Okay. Now that I  
6 know Mr. Beatty has it, if we can ensure the  
7 Commissioner has it.

8 --- Pause

9 25843 COMMISSIONER OLIPHANT: Have you had  
10 a chance to look at that, Mr. Beatty?

11 25844 THE HON. PERRIN BEATTY: I have  
12 scanned it briefly, sir.

13 25845 COMMISSIONER OLIPHANT: Have you had  
14 enough time to --

15 25846 THE HON. PERRIN BEATTY: It depends  
16 on his question, sir.

17 25847 COMMISSIONER OLIPHANT: Well, if you  
18 need more time, just let me know.

19 25848 THE HON. PERRIN BEATTY: Thank you.

20 25849 COMMISSIONER OLIPHANT: Go ahead,  
21 Mr. Roitenberg.

22 25850 MR. ROITENBERG: I'm hoping the  
23 question won't be too taxing.

24 25851 If you go to the second page of that  
25 document, sir, you will see that it indicates --

1 25852 COMMISSIONER OLIPHANT: Go ahead,  
2 Mr. Roitenberg, that's fine.

3 25853 MR. ROITENBERG: Thank you.

4 25854 You will see that it indicates there  
5 was some conversation between yourself and Sen. Murray  
6 on September the 2nd of 1988.

7 25855 THE HON. PERRIN BEATTY: Yes.

8 25856 MR. ROITENBERG: And it indicates at  
9 the third bullet under the summary of Mr. McPhail's  
10 debriefing that:  
11 "Beatty asked if the LAV  
12 contract would be put to open  
13 public competition. Senator  
14 Murray responded affirmatively."  
15 (As read)

16 25857 THE HON. PERRIN BEATTY: Yes.

17 25858 MR. ROITENBERG: You recall the  
18 nature of the ongoing discussions involving the fact  
19 that you kept putting your concern forward that this  
20 not be a sole source contract, that it be open to some  
21 form of public competition?

22 25859 THE HON. PERRIN BEATTY: I do.

23 25860 MR. ROITENBERG: I promised you it  
24 wouldn't be too taxing.

25 25861 As I understand it, back in June of

1 1986 when you took over this portfolio the proposal  
2 from Bear Head Industry had already been raised with  
3 government.

4 25862 Would that be correct?

5 25863 THE HON. PERRIN BEATTY: I believe  
6 that's correct based on the documents I have seen.

7 25864 MR. ROITENBERG: Are you aware of  
8 when you first became aware of the Bear Head Project,  
9 the Thyssen proposal?

10 25865 THE HON. PERRIN BEATTY: No, I'm not.

11 25866 MR. ROITENBERG: So I take it you are  
12 also not aware as to when you first received any kind  
13 of formal briefing as to the proposal?

14 25867 THE HON. PERRIN BEATTY: No, I'm not.

15 25868 MR. ROITENBERG: Okay.

16 25869 THE HON. PERRIN BEATTY: We are  
17 looking back, Mr. Roitenberg, 21 years or 22 years and,  
18 frankly, I don't recall.

19 25870 MR. ROITENBERG: I can't fault you  
20 for that, although I must say that at least you have  
21 the advantage over other witnesses of having been a  
22 relatively young man at the time.

23 25871 THE HON. PERRIN BEATTY: I am aging  
24 rapidly, though.

25 25872 COMMISSIONER OLIPHANT: As we speak.

- 1 25873 THE HON. PERRIN BEATTY: As we speak.
- 2 25874 MR. ROITENBERG: When you became  
3 Minister of National Defence was there any direction  
4 given to you at that time from the Prime Minister's  
5 Office or the Privy Council Office or from then Prime  
6 Minister Mulroney directly as to how he wanted to see  
7 you handle this particular issue?
- 8 25875 THE HON. PERRIN BEATTY: This  
9 particular issue?
- 10 25876 MR. ROITENBERG: Yes.
- 11 25877 THE HON. PERRIN BEATTY: No, sir.
- 12 25878 MR. ROITENBERG: Did you receive at  
13 any time direction from then prime Minister Mulroney as  
14 to how he wanted you to deal with the Bear Head  
15 proposal?
- 16 25879 THE HON. PERRIN BEATTY: No.
- 17 25880 MR. ROITENBERG: I'm going to ask you  
18 regarding a number of names of individuals and your  
19 familiarity with them.
- 20 25881 Frank Moores. Were you familiar with  
21 this gentleman?
- 22 25882 THE HON. PERRIN BEATTY: Yes, I was.
- 23 25883 MR. ROITENBERG: Were you familiar  
24 with him as it related to this particular proposal?
- 25 25884 THE HON. PERRIN BEATTY: Not that I

1 recall. He was somebody who had been involved -- he  
2 was a former Premier of Newfoundland. He had been  
3 involved in the Party. I think he had been Party  
4 President at one point even, so I was certainly aware  
5 of him.

6 25885 I don't recall having any  
7 conversations with him with regard to this.

8 25886 MR. ROITENBERG: Gerry Doucet.

9 25887 THE HON. PERRIN BEATTY: Exactly the  
10 same answer. I was aware of him. I don't recall  
11 having any conversations with him with regard to this.

12 25888 MR. ROITENBERG: Does the name Greg  
13 Alford ring a bell?

14 25889 THE HON. PERRIN BEATTY: Yes.

15 25890 MR. ROITENBERG: Did you have contact  
16 with Mr. Alford as it pertained to the Bear Head  
17 Project?

18 25891 THE HON. PERRIN BEATTY: Not that I  
19 recall.

20 25892 MR. ROITENBERG: Karlheinz Schreiber?

21 25893 THE HON. PERRIN BEATTY: To the best  
22 of my knowledge, no.

23 25894 MR. ROITENBERG: I take it no as to  
24 whether you had contact with him, not no whether you  
25 are familiar with the name.

1 25895 THE HON. PERRIN BEATTY: I am  
2 certainly familiar with the name now.

3 25896 MR. ROITENBERG: Did you know  
4 Mr. Schreiber then?

5 25897 THE HON. PERRIN BEATTY: To the best  
6 of my knowledge, no.

7 25898 MR. ROITENBERG: Had you met with him  
8 surrounding this project directly?

9 25899 THE HON. PERRIN BEATTY: To the best  
10 of my knowledge, no.

11 25900 MR. ROITENBERG: Fred Doucet?

12 25901 THE HON. PERRIN BEATTY: I both knew  
13 him and I'm not aware of any conversations I had with  
14 Fred.

15 25902 Knowing the discussions that there  
16 have been here over the course of the last several  
17 weeks, I have plumbed my own memory and looked at what  
18 documents were available to try to refresh my memory to  
19 see if I could think of any instance during my tenure  
20 as Minister where I had dealings with Fred.

21 25903 The only instance that comes to mind  
22 was after his surgery where he was in touch with me to  
23 say that he had received exceptionally good service  
24 from the National Defence Medical Centre for his heart  
25 surgery.

1 25904 I don't recall any other discussion.

2 25905 I should stress, Mr. Roitenberg,  
3 though, you know, I simply can't say with certainty --  
4 I can't give you a negative that under no circumstances  
5 had I spoken to any of these people at any time.

6 25906 Literally I was dealing with  
7 thousands of people over the course of that time. All  
8 that I can tell you honestly is that I have no  
9 recollection at all of having discussed this with any  
10 of them.

11 25907 MR. ROITENBERG: Mr. Doucet is of  
12 particular interest for reasons of evidence that we  
13 have heard already at this inquiry, so I just want to  
14 focus on that individual for a moment.

15 25908 THE HON. PERRIN BEATTY: Gladly.

16 25909 MR. ROITENBERG: While Mr. Doucet was  
17 involved as Ambassador at Large and Chair of  
18 International Summits, did you have any dealings with  
19 him with regard to his responsibilities there?

20 25910 THE HON. PERRIN BEATTY: Not that I  
21 recall, but as I said earlier the best -- the only  
22 recollection I have of having a direct conversation  
23 with him or receiving correspondence from him was  
24 related to the treatment he received at the National  
25 Defence Medical Centre.



1 25911 I would be very surprised if we had  
2 not spoken to each other on other occasions, but I just  
3 don't have a recollection of it.

4 25912 MR. ROITENBERG: Do you recall at any  
5 time during your tenure as Minister of National Defence  
6 having dealings with Mr. Doucet on any file?

7 25913 THE HON. PERRIN BEATTY: Related to  
8 the Department other than his commenting about the  
9 treatment he received at NDMC, no.

10 25914 MR. ROITENBERG: Do you recall, just  
11 as an aside, having any involvement while you were  
12 Minister of National Defence with Government  
13 Consultants International or GCI?

14 25915 THE HON. PERRIN BEATTY: Not  
15 specifically. Now, you know, again I would stress the  
16 fact that, as the Auditor General's report points out,  
17 the Department of National Defence was responsible for  
18 about 80 per cent of the major capital projects run by  
19 the Government of Canada. This meant that there was an  
20 incredible range of people and organizations with an  
21 interest in defence procurement, ranging from  
22 countries -- I remember, after the Defence White Paper,  
23 being at a NATO meeting in Brussels and having my  
24 counterpart from Italy sitting me down in his office  
25 and going through a list of possible procurements that

1 Italy could do.

2 25916 Regions, every region wanted part of  
3 a DND contract; municipalities, Members of Parliament,  
4 organizations, businesses.

5 25917 So one would have to anticipate that  
6 you would bump into a large number of these people at  
7 one time or another.

8 25918 All that I can say to you with any  
9 honesty is I don't have a recollection of any specific  
10 conversation with him.

11 25919 MR. ROITENBERG: If I could direct  
12 you to Tab 12 of the book of documents before you, it  
13 is a small selection of diary items --

14 25920 THE HON. PERRIN BEATTY: Yes.

15 25921 MR. ROITENBERG: -- from the daytimer  
16 of Fred Doucet. If you look at August the 8th, there  
17 is an indication at around 10:30 a.m. "Check with  
18 Perrin Beatty".

19 25922 THE HON. PERRIN BEATTY: Yes. That  
20 is right above "Check with NAC re Dinner & Wine"?

21 25923 MR. ROITENBERG: Yes. Do you recall  
22 speaking with Fred Doucet in and around early August of  
23 1988?

24 25924 THE HON. PERRIN BEATTY: I do not.

25 25925 MR. ROITENBERG: Do you recall

1 dealing with him as it related to the Bear Head  
2 proposal in and around August of 1988?

3 25926 THE HON. PERRIN BEATTY: No, sir.

4 25927 MR. ROITENBERG: If you look at  
5 August 9th, which is on the very right-hand side of the  
6 same page, there seems to be an indication of arrows  
7 pointing to the name "Lawrence O'Neil".

8 25928 THE HON. PERRIN BEATTY: Yes.

9 25929 MR. ROITENBERG: This is at around  
10 12:30, with arrows flowing from Lawrence O'Neil to the  
11 names "Perrin", a name that I can't make out --

12 25930 THE HON. PERRIN BEATTY: Yes, nor can  
13 I.

14 25931 MR. ROITENBERG: -- and "Lowell"

15 25932 THE HON. PERRIN BEATTY: Yes.

16 25933 MR. ROITENBERG: Do you recall having  
17 any discussions in and around August the 9th with Fred  
18 Doucet as they pertained to the Bear Head Project?

19 25934 THE HON. PERRIN BEATTY: No, I don't.

20 25935 MR. ROITENBERG: Lawrence O'Neil was  
21 a fellow member of the Conservative Caucus, if I'm not  
22 mistaken?

23 25936 THE HON. PERRIN BEATTY: He was  
24 indeed.

25 25937 MR. ROITENBERG: And he was at the

1 time the Member of Parliament for the constituency in  
2 which Port Hawkesbury existed.

3 25938 THE HON. PERRIN BEATTY: I think that  
4 is probably correct. I haven't checked.

5 25939 MR. ROITENBERG: Which was at the  
6 time, to your knowledge, the area where the Bear Hear  
7 Project --

8 25940 THE HON. PERRIN BEATTY: Cape Breton  
9 in any case.

10 25941 MR. ROITENBERG: -- if it went  
11 forward was to be situated?

12 25942 THE HON. PERRIN BEATTY: Yes.

13 25943 MR. ROITENBERG: That doesn't jog  
14 your memory at all?

15 25944 THE HON. PERRIN BEATTY: No. If the  
16 suggestion is did I speak to Lawrence O'Neil, I would  
17 be surprised if I didn't. Again, I don't have a  
18 specific recollection of having spoken to him about  
19 that.

20 25945 But I can tell you if there was a  
21 major project being considered for my constituency, I  
22 would have spoken to the Minister about it. And  
23 certainly as a Minister, if any Member of Parliament  
24 asked to meet with me at any time, I would be available  
25 to do that.

1 25946 MR. ROITENBERG: Do you have a  
2 specific recollection --

3 25947 THE HON. PERRIN BEATTY: No, I don't.

4 25948 MR. ROITENBERG: -- of meeting with  
5 Lawrence O'Neil?

6 25949 The reason I asked was the next  
7 question was to be: Do you have a recollection of  
8 Lawrence O'Neil, or anyone for that matter, coming to  
9 you and saying look, this is something that the Prime  
10 Minister wants to see done?

11 25950 THE HON. PERRIN BEATTY: No.

12 25951 MR. ROITENBERG: In that vein, we  
13 have heard from other witnesses that the Prime  
14 Minister, that is Prime Minister Mulroney, wasn't shy  
15 of telling his Cabinet Ministers of things he wanted to  
16 see done or not done.

17 25952 Would that be fair?

18 25953 THE HON. PERRIN BEATTY: That is  
19 absolutely correct.

20 25954 MR. ROITENBERG: We have also heard  
21 that he advised his Ministers what to do if individuals  
22 approached them and suggested the Prime Minister wants  
23 to see something be done.

24 25955 If you could share with the  
25 Commissioner what you know of what information was

1 shared by the Prime Minister in that vein?

2 25956 THE HON. PERRIN BEATTY: Gladly.

3 Commissioner, the Prime Minister at a Cabinet meeting  
4 said to us you will periodically be hearing people  
5 using my name, saying they are speaking in my name, the  
6 Prime Minister would like this, the Prime Minister  
7 would like that --

8 25957 COMMISSIONER OLIPHANT: Name  
9 dropping.

10 25958 THE HON. PERRIN BEATTY: I'm  
11 sorry...?

12 25959 COMMISSIONER OLIPHANT: Name  
13 dropping.

14 25960 THE HON. PERRIN BEATTY: Exactly,  
15 name dropping where it is convenient. And he said only  
16 I speak for me. If you have questions and somebody  
17 purports to speak for me, speak to me.

18 25961 MR. ROITENBERG: Do you recall Fred  
19 Doucet approaching you at any time and suggesting the  
20 Prime Minister wants to see this done?

21 25962 THE HON. PERRIN BEATTY: No. What's  
22 more, Mr. Roitenberg, I can simplify it by saying I  
23 don't recall anybody purporting to speak on behalf of  
24 the Prime Minister, to say the Prime Minister wants you  
25 to give an Understanding in Principle to Thyssen.

1 25963 I can certainly assure you that, you  
2 know, it's hard looking back 21 years to say that a  
3 meeting didn't take place or a conversation didn't take  
4 place.

5 25964 One thing I can promise you I would  
6 know very well was if my Prime Minister directly or  
7 indirectly had instructed me that I was to act on this  
8 file. I certainly would have remembered that, because  
9 a Minister effectively would have two choices.

10 25965 MR. ROITENBERG: Those would have  
11 been what, sir?

12 25966 THE HON. PERRIN BEATTY: Do it or  
13 quit.

14 25967 MR. ROITENBERG: We have heard  
15 evidence that Fred Doucet was paid \$90,000 shortly  
16 after the signing of the Understanding in Principle in  
17 1988, and that the reason he was paid those funds was  
18 for getting your signature on the Understanding in  
19 Principle.

20 25968 I'm going to assume you have comment  
21 to that.

22 25969 THE HON. PERRIN BEATTY: I'm glad to.

23 25970 MR. ROITENBERG: Please.

24 25971 THE HON. PERRIN BEATTY: To put it  
25 mildly, when this was first raised, it came as a major

1 surprise to me. Now, it would indicate if anybody was  
2 ever paid for my signature that it was worth more to  
3 somebody else than it has been to me.

4 25972 If you look at what I signed -- and  
5 it is worth taking a look at the document itself and  
6 putting it on the record. The document that I signed  
7 said that if Thyssen built a plant, if the Department  
8 of National Defence had needs, if Thyssen's product met  
9 the specifications of the Department of National  
10 Defence, if they were internationally cost competitive,  
11 the Minister of National Defence would consider the  
12 participation of Thyssen in the LAV contract.

13 25973 The penultimate paragraph in the  
14 Understanding in Principle said this document contains  
15 no enforceable rights.

16 25974 In addition to that, we laid on  
17 several other layers of protection to ensure that under  
18 no circumstances would the ability of the Department of  
19 National Defence to recommend the supplier whom they  
20 felt was best would be compromised.

21 25975 I wrote to Mr. Murray and to the  
22 Prime Minister's Chief of Staff and other Ministers to  
23 say that a condition of signing on my part was that in  
24 no way would this interfere with the ability of the  
25 Department to recommend its preferred supplier.



1 25976 I insisted that we be involved in the  
2 communications, the announcement of this so that it  
3 wasn't portrayed, when a public announcement was made,  
4 that somehow there was a done deal and this contract  
5 was going there.

6 25977 You will note from the draft press  
7 release that it is well into the second page before it  
8 even deals with LAVs and refers to if Thyssen gets an  
9 LAV contract.

10 25978 In addition to that, I was insistent  
11 that we ensure that at all times the ability of the  
12 Department be unconstrained in terms of its capacity to  
13 make a decision.

14 25979 Looking at that, the question is what  
15 did the signature give to Thyssen. From my  
16 perspective, the value to us was twofold.

17 25980 First, the government had made a  
18 good-faith commitment to the people of Cape Breton to  
19 try to find a private sector employer. We had been  
20 told that some letter of comfort was essential for  
21 Thyssen's board to be prepared to go ahead and to make  
22 the commitment of a multimillion dollar investment to  
23 create the plant.

24 25981 So that there was the potential, yes,  
25 that we get new industry in Cape Breton, which was

1 important.

2 25982 The second was it created the  
3 potential for another bidder on LAV projects and it  
4 would mean, then, that in future contracts that we were  
5 giving out, if Thyssen were there, there was an  
6 opportunity either that they could be bidding on the  
7 contract or the fact of their existence would cause  
8 other potential suppliers to sharpen their pencils as  
9 well.

10 25983 That was the advantage that I saw.

11 25984 Now, I guess you would have to ask  
12 yourself, from the perspective of whoever would have  
13 paid \$90,000, what was purchased with the \$90,000.

14 25985 If you go back as early as the July  
15 meeting that you have in some of your documentation,  
16 that was held -- pardon me, a letter that was sent from  
17 Ed Healey in July in D&D, our ADM Materiel, to ACOA --  
18 I believe it was to Wynne Potter, but I'm not certain  
19 of that, he indicated in there that if Sen. Murray were  
20 to write a letter to Thyssen indicating if they went  
21 ahead and built the plant that DND would welcome having  
22 another competitor.

23 25986 That gives an indication of where the  
24 Department was coming from on this.

25 25987 If Thyssen had been willing to agree

1 to our conditions, which were that we would not sole  
2 source and we would not diminish in any way the ability  
3 of the Department of National Defence to recommend a  
4 final supplier, they could have had an Understanding in  
5 Principle months before and it would have cost them  
6 nothing.

7 25988 MR. ROITENBERG: So in short, to the  
8 suggestion that Fred Doucet got you to sign the  
9 document, you say nonsense.

10 25989 THE HON. PERRIN BEATTY: Well, even  
11 if you were to look --

12 25990 MR. ROITENBERG: Yes...?

13 25991 THE HON. PERRIN BEATTY: Absolutely.

14 25992 And if you were to look at the timing  
15 of this, just based on the primary documents that you  
16 have provided here, this is August 8th and 9th that we  
17 are talking about. The documents show very clearly,  
18 including ones that you have alluded to this morning,  
19 that for five weeks after that I refused to sign the  
20 document because I wasn't satisfied at that point that  
21 there were sufficient protections in there to safeguard  
22 the interest of the Department of National Defence.

23 25993 It was only when we built in those  
24 extra layers of protection that I was fully satisfied  
25 that those needs had been met; when we had it vetted by

1 the Department of Justice to make sure that there were  
2 no obligations on the part of the Department and when  
3 we had built in a number of other protections as well  
4 that I cited earlier.

5 25994 If we had had a conversation and if  
6 Mr. Doucet had been persuasive, it took five weeks for  
7 it to have effect, because during that period all of  
8 the documents substantiate that my position was still  
9 that I was supposed to signing at that time.

10 25995 MR. ROITENBERG: If it surprises you  
11 that somebody would have paid -- or the suggestion is  
12 that somebody might have paid \$90,000 to get your  
13 signature on what appears to be a fairly worthless  
14 document from Thyssen's perspective, what was your  
15 reaction when you found out that your signing this  
16 document triggered payments in the area of \$4 million?

17 25996 THE HON. PERRIN BEATTY: I was  
18 incredulous, to put it mildly, because it made no sense  
19 to me.

20 25997 If you look at it, I believe that was  
21 referred to by Thyssen as a contingency fee, or others  
22 have referred to it as a success fee. What was the  
23 success?

24 25998 All that I know is that not one penny  
25 of the taxpayers' money ever got to Thyssen.

1 25999 The document that we signed and the  
2 procedures that we put in place were designed to ensure  
3 that the only basis on which Thyssen would be able to  
4 get payment from the Government of Canada was if they  
5 could meet all of those conditions.

6 26000 MR. ROITENBERG: Let's talk about the  
7 negotiations that led up to your agreement to sign the  
8 document, just to put things further in perspective.

9 26001 If I can get you to turn to Tab 19.

10 26002 THE HON. PERRIN BEATTY: Yes, sir.

11 26003 MR. ROITENBERG: Page 7 as it is  
12 noted at the tops of the pages.

13 26004 THE HON. PERRIN BEATTY: Yes.

14 26005 MR. ROITENBERG: The middle  
15 paragraph. This is an aide memoir that seemed to have  
16 been prepared around September 19, 1988.

17 26006 The middle of page 7 indicates that:  
18 "On September 14, Mr. Derek  
19 Burney chaired a meeting  
20 attended by Senator Murray and  
21 Mr. Beatty."

22 26007 You recall that at one time you  
23 attended a meeting -- I don't believe you recall the  
24 exact date --

25 26008 THE HON. PERRIN BEATTY: That's

1 right.

2 26009 MR. ROITENBERG: -- but that you  
3 attended a meeting between yourself, Mr. Burney and  
4 Mr. Beatty to discuss whether or not there could be  
5 some agreement to sign this document?

6 26010 THE HON. PERRIN BEATTY: Yes.

7 26011 MR. ROITENBERG:

8 "Mr. Beatty agreed to sign the  
9 Understanding in Principle  
10 subject to further Ministerial  
11 discussions, as required,  
12 providing that:  
13 (1) the company be informed  
14 clearly that in signing the UIP,  
15 the Minister of National Defence  
16 was not binding the Government  
17 to proceed with the LAV  
18 project;"

19 26012 In essence, saying we may sign this  
20 agreement as an understanding in principle, but that  
21 doesn't guarantee in any way, shape or form that we  
22 will even go ahead with the procurement in this area.

23 26013 Is that correct?

24 26014 THE HON. PERRIN BEATTY: Yes, sir.

25 26015 MR. ROITENBERG:

1                                    "(2) a letter be sent from the  
2                                    DND Minister..."  
3   26016                            You at the time:  
4                                    "... to the ACOA Minister..."  
5   26017                            Lowell Murray at the time:  
6                                    "... noting that in signing the  
7                                    Understanding in Principle, the  
8                                    Minister of Defence was not  
9                                    limiting his discretion to  
10                                   determine the timing of the LAV  
11                                   project..."  
12   26018                            I guess assuming that one was going  
13                                    ahead from paragraph 1:  
14                                    "... and to recommend a  
15                                    preferred bidder to Cabinet..."  
16   26019                            THE HON. PERRIN BEATTY:  Yes.  
17   26020                            MR. ROITENBERG:  Basically further  
18                                    suggesting that this document and your signing of it  
19                                    should in no way limit the way you view the  
20                                    procurement, whether you have it from the first  
21                                    condition, how you go about doing it, when you go about  
22                                    doing it and your ability to recommend the preferred  
23                                    bidder.  
24   26021                            THE HON. PERRIN BEATTY:  Exactly.  
25   26022                            MR. ROITENBERG:  Thirdly, that:

- 1 "Communications of the  
2 initiative be 'low-key'."
- 3 26023 THE HON. PERRIN BEATTY: Yes.
- 4 26024 MR. ROITENBERG: My understanding --  
5 and you can correct me if I'm wrong -- was that these  
6 were then agreed to by ACOA through Senator Murray.  
7 And as the document was eventually signed on behalf of  
8 Thyssen Bear Head, they were agreed to by Thyssen Bear  
9 Head?
- 10 26025 THE HON. PERRIN BEATTY: Yes.
- 11 26026 MR. ROITENBERG: Now, the second  
12 condition that we have just gone through was that a  
13 letter be sent from the Ministry to ACOA and that I  
14 believe is contained at Tab 18.
- 15 26027 THE HON. PERRIN BEATTY: Tab --  
16 sorry?
- 17 26028 MR. ROITENBERG: Tab 18.
- 18 26029 THE HON. PERRIN BEATTY: Yes.
- 19 26030 MR. ROITENBERG: It's a copy of the  
20 letter that you sent to The Honourable Lowell Murray  
21 highlighting the fact that in so agreeing to sign, you  
22 are not limited in any way, shape or form, or the  
23 government is not limited in any way, shape or form as  
24 it pertains to any potential LAV procurement?
- 25 26031 THE HON. PERRIN BEATTY: Yes.



- 1 26032 MR. ROITENBERG: It also offered the  
2 assistance of your department in phrasing the  
3 communication of such an agreement in anticipation of  
4 condition three, which was that any communication be  
5 low-key.
- 6 26033 THE HON. PERRIN BEATTY: Yes, I think  
7 it was -- I would take it beyond offering the  
8 assistance. It was a polite way of saying we want to  
9 be part of this announcement, to make sure we are  
10 satisfied with it.
- 11 26034 MR. ROITENBERG: Okay. So conditions  
12 two and three are at least in some measure addressed by  
13 this letter?
- 14 26035 THE HON. PERRIN BEATTY: Yes.
- 15 26036 MR. ROITENBERG: At the time, that is  
16 September of 1988, mid to late September, you knew, as  
17 did most members of your caucus, that an election was  
18 soon forthcoming.
- 19 26037 THE HON. PERRIN BEATTY: Yes.
- 20 26038 MR. ROITENBERG: You understood, as  
21 you have testified to earlier, that there had been  
22 certain commitments made by the government to the  
23 region --
- 24 26039 THE HON. PERRIN BEATTY: Yes, sir.
- 25 26040 MR. ROITENBERG: -- in terms of

1 working towards securing an employer of some merit,  
2 some weight.

3 26041 THE HON. PERRIN BEATTY: Yes.

4 26042 MR. ROITENBERG: We heard from The  
5 Right Hon. Kim Campbell this morning, who at one point  
6 of her testimony said that if in fact the government  
7 had any intention of going ahead with such a project,  
8 it would have been part of an election platform to  
9 garner some favour in the region in which such a  
10 proposal may have taken shape.

11 26043 Do you recall -- I believe you were  
12 here when she said that?

13 26044 THE HON. PERRIN BEATTY: No, I wasn't  
14 here. I don't believe I was here at the time she said  
15 that.

16 26045 MR. ROITENBERG: Take it that she  
17 said that.

18 26046 Why, then, would we want to keep the  
19 announcement of such an understanding in principle  
20 low-key?

21 26047 THE HON. PERRIN BEATTY: Because it  
22 was important from the Department of National Defence's  
23 perspective that nothing be suggested that would imply  
24 that Thyssen had a done deal with the government to get  
25 a sole sourced LAV contract, because they did not.

1 26048                   The danger potentially would be that  
2           if you had people making claims of that sort, then the  
3           government would be in a very difficult position in  
4           terms of trying to undo it.

5 26049                   MR. ROITENBERG:   But if you look at  
6           the Understanding in Principle, which is contained in  
7           your book of documents at Tab 22 --

8 26050                   THE HON. PERRIN BEATTY:   Yes.

9 26051                   MR. ROITENBERG:   We don't have to go  
10          through it.  It is in evidence already and it will be  
11          again by way of your book of documents.

12 26052                   What was anticipated on behalf of the  
13          government was once this letter of comfort was provided  
14          to the company that said if you build a plant and if  
15          you meet certain criteria and if we go ahead with the  
16          procurement process in this area, you will be entitled  
17          to be considered.

18 26053                   THE HON. PERRIN BEATTY:   Yes.

19 26054                   MR. ROITENBERG:   But what was  
20          expected was that this would trigger on the company's  
21          part some movement towards getting the plant built.

22 26055                   THE HON. PERRIN BEATTY:   If the  
23          company wanted to have a chance of bidding on any of  
24          these contracts, they would have to have the plant in  
25          place.

1 26056 MR. ROITENBERG: So why not champion  
2 that to the region? Look at what we have done towards  
3 bringing this employer here. We have given them what  
4 they have asked for, now it's up to them.

5 26057 THE HON. PERRIN BEATTY: The  
6 intention was certainly to make the announcement that  
7 there was an agreement in principle and that was done.  
8 And people in the area were entitled certainly to know  
9 that we had made our best effort to keep the commitment  
10 that we had made to them to find a private sector  
11 employer.

12 26058 But the insistence on the part of DND  
13 and myself on this was to ensure that -- and you can  
14 see it in the various actions that we took.

15 26059 There was layer upon layer upon layer  
16 upon layer of effort made to ensure that nothing would  
17 limit the ability at the end of the day of the  
18 Department of National Defence to recommend the  
19 preferred supplier for whoever was going to be doing  
20 LAV work, or the preferred suppliers, because there  
21 were a number of potential contracts here.

22 26060 MR. ROITENBERG: Now, why is that  
23 important, being able to recommend a preferred supplier  
24 or a preferred bidder?

25 26061 THE HON. PERRIN BEATTY: Because

1           if -- well, the key thing for the Department of  
2           National Defence was is the decision going to be made  
3           on the basis of extraneous criteria, such as the  
4           economic impact in a region, or is it going to be made  
5           on the basis of what the needs of the men and women of  
6           the Canadian Forces are?

7   26062                   From my perspective as Minister and  
8           from the Department's perspective, there was only one  
9           overriding criterion: how do we get the best possible  
10          equipment for the Canadian Forces at the most  
11          competitive cost?

12   26063                   We were determined that we would not  
13          be put in a situation where the tail would wag the dog  
14          here, where you would be getting other criteria,  
15          however important they are, but they are secondary to  
16          the issue of do you have the best equipment for the job  
17          at the most affordable price.

18   26064                   MR. ROITENBERG: Let me take you back  
19          to Tab 4 of your book of documents.

20   26065                   Tab 4 goes back in time some --

21   26066                   THE HON. PERRIN BEATTY: Yes.

22   26067                   MR. ROITENBERG: -- to November 17,  
23          1987. What we have here is a letter to The Honourable  
24          Pat Carney, Minister for International Trade, advising  
25          that you have included a letter to the then Federal

1 Minister of Defence in Germany, Dr. Manfred Woerner.

2 26068 THE HON. PERRIN BEATTY: Yes.

3 26069 MR. ROITENBERG: And you had been  
4 approached by way of letter from Dr. Woerner about  
5 certain proposals in terms of outfitting the men and  
6 women of the Forces with certain equipment and you  
7 wanted to respond, and in the course of responding, as  
8 far back as November 17, 1987, in the second paragraph  
9 in your letter to Dr. Woerner you state that you:

10 "... believe that our selection  
11 process in this case must be  
12 highly competitive."

13 26070 THE HON. PERRIN BEATTY: Yes.

14 26071 MR. ROITENBERG: So as far back as  
15 '87 you were consistent with the approach that you took  
16 through the early stages of negotiations with Thyssen;  
17 that you wanted this to be an open, competitive process  
18 avoiding the sole source issue.

19 26072 THE HON. PERRIN BEATTY: Yes. But  
20 beyond that, again to ensure that we weren't put in a  
21 position, because of international relations in this  
22 instance, where an extraneous consideration would  
23 direct us to one supplier as opposed to choosing  
24 whoever would have the best equipment.

25 26073 MR. ROITENBERG: And back to Tab 15A,

1           which was the document that was added this morning --

2   26074                   THE HON. PERRIN BEATTY:   Yes.

3   26075                   MR. ROITENBERG:   -- of the September  
4           2nd phone call between yourself and Senator Murray,  
5           that your concern in that phone call was whether the  
6           LAV contract would be put to an open public  
7           competition.

8   26076                   Is that right?

9   26077                   THE HON. PERRIN BEATTY:   Yes.

10   26078                  MR. ROITENBERG:   Now as we get down  
11           to the signing of the agreement, as we have seen it in  
12           the conditions that you wanted imposed before you would  
13           sign in that September 14th meeting with Chief of Staff  
14           Burney and Senator Murray and the actual letter that  
15           you forwarded following that meeting --

16   26079                   THE HON. PERRIN BEATTY:   Yes.

17   26080                  MR. ROITENBERG:   -- and the changes  
18           that were made to the Understanding in Principle before  
19           you signed it, was that no longer was the process just  
20           open public competition, but you wanted to maintain for  
21           the Department of National Defence the ability to  
22           recommend a preferred bidder.

23   26081                   THE HON. PERRIN BEATTY:   Yes.

24   26082                  MR. ROITENBERG:   Which in essence  
25           limits the open public competition.

- 1 26083 THE HON. PERRIN BEATTY: It may, or  
2 it could be recommending at the end of competition the  
3 preferred bidder.
- 4 26084 If you are saying would we hold open  
5 for ourselves the ability to sole source? Yes, the  
6 Department has to do that in some instances. But the  
7 key consideration here was when the military makes a  
8 decision as to who the best potential supplier is, is  
9 it the Military's recommendation that is going to take  
10 priority or is it somebody else's?
- 11 26085 And what we wanted to do was to  
12 ensure that our discretion was simply unfettered on  
13 that.
- 14 26086 MR. ROITENBERG: Tab 23, if you  
15 would.
- 16 26087 THE HON. PERRIN BEATTY: Yes.
- 17 26088 MR. ROITENBERG: Tab 23 is a letter  
18 written under your hand to Mr. Peapples, who was the  
19 President and General Manager of General Motors Canada.
- 20 26089 THE HON. PERRIN BEATTY: Yes.
- 21 26090 MR. ROITENBERG: Is that right?
- 22 26091 COMMISSIONER OLIPHANT: Which tab?
- 23 26092 MR. ROITENBERG: Tab 23,  
24 Mr. Commissioner.
- 25 26093 This was written by yourself on



1           October the 20th of 1988.

2   26094                   THE HON. PERRIN BEATTY:   Yes.

3   26095                   MR. ROITENBERG:   Some 23 days after  
4           signing the Understanding in Principle.

5   26096                   THE HON. PERRIN BEATTY:   Yes.

6   26097                   MR. ROITENBERG:   In this letter, in  
7           paragraph 1 you state:

8                           "Further to my letter of  
9                           September 26, I am pleased to  
10                          advise you that the evaluation  
11                          of the General Motors Diesel  
12                          Division Unsolicited Proposal  
13                          for Light Armored Vehicles has  
14                          been completed."

15   26098                   I want to stop there.

16   26099                   September 26th is a letter that we do  
17           not have.

18   26100                   THE HON. PERRIN BEATTY:   Nor do I.

19   26101                   MR. ROITENBERG:   But you are alluding  
20           to it in your opening to Mr. Peapples.

21   26102                   THE HON. PERRIN BEATTY:   Yes.

22   26103                   MR. ROITENBERG:   And you indicate

23           "Further to my letter of September 26", so one can  
24           assume that that would have been a letter that you sent  
25           to Mr. Peapples.

1 26104 THE HON. PERRIN BEATTY: Yes.

2 26105 MR. ROITENBERG: The day before  
3 signing the Understanding in Principle.

4 26106 THE HON. PERRIN BEATTY: Yes.

5 26107 MR. ROITENBERG: And you advise in  
6 paragraph 2:  
7 "As you are no doubt aware by  
8 now, officials of my Department  
9 met again last week with  
10 representatives of the Diesel  
11 Division in order to conduct a  
12 more detailed review of  
13 individual elements of the  
14 Unsolicited Proposal and its  
15 costs."  
16 26108 Suggesting that there had been more  
17 than one meeting, because they had met again with  
18 representatives of Diesel Division.

19 26109 THE HON. PERRIN BEATTY: Yes.

20 26110 MR. ROITENBERG: So there seems to  
21 have been some ongoing negotiation as it pertained to  
22 this unsolicited proposal.

23 26111 THE HON. PERRIN BEATTY: Well,  
24 negotiation or discussion, certainly to scope out what  
25 it involved.

1 26112

MR. ROITENBERG:

2

"During these meetings, it was

3

determined that \$175 million for

4

all elements of the proposal is

5

the order of the magnitude of

6

costs required for

7

implementation of the proposal."

8 26113

THE HON. PERRIN BEATTY: Yes.

9 26114

MR. ROITENBERG:

10

"The purpose of this letter..."

11 26115

I am now in paragraph 3:

12

"... is to advise you that, on

13

the understanding the 200 Light

14

Armored Vehicles and all other

15

elements of your proposal can be

16

delivered at a 'not to exceed'

17

cost of \$175 million, I am

18

prepared to support the proposal

19

to meet my Department's urgent

20

requirement for Light Armored

21

Vehicles associated with our

22

Land Reserve Modernization

23

Program."

24 26116

Was the LAV for the land reserve

25

modernization program opened up to public tender?

- 1 26117 THE HON. PERRIN BEATTY: No.
- 2 26118 MR. ROITENBERG: Were Thyssen Bear,  
3 Head in the negotiations leading up to the  
4 Understanding in Principle, advised that there was this  
5 procurement on the horizon involving 200 light armored  
6 vehicles for the militia?
- 7 26119 THE HON. PERRIN BEATTY: I don't know  
8 whether they were aware of the unsolicited proposal  
9 that we had received from GM Diesel or not. They may  
10 very well have been.
- 11 26120 MR. ROITENBERG: Tab 24 is a letter  
12 to you. It appears to be from sometime in November of  
13 1988, a letter to you from The Honourable Gerald  
14 Merrithew.
- 15 26121 THE HON. PERRIN BEATTY: I'm sorry,  
16 how do you know that it's from November?
- 17 26122 MR. ROITENBERG: I reference Tab 25,  
18 which is your draft response to The Honourable Gerald  
19 Merrithew.
- 20 26123 THE HON. PERRIN BEATTY: November,  
21 okay, fine.
- 22 26124 MR. ROITENBERG: Which says:  
23 "Thank you for your letter of  
24 November 1988..."
- 25 26125 THE HON. PERRIN BEATTY: Thank you.

1           Because in the date stamp it is not clear to me.

2   26126                   MR. ROITENBERG:   There is no date.

3           There is no date on the letter.

4   26127                   THE HON. PERRIN BEATTY:   Yes.

5   26128                   MR. ROITENBERG:   So I use your

6           reference from your draft response.

7   26129                   THE HON. PERRIN BEATTY:   That's fine.

8   26130                   MR. ROITENBERG:   In this letter to

9           you -- first of all, I pause.

10   26131                   The Honourable Gerald Merrithew

11           succeeded Sen. Murray as the Minister Responsible for

12           ACOA.   Am I correct?

13   26132                   THE HON. PERRIN BEATTY:   Yes, he did.

14   26133                   MR. ROITENBERG:   In fact, he

15           succeeded him before the September 27th signing of the

16           Understanding in Principle, but as he had had no

17           dealings up until that point in time, Sen. Murray

18           carried through with the Understanding.

19   26134                   THE HON. PERRIN BEATTY:   Literally

20           days before.

21   26135                   MR. ROITENBERG:   Yes.   In this letter

22           Mr. Merrithew sets out that he is displeased with this

23           turn of events now that he has come to be aware of your

24           letter to Mr. Peapples at General Motors Canada.

25   26136                   Would that be fair?

- 1 26137 THE HON. PERRIN BEATTY: That's  
2 correct.
- 3 26138 MR. ROITENBERG: Would it be fair  
4 that in this letter to you Mr. Merrithew raises the  
5 issue of preferencing regional concerns of Ontario over  
6 those of Atlantic Canada?
- 7 26139 THE HON. PERRIN BEATTY: Yes.
- 8 26140 MR. ROITENBERG: I'm trying to be  
9 milder than perhaps the tone of certain aspects of the  
10 letter.
- 11 26141 THE HON. PERRIN BEATTY: Yes,  
12 absolutely. I'm sure there was apoplexy.
- 13 26142 MR. ROITENBERG: Would I be fair that  
14 there is a suggestion in the letter that by affording  
15 this sole source contract to General Motors at this  
16 time, you are putting General Motors in a preferred  
17 position regarding the major LAV procurement that is at  
18 the time expected to arise in the early '90s as it  
19 pertained to the Forces generally?
- 20 26143 THE HON. PERRIN BEATTY: I'm sorry,  
21 are you suggesting that he was imputing motives or that  
22 that would have the effect?
- 23 26144 MR. ROITENBERG: It would have the  
24 effect.
- 25 26145 THE HON. PERRIN BEATTY: Yes.

1 26146 MR. ROITENBERG: It also suggested  
2 that there was deep concern -- and I am at the first  
3 paragraph on page 2 of the letter now.

4 26147 THE HON. PERRIN BEATTY: Yes.

5 26148 MR. ROITENBERG:  
6 "... about the implications of  
7 your letter to GM..."

8 26149 At the bottom of the paragraph:  
9 "... as I do not believe that  
10 there has been adequate  
11 consultation for this type of  
12 commitment on behalf of the  
13 Government."

14 26150 THE HON. PERRIN BEATTY: Yes.

15 26151 MR. ROITENBERG: Certainly there was  
16 suggestion in this letter that there had not been  
17 proper consultation, at the very least, with  
18 representatives of Atlantic Canada with whom you have  
19 had certain negotiations as they pertained to future  
20 procurements in this area.

21 26152 THE HON. PERRIN BEATTY: Yes.

22 26153 MR. ROITENBERG: I'm going to guess  
23 that when you received this letter it had the effect of  
24 suggesting to you that you best address this issue?

25 26154 THE HON. PERRIN BEATTY: We have to

1 answer any Minister who wrote you a letter.

2 26155 MR. ROITENBERG: But in this  
3 instance, there had been much negotiation as it  
4 pertained to the Understanding in Principle pertaining  
5 to Thyssen Bear Head. Yes?

6 26156 THE HON. PERRIN BEATTY: I'm  
7 sorry...?

8 26157 MR. ROITENBERG: There had been much  
9 negotiation leading up to the signing of the  
10 Understanding in Principle involving Thyssen Bear Head?

11 26158 THE HON. PERRIN BEATTY: Yes.

12 26159 MR. ROITENBERG: Much back-and-forth  
13 in terms of sole source, the appropriateness of  
14 sole-source agreements and much of the opposition to  
15 the sole-source from Thyssen Bear Head being that DND  
16 didn't want to bind itself with any sole source  
17 agreements because that would undermine the contracting  
18 process?

19 26160 THE HON. PERRIN BEATTY: And that  
20 what DND wanted to do was to maintain to DND the  
21 ability to make a decision, based on military needs, as  
22 to who the preferred supplier would be. That at the  
23 end of the day was the central consideration.

24 26161 MR. ROITENBERG: Preferred supplier  
25 as you outlined it moments ago, involved determining



1           what the needs were of the military, how best the  
2           military could or DND could receive value for its money  
3           through the competitive process and then making a  
4           decision based on military needs.

5   26162                   THE HON. PERRIN BEATTY:  Ideally  
6           through the competitive process.  It is important,  
7           though, Mr. Roitenberg, to understand that it is not  
8           always possible to do so.

9   26163                   As was recognized by the Auditor  
10          General in the Auditor General's report that you cited  
11          earlier, there are instances where there may not be a  
12          competitive capacity.  It may be an issue of urgency.  
13          There may be other considerations the government needs  
14          to look at that wouldn't make it possible to compete.

15   26164                   But the key criterion at the end of  
16          the day, the one irreducible element here, is the  
17          Department of National Defence should not be forced for  
18          extraneous reasons to choose equipment that they feel  
19          is inappropriate.

20   26165                   DND must be in the driver seat on  
21          that, otherwise we are shortchanging the men and women  
22          in the Forces.

23   26166                   MR. ROITENBERG:  But a cynical person  
24          might ask how does DND come to the conclusion that you  
25          are going to get best value for the dollar through GM

1 Diesel Division for this proposal when you haven't  
2 solicited anybody else to provide a proposal?

3 26167 THE HON. PERRIN BEATTY: Well, there  
4 is a very good explanation to that.

5 26168 Part of it is contained in the draft  
6 letter that follows, that you alluded to earlier. But  
7 the other is the first document that was in the book  
8 that you gave to Mr. McKnight.

9 26169 For some reason, unfortunately, it  
10 wasn't in mine.

11 26170 MR. ROITENBERG: Mr. Commissioner,  
12 for your benefit, I have put Exhibit P-1 on your desk,  
13 or had our Clerk do it. This is the document in  
14 support of the testimony of The Honourable Bill  
15 McKnight. And I believe Mr. Beatty is referring to  
16 what is at Tab 1.

17 26171 THE HON. PERRIN BEATTY: That's  
18 right.

19 26172 MR. ROITENBERG: Please...?

20 26173 THE HON. PERRIN BEATTY: If I can be  
21 helpful just in terms of walking through it, it sets  
22 out from the perspective of the Department the issues  
23 at stake here.

24 26174 I can summarize it briefly, Your  
25 Honour, in this way, in saying that we had received a

1 number of unsolicited proposals. One was from FMC in  
2 California. They were proposing sole sourcing all of  
3 the contracts for all of the LAVs and for servicing of  
4 them that were coming forward. There were a number of  
5 potential contracts. They wanted them all and they had  
6 specifically precluded significant Canadian content in  
7 that. The business would be done, the vast bulk of it,  
8 abroad.

9 26175 The Department evaluated that  
10 sole-source proposal and decided that this just  
11 wasn't -- this was a nonstarter. You couldn't simply  
12 buy the equipment from abroad.

13 26176 We had the proposal from Thyssen Bear  
14 Head for a factory which didn't exist at that time for  
15 a directed contract of I think 400 and something  
16 million dollars for at least 250 LAVs. But at that  
17 point the factory didn't exist.

18 26177 The other proposal that we  
19 received -- and let me see if I can find the date here  
20 on it because I believe the document refers to it. I  
21 believe it was in August that we received a proposal  
22 from Diesel Division of General Motors Canada.

23 26178 MR. ROITENBERG: It's I think at  
24 paragraph --

25 26179 THE HON. PERRIN BEATTY: I'm sorry,

1           which one, Mr. Roitenberg?

2   26180                   MR. ROITENBERG:  I think it's  
3           paragraph -- I thought it was paragraph 14, but that  
4           was dealing with the Understanding in Principle.  My  
5           apologies.

6   26181                   THE HON. PERRIN BEATTY:  Not at all.  
7           It may be in the other draft letter.  Let me just check  
8           briefly to see if it's there.

9   26182                   MR. ROITENBERG:  Certainly.

10   26183                   THE HON. PERRIN BEATTY:  But I  
11           believe the date on that was an August date.

12   26184                   COMMISSIONER OLIPHANT:  Could it be  
13           page 7 of 14?  Try 7 of 14 and see if that helps.  DDGM  
14           is Diesel Division of General Motors, I assume.

15   26185                   THE HON. PERRIN BEATTY:  Yes.

16   26186                   COMMISSIONER OLIPHANT:  Are you at 7  
17           of 14 at the bottom, Mr. Beatty?

18   26187                   THE HON. PERRIN BEATTY:  Yes, sir.

19   26188                   COMMISSIONER OLIPHANT:  Is that the  
20           one you are looking for?

21   26189                   THE HON. PERRIN BEATTY:  I will come  
22           back to that.

23   26190                   COMMISSIONER OLIPHANT:  Okay.

24   26191                   THE HON. PERRIN BEATTY:  I was just  
25           trying to find the exact date on which we received the

1           proposal.  It was in August, I believe, and it may be  
2           in the suggested reply to Mr. Merrithew.

3   26192                    Let me just check very briefly.

4   26193                    MR. HOUSTON:  It appears,  
5           Commissioner, to be on page 3 of the draft letter.  
6           There is a reference to August 4, 1988.

7   26194                    THE HON. PERRIN BEATTY:  It is.

8   26195                    COMMISSIONER OLIPHANT:  Thank you,  
9           Mr. Houston.

10  26196                    MR. ROITENBERG:  First full  
11           paragraph.

12  26197                    THE HON. PERRIN BEATTY:  I'm sorry to  
13           be confusing here, but going back to the book that was  
14           provided to me, sir.

15  26198                    COMMISSIONER OLIPHANT:  No, I'm right  
16           with you.  August 4th --

17  26199                    THE HON. PERRIN BEATTY:  Page 25.

18  26200                    COMMISSIONER OLIPHANT:  August 4,  
19           1988 you got a proposal from the Diesel Division of  
20           General Motors.

21  26201                    THE HON. PERRIN BEATTY:  Yes.  So we  
22           had essentially three unsolicited proposals that had  
23           come into the Department looking at all or part of the  
24           LAV program, including from GM Diesel.

25  26202                    Going back to the document that was

1 in Mr. McKnight's book, Your Honour, in the area that  
2 you mentioned, first of all, in the covering memo here,  
3 this was a memo that was written from within the  
4 Department on December 6th. It was written by Rob  
5 Gillespie, who is the Chief of Supply within the  
6 Department of National Defence, and sent to ADM MAT.  
7 That would be Ed Healey, who was his boss.

8 26203 What the memorandum does is to make  
9 an evaluation of FMC Corporation's unsolicited proposal  
10 in preparation for a meeting that Mr. Healey was going  
11 to be having with FMC, and it sets out the chronology  
12 and the rationale.

13 26204 Suffice it to say, we will set aside  
14 FMC for the time being, the rationale there is fairly  
15 straightforward. They were looking for a massive  
16 all-encompassing contract where the work would not be  
17 done in Canada.

18 26205 Where it is useful I think for your  
19 purposes here, sir, is in dealing with the issue of GM  
20 Diesel.

21 26206 On page 2 of the memo, which is 3 of  
22 14 on the bottom, he refers to "competitive  
23 environment".

24 26207 COMMISSIONER OLIPHANT: I'm with you.

25 26208 THE HON. PERRIN BEATTY: Okay.

1 26209 Paragraph 5:  
2 "DND has in the near future  
3 several planned procurements for  
4 armored vehicles. The Land  
5 Reserve Modernization Program  
6 (LRMP) 1991..." (As read)

7 26210 This is the one that we're talking  
8 about here:  
9 "... the Light Armored Vehicle  
10 (LAV) 1994 to 1995, the main  
11 battle tank, '89 to '90, smaller  
12 purchase in 1994 to '95 for  
13 Light Armored Utility Vehicles,  
14 and the Antiarmor Light Armored  
15 Vehicle 1996 to 1997."  
16 (As read)

17 26211 So there were a series of  
18 procurements that were being looked at.

19 26212 The purchase of military vehicles for  
20 the LRMP has become important to the industry because  
21 it is the most imminent DND procurement planned. So  
22 there was awareness certainly in the industry that this  
23 was the area where we wanted to procure vehicles most  
24 rapidly to equip the Reserve Forces.

25 26213 The next paragraph, sir, makes a

1 point that the Auditor General also makes, and that's  
2 that for people in the defence industry it's feast or  
3 famine. You either have a major contract on which you  
4 are very busy, you are ramping up, you are hiring  
5 people, you are putting expansions on the plant, or  
6 else you can fall into a period of famine.

7 26214 You can't usually smooth these things  
8 out. You get lumps. And there can be periods in  
9 between those lumps where companies simply don't have  
10 business and it makes it very difficult. Without  
11 exports you often can't fill the gap in between those  
12 lumps.

13 26215 They then make the point related to  
14 the Diesel Division of General Motors that their motor  
15 vehicle facility seems to have the best export  
16 potential but appears to be most at risk in the near  
17 term.

18 26216 What do I mean by "risk in the near  
19 term"?

20 26217 GM Diesel had cut their employment in  
21 the Defence Division by 50 per cent, from 800 to fewer  
22 than 400. They had no contracts for the period between  
23 I believe it was 1988 or 1989 and 1991. So there was  
24 that famine period, if you like, where they would not  
25 be able to sustain the workforce.



- 1 26218                   Without them being able to get  
2           business, what they were telling us was that they would  
3           be forced by August of 1989 to cut their workforce by  
4           almost another 50 per cent, in addition to the 50 per  
5           cent cut they had made, plus the Department feared,  
6           based on what we were hearing from GM Diesel, that  
7           there was a possibility the plant would be closed  
8           entirely. This would mean that we would lose a  
9           significant part of the defence industrial base.
- 10 26219                   The proposal that they made to us  
11          then in August of 1988 was to accelerate that first  
12          procurement we were looking at, which was for LAVs for  
13          the training of the Reserve Forces. To move that up  
14          into an earlier period, yes, to sole source it to them  
15          to be able to do it, and this would give business to  
16          keep the plant open and to maintain the workforce  
17          during that period.
- 18 26220                   What is the significance of this?
- 19 26221                   First, if GM Diesel closed all of the  
20          talk that we have been having in terms of competitive  
21          bids would have been lost. The established supplier  
22          wouldn't be there and we would have had possibly -- if  
23          Thyssen opened a plant, we might have had one supplier,  
24          but that would have been it.
- 25 26222                   So the potential for competition

1 would have been very limited as a consequence.

2 26223 Two, we already had in GM Diesel a  
3 well-established defence supplier that had a  
4 relationship with the Department of National Defence.

5 26224 You will see, Mr. Roitenberg, in a  
6 number of the documents that the Commission has in  
7 front of it that concern is expressed frequently by  
8 departmental officials about the security -- about the  
9 future of GM Diesel. And if we sole sourced a contract  
10 to Thyssen that that would effectively put an end to GM  
11 Diesel.

12 26225 So that there was an awareness on the  
13 part of the Department well predating this that GM  
14 Diesel was going into that famine period.

15 26226 What this contract did, then, was to  
16 allow us to accelerate for the members of the Reserves  
17 the equipping of the Reserves. They were badly  
18 equipped at that time. And it allowed us to maintain  
19 this element of the defence industrial base and it  
20 helped us to ensure that GM Diesel would remain in  
21 business in Canada.

22 26227 MR. ROITENBERG: So what we did then,  
23 to summarize --

24 26228 THE HON. PERRIN BEATTY: Sure.

25 26229 MR. ROITENBERG: -- was sole source a

1 contract to Diesel Division of General Motors by way of  
2 accelerating what was the project on the horizon for GM  
3 Diesel --

4 26230 THE HON. PERRIN BEATTY: Yes.

5 26231 MR. ROITENBERG: -- using industry  
6 sector needs, that is of General Motors, as the basis  
7 for such acceleration?

8 26232 THE HON. PERRIN BEATTY: Not  
9 exclusively at all. One of the key elements for DND  
10 is -- I have referred to the defence industrial base.  
11 One of the key issues that the Department of Defence  
12 has to look at is how do we maintain in Canada the  
13 defence capabilities that are necessary for us to  
14 supply our own Forces.

15 26233 We know we can't do everything in  
16 Canada. You have to buy some things from abroad. But  
17 there is a goal that the Department has of trying to  
18 ensure that we have basic needs. Those could be  
19 shipyards. They could be an aerospace capability.  
20 They could be small arms. They could be vehicles such  
21 as LAVs, a whole range of areas, where possible you  
22 want to have the capacity to source from Canadian  
23 sources. And it is in Canada's strategic interest that  
24 we be able to do so.

25 26234 So as I indicated earlier, you have a

1 series of overlapping issues. You have the equipment  
2 itself: Is it the best possible equipment to do the  
3 job.

4 26235 You have the cost: Is it the most  
5 cost effective, in terms of potential suppliers.

6 26236 You have Canadian content: Is it  
7 going to be made in Canada.

8 26237 And you have regional impacts, as  
9 well, and you have the impact on the Defence industrial  
10 base in the country.

11 26238 All of those you weigh, and you try  
12 to make a decision based on where the public interest  
13 lies.

14 26239 MR. ROITENBERG: So to any criticism  
15 that may come which suggests that this was done simply  
16 for the benefit of General Motors, you would say no,  
17 this was done to secure the availability for the  
18 Department of National Defence to have this supplier as  
19 a viable option.

20 26240 THE HON. PERRIN BEATTY: Yes, sir,  
21 and we knew that without it there was a very real  
22 chance that GM Diesel Division would go down.

23 26241 The other thing that we knew was that  
24 Thyssen couldn't compete on this. They couldn't  
25 compete on it because they didn't have a factory, so

1           there was no point in saying, if we accelerate this to  
2           1989 -- and this was pointed out in the memo to which  
3           we have referred --

4   26242                            Pardon me, maybe it's in the --

5   26243                            MR. ROITENBERG: I actually believe  
6           that it's in your letter.

7   26244                            THE HON. PERRIN BEATTY: It could be  
8           in the letter.

9   26245                            If we accelerated the program, they  
10          couldn't compete because they didn't have a factory.  
11          So it was an issue which was essentially moot from that  
12          point of view.

13   26246                            The fundamental issue for us to  
14          decide was: Did the government need to act to ensure  
15          that GM Diesel stayed in Canada. Was it in Canada's  
16          national interest that that be done.

17   26247                            And the conclusion of the Department  
18          was that, of all of the potential suppliers, GM Diesel  
19          had the best potential for export, but they were also  
20          the ones that were most shaky at that point, and the  
21          greatest potential for losing them.

22   26248                            MR. ROITENBERG: If we were to go  
23          back to Tab 5, the Auditor General's report --

24   26249                            THE HON. PERRIN BEATTY: Yes, sir.

25   26250                            MR. ROITENBERG: -- and the criteria

1 to look at before engaging in a sole-source contract,  
2 at paragraph 9.50, which is at page 9 of 26...

3 26251 The bottom of page 9 is where it  
4 starts.

5 26252 THE HON. PERRIN BEATTY: Yes.

6 26253 MR. ROITENBERG: If we look at a),  
7 "the need is of pressing emergency in which delay would  
8 be injurious to the public interest," you would say  
9 that seeing GM Diesel Division go under would be  
10 injurious to the public interest, at least as it  
11 pertains to the ability of DND to have a Canadian  
12 supplier.

13 26254 THE HON. PERRIN BEATTY: Yes.

14 26255 In addition, if you look at criterion  
15 d), "only one person is capable of performing the  
16 contract," as it relates to Thyssen, if this were  
17 during that time period we are talking about, they  
18 would not have a factory.

19 26256 MR. ROITENBERG: I was going to go  
20 through them in order; you jumped to d).

21 26257 THE HON. PERRIN BEATTY: My  
22 apologies.

23 26258 MR. ROITENBERG: What about c), "the  
24 nature of the work is such that it would not be in the  
25 public interest to invite tenders." As it pertained to

1           this instance, it would have defeated the purpose to  
2           invite tenders because there was a particular need and  
3           only the one supplier.

4   26259                   THE HON. PERRIN BEATTY:  Yes, sir.

5   26260                   Although it is not for me to presume  
6           what the Auditor General was referring to here by  
7           "nature of the work", I am not sure whether -- I would  
8           like, certainly, to construct it the way that you do.  
9           I think it's appropriate, but I am not sure whether  
10          they may be referring here -- for example, if it's  
11          highly confidential, the confidential nature of the  
12          work, the secret nature of the work may preclude other  
13          suppliers from being able to do it.

14   26261                   MR. ROITENBERG:  That being said, if  
15          the overriding concern about sole-sourcing is to  
16          protect the competitive process in order to maximize  
17          the best value in relation to the best product for the  
18          Department of National Defence, using the  
19          considerations here in terms of the longevity of DDGM  
20          as a viable alternative --

21   26262                   THE HON. PERRIN BEATTY:  Yes.

22   26263                   MR. ROITENBERG:  -- really is a  
23          business concern for them, which you then imputed into  
24          your desire to have a continued Canadian supplier, on  
25          the chance that not providing DDGM with this contract

1 would result in some interruption of their business.

2 26264 THE HON. PERRIN BEATTY: On what we  
3 had concluded at that point was a high likelihood that  
4 we would see a supplier go down, and that we would be  
5 stuck with a situation where we had simply lost a  
6 Canadian supplier.

7 26265 MR. ROITENBERG: But did you consider  
8 paragraph 9.45 of the Auditor General's report, which  
9 is further up on page 9 still, where it speaks of, at  
10 the final sentence, "By using industry sector  
11 needs...", and certainly DDGM's continued viability was  
12 a need that they themselves felt and voiced to you by  
13 way of their unsolicited proposal.

14 26266 Correct?

15 26267 THE HON. PERRIN BEATTY: Yes.

16 26268 MR. ROITENBERG: "By using the  
17 industry sector needs as the basis for accelerating a  
18 project...", and, in essence, you have told us as much,  
19 that this accelerated the project.

20 26269 THE HON. PERRIN BEATTY: Yes.

21 26270 MR. ROITENBERG: "...overall Defence  
22 capability goals may not be effectively served."

23 26271 THE HON. PERRIN BEATTY: Let's come  
24 back and take a look at this.

25 26272 The key issue, I think, that is being



1 referred to here is: Is the decision being made to  
2 satisfy the needs of an industry, or an industrial  
3 sector, or is it being driven by DND's priorities.

4 26273 If you read the whole of this  
5 chapter, the theme that the Auditor General keeps  
6 coming back to is: You have a whole range of other  
7 criteria here that threaten to divert the Department of  
8 National Defence -- take the National Defence budget  
9 and use it for purposes unrelated to defence.

10 26274 In the case of the Defence Department  
11 looking at a strategic supplier, who has been doing  
12 business with the Department, and whose presence is  
13 going to be essential if you are going to have competed  
14 contracts in the future -- we are looking at the needs  
15 of the Department of National Defence. Yes, those  
16 needs clearly have to address the concerns that GM  
17 Diesel has. If GM Diesel isn't in business, we can't  
18 meet our needs.

19 26275 But the primary consideration always,  
20 sir, has to be the needs of the men and women of the  
21 Forces and what we do to ensure that they have the best  
22 possible equipment. That was the criterion that I  
23 attempted to use during the three years that I was  
24 Minister of National Defence.

25 26276 MR. ROITENBERG: There is one last

1 document that I want to ask you about, sir, which is at  
2 Tab 26 of your book of documents.

3 26277 This is a memo from Ernest Hébert to  
4 Paul Tellier in the Privy Council Office, and it  
5 pertains to concerns at the Privy Council level --

6 26278 THE HON. PERRIN BEATTY: Yes.

7 26279 MR. ROITENBERG: -- as they pertain  
8 to your letter to Mr. Peapples, President of General  
9 Motors of Canada. It states:

10 "Attached for your information  
11 is a letter from Mr. Beatty to  
12 Mr. George Peapples...in which  
13 he agrees to seek Cabinet  
14 approval for a \$175 million  
15 contract for 200 Light Armoured  
16 Vehicles for the Army Reserves."

17 26280 And it speaks of the fact that it  
18 came in response to this unsolicited proposal.

19 "The reasons for sending this  
20 letter would appear to be a  
21 combination of the following:  
22 - the desire to be seen to do  
23 something for the Militia, which  
24 have yet to benefit greatly from  
25 the Defence White Paper despite

1 the priority placed on [them in  
2 that document];  
3 - the desire, in the current  
4 context, to satisfy the special  
5 interests of those such as Tom  
6 Hockin, in whose region GMDD is  
7 located;..."

8 26281 And I will just note for the benefit  
9 of completeness that your letter to Mr. Peapples of  
10 October 20th, 1988 was cc'd to Mr. Hockin.

11 26282 THE HON. PERRIN BEATTY: Yes.

12 26283 MR. ROITENBERG: And:

13 " - the desire to maintain GMDD  
14 as a viable competitor to  
15 Thyssen when the Army LAV  
16 contract comes up and to deny  
17 Thyssen the possibility of this  
18 contract for 200 LAVs for the  
19 Reserves. (You will recall Mr.  
20 Beatty's opposition to the  
21 Thyssen deal, partly on the  
22 grounds of the damage it might  
23 do to GMDD.)"

24 26284 Those were three concerns that were  
25 voiced to Mr. Tellier. You have addressed, I think,

1           No. 1, by going through, as you did, the memoranda at  
2           Tab 1 of the book of documents for Mr. McKnight.

3   26285                    To be fair to you, sir, could you  
4           address the second concern, that of the special  
5           interests as they pertain, I guess, to the regional  
6           concerns, as suggested vis-à-vis Mr. Hockin?

7   26286                    THE HON. PERRIN BEATTY: I have no  
8           doubt that my colleagues would have wanted to see,  
9           particularly Mr. Hockin, clarification of the future of  
10          this plant. It was abundantly clear that GM Diesel was  
11          in some peril if they weren't able to get business.

12   26287                    No doubt this was an issue that was  
13          coming up during the election campaign, as well, and  
14          any clarity -- if the Department was going to act on  
15          this, if it was going to ensure that GM Diesel remained  
16          in business, the sooner that we could indicate that,  
17          the better.

18   26288                    COMMISSIONER OLIPHANT: Just a  
19          moment, please.

20   26289                    I looked at this letter for the first  
21          time just a minute ago and, Mr. Roitenberg, you refer  
22          to the bulleted items on page 1 as concerns. They are  
23          referred to as being the author's view as to the  
24          reasons for the letter going. It appears to me that  
25          the concerns are listed on page 2.

1 26290 MR. ROITENBERG: I was going to get  
2 to those, Mr. Commissioner, but I wanted to give Mr.  
3 Beatty the opportunity of addressing what was suggested  
4 as the rationale behind it --

5 26291 COMMISSIONER OLIPHANT: Yes.

6 26292 MR. ROITENBERG: -- as potential  
7 concerns, and then address these.

8 26293 COMMISSIONER OLIPHANT: Page 1, it  
9 appears, lists the author's interpretation as Mr.  
10 Beatty's reasons for sending the letter, and then, on  
11 page 2, Mr. Hébert expresses his concerns about what  
12 was said.

13 26294 Is that more accurate perhaps?

14 26295 THE HON. PERRIN BEATTY: Yes, sir.

15 26296 The first three bullets are the  
16 author's view as to what my motivation was.

17 26297 Over the page, he expresses his  
18 concerns about the process, which is more objective, if  
19 you like.

20 26298 I am glad to address either, Mr.  
21 Roitenberg.

22 26299 MR. ROITENBERG: I was actually going  
23 to give you the opportunity to address it all.

24 26300 THE HON. PERRIN BEATTY: I am glad to  
25 do so. If you want to go through it sequentially, I

1 would be pleased to do that.

2 26301 MR. ROITENBERG: I think you had  
3 addressed the first one on page 1 earlier. You had  
4 just, I think, finished addressing Point 2, as it  
5 pertained to Mr. Hockin.

6 26302 There was the suggestion at the third  
7 bullet on page 1 that this was done out of a desire to  
8 maintain GM Diesel Division as a viable competitor to  
9 Thyssen, in an effort, I think the suggestion is, to  
10 undermine Thyssen's ability to properly compete.

11 26303 THE HON. PERRIN BEATTY: Yes, and  
12 that's where a motive is imputed that simply doesn't  
13 make any sense. That is the difficulty, obviously, in  
14 using documents where somebody presumes to know what  
15 somebody else's motive was.

16 26304 Now, I can tell you fairly directly,  
17 the same as I said earlier, that I certainly did have a  
18 desire to ensure that, as subsequent contracts came up  
19 for bidding, we had an active bidder. You could not  
20 have a competed competition unless you had competitors.

21 26305 If we had lost the competitor, we  
22 would have been cast into the situation that whoever  
23 was around would have been the one getting the  
24 business.

25 26306 If the whole fight, all of these many

1 months, had been to ensure that we simply didn't get a  
2 directed contract to Thyssen because of economic  
3 development concerns in Atlantic Canada, all of that  
4 would have been lost if the other potential bidder were  
5 lost here.

6 26307 But was it my desire to ensure that  
7 Thyssen could not compete? No, sir, it wasn't. It was  
8 to ensure that there could be a competition.

9 26308 As I indicated to you earlier, one of  
10 my motivations in signing the Understanding in  
11 Principle was so that we would potentially have a  
12 second supplier in Canada able to compete on these  
13 contracts.

14 26309 If Thyssen could supply better  
15 vehicles, or at a more affordable price -- if, at the  
16 end of the day, the Department of National Defence felt  
17 that this was the best value that we could get for the  
18 men and women of the Forces, I would be all for it. It  
19 wouldn't matter whether it was Thyssen or GM Diesel.

20 26310 What I was opposed to was if I were  
21 cast in a situation where, because of economic  
22 development purposes, the men and women of the Forces  
23 were getting second class equipment, or were getting  
24 equipment that was too expensive when something better  
25 was available.

1 26311 Just to clarify this element of my  
2 motivation, that is the reason for that.

3 26312 And I see, by the way, that in some  
4 of the previous documents there was speculation that I  
5 was opposed to Thyssen because I was an Ontario  
6 minister, and that I might have political  
7 responsibilities for Ontario.

8 26313 Let me put it simply. I signed the  
9 Understanding in Principle, which, if Thyssen had acted  
10 on that and created the factory, would have allowed  
11 them to compete for the contract.

12 26314 The only immovable element, the only  
13 thing on which I was not prepared to compromise  
14 throughout the whole piece, was on the issue of whether  
15 or not DND would be able, at the end of the day, to  
16 choose a preferred supplier, to choose the supplier  
17 whom they felt was best.

18 26315 Once that condition was met, the more  
19 competition the better.

20 26316 MR. ROITENBERG: And I take it, if  
21 you turn the page over to the concerns to which the  
22 Commissioner had earlier alluded, the first one,  
23 dealing with the fact that the award of this contract  
24 was yet another sole-source decision, you have  
25 addressed that for the last hour or so.



1 26317 THE HON. PERRIN BEATTY: Yes, sir,  
2 and there would be criticism of that. Anytime that you  
3 give a sole-sourced contract, somebody else who would  
4 have liked to have had the business will be critical.

5 26318 You mentioned Mr. Merrithew's letter  
6 earlier. What would we have expected? What was being  
7 asked for from Atlantic Canada was a sole-sourced  
8 contract to Thyssen. Inevitably, there would be those  
9 who would be upset because this business didn't go into  
10 Atlantic Canada.

11 26319 I think it was important to ensure  
12 the regional development aspects of government  
13 procurements, but not at the expense of the best  
14 possible equipment for the Canadian Forces. That, at  
15 the end of the day, has to be the basis on which you  
16 make a decision.

17 26320 We had sole-sourced a contract to  
18 Foremost Hagland in Calgary for northern train  
19 vehicles, and there have been since a series of  
20 sole-sourcing contracts, too, for good and sufficient  
21 reasons. Particularly, losing competitors are going to  
22 be complain about it, but at the end of the day the  
23 responsibility -- the buck stops on the minister's desk  
24 to make a decision based on where he believes the  
25 public interest lies.

1 26321 MR. ROITENBERG: The last criticism  
2 on page 2, really, deals with the lack of cabinet  
3 approval prior to your sending this letter of comfort,  
4 which the opinion offers, because you have sent this  
5 letter of comfort in the fashion you have, it will, in  
6 essence, have, no doubt, the effect of binding cabinet  
7 because of the nature of the comfort offered.

8 26322 Do you have a response to the fact  
9 that perhaps you should have gone to cabinet first, or  
10 P&P, and at least had some discussions involving  
11 entering these discussions and offering this comfort  
12 letter to DDGM?

13 26323 THE HON. PERRIN BEATTY: It wasn't  
14 possible at that time. As you will recall, the  
15 proposal for the Diesel Division of General Motors was  
16 received in August. The Department started to do an  
17 analysis of it, to look at: What does this mean. What  
18 are the implications of this.

19 26324 We had had at least three separate  
20 unsolicited proposals from various companies, and each  
21 one was being looked at by the Department.

22 26325 They came to the conclusion, on the  
23 basis of good and substantial evidence, that the very  
24 survival of GM Diesel was in question, on a fairly  
25 urgent basis, and people wanted to know --

1           particularly, as the issue heated up, they wanted to  
2           know: What is the future of this division. Does it  
3           have a future or not. Are they going to be closing the  
4           plant in London, or is there some prospect for them to  
5           stay ahead.

6   26326                           At that point we were into an  
7           election campaign. It was not an ordinary period in  
8           which you would have ordinary cabinet meetings, but a  
9           decision needed to be made as to whether or not we  
10          could give some hope that the plant would stay open and  
11          be able to meet DND's needs.

12   26327                           What I was careful with in the letter  
13          to Mr. Peapples was to make the point that this wasn't  
14          a guarantee of anything; it was that I would recommend  
15          to my colleagues that we accelerate the program, but it  
16          was not a guarantee.

17   26328                           MR. ROITENBERG: The one point,  
18          though, that I think I have to take issue with you on,  
19          sir, is that, on the 27th of September, the day after  
20          you sent a follow-up letter -- or the day after you  
21          sent a letter to Mr. Peapples in furtherance of these  
22          discussions, there was a P&P meeting, and it was, in  
23          fact, the P&P meeting in which authority was granted to  
24          yourself and Minister de Cotret and Minister Murray to  
25          sign the Understanding in Principle.

1 26329 So, in effect, you had an opportunity  
2 then to raise the issue with some of your cabinet  
3 colleagues. Yes?

4 26330 THE HON. PERRIN BEATTY: The P&P  
5 meeting had a very extensive agenda. You can see it  
6 from the documentation that you have supplied. It was  
7 focused, specifically, on the issue of what we would do  
8 with regard to Thyssen and so on. This was quite  
9 separate from that. I did not believe that it was  
10 necessary, in sending the letter that I sent, to seek  
11 cabinet approval to say, "We are interested in keeping  
12 the company in business," and on my authority, with my  
13 colleagues, I sent the letter.

14 26331 COMMISSIONER OLIPHANT: Mr.  
15 Roitenberg, you have fallen into the Ottawa habit of  
16 using acronyms. P&P, I think, stands for "Planning and  
17 Priorities", but perhaps we could get an explanation  
18 for the record as to what "Planning and Priorities" is,  
19 as opposed to a regular cabinet meeting.

20 26332 THE HON. PERRIN BEATTY: It was, in  
21 essence, the inner cabinet of cabinet.

22 26333 MR. ROITENBERG: Thank you for that,  
23 Commissioner. I do recall --

24 26334 COMMISSIONER OLIPHANT: I'm just  
25 asking for my benefit. I am getting onto the acronyms,

1 but I want to know what they mean.

2 26335 MR. ROITENBERG: But as Thyssen was  
3 being discussed, and the issue of light-armoured  
4 vehicles was being discussed, and the issue of what  
5 authority was being granted to enter into the  
6 Understanding in Principle was being discussed, it  
7 wasn't an inopportune time to say: By the way, a  
8 letter to comfort, to some degree, is being sought on  
9 another LAV purchase by another company.

10 26336 That certainly could have been done.

11 26337 THE HON. PERRIN BEATTY: It could  
12 have been done, and indeed there, no doubt, were  
13 discussions within government about the various  
14 unsolicited proposals we had received.

15 26338 The key issue here, as it relates to  
16 GM Diesel, was the decision, that I felt it was  
17 important to make, to ensure that we didn't lose the  
18 company from Canada.

19 26339 As it relates to the work, sir, of  
20 this Commission, related to Thyssen, and the issue of  
21 whether or not there was pressure on me to sign an  
22 Understanding in Principle with Thyssen, the reaction  
23 of Mr. Merrithew and others to my sending the letter to  
24 GM Diesel indicates clearly that there were no  
25 instructions to me that Thyssen was to get a deal.

1 26340 Our goal was to ensure that the  
2 defence industrial base was maintained, and to ensure  
3 that, potentially, as future procurements took place,  
4 you could get a competition.

5 26341 MR. ROITENBERG: Thank you, sir.

6 26342 I had said earlier that I had this  
7 one last area, and I hate to withdraw the carrot that I  
8 had thrown out earlier, but I have been handed a note  
9 that there may be additional questions that I need to  
10 put to Mr. Beatty. I note that the time is 12:35.  
11 Perhaps we could take the luncheon break and I could  
12 investigate the note I was provided, and hopefully not  
13 keep Mr. Beatty much longer past the lunch break.

14 26343 COMMISSIONER OLIPHANT: All right,  
15 but bear in mind that there may be other counsel who  
16 will have questions for Mr. Beatty, as well.

17 26344 MR. ROITENBERG: Absolutely.

18 26345 COMMISSIONER OLIPHANT: You would  
19 like the noon hour to consider whether you have further  
20 questions.

21 26346 MR. ROITENBERG: Please.

22 26347 COMMISSIONER OLIPHANT: All right.  
23 It is past 12:30. We will break for lunch and come  
24 back at two o'clock this afternoon.

25 26348 MR. ROITENBERG: Thank you, sir.

1 --- Upon recessing at 12:35 p.m. / Suspension à 12 h 35

2 --- Upon resuming at 2:05 p.m / Reprise à 14 h 05

3 26349 COMMISSIONER OLIPHANT: Be seated,  
4 please.

5 26350 Maybe just wait half a second. I see  
6 Mr. Houston coming down the hall.

7 26351 All right, I think we can start now  
8 that Mr. Houston is here.

9 26352 MR. ROITENBERG: Thank you,  
10 Mr. Commissioner.

11 26353 Mr. Beatty, I only have a short few  
12 minutes more of your time that I will require.

13 26354 If I understood what you were telling  
14 us before we broke for the noon recess, in short, the  
15 sole source to General Motors Diesel Division for the  
16 light armoured vehicles for the Reserves was, in your  
17 view, a good idea as it was preserving a proven  
18 military supplier for the Canadian Forces who had been  
19 utilized before and ensuring their continued survival?

20 26355 THE HON. PERRIN BEATTY: Yes, sir.

21 26356 MR. ROITENBERG: And the benefits of  
22 their continued survival was to be able to participate  
23 as a future competitor in future procurements?

24 26357 THE HON. PERRIN BEATTY: Yes.

25 26358 MR. ROITENBERG: So in essence it was

1 a sole source to save future competitions?

2 26359 THE HON. PERRIN BEATTY: Yes. And to  
3 preserve in Canada concentration of expertise that  
4 existed within GM Diesel Division in London already,  
5 not to lose it to the United States.

6 26360 MR. ROITENBERG: Okay. Now, I am  
7 assuming that, as you were aware, in September of 1988  
8 that an election was looming, and you have already told  
9 us that. Yes?

10 26361 THE HON. PERRIN BEATTY: Yes.

11 26362 MR. ROITENBERG: You would agree with  
12 me that a major employer in the London, Ontario area,  
13 such as General Motors, closing up shop on the eve of  
14 an election or during an election campaign would not  
15 have been looked upon very favourably politically  
16 within the region?

17 26363 THE HON. PERRIN BEATTY: I don't  
18 disagree with that.

19 26364 MR. ROITENBERG: Mr. Hockin, as you  
20 advised earlier, was cc'd on your October 20, 1988  
21 letter to General Motors. Yes...?

22 26365 THE HON. PERRIN BEATTY: Yes.

23 26366 MR. ROITENBERG: It was in his  
24 constituency that the General Motors' plant was  
25 situated?



1 26367 THE HON. PERRIN BEATTY: No, but it  
2 is near his constituency.

3 26368 MR. ROITENBERG: Near his  
4 constituency. And you yourself were a Minister from  
5 Ontario?

6 26369 THE HON. PERRIN BEATTY: Yes.

7 26370 MR. ROITENBERG: I asked you earlier  
8 about directions from the Prime Minister himself as to  
9 what he wanted you to accomplish or do with the Bear  
10 Head proposal.

11 26371 Do you recall me asking you about  
12 that?

13 26372 THE HON. PERRIN BEATTY: Yes, sir.

14 26373 MR. ROITENBERG: And you advised that  
15 you had received no directions directly from the Prime  
16 Minister?

17 26374 THE HON. PERRIN BEATTY: That's  
18 right.

19 26375 MR. ROITENBERG: Did you receive  
20 directions from anybody who you thought credibly was  
21 delivering --

22 26376 THE HON. PERRIN BEATTY: No.

23 26377 MR. ROITENBERG: -- a direction from  
24 the Prime Minister?

25 26378 THE HON. PERRIN BEATTY: No. And had

1 I, Mr. Roitenberg, I would have followed the Prime  
2 Minister's suggestion, which was if somebody purports  
3 to be speaking for me, speak to me yourself. Only I  
4 speak for myself, was the Prime Minister's point.

5 26379 And again, it would have come down to  
6 a choice for me if there was a clear -- did I assume  
7 that the Prime Minister would like to see a plant  
8 opened in Cape Breton? Yes. The government was  
9 committed to doing that. It had made a public  
10 commitment and certainly the Prime Minister had not  
11 intervened to say forget about any deal in Cape Breton,  
12 we don't need to have a facility there.

13 26380 So did I assume that under  
14 appropriate circumstances he would be glad to see a  
15 facility there? Sure.

16 26381 But at no time did I feel constrained  
17 in any way that would impede my ability to recommend  
18 what I felt was in the best interests of the Canadian  
19 Forces, and at no time that I am aware of did anybody  
20 credibly say to me I am representing the Prime  
21 Minister's views on this.

22 26382 The only -- I suppose the credible  
23 person to represent the Prime Minister would have been  
24 his Chief of Staff, Mr. Burney, who held a meeting with  
25 us, and the instructions that he gave were that the

1           Understanding in Principle needed to be amended to make  
2           sure that it didn't bind the government.

3   26383                   MR. ROITENBERG:   So your dealings  
4           with the Prime Minister's Chief of Staff, Mr. Burney,  
5           and Mr. Burney's involvement in -- maybe brokering is  
6           too strong a word but I will use it anyways -- in  
7           brokering these concessions or these conditions and  
8           their appropriateness from everybody's position on  
9           September 14, 1988, was not taken by you to be pressure  
10          from the Prime Minister's Office to get this done.  It  
11          was more dispute resolution or consensus reaching on  
12          the part of the Chief of Staff.

13   26384                   THE HON. PERRIN BEATTY:  I would go  
14          beyond that, Mr. Roitenberg, and say that the  
15          intervention that was made by Mr. Burney in giving  
16          instructions that once he had had legal advice that  
17          this could be binding on the government, giving  
18          instructions that the Understanding in Principle had to  
19          be changed to ensure that it would not be binding, was  
20          supportive of our position.

21   26385                   In essence, it wasn't necessary for  
22          us to compromise on the essential element of this,  
23          which was that at the end of the day the Department of  
24          National Defence would be able to recommend the  
25          supplier that they felt was most appropriate.

- 1 26386 And Derek Burney's intervention  
2 strengthened our position on that.
- 3 26387 MR. ROITENBERG: Now, as this matter  
4 had been a matter of discussion within Cabinet while  
5 you were the Minister of National Defence --
- 6 26388 THE HON. PERRIN BEATTY: Yes.
- 7 26389 MR. ROITENBERG: -- its continuation  
8 as a matter for discussion within Cabinet carried on  
9 beyond your tenure as Minister of that Department;  
10 correct?
- 11 26390 THE HON. PERRIN BEATTY: It did.
- 12 26391 MR. ROITENBERG: Were you aware  
13 within your role as a continued Cabinet Minister as to  
14 if and when the project, as far as its location in Nova  
15 Scotia, was cancelled --
- 16 26392 THE HON. PERRIN BEATTY: No.
- 17 26393 MR. ROITENBERG: -- or derailed?
- 18 26394 THE HON. PERRIN BEATTY: I was not.  
19 I was Minister of National Health and Welfare following  
20 I think it was the 30th of January of 1989. The Navy  
21 has a long-standing tradition that when the new  
22 Commander sails in the old Commander sails out the same  
23 day, and I did not meddle in the affairs of any  
24 department once I had left it.
- 25 26395 I don't recall a specific decision

1           being made when I was about that said this definitely  
2           will not be built in Cape Breton. I left it to  
3           Mr. McKnight to handle his own files.

4   26396                    The same applied to the controversial  
5           nuclear submarine program I had proposed and a whole  
6           range of other areas.

7   26397                    MR. ROITENBERG: Mr. Beatty, I thank  
8           you very much for joining us today. I'm not certain if  
9           any of my colleagues have questions for you, but I will  
10          stand aside.

11   26398                    THE HON. PERRIN BEATTY: Thank you.

12   26399                    MR. HUGHES: Commissioner, we have no  
13          questions for Mr. Beatty. Thank you, sir.

14   26400                    COMMISSIONER OLIPHANT: Thank you  
15          very much.

16   26401                    MR. VICKERY: We don't have questions  
17          for Mr. Beatty as well.

18   26402                    MR. HOUSTON: I have no questions.  
19          Thank you, Mr. Commissioner.

20   26403                    COMMISSIONER OLIPHANT: Thank you,  
21          Mr. Houston.

22   26404                    Mr. Auger...?

23   26405                    MR. AUGER: No questions.

24   26406                    COMMISSIONER OLIPHANT: No questions.  
25   26407                    Well, Mr. Beatty, I think that pretty

1 well finishes things as far as you are concerned,  
2 except for me to say thank you very much for coming to  
3 assist us. I appreciate your help, sir.

4 26408 THE HON. PERRIN BEATTY: Thank you,  
5 Your Honour.

6 26409 COMMISSIONER OLIPHANT: You are free  
7 to leave.

8 26410 THE HON. PERRIN BEATTY: I appreciate  
9 it.

10 26411 MR. ROITENBERG: Mr. Commissioner, as  
11 you are aware, Mr. Beatty was our final witness for  
12 today. Tomorrow we had scheduled Norman Spector and  
13 Senator Lowell Murray.

14 26412 COMMISSIONER OLIPHANT: In the  
15 opposite order.

16 26413 MR. ROITENBERG: In the opposite  
17 order, yes.

18 26414 COMMISSIONER OLIPHANT: Right.

19 26415 MR. ROITENBERG: Yesterday late in  
20 the day, at around 5:30 or so, I received a telephone  
21 call from Senator Murray advising me that he had  
22 located certain files and certain documents which might  
23 be of interest to the Commission.

24 26416 I have dispatched --

25 26417 COMMISSIONER OLIPHANT: This would be

1 yesterday afternoon at 5:30?

2 26418 MR. ROITENBERG: Yes. This morning I  
3 dispatched counsel to Mr. Murray's office to commence  
4 going through these files with the Senator, and there  
5 are some notes that may be of interest to the  
6 Commission and may be of interest to counsel for the  
7 parties.

8 26419 As such, I have canvassed with  
9 Senator Murray if he is available to testify next week  
10 on the Tuesday instead of tomorrow, and he is.

11 26420 I would suggest that we stand down  
12 his testimony so that proper disclosure could be made  
13 to the parties of these materials.

14 26421 COMMISSIONER OLIPHANT: All right. I  
15 hear what you have said and of course while you may be  
16 privy to the documents in question, other counsel  
17 haven't seen them and fairness dictates that they be  
18 given a reasonable opportunity to not only see the  
19 documents but to digest the contents of those  
20 documents.

21 26422 Is calling Senator Murray next week  
22 going to in any way have an impact on how that week  
23 progresses?

24 26423 MR. ROITENBERG: I don't believe it  
25 will, no.

1 26424 COMMISSIONER OLIPHANT: All right.

2 26425 MR. ROITENBERG: And I can tell you  
3 that Mr. Spector, who was scheduled for tomorrow  
4 afternoon, is available tomorrow morning.

5 26426 COMMISSIONER OLIPHANT: He is?

6 26427 MR. ROITENBERG: Yes.

7 26428 COMMISSIONER OLIPHANT: Because he is  
8 coming from Victoria, I believe.

9 26429 MR. ROITENBERG: Yes.

10 26430 COMMISSIONER OLIPHANT: All right.

11 26431 And there are no further witnesses  
12 for today, obviously.

13 26432 MR. ROITENBERG: No, sir.

14 26433 COMMISSIONER OLIPHANT: We will  
15 adjourn, then, until 9:30 tomorrow morning.

16 26434 I simply encourage my counsel to get  
17 the documents into the hands of other counsel in the  
18 inquiry at the earliest opportunity.

19 26435 Thank you very much and I will see  
20 you all tomorrow morning at 9:30.

21 26436 Good afternoon.

22 --- Whereupon the hearing adjourned at 2:15 p.m.,  
23 to resume on Thursday, April 30, 2009 at 9:30 a.m./  
24 L'audience est ajournée à 14 h 15, pour reprendre  
25 le jeudi, 30 avril 2009 à 09 h 30



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We hereby certify that we have accurately  
transcribed the foregoing to the best of  
our skills and abilities.

Nous certifions que ce qui précède est une  
transcription exacte et précise au meilleur  
de nos connaissances et de nos compétences.

\_\_\_\_\_  
Lynda Johansson

\_\_\_\_\_  
Jean Desaulniers

\_\_\_\_\_  
Fiona Potvin

\_\_\_\_\_  
Sue Villeneuve