

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  
Monday, March 30, 2009

**Tenue à :**

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

le lundi 30 mars 2009

## APPEARANCES / COMPARUTIONS

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Mr. Paul B. Vickery Mr. Yannick Landry Me Philippe Lacasse	Attorney General of Canada
Mr. Robert E. Houston, Q.C.	Mr. Fred Doucet
Mr. Richard Wolson Mr. Even Roitenberg Ms Nancy Brooks Mr. Guiseppe Battista Mr. Martin Lapner Mr. Myriam Corbeil Ms Sarah Wolson Mr. Peter Edgett	Counsel for the Commission
Mr. Gilles Brisson	Registrar

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1 Ottawa, Ontario / Ottawa (Ontario)

2 --- Upon commencing on Monday, March 30, 2009

3 at 9:32 a.m. / L'audience débute le lundi

4 30 mars 2009 à 9 h 32

5 COMMISSIONER OLIPHANT: Good morning,  
6 counsel.

7 THE REGISTRAR: Please be seated.  
8 Veuillez vous asseoir.

9 COMMISSIONER OLIPHANT: Mr.  
10 Wolson...?

11 OPENING STATEMENT / SOUMISSIONS D'OUVERTURE

12 MR. WOLSON: Good morning, sir.

13 This morning, Mr. Commissioner, I  
14 will make a brief opening statement and we will  
15 commence calling of evidence this morning.

16 Sir, we are here today as a result of  
17 an Order in Council convening a public inquiry  
18 directing you, as Commissioner, to investigate and  
19 report on 17 questions set out in the said Order in  
20 Council. The questions relate to certain business and  
21 financial dealings between Karlheinz Schreiber and the  
22 Rt. Hon. Brian Mulroney.

23 The Preamble of the Order deals with  
24 certain allegations with respect to Mr. Mulroney during  
25 his tenure as Prime Minister, although unproven, which

1 go beyond the private interests of the parties and  
2 which raise questions respecting the integrity of an  
3 important office of this country.

4 To be sure, this inquiry is about the  
5 integrity of government. The 17 questions posed are  
6 those recommended by Dr. David Johnston, who was  
7 retained by government as an independent adviser.  
8 Dr. Johnston stated that any public inquiry be a  
9 focused one, and I will talk shortly of that focus. He  
10 suggested that the inquiry should be into matters of  
11 legitimate public interest, with the issue of public  
12 concern being as follows: the compliance with  
13 constraints on holders of high public office and the  
14 adequacy of the current constraints.

15 This inquiry, as you know, was  
16 called on the 12th June 2008 with a completion date,  
17 which included your report, due one year later,  
18 June 12th, 2009.

19 While that task has been a massive  
20 one, Commission counsel, since retained, have worked  
21 diligently. This has included document reviews of tens  
22 of thousands of pages to distil relevant documents to  
23 be disclosed to the parties. Add to that third party  
24 documents, interviews of witnesses, research on several  
25 matters, all this to attain a level of preparedness to

1 commence this inquiry.

2                   Unfortunately, there have been  
3 certain unavoidable delays, in particular with an  
4 automated document management program mandated by the  
5 Order. In the result, there was a delay in starting,  
6 the delay from the 9th of February, which was to be the  
7 start date, until today's date.

8                   An Order has issued mandating your  
9 report now on the 31st of December of this year.

10                   I have talked about your counsel, let  
11 me introduce them.

12                   My name is Richard Wolson and I am  
13 Lead Commission Counsel. With me are Senior Commission  
14 Counsel, Nancy Brooks, Evan Roitenberg and Giuseppe  
15 Battista. We are assisted by Myriam Corbeil, Sarah  
16 Wolson, Peter Edgett and Martin Lapner.

17                   A word on the role of  
18 Commission counsel.

19                   It has been said that Commission  
20 counsel act as the alter ego of the Commissioner.  
21 Counsel must be impartial and balanced in the  
22 investigation and the leading of evidence, which we  
23 will do in a thorough way. Our object is to ensure  
24 that you hear all of the relevant facts unvarnished by  
25 the perspective of someone with an interest in a

1 particular outcome.

2                   While it is highlighted that  
3 Commission counsel must remain impartial, it  
4 is important that counsel get to the bottom of  
5 what happened.

6                   We must, as your counsel, strike a  
7 balance between impartiality and firmness. While that  
8 is a difficult task I submit, it is absolutely  
9 necessary to the success of this inquiry. Our role is  
10 to call the evidence and explore all of the relevant  
11 issues in a probing manner.

12                   In that regard, the rules, as agreed  
13 by counsel, enable Commission counsel to cross-examine  
14 a witness. I say not for the purpose, sir, of taking  
15 sides or demonstrating a bias, not at all, but to test  
16 the credibility of a witness and to get to the truth.  
17 That's the purpose of our examination of witnesses.

18                   As has been said many times, an  
19 inquiry is not a trial. This inquiry is an  
20 investigation into the issues and events in the terms  
21 of reference. There will be no legal consequences  
22 arising from the Commission's findings and your report.

23                   However, that said, we, as your counsel, are very  
24 aware that any of your findings can have an adverse  
25 effect on the reputation of the party.



1                   It is very important, sir, to ensure  
2                   that our task is done with fairness in mind. At the  
3                   end of the day, we must perform our duties to the best  
4                   of our abilities, with hope that we can say the inquiry  
5                   was conducted in an objective, principled and fair way.

6                   As you have stated, this inquiry is  
7                   divided into two parts.

8                   We will call the bulk of the evidence  
9                   in Part 1, the fact-finding aspect of this inquiry.  
10                  The aim is to place before you evidence to enable you  
11                  to respond to the questions set out in your Terms of  
12                  Reference.

13                  Part 2 will deal with policy and  
14                  process and possible recommendations that you wish  
15                  to make.

16                  There are four parties who have  
17                  standing at this inquiry, the Attorney General for  
18                  Canada represented by Mr. Paul Vickery, lead counsel,  
19                  with Yannick Landry and Philippe Lacasse assisting.

20                  For the Rt. Hon. Brian Mulroney, he  
21                  is represented by my friend Guy Pratte and my friend  
22                  Harvey Yarosky, assisted by Sam Wakim, François  
23                  Grondin, Jack Hughes and Kate Glover.

24                  Karlheinz Schreiber is represented by  
25                  Edward Greenspan and Mr. Richard Auger as lead counsel,

1 with Vanessa Christie, Todd White and Juliana Greenspan  
2 assisting. Todd White and Juliana Greenspan join us  
3 this morning for the first time.

4 Mr. Fred Doucet is represented by  
5 Robert Houston.

6 It's fortunate indeed that counsel  
7 here are leaders of their respective bars. They are of  
8 the highest integrity and I am pleased to say that  
9 there has been a good deal of co-operation between  
10 counsel under difficult circumstances.

11 Counsel, too, I know have worked  
12 diligently. Fine counsel like these, always prepared  
13 and attending to the interests of their clients, can  
14 only add to the success of this important inquiry.

15 You stated the focus of this inquiry  
16 back on October 2nd in your opening remarks and you  
17 indicated that the focus will be the financial and  
18 business dealings of Mr. Schreiber and Mr. Mulroney in  
19 relation to the Bear Head Project and the payments made  
20 to Mr. Mulroney by Mr. Schreiber in 1993 and 1994.

21 By way of background, the Bear Head  
22 Project was promoted by Thyssen Industries of Europe.  
23 Karlheinz Schreiber was the Chairman of Bear Head  
24 Industries of Canada.

25 Thyssen's plan was to establish a

1 corporate presence in Canada with Mr. Schreiber's  
2 assistant. The project was to establish a  
3 manufacturing plant in Cape Breton, Nova Scotia on the  
4 Bear Head peninsula. The plant would manufacture light  
5 armoured defence products with the creation of jobs for  
6 the area.

7 In that regard, an understanding in  
8 principle was signed September 27, 1988 between the  
9 Government of Canada as represented by three Ministers,  
10 two who are now deceased and the third from whom you  
11 will hear at this inquiry. The understanding was  
12 signed with Bear Head Industries and Chairman Schreiber  
13 signing for the company.

14 It will be necessary for the  
15 unfolding of the narrative at this inquiry that you  
16 hear evidence as to the understanding in principle and  
17 the progression of circumstances leading to proposals  
18 to move the project from Nova Scotia to Québec, at  
19 least in terms of the promotion of the project,  
20 because, you will hear in the final analysis, the Bear  
21 Head Project never materialized.

22 As noted, the focus is the financial  
23 and business dealing as between Mr. Schreiber and  
24 Mr. Mulroney regarding the Bear Head Project.

25 Evidence will be called relating to a

1 meeting that the two had at Harrington Lake while  
2 Mr. Mulroney was still Prime Minister. There were  
3 subsequent meetings in August and December of 1993 and  
4 December of 1994 where cash payments were made to  
5 Mr. Mulroney by Mr. Schreiber. These payments are an  
6 important aspect of the investigation of this  
7 Commission.

8 I want to deal briefly with the  
9 presentation of evidence.

10 In order to thoroughly canvass the  
11 evidence, the Commission will potentially call some  
12 26 or 27 witnesses. Commission counsel have prepared  
13 document books containing documents which may be the  
14 subject of examination by Commission counsel and  
15 counsel for the parties. They will be filed as an  
16 exhibit to assist the examining party. While all  
17 documents may not be specifically reviewed, the books  
18 nonetheless will be exhibits for you to consider at the  
19 end of the day.

20 This matter, as you know, has  
21 garnered a great deal of attention. The Standing  
22 Committee on Access to Information, Privacy and  
23 Ethics of Parliament convened hearings in 2007,  
24 early 2008. Unfortunately, due to parliamentary  
25 privilege, we cannot use the transcript from those

1           hearings, even though they were well-publicized and the  
2           subject of broadcast.

3                         We have formally requested that  
4           Parliament waive such privilege and allow us to use the  
5           transcripts. That has been denied and parliamentary  
6           privilege maintained.

7                         On the issue of the calling of  
8           witnesses, I note that the scheduling of witnesses is a  
9           difficult task at best. We have no way of knowing how  
10          long each witness will take and it is difficult to have  
11          a subsequent witness on standby here at this location.

12                        I make these comments because there  
13          will be times I'm sure when we finish early with no  
14          other witnesses to call and, conversely, there are  
15          times when we will have a witness on the stand who has  
16          not completed his evidence and it will spill over to  
17          the next day. We will attempt to gauge matters as best  
18          we can.

19                        I know it's your desire to have this  
20          inquiry proceed and to use the time that we have set  
21          aside wisely without delay.

22                        Today and tomorrow we have four  
23          witnesses scheduled, and while we will ordinarily  
24          convene on other days at 2 o'clock, we are suggesting  
25          that on these two days we convene at 1:30. I do so to

1 ensure that the witnesses who we are calling on these  
2 two days will finish their testimony by the end of  
3 tomorrow.

4 After these four witnesses have  
5 testified, in accordance with the ruling you made some  
6 days back, we will adjourn and reconvene on the 14th of  
7 April and at that time I will call Karlheinz Schreiber  
8 to testify. I expect his examination, which I will be  
9 involved in, will take a number of days.

10 As I conclude, I will invite my  
11 colleague, Mr. Evan Roitenberg to call the first  
12 witness, the Hon. Bill McKnight.

13 This afternoon the Hon. Marc Lalonde  
14 will be called with my colleague Giuseppe Battista  
15 leading the examination for the Commission.

16 Mr. Lalonde's evidence is called  
17 slightly out of sequence. We do so to accommodate his  
18 schedule.

19 Tomorrow we will have two witnesses,  
20 Mrs. Beth Moores in the morning and Mr. Derek Burney,  
21 a former Chief of Staff of Mr. Mulroney, in the  
22 afternoon.

23 With that said, sir, these, and all  
24 these months, here we are today, March 30, 2009, the  
25 Commission is in a position to call its first witness.

1 Thank you.

2 COMMISSIONER OLIPHANT: Thank you,  
3 Mr. Wolson.

4 MR. Roitenberg...?

5 MR. ROITENBERG: Thank you,  
6 Mr. Commissioner.

7 If we could call, please, the Hon.  
8 William McKnight as the first witness.

9 COMMISSIONER OLIPHANT: Mr.  
10 McKnight...

11 SWORN: HON. WILLIAM MCKNIGHT /

12 ASSERMENTÉ : L'HON. WILLIAM MCKNIGHT

13 COMMISSIONER OLIPHANT: Good morning,  
14 Mr. McKnight.

15 HON. WILLIAM MCKNIGHT: Good morning,  
16 Commissioner.

17 EXAMINATION: HON. WILLIAM MCKNIGHT BY MR. ROITENBERG /

18 INTERROGATOIRE : L'HON. WILLIAM MCKNIGHT PAR

19 Me ROITENBERG

20 MR. ROITENBERG: Good morning,  
21 Mr. McKnight.

22 HON. WILLIAM MCKNIGHT: Mr.  
23 Roitenberg.

24 MR. ROITENBERG: Thank you for  
25 joining us this morning from beautiful Saskatoon.

1 I understand, sir, that you were  
2 first elected as a Member of Parliament in 1979.

3 Am I correct?

4 HON. WILLIAM MCKNIGHT: Correct.

5 MR. ROITENBERG: And prior to that,  
6 if you could advise the Commissioner as to your  
7 background?

8 HON. WILLIAM MCKNIGHT: I was  
9 involved in agriculture and in business for several  
10 years prior to my election to the House of Commons.

11 MR. ROITENBERG: And you became, if  
12 I'm not mistaken, a Member of Cabinet in 1984 in the  
13 first Mulroney government.

14 Is that correct?

15 HON. WILLIAM MCKNIGHT: Correct.  
16 Sworn at the Privy Council on September 17, 1984.

17 MR. ROITENBERG: And you held a  
18 number of portfolios, if I'm not mistaken, up until  
19 January of 1989 when you became the Minister of  
20 National Defence.

21 HON. WILLIAM MCKNIGHT: Correct.

22 MR. ROITENBERG: You held that  
23 position until April of 1991?

24 HON. WILLIAM MCKNIGHT: Correct.

25 MR. ROITENBERG: If I could hopefully



1 get you to cast your mind back to January of 1989, or  
2 shortly thereafter, could you advise the Commissioner  
3 when you first became aware of what has been referred  
4 to as the Bear Head Project.

5 HON. WILLIAM MCKNIGHT: I believe  
6 the first information I received was while I was  
7 responsible for western economic diversification.  
8 It was not a project that was pursued too diligently  
9 by WD.

10 The next opportunity, to my  
11 recollection, that I had to become involved was when  
12 I became Minister of National Defence when I directly  
13 became involved in the Bear Head Project and  
14 discussions.

15 MR. ROITENBERG: So it would have  
16 been, then, shortly after you became Minister of  
17 National Defence that you received your first briefing  
18 in any formal way as to the Bear Head Project?

19 HON. WILLIAM MCKNIGHT: That's  
20 correct.

21 MR. ROITENBERG: Now, prior to  
22 becoming involved or being briefed on the background of  
23 the project, did you know Mr. Karlheinz Schreiber?

24 HON. WILLIAM MCKNIGHT: I can't say I  
25 knew Mr. Schreiber. I was aware of Mr. Schreiber.

1 MR. ROITENBERG: There are a number  
2 of names that are going to arise I imagine during  
3 this examination.

4 If I could just ask you at this point  
5 if you were aware of the gentleman by the name of Frank  
6 Moores?

7 HON. WILLIAM MCKNIGHT: Correct.

8 MR. ROITENBERG: And how were you  
9 aware of Mr. Moores.

10 HON. WILLIAM MCKNIGHT: Well,  
11 initially through political association. We happened  
12 to be members of the same political party.

13 The next opportunity was when I did  
14 become Minister and Mr. Moores was involved in private  
15 consulting within government.

16 GCI I believe was the name of his  
17 corporation.

18 MR. ROITENBERG: Government  
19 Consultants International.

20 Fred Doucet and Gerry Doucet, were  
21 you familiar with those two gentlemen?

22 HON. WILLIAM MCKNIGHT: Yes.

23 MR. ROITENBERG: In what capacity?

24 HON. WILLIAM MCKNIGHT: With Fred  
25 Doucet, within his capacity as being Chief Of Staff to

1 the Prime Minister, being involved in advising the  
2 Prime Minister and acting from his office while the  
3 Prime Minister was Leader of the Opposition prior to  
4 forming government in 1984. Then I was aware of, of  
5 course, Mr. Doucet, when he was Chief of Staff.

6 Gerry Doucet I became aware of much  
7 later on when I was -- I believe when I was Minister of  
8 National Defence.

9 MR. ROITENBERG: Now, other than a  
10 briefing within government, do you recall when you were  
11 first approached by anyone outside of your department  
12 regarding the Bear Head Project?

13 HON. WILLIAM MCKNIGHT: I don't  
14 recall the date or even the year, but I know it was  
15 shortly after I assumed the responsibility for the  
16 Ministry of National Defence, so it could well have  
17 been 1989, but I am not aware the exact date.

18 MR. ROITENBERG: All right.

19 Mr. Commissioner, if it assists you,  
20 I'm going to ask that we file at this time a book of  
21 documents as they pertain to Mr. McKnight's testimony.  
22 I'm going to ask that they be marked Exhibit P-1, "P"  
23 as in "Public".

24 COMMISSIONER OLIPHANT: Before the  
25 document is marked as an exhibit, do I understand that

1 this is going in with the consent of all counsel?

2 Mr. Pratt...?

3 MR. PRATTE: Yes.

4 COMMISSIONER OLIPHANT: Yes.

5 Mr. Vickery...?

6 MR. VICKERY: Yes.

7 COMMISSIONER OLIPHANT: Mr.

8 Houston...?

9 MR. HOUSTON: Yes.

10 COMMISSIONER OLIPHANT: Mr. Auger...?

11 MR. AUGER: Yes.

12 COMMISSIONER OLIPHANT: All right.

13 There is a binder of documents in the  
14 support of the Hon. Mr. McKnight's testimony. That  
15 book of documents will be received and marked as  
16 Exhibit No. P-1.

17 EXHIBIT NO. P-1: Binder  
18 entitled "Documents in Support  
19 of the Hon. William McKnight's  
20 testimony" consisting of 12 tabs

21 MR. ROITENBERG: Thank you, sir.

22 Mr. McKnight, if I can have you turn  
23 to Tab 2 of Exhibit P-1, the book of documents before  
24 you, it appears to be a letter addressed to you under  
25 the letterhead of GCI, Government Consultants

1 International, with a notation that it was penned by  
2 Frank Moores.

3 Do you see that letter?

4 HON. WILLIAM MCKNIGHT: Yes, I do.

5 MR. ROITENBERG: The date on the  
6 letter is May 9, 1989.

7 HON. WILLIAM MCKNIGHT: Correct.

8 MR. ROITENBERG: Now, I should ask,  
9 you had an opportunity to familiarize yourself with  
10 this book of documents as it was forwarded to you late  
11 last week.

12 Am I correct?

13 HON. WILLIAM MCKNIGHT: Correct.

14 MR. ROITENBERG: And you had the  
15 opportunity to familiarize yourself with this letter?

16 HON. WILLIAM MCKNIGHT: Yes.

17 MR. ROITENBERG: Does it assist  
18 you with, at the very least, having the Bear Head  
19 Project brought to your attention by Mr. Moores in  
20 early May 1989?

21 HON. WILLIAM MCKNIGHT: Yes, it does.

22 MR. ROITENBERG: Now, when you look  
23 through the contents of this document, would it be fair  
24 to characterize this as a letter in support of the Bear  
25 Head Project?

1 HON. WILLIAM MCKNIGHT: I believe  
2 that would be a fair assumption.

3 MR. ROITENBERG: In your capacity as  
4 Minister of National Defence, and in fact in your  
5 capacity generally as a Member of Cabinet, did you have  
6 occasion to deal with lobbyists.

7 HON. WILLIAM MCKNIGHT: Yes.

8 MR. ROITENBERG: What, to your mind,  
9 was the role of a lobbyist?

10 HON. WILLIAM MCKNIGHT: First of all,  
11 they had to have the support of a client and then they  
12 tried, in the best of their ability, to present their  
13 cause or their client's desires in the most effective  
14 manner in order to achieve success.

15 MR. ROITENBERG: Would you  
16 characterize the letter before you at Tab 2 as a  
17 lobbying type letter?

18 HON. WILLIAM MCKNIGHT: I would  
19 characterize it in that light.

20 I would suggest that in the context  
21 of this letter one must view that there was a budget  
22 which was presented prior to the writing of this letter  
23 and that budget called for restraint and re-evaluation  
24 of government priorities in order to meet the  
25 requirements of the budget of 1989.

1 MR. ROITENBERG: Now, prior to your  
2 taking the helm as Minister of National Defence there  
3 was a document signed by representatives of the  
4 Government of Canada and representatives of Bear Head  
5 or Thyssen International in September of 1988 called an  
6 understanding in principle.

7 Is that right?

8 HON. WILLIAM MCKNIGHT: Correct.

9 MR. ROITENBERG: You had no hand  
10 in the preparation or signing of that document.

11 Am I correct?

12 HON. WILLIAM MCKNIGHT: None.

13 MR. ROITENBERG: But you were aware  
14 of its existence?

15 HON. WILLIAM MCKNIGHT: I was only  
16 aware of its existence when I assumed the  
17 responsibility of Minister of Defence.

18 MR. ROITENBERG: And the budget of  
19 which you have just made mention would have had an  
20 impact on how the concepts and projects discussed in  
21 that understanding in principle may or may not have  
22 come to fruition.

23 Would that be fair?

24 HON. WILLIAM MCKNIGHT: That's  
25 accurate

1 MR. ROITENBERG: And this letter in  
2 that vein would seem to be proposing the Bear Head  
3 Project and a further meeting and suggesting that it  
4 should be a priority of your department.

5 HON. WILLIAM MCKNIGHT: That's  
6 correct.

7 MR. ROITENBERG: Now, on the third  
8 paragraph at page 1 of this letter it reads:

9 "I would be less than honest  
10 with you if I did not confide  
11 that I have a deep sense of  
12 foreboding that this project,  
13 supported by the Prime Minister,  
14 the Deputy Prime Minister,  
15 Elmer, Lowell, Lucien and ACOA,  
16 will go down the tubes unless  
17 action is forthcoming..."

18 (As read)

19 You see where it says that?

20 HON. WILLIAM MCKNIGHT: Yes, I do.

21 MR. ROITENBERG: "...invoking, if I  
22 can, the support of the Prime Minister in furtherance  
23 of pushing this forward onto your agenda." (As read)

24 Would that be fair?

25 HON. WILLIAM MCKNIGHT: That's fair.



1 MR. ROITENBERG: Now, was there any  
2 information given to you directly or shared with you  
3 and your Cabinet colleagues as to how to handle an  
4 approach where somebody invoked the name of the Prime  
5 Minister in support of a project?

6 HON. WILLIAM MCKNIGHT: Yes,  
7 there was.

8 I don't know whether it was the  
9 Cabinet or a Cabinet Committee, but the Prime Minister,  
10 Mr. Mulroney, made the statement that if we had  
11 concerns about people using his name to further their  
12 own cause that we should tell them that they should  
13 contact the Prime Minister and he in turn could contact  
14 the Minister. Basically it was something that everyone  
15 I think understood.

16 People use the Prime Minister's name  
17 and other Members of Cabinet in order to further their  
18 own cause and I worked under the assumption that I  
19 would do whatever my Prime Minister asked me to do, but  
20 the Prime Minister must ask me. I didn't take for  
21 granted representations that he as Prime Minister  
22 wanted something to happen.

23 MR. ROITENBERG: It would then be an  
24 appropriate time to ask you, did the Prime Minister  
25 ever directly advise you that he was in support of this

1 particular project?

2 HON. WILLIAM MCKNIGHT: Not this  
3 particular project and not at any time did he  
4 suggest that I was acting inappropriately as the  
5 Minister of Defence.

6 MR. ROITENBERG: Now, this letter  
7 urges you to have a meeting with Mr. Schreiber on  
8 behalf of Bear Head Industries and a General Withers,  
9 who would also help provide you with some background of  
10 the project, and it ends with:

11 "May I proceed and make  
12 appointments with your  
13 secretary." (As read)

14 That's how the letter ends off.

15 Do you recall if, and if so how soon  
16 after, you met with any representatives of the company?

17 HON. WILLIAM MCKNIGHT: I don't  
18 recall how soon, but I did meet with representatives of  
19 the company subsequent to that letter being written.

20 MR. ROITENBERG: At Tab 3 of the  
21 document book in front of you is an excerpt from an  
22 agenda belonging to Mr. Schreiber.

23 HON. WILLIAM MCKNIGHT: If I could  
24 excuse you, I have a blank Tab 3.

25 MR. ROITENBERG: Let me assist you

1 further.

2 --- Pause

3 MR. ROITENBERG: We have assistance  
4 on the way.

5 HON. WILLIAM MCKNIGHT: Thank you.

6 MR. ROITENBERG: You will note that  
7 at the 8:00 a.m. area of May 17, 1989 there is a  
8 notation "B McK" "E McK".

9 Do you see that?

10 HON. WILLIAM MCKNIGHT: I see that.

11 MR. ROITENBERG: Suggestive perhaps  
12 of a meeting with Bill McKnight and Elmer MacKay, if  
13 one were to subsume the names of players in this piece.

14 Do you see that?

15 HON. WILLIAM MCKNIGHT: I see that.

16 MR. ROITENBERG: Do you recall  
17 or does that assist you in your recollection as to  
18 the date and whether or not a meeting took place  
19 at that time?

20 HON. WILLIAM MCKNIGHT: It assists  
21 me -- and I won't argue with the specifics of the date.

22 And it also assists me as to when I  
23 may have had a meeting with Mr. MacKay, including  
24 Mr. Moores and someone else, but this is the only  
25 assistance I take from it.

1 MR. ROITENBERG: Certainly.  
2 Would it assists you at all in  
3 whether Mr. Schreiber was present at such a  
4 meeting with you?

5 HON. WILLIAM MCKNIGHT: I do  
6 recall meeting Mr. Schreiber on one or two occasions  
7 to specifically discuss the project, the Bear Head  
8 Project. I don't know whether this was an occasion  
9 where I did meet with Mr. Schreiber being part of  
10 the group.

11 MR. ROITENBERG: Now, I understand  
12 that the events of which we speak are two decades ago  
13 and matters do fade from one's memory over time.

14 Do you recall or can you ballpark how  
15 many times you recall meeting with Mr. Schreiber to  
16 discuss the Bear Head Project?

17 HON. WILLIAM MCKNIGHT: I recall two  
18 or three meetings in a formal sense that I was involved  
19 in in discussing the Bear Head Project with  
20 representatives of Thyssen or Bear Head. The players,  
21 to my recollection, are a bit foggy at times, but I did  
22 meet Mr. Schreiber and I did meet representatives of  
23 GCI on two or three occasions in a formal manner.

24 MR. ROITENBERG: At Tab 4 in this  
25 book of documents before you is a letter July 19, 1989

1 and it appears as if a gentleman by the name of Greg  
2 Alford has signed this document for Jürgen Massmann who  
3 was the President of Bear Head Industries at the time.

4 Are you familiar with this letter,  
5 sir?

6 HON. WILLIAM MCKNIGHT: Yes, I am.

7 MR. ROITENBERG: This letter seems to  
8 voice a concern about certain discussions that have  
9 reached back to Bear Head Industries that the  
10 government may intend to award a sole-sourced contract  
11 for light armoured vehicles to a company that wasn't  
12 Bear Head Industries.

13 Is that fair?

14 HON. WILLIAM MCKNIGHT: That's  
15 correct.

16 MR. ROITENBERG: And this letter  
17 seems to put forward an alternative proposal, with some  
18 measure of a price reduction from what had earlier been  
19 proposed by Bear Head Industries.

20 Would that be fair?

21 HON. WILLIAM MCKNIGHT: That's  
22 correct.

23 MR. ROITENBERG: You replied to that  
24 letter on September the 21st, 1989. It is the document  
25 at Tab 5 in the book before you.

1 HON. WILLIAM MCKNIGHT: Thank you.

2 MR. ROITENBERG: In your letter, you  
3 confirm that, in fact, a contract has been awarded for  
4 a light armoured vehicle for the Reserves to General  
5 Motors of Canada, and, in part, to FMC Corporation of  
6 California.

7 Is that right?

8 HON. WILLIAM MCKNIGHT: Correct.

9 MR. ROITENBERG: So this would have  
10 been, I assume, to put it mildly, contrary to the  
11 wishes as having been expressed by Bear Head  
12 Industries.

13 HON. WILLIAM MCKNIGHT: That would be  
14 correct, but I should suggest to you, Mr. Roitenberg,  
15 that there was more than one contract contemplated in  
16 the White Paper that was presented to Canada and to the  
17 government on behalf of the Ministry of Defence. This  
18 is one part of that White Paper that survived the  
19 discussions surrounding the budget of 1989 -- April  
20 1989.

21 MR. ROITENBERG: If I may, the  
22 contracts would have been, one, a contract to outfit  
23 the Reserves, and, two, a contract for general land  
24 forces.

25 HON. WILLIAM MCKNIGHT: Correct.

1 MR. ROITENBERG: And if I am not  
2 mistaken -- and correct me if I am wrong -- the wish to  
3 do something for the Reserves was the more pressing  
4 concern around 1988-1989.

5 Would that be fair?

6 HON. WILLIAM MCKNIGHT: It was more  
7 pressing, and it also was more appropriate to the  
8 budget, as we were restructuring the budget and  
9 examining the needs for the Land Force.

10 MR. ROITENBERG: The letter that we  
11 just reviewed at Tab 4 from Mr. Massmann, on behalf of  
12 Bear Head Industries, had as a proposal that you could  
13 outfit the general forces, and then take the materials  
14 that the general forces were currently using and allow  
15 those to go to the Reserves. That was found by your  
16 department to be not a wise solution.

17 Would that be fair?

18 HON. WILLIAM MCKNIGHT: It was not  
19 appropriate to the needs that were identified by the  
20 Defence professionals.

21 One of the reasons was that the use  
22 of the equipment that was initially being used by Land  
23 Force, and providing it to the Reserves, would not have  
24 assisted Land Force in re-equipping to meet their  
25 needs.

1 MR. ROITENBERG: If I could stop you  
2 there, you advised at the outset as to your background  
3 in agriculture and business. Did you at all have a  
4 military background?

5 HON. WILLIAM MCKNIGHT: No, I did  
6 not. As a matter of fact, it has been 30 years,  
7 probably, since there has been a minister of defence  
8 that had any experience as a military leader or  
9 involvement in the military.

10 MR. ROITENBERG: How, then, did you,  
11 as the Minister of Defence, participate or make  
12 decisions that involved military personnel, military  
13 equipment, without having the military background?

14 HON. WILLIAM MCKNIGHT: As other  
15 ministers have done in the past, as you become involved  
16 in a department, in a ministry of government, you rely  
17 on the professionals to provide you with advice. Your  
18 job is, basically, a manager, a decision-maker, and a  
19 politician.

20 And because you happen to be  
21 successful in knocking on doors and elected as a  
22 politician, that doesn't make you an expert in all  
23 fields.

24 MR. ROITENBERG: So you rely heavily  
25 on your staff.



1 HON. WILLIAM MCKNIGHT: I did very  
2 much, the professionals in the department and in the  
3 ministry.

4 MR. ROITENBERG: So if I may -- and I  
5 am certain to oversimplify things, but if I can, there  
6 are a number of primary concerns in this portfolio.  
7 One is concerns about ensuring military strength,  
8 concerns about budgetary constraints, and concerns  
9 about the political effect that any decision may have.

10 HON. WILLIAM MCKNIGHT: That is not  
11 oversimplification, that is very accurate.

12 MR. ROITENBERG: Up to this point in  
13 time, September of 1989, when you have responded to  
14 Bear Head's letter, had you had a conversation with  
15 then Prime Minister Mulroney about the Bear Head  
16 Project?

17 HON. WILLIAM MCKNIGHT: No, I had no  
18 conversation with the Prime Minister about the Bear  
19 Head Project.

20 MR. ROITENBERG: Had you received  
21 direction or instruction from then Prime Minister  
22 Mulroney through a different source?

23 HON. WILLIAM MCKNIGHT: Not a source  
24 that was credible in my mind. We have seen a letter  
25 from Mr. Moores, who suggested that the Prime Minister

1 was a supporter of this project.

2 I didn't receive any direction from  
3 anyone who I considered representative of the Prime  
4 Minister. To my knowledge, the Prime Minister was  
5 allowing me to function and do my job, as he did over  
6 seven different portfolios.

7 MR. ROITENBERG: If I may, just to  
8 perhaps put a little clarity on who might have been a  
9 person who might have spoken for the Prime Minister,  
10 you are referring to a senior official from either the  
11 Prime Minister's Office or the Privy Council Office?

12 HON. WILLIAM MCKNIGHT: Correct.  
13 Over 10 years, people seem to change positions in  
14 government, and I would have to have specific names to  
15 try to develop a memory as to who may have spoken to  
16 me, but I do recall a discussion with a Doucet -- and I  
17 am not sure whether it was Fred Doucet or it was Gerald  
18 Doucet -- who was promoting the Bear Head Project.

19 My memory is that it was Gerald  
20 Doucet.

21 MR. ROITENBERG: Would it be fair to  
22 suggest that there were good reasons to support a  
23 project like the Bear Head Project, or forget like the  
24 Bear Head Project, to support the Bear Head Project,  
25 and that there were good reasons to oppose it.

1                   HON. WILLIAM MCKNIGHT: That's an  
2 accurate assumption. Any project that brings economic  
3 activity and strength to the economy of the country is  
4 to be examined and supported.

5                   The difficulty with the Bear Head  
6 Project, as it was presented, was that it brought  
7 together a conflict with an existing supplier of  
8 military vehicles to the Canadian Forces, General  
9 Motors Diesel, in London, Ontario, and the military  
10 were reasonably pleased with the product that they had  
11 received and were contemplating receiving, and it would  
12 have been difficult to maintain two businesses, or two  
13 industries supplying Land Force vehicles under the  
14 budget constraints that we had at that time.

15                  MR. ROITENBERG: Would it also be  
16 fair to say that there were political forces at play  
17 here, in terms of regional politics and issues of  
18 regional development?

19                  HON. WILLIAM MCKNIGHT: Certainly,  
20 and it's not unusual in the Government of Canada to  
21 have those competing views.

22                  The members of the Atlantic caucus,  
23 and the political leadership from Atlantic Canada, very  
24 much wanted to see economic activity in that region,  
25 and very much wanted to see it in the region of Cape

1 Breton, which at that time was suffering high  
2 unemployment, and we, as a government, were attempting  
3 to bring regional development, not just to Atlantic  
4 Canada, but to western Canada and northern Ontario,  
5 with the economic development agencies that were  
6 announced at the time.

7 There also, of course, was the desire  
8 from the Ontario Members of Parliament to maintain an  
9 economic presence within their region.

10 And, as a matter of fact, members of  
11 the Western caucus always wished to see economic  
12 activity take place in the region where they were  
13 representing.

14 So it's not unusual, and I am sure it  
15 continues today.

16 MR. ROITENBERG: At Tab 6 in this  
17 book of documents there is a letter penned by -- or, at  
18 least, under your signature -- dated January the 25th,  
19 1990, to Mr. Schreiber.

20 You have had a chance to review that  
21 letter?

22 HON. WILLIAM MCKNIGHT: Yes, I have.

23 MR. ROITENBERG: How would you  
24 characterize that letter?

25 HON. WILLIAM MCKNIGHT: I would

1 characterize it as a letter that was designed to give  
2 comfort to a cabinet colleague and to a region of  
3 Canada.

4 There is nothing, as I reviewed this  
5 letter, unusual, in my mind, as to the practices of  
6 industrial development and/or securing procurement by  
7 the Government of Canada.

8 As you are aware, I am sure, most  
9 line departments don't do their own procuring. Supply  
10 and Services, at the time I was there, was the main  
11 agency for procurement, and cabinet made decisions, and  
12 the ministries acted on those decisions.

13 But I find nothing very unusual about  
14 this letter, except allowing comfort to be given to a  
15 cabinet colleague and to a project which, at the time,  
16 we were not able to take or go forward with.

17 MR. ROITENBERG: Not able to take or  
18 go forward with, but, by the same token, didn't want to  
19 draw to a close.

20 Would that be fair?

21 HON. WILLIAM MCKNIGHT: I think  
22 that's fair. As a practising politician, you don't  
23 want to offend either a region or a cabinet colleague,  
24 and I found this letter, when it was shown to me, to be  
25 a political letter, one that would provide an

1 opportunity to continue with the discussions in a  
2 different light. As I see it, it expresses the intent  
3 of the parties that Bear Head Industries establish  
4 manufacturing in the Province of Nova Scotia.

5 So I said that if we wished to  
6 continue these discussions, this is what would have to  
7 take place.

8 MR. ROITENBERG: Now, you said in  
9 answering the last question: This letter, when I saw  
10 it...

11 Am I to understand, then, that you  
12 did not sit down with a scratch pad and map out the  
13 course that this letter would take?

14 HON. WILLIAM MCKNIGHT:  
15 Unfortunately, if that is the public perception of how  
16 minister's operate, it's not accurate. I have every  
17 reason to believe that this letter would have been  
18 written in cooperation and in discussions with the  
19 department, and the experts within my department, and  
20 with discussions, probably, with Supply and Services or  
21 another department of government that would be involved  
22 in procurement.

23 MR. ROITENBERG: Is it possible, in  
24 preparing this letter, that those people within your  
25 department who worked on this letter may have consulted

1 with the Privy Council Office or the Prime Minister's  
2 Office?

3 HON. WILLIAM MCKNIGHT: That's  
4 possible, but I have no way of knowing that.

5 MR. ROITENBERG: Let me see if I can  
6 assist you in that regard. If you could go to Tab 13  
7 of the document book, you will see a memo to the  
8 attention of Bob Grauer.

9 Were you aware of who Mr. Grauer was?

10 HON. WILLIAM MCKNIGHT: I have no  
11 recollection, no.

12 MR. ROITENBERG: My understanding is  
13 that he was a deputy chief of staff in the Prime  
14 Minister's Office.

15 It was from Ron Bilodeau. Are you  
16 familiar with Mr. Bilodeau?

17 HON. WILLIAM MCKNIGHT: Yes, I am.

18 MR. ROITENBERG: He was with the  
19 Privy Council Office, if I'm not mistaken.

20 HON. WILLIAM MCKNIGHT: Amongst other  
21 departments of government, yes.

22 MR. ROITENBERG: And it references a  
23 conversation between Mr. Bilodeau and Ward Elcock, who  
24 I understand was also with the Privy Council Office.

25 HON. WILLIAM MCKNIGHT: That would be

1 my understanding at the time.

2 MR. ROITENBERG: And it appears as if  
3 they are reviewing the contents of this letter, and  
4 they paid some particular attention to the time  
5 limitation that was expressed in the letter.

6 HON. WILLIAM MCKNIGHT: Right.

7 MR. ROITENBERG: It would appear,  
8 then, that whoever was preparing the letter from within  
9 the Ministry of National Defence had forwarded it for  
10 comment to either the Prime Minister's Office or the  
11 Privy Council Office for some feedback.

12 Would that be fair?

13 HON. WILLIAM MCKNIGHT: I am not sure  
14 of the initiative that was originally taken to draft  
15 the letter, but it certainly is accurate that there was  
16 comment requested, or comment delivered by Mr. Bilodeau  
17 and Mr. Elcock.

18 MR. ROITENBERG: I take it that it  
19 wouldn't be uncommon to seek certain comment from  
20 another department, or from the Privy Council Office or  
21 the Prime Minister's Office, regarding a project they  
22 are already familiar with.

23 HON. WILLIAM MCKNIGHT: It wouldn't  
24 be uncommon, but, in this example, it is the first time  
25 that I have been made aware that there was that



1 consultation, to use that word.

2 MR. ROITENBERG: Because when the  
3 letter comes to you, it is already in some form of  
4 finished product to determine whether or not you wish  
5 to make further edits.

6 HON. WILLIAM MCKNIGHT: That's right.

7 MR. ROITENBERG: When you sent this  
8 letter to Mr. Schreiber, the January 25th, 1990 letter,  
9 did you do so under any pressure from Prime Minister  
10 Mulroney?

11 HON. WILLIAM MCKNIGHT: No.

12 MR. ROITENBERG: Did you do so under  
13 any pressure from the Prime Minister's Office?

14 HON. WILLIAM MCKNIGHT: No, I would  
15 suggest that the only pressure I may have received was  
16 pressure that there was a dispute between cabinet  
17 colleagues, that colleagues were not in agreement, and  
18 that colleagues, in order to achieve the collegiality  
19 that is required in cabinet, had to come to a decision  
20 and move forward.

21 That was the only pressure that I  
22 received, or direction that I received from -- I  
23 believe it was the PCO, but I can't be certain.

24 MR. ROITENBERG: If I could phrase it  
25 another way, you took it upon yourself to offer some

1           comfort to the company, while maintaining the position  
2           that the government should be committed to nothing.

3                           HON. WILLIAM MCKNIGHT: I believe  
4           that the opportunity to allow the company to have an  
5           opportunity in the future was the best that I could do  
6           for the region of Atlantic Canada, and for the company  
7           that was promoting itself to supply products to the  
8           Armed Forces in Canada. Anything else would have not  
9           been accurate, because there was not the capacity  
10          within the department or the need identified by the  
11          military advisors for an immediate action to be taken.

12                          MR. ROITENBERG: Shortly after this  
13          letter was sent, under your direction a meeting took  
14          place between certain members of your staff and certain  
15          representatives of the company.

16                          Would that be correct?

17                          HON. WILLIAM MCKNIGHT: Correct.

18                          MR. ROITENBERG: The meeting took  
19          place, if I am not mistaken, on February the 5th, 1990,  
20          and your representative, or the department's  
21          representative there was Mr. Robert Fowler.

22                          HON. WILLIAM MCKNIGHT: That is my  
23          recollection, after you have identified the date.

24                          MR. ROITENBERG: Would I be correct  
25          that, with your concurrence, a message was conveyed by

1 Mr. Fowler at that meeting that, other than offering  
2 the ability to potentially participate in the future,  
3 nothing more could be offered to Bear Head at the time?

4 HON. WILLIAM MCKNIGHT: That is  
5 accurate, and the opportunity to bring to a conclusion  
6 the discussions that were taking place between the  
7 Government of Canada and Bear Head/Thyssen at some time  
8 had to be concluded, and that was, I thought, an  
9 appropriate effort that was made on my behalf, on  
10 behalf of the Government of Canada, by Mr. Fowler.

11 MR. ROITENBERG: I am going to  
12 suggest that that didn't really work. It certainly  
13 didn't conclude matters with Bear Head Industries, did  
14 it?

15 HON. WILLIAM MCKNIGHT: That is  
16 accurate, and I found it strange. Mr. Fowler is a very  
17 aggressive and articulate person, and I hope you are  
18 able to, in the future, be able to hear from Mr.  
19 Fowler. I pray that that can happen.

20 MR. ROITENBERG: I think we all hope  
21 that.

22 HON. WILLIAM MCKNIGHT: Bob is, as I  
23 said, very articulate, and I don't think there was a  
24 misunderstanding at the conclusion of that meeting. I  
25 would be very surprised if there was.

1 MR. ROITENBERG: Prior to that  
2 particular meeting, on February the 1st of 1990, there  
3 was a meeting between yourself and Stanley Hartt, who,  
4 at the time, was the Chief of Staff of the Prime  
5 Minister's Office.

6 Would that be correct?

7 HON. WILLIAM MCKNIGHT: Accepting  
8 your identification of the date, that is correct, but I  
9 didn't recall the meeting until I was able to look at  
10 documentation.

11 MR. ROITENBERG: Okay, and that would  
12 be Document 8 in the document book.

13 HON. WILLIAM MCKNIGHT: That's  
14 correct.

15 MR. ROITENBERG: And while I  
16 appreciate your taking my word for it, I would rather  
17 you took your own word for it, because you have  
18 identified the date in this letter.

19 Is that correct?

20 HON. WILLIAM MCKNIGHT: Correct.

21 MR. ROITENBERG: And you have  
22 highlighted that there was a meeting that took place on  
23 February the 1st.

24 If you go forward to page 3, you will  
25 note that there is reference in that first paragraph to

1 the fact that Elmer MacKay was present at that meeting  
2 between yourself and Mr. Hartt.

3 Would that be fair?

4 HON. WILLIAM MCKNIGHT: Yes, I make  
5 reference to that.

6 MR. ROITENBERG: You, as well, in  
7 this letter, highlight that there was a further  
8 meeting, on March the 9th, between yourself, Mr. MacKay  
9 and Mr. Schreiber.

10 That is in the final paragraph.

11 HON. WILLIAM MCKNIGHT: Yes, I see  
12 that.

13 MR. ROITENBERG: So notwithstanding  
14 the letter that you penned in January of 1990 --  
15 January the 25th -- notwithstanding the meeting of  
16 February the 5th, where Mr. Fowler, on your  
17 instruction, attempted to make things clear, there were  
18 still meetings that occurred, one in particular on  
19 March the 9th, and beyond.

20 HON. WILLIAM MCKNIGHT: That's  
21 correct.

22 MR. ROITENBERG: At Tab 9 is a letter  
23 from Mr. Schreiber to your attention, and it's dated  
24 October the 10th, 1990.

25 Do you see that letter, sir?

1 HON. WILLIAM MCKNIGHT: Yes, I do.

2 MR. ROITENBERG: It suggests that  
3 there was a meeting sometime in September, or at least  
4 some direction given sometime in September, or  
5 shortly -- around that date, around September the 25th,  
6 1990 -- that there was a direction by the Prime  
7 Minister's Office that there be some meeting convened  
8 between yourself, Minister MacKay and, potentially, Mr.  
9 Schreiber.

10 HON. WILLIAM MCKNIGHT: I see that.

11 MR. ROITENBERG: Do you recall that  
12 direction from the Prime Minister's Office that there  
13 be a meeting?

14 HON. WILLIAM MCKNIGHT: I don't  
15 recall it, and I don't know the assumption under which  
16 the letter is based, but I don't recall that happening.

17 MR. ROITENBERG: Do you recall  
18 whether or not a meeting, as identified, ever took  
19 place around the fall of 1990 between yourself, Mr.  
20 MacKay and Mr. Schreiber?

21 HON. WILLIAM MCKNIGHT: It could well  
22 have. We occasionally had meetings in the lobby,  
23 behind the curtains, and I had discussions, I know, at  
24 one time, in the lobby, behind the curtains, with Mr.  
25 MacKay and I believe Mr. Schreiber, but I couldn't tell

1           you who was there, if there was anyone there, from the  
2           Prime Minister's Office.

3                       MR. ROITENBERG:   But, again, suffice  
4           it to say that, notwithstanding your efforts and those  
5           of your staff to, in your view, bring this matter to a  
6           close, somewhat, the discussions continued.

7                       HON. WILLIAM MCKNIGHT:   That is  
8           accurate.   The people who represented Bear Head, and  
9           Bear Head itself, were very persistent.

10                      MR. ROITENBERG:   At Tab 10 is a  
11           letter from Mr. Schreiber to yourself, and what I am  
12           particularly interested in is on the last page of that  
13           letter, page 4, in the second-to-last full paragraph.

14                      It is written:

15                               "More recently, I learned from  
16                               you that financing is the only  
17                               problem that prevents you from  
18                               equipping your soldiers with a  
19                               modern vehicle.   Thyssen is in a  
20                               position to explore a variety of  
21                               financing options which would  
22                               assist in overcoming the  
23                               obstacle."

24                               Is that an accurate statement, sir,  
25           that finances were the only obstacle at that point from

1           having this project go forward?

2                           HON. WILLIAM MCKNIGHT:  No, that is  
3           not accurate, to my recollection.

4                           If you remember the context of time,  
5           there were changes taking place in the world in the  
6           latter part of 1990-1991.  Subsequently, the Berlin  
7           Wall came down.  The need for Land Force was being  
8           examined by the professionals in my department, and it  
9           wouldn't be accurate to portray that financing was the  
10          only problem in going ahead and supporting the Bear  
11          Head request, or the Thyssen request.

12                          MR. ROITENBERG:  Could you,  
13          potentially, assist the Commission with sharing with  
14          us -- at this point we are at October of 1990.  What  
15          were the reasons, at that point in time, for not  
16          wishing to pursue the purchase of this product from  
17          Thyssen?

18                          HON. WILLIAM MCKNIGHT:  If I draw  
19          your attention back to the White Paper, the White Paper  
20          made a very substantial commitment to recapitalizing on  
21          the equipment side of the Canadian Forces.  That was  
22          made in the light of knowledge at the time, in 1988 --  
23          the election of 1988, and earlier on, in 1984.

24                          There were several options being  
25          examined by the professionals, the options of



1 increasing the Reserve, the options of maintaining our  
2 presence in Europe, and the options of returning our  
3 aging tank fleet back to Canada. There were several  
4 initiatives, including, as you may recall, the  
5 submarines that were identified, the large expenditure  
6 that was identified for other equipment, and the  
7 department was still examining its needs and its  
8 requirements in the light of a changing world, and not  
9 just the change in finances, but the change in the  
10 atmosphere of the world at that time.

11 MR. ROITENBERG: We spoke earlier of  
12 the Understanding in Principle, the UIP that was signed  
13 in September of 1988. At Tab 11 is a document known as  
14 the Memorandum of Understanding. If you go to the very  
15 last page of this document, a document that bears the  
16 signature of Mr. Karlheinz Schreiber as Chairman of  
17 Bear Head Industries, and the signature of Elmer MacKay  
18 as the Minister responsible for the Atlantic Canada  
19 Opportunities Agency, there is a space there for the  
20 Minister of National Defence, and it remains unsigned.

21 HON. WILLIAM MCKNIGHT: Correct.

22 MR. ROITENBERG: Do you recall if,  
23 and, if so, when this document was brought to your  
24 attention?

25 HON. WILLIAM MCKNIGHT: I don't

1 recall. The only recollection I have is that it was  
2 identified as I reviewed the documentation provided by  
3 the Commission. I have no explanation for the  
4 document, or no explanation for the blank signature  
5 block.

6 MR. ROITENBERG: Do you recall it  
7 ever being presented to you for signature?

8 HON. WILLIAM MCKNIGHT: I don't  
9 recall.

10 MR. ROITENBERG: Do you recall ever  
11 specifically refusing to sign?

12 HON. WILLIAM MCKNIGHT: No, and I  
13 believe I would.

14 MR. ROITENBERG: Do you recall there  
15 being pressures placed upon you by anybody to sign a  
16 document like this?

17 HON. WILLIAM MCKNIGHT: Not to my  
18 recollection. As I identified, I don't recall the  
19 document.

20 MR. ROITENBERG: Other than by  
21 cabinet colleagues, did you ever feel pressure by  
22 anybody to act one way or the other in regard to this  
23 project?

24 HON. WILLIAM MCKNIGHT: Yes, I felt  
25 pressure from the corporation itself, from Mr.

1 Schreiber, pressure from those that were engaged on  
2 behalf of Thyssen and Bear Head, but I didn't find that  
3 to be unusual. People were doing the job which they  
4 were engaged to do. So I didn't -- I didn't find that  
5 unusual. I did find it sometimes a little more than  
6 annoying but I didn't -- I didn't find it unusual.

7 MR. ROITENBERG: So attempting to  
8 push the right buttons is what you would expect from a  
9 lobbyist or a proponent of a company's interests?

10 HON. WILLIAM MCKNIGHT: That's  
11 correct.

12 MR. ROITENBERG: And pushing a  
13 project that they believe in, either for economic  
14 benefit, political benefit or such, would be something  
15 you would expect from a Cabinet colleague?

16 HON. WILLIAM MCKNIGHT: The job of a  
17 Cabinet colleague is prescribed by the ministry and by  
18 the region he comes from or she comes from and it's not  
19 unusual to have Cabinet colleagues be proponents of  
20 activity within their own region or within their own  
21 ministry.

22 MR. ROITENBERG: Other than the  
23 persistent nature of this particular project, was there  
24 anything to you glaringly unusual about the way in  
25 which it proceeded?

1 HON. WILLIAM MCKNIGHT: Not really.  
2 There was nothing unusual if you remove the persistence  
3 and the dedication to the end goal by the corporation  
4 and their proponents, particularly those that were  
5 engaged on a commercial basis.

6 MR. ROITENBERG: That would be the  
7 lobbyists?

8 HON. WILLIAM MCKNIGHT: The lobbyist  
9 to promote the project.

10 MR. ROITENBERG: Did you see at any  
11 time any evidence of anything untoward while you dealt  
12 with this project?

13 HON. WILLIAM MCKNIGHT: No.

14 MR. ROITENBERG: Mr. McKnight, thank  
15 you very much. If you will wait there, please, others  
16 may have some questions for you.

17 HON. WILLIAM MCKNIGHT: Thank you.

18 COMMISSIONER OLIPHANT: I am  
19 wondering whether other counsel have agreed upon the  
20 order in which questioning will be done.

21 Mr. Pratte...?

22 MR. PRATTE: I believe we have,  
23 Commissioner. For this round anyway I believe that I  
24 would go second. (Off microphone).

25 COMMISSIONER OLIPHANT: Fine.

1 COURT REPORTER: Please turn your  
2 microphone on.

3 COMMISSIONER OLIPHANT: I think the  
4 authorities are asking that you turn the microphone on,  
5 Mr. Pratte.

6 MR. PRATTE: Are you ready to hear  
7 from me now, sir?

8 COMMISSIONER OLIPHANT: If you are  
9 ready to proceed, that is fine with me, sir.

10 EXAMINATION: HON. WILLIAM MCKNIGHT BY MR. PRATTE /  
11 INTERROGATOIRE : L'HON. WILLIAM MCKNIGHT PAR Me PRATTE

12 MR. PRATTE: Good morning, Mr.  
13 McKnight. My name is Guy Pratte. I represent The  
14 Right Honourable Brian Mulroney. I only have a couple  
15 of questions for you.

16 You referred early on in your  
17 testimony to your knowledge of Mr. Schreiber and as I  
18 recall it you said you may have met him two or three  
19 times in formal meetings whilst you were Minister of  
20 Defence; is that right?

21 HON. WILLIAM MCKNIGHT: Correct.

22 MR. PRATTE: Prior to your becoming  
23 Minister of Defence, did you have occasion to meet with  
24 Mr. Schreiber or socialize with him in any way?

25 HON. WILLIAM MCKNIGHT: It wasn't

1 meeting or socializing. We attended some of the same  
2 functions but they weren't considered social functions  
3 unless you call the leadership for a political party a  
4 social function.

5 MR. PRATTE: Well, I won't go there.

6 And other than the -- well, after you became Minister  
7 and for your term as Minister of National Defence,  
8 other than those formal meetings, did you socialize  
9 with Mr. Schreiber?

10 HON. WILLIAM MCKNIGHT: I saw him in  
11 airports. I saw him in the lobby behind the curtains  
12 on the odd occasion. We would speak as we passed  
13 through the airport or say hello, but no, I don't  
14 believe that you would say that we had a social  
15 relationship.

16 MR. PRATTE: Would you describe him  
17 as a friend?

18 HON. WILLIAM MCKNIGHT: Not  
19 particularly.

20 MR. PRATTE: If you go to Tab 10,  
21 this is a letter that my friend Mr. Roitenberg already  
22 referred to. It is addressed to you, dated October  
23 18th, 1990, and it starts:

24 "Dear Bill, I have always  
25 regarded you as a friend who

1 shares many common friends..."

2 (As read)

3 That is not the way you regarded him  
4 though, as a friend, is it?

5 HON. WILLIAM MCKNIGHT: No. No, that  
6 is not the -- that is not the word that I would use.

7 MR. PRATTE: Thank you, sir.

8 Those are my questions, Commissioner.

9 COMMISSIONER OLIPHANT: Thank you,  
10 Mr. Pratte.

11 Mr. Vickery, are you going to be  
12 asking questions, and if so, will you be next?

13 MR. VICKERY: My understanding is  
14 that I would go last, Mr. Commissioner.

15 COMMISSIONER OLIPHANT: All right.  
16 Maybe what you could do is enlighten me as to your  
17 understanding so that I don't have to go through this  
18 process.

19 MR. VICKERY: Of course and I  
20 apologize for the confusion. I believe that my friend  
21 Mr. Auger was next.

22 COMMISSIONER OLIPHANT: All right,  
23 thank you.

24 Good morning, Mr. Auger.

25 MR. AUGER: Good morning,

1 Commissioner.

2 EXAMINATION: HON. WILLIAM MCKNIGHT BY MR. AUGER /

3 INTERROGATOIRE : L'HON. WILLIAM MCKNIGHT PAR Me AUGER

4 MR. AUGER: Good morning, Mr.

5 McKnight. My name is Richard Auger. I represent Mr.

6 Schreiber.

7 I just have one area that I want to  
8 ask you about. If you can, please, turn to Tab 10 in  
9 the document binder, and this is a letter that has  
10 already been referred to, page 4, and in fact Mr.  
11 Roitenberg had taken you to the sentence:

12 "More recently I learned from  
13 you that financing is the only  
14 problem that prevents you from  
15 equipping your soldiers with a  
16 modern vehicle." (As read)

17 What I want to ask you is there were  
18 a number of arguments for and against the Bear Head  
19 project. I think you have alluded to that in your  
20 evidence already. Is that fair?

21 HON. WILLIAM MCKNIGHT: That is fair.

22 MR. AUGER: And one of the arguments  
23 in favour of the Bear Head project, as advocated by Mr.  
24 Schreiber, was that it was a superior modern vehicle;  
25 is that fair?



1 HON. WILLIAM MCKNIGHT: That was how  
2 it was purported.

3 MR. AUGER: And it's true that that  
4 occurs in this letter but also in other discussions by  
5 representatives of Bear Head you had received that  
6 argument as well?

7 HON. WILLIAM MCKNIGHT: Correct.

8 MR. AUGER: And indeed, I believe  
9 there was a meeting involving yourself and Mr. Moores  
10 where he too was a forceful proponent of the quality of  
11 the equipment proposed by Bear Head; is that correct?

12 HON. WILLIAM MCKNIGHT: That is  
13 correct.

14 MR. AUGER: And indeed, either Mr.  
15 Schreiber or perhaps Mr. Moores had presented you with  
16 a demonstration, I believe, of a block of steel armour  
17 demonstrating in simple terms that the Bear Head  
18 project -- or the Bear Head product, sorry, was  
19 superior. Is that also correct?

20 HON. WILLIAM MCKNIGHT: That is  
21 correct.

22 MR. AUGER: And you didn't have any  
23 basis to decline that argument that was being advanced  
24 to you from Mr. Schreiber?

25 HON. WILLIAM MCKNIGHT: Not

1 particularly. Not particularly because when you rely  
2 on the advice of professionals, there were other  
3 considerations that were required from the Department  
4 of National Defence in order to equip the men and women  
5 to the best of our abilities.

6 MR. AUGER: Thank you, sir, those are  
7 my questions.

8 COMMISSIONER OLIPHANT: Thank you,  
9 Mr. Auger.

10 Mr. Houston?

11 MR. HOUSTON: I have no questions,  
12 Mr. Commissioner, thank you.

13 COMMISSIONER OLIPHANT: Thank you,  
14 Mr. Houston.

15 Mr. Vickery?

16 MR. VICKERY: Yes, Mr. Commissioner.

17 EXAMINATION: HON. WILLIAM McKNIGHT BY MR. VICKERY /  
18 INTERROGATOIRE : L'HON. WILLIAM McKNIGHT PAR Me VICKERY

19 MR. VICKERY: Mr. McKnight, you made  
20 reference on two occasions in your testimony to having  
21 conversations on the lobby, behind the curtains. Could  
22 you simply clarify for us the location that you are  
23 speaking of when you say that?

24 HON. WILLIAM McKNIGHT: It is in the  
25 House of Commons. In the Centre Block on both sides of

1 the Chamber there are curtains and behind those  
2 curtains are facilities, telephones, chairs, couches,  
3 for members and staff of members and occasionally  
4 others to discuss matters that you don't have time to  
5 do in your office and you are on duty in the House or  
6 you are attending for votes and you take advantage of  
7 those opportunities. That's where the lobby or behind  
8 the curtains takes place.

9 MR. VICKERY: Thank you. That is my  
10 only question.

11 COMMISSIONER OLIPHANT: Thank you.  
12 Just a moment, Mr. Wolson, please.

13 --- Pause

14 EXAMINATION: HON. WILLIAM McKNIGHT BY COMMISSIONER  
15 OLIPHANT / INTERROGATOIRE : L'HON. WILLIAM McKNIGHT PAR  
16 COMMISSAIRE OLIPHANT

17 COMMISSIONER OLIPHANT: Just for  
18 clarification on my part, Mr. McKnight, did you say in  
19 your evidence that you were never asked by the Prime  
20 Minister about Bear Head nor were you asked to have a  
21 meeting regarding Bear Head?

22 HON. WILLIAM McKNIGHT: By the Prime  
23 Minister, no, I was never --

24 COMMISSIONER OLIPHANT: Or anyone on  
25 behalf of the Prime Minister that was credible?

1 HON. WILLIAM MCKNIGHT: Someone that  
2 was credible would include the Chief of Staff --

3 COMMISSIONER OLIPHANT: Yes.

4 HON. WILLIAM MCKNIGHT: -- and I do  
5 believe I was encouraged, as maybe my Cabinet colleague  
6 Mr. MacKay was encouraged but I can't speak for him,  
7 that as colleagues that we get together and attempt to  
8 address this matter so that we could get on with life,  
9 so that we could continue to function in a collegial  
10 manner.

11 COMMISSIONER OLIPHANT: Do you recall  
12 who it may have been that did that encouraging?

13 HON. WILLIAM MCKNIGHT: Well, it may  
14 have been Mr. Hart when I review the correspondence  
15 that has been provided to me.

16 It may have -- it may have been Mr.  
17 Spector but until I started reviewing I didn't even  
18 recall Mr. Spector being the Chief of Staff. This is 20  
19 years ago.

20 COMMISSIONER OLIPHANT: I appreciate  
21 that very much.

22 You indicated that you had a  
23 discussion with one of the Doucets and that whoever it  
24 was was promoting the Bear Head proposal. You said you  
25 believed it was Gerald Doucet.

1 HON. WILLIAM MCKNIGHT: That is my --  
2 that is my recollection.

3 COMMISSIONER OLIPHANT: Do you know  
4 in what capacity he would have been speaking to you  
5 about Bear Head?

6 HON. WILLIAM MCKNIGHT: I believe  
7 that it may have been in his capacity as being a  
8 partner or a member of GCI.

9 COMMISSIONER OLIPHANT: Ah! That is  
10 Mr. Moores' firm?

11 HON. WILLIAM MCKNIGHT: Correct.

12 COMMISSIONER OLIPHANT: Okay.

13 You talked at one point in your  
14 evidence about the job of a Cabinet minister being  
15 prescribed by the ministry which he or she serves and  
16 by the region from which the minister comes. And there  
17 we are talking about politics, correct?

18 HON. WILLIAM MCKNIGHT: Correct.

19 COMMISSIONER OLIPHANT: I understand  
20 that different regions have what is referred to as a  
21 regional minister?

22 HON. WILLIAM MCKNIGHT: Correct.

23 COMMISSIONER OLIPHANT: Who was the  
24 Regional Minister for the Atlantic Region during this  
25 period of time?

1 HON. WILLIAM MCKNIGHT: I believe it  
2 was Mr. MacKay. If it was not for the Atlantic Region,  
3 I believe he was the Regional Minister for Nova Scotia.

4 COMMISSIONER OLIPHANT: Okay. Just  
5 enlighten me, if you can, because I know little about  
6 politics. What is the function of a regional minister?

7 HON. WILLIAM MCKNIGHT: A regional  
8 minister represents on behalf of all members of  
9 Parliament or all members of a caucus the desires and  
10 the needs. They also have influence to appointments.  
11 They may or may not have a specific responsibility for  
12 economic activity within the region.

13 At one time Mr. MacKay, I believe,  
14 was responsible for ACOA, which is the Atlantic  
15 Opportunities Corporation. Mr. Gerald Merrithew was  
16 also responsible for ACOA, I believe, at one time. I  
17 was responsible for Western Economic Diversification at  
18 one time. Mr. Kilgour -- no. It doesn't matter.  
19 There was a Northern Ontario Economic Opportunities  
20 Agency.

21 And so the Cabinet ministers that had  
22 that responsibility represented both economically and  
23 if they were also regional ministers, politically that  
24 region.

25 COMMISSIONER OLIPHANT: All right,

1           thank you.

2                               Counsel, my practice when I ask  
3           questions is to give other counsel an opportunity to  
4           address themselves to questions that I may have asked  
5           of the witness.

6                               Mr. Roitenberg, do you have any  
7           questions arising?

8                               MR. ROITENBERG:   No.

9                               COMMISSIONER OLIPHANT:   Mr. Pratte?

10                              MR. PRATTE:   No, thank you,  
11           Commissioner.

12                              COMMISSIONER OLIPHANT:   Mr. Houston,  
13           anything?

14                              MR. HOUSTON:   No, thanks.

15                              COMMISSIONER OLIPHANT:   Mr. Auger?

16                              MR. AUGER:    No, thanks.

17                              COMMISSIONER OLIPHANT:   Mr. Vickery?

18                              MR. VICKERY:   No.

19                              COMMISSIONER OLIPHANT:   Thank you  
20           very much.

21                              All that remains then for me to do,  
22           Mr. McKnight, is to thank you very much for taking time  
23           out of what I know is a busy schedule to come to Ottawa  
24           from Saskatoon but I assume if Saskatoon is anything  
25           like Winnipeg has been, it is kind of pleasant to get

1 away from the cold weather, in any event.

2 HON. WILLIAM MCKNIGHT: That is  
3 appreciated, that opportunity, Mr. Commissioner.

4 COMMISSIONER OLIPHANT: All right.  
5 Thank you very much, sir.

6 UNIDENTIFIED SPEAKER: Welcome to  
7 balmy Ottawa.

8 HON. WILLIAM MCKNIGHT: Where it  
9 snows salt.

10 --- Laughter / Rires

11 COMMISSIONER OLIPHANT: Is there any  
12 reason why Mr. McKnight can't be excused at this point,  
13 counsel?

14 MR. WOLSON: None at all.

15 COMMISSIONER OLIPHANT: Mr. McKnight,  
16 thank you very much for coming. I appreciate the  
17 assistance, sir.

18 HON. WILLIAM MCKNIGHT: Thank you.

19 COMMISSIONER OLIPHANT: Mr. Wolson?

20 MR. WOLSON: Mr. Commissioner, I told  
21 you in my opening comments that there will be times  
22 when we will finish early. I didn't expect it to be  
23 this early in the proceeding.

24 Mr. Lalonde is not available until  
25 this afternoon. I am in the position that we have no



1 other witnesses for this morning, so I am suggesting we  
2 stand down until 1:30 for Mr. Lalonde.

3 COMMISSIONER OLIPHANT: Well, I can't  
4 suggest anything in the alternative, so I will agree  
5 that we should adjourn till 1:30 this afternoon. Thank  
6 you.

7 THE REGISTRAR: All rise.

8 --- Upon recessing at 10:49 a.m. / Reprise à 10 h 49

9 --- Upon resuming at 1:34 p.m. / Reprise à 13 h 34

10 COMMISSIONER OLIPHANT: Good  
11 afternoon, counsel.

12 THE REGISTRAR: Please be seated.  
13 Veuillez vous asseoir.

14 MR. VICKERY: I have just been handed  
15 a fairly thick volume of documents that I understand  
16 came from my friends.

17 COMMISSIONER OLIPHANT: Which of  
18 your friends? You have a lot of friends in the room,  
19 Mr. Vickery.

20 MR. VICKERY: I have a lot of  
21 friends, yes.

22 Well, as far as I'm aware, it was  
23 Mr. Pratte in this instance.

24 Apparently they are documents that  
25 Mr. Pratte wishes to make reference to with regard to

1 the testimony of Mr. Lalonde.

2 COMMISSIONER OLIPHANT: Yes.

3 MR. VICKERY: I obviously have not  
4 had a chance to review them because I have just been  
5 handed them and I did have the understanding that we  
6 were in general hoping to exchange documents at least  
7 two days in advance of the witness giving testimony.  
8 So I simply raise the point because I am at somewhat of  
9 a disadvantage.

10 COMMISSIONER OLIPHANT: Well, okay.  
11 You have told me about the disadvantage, what do you  
12 want me to do about it?

13 MR. VICKERY: Well, perhaps we could  
14 begin by having Mr. Pratte advise as to what the  
15 documents are in some general fashion and why it is  
16 that I have them now.

17 MR. PRATTE: There is not a single  
18 new document. They were all documents transmitted to  
19 us by Commission counsel some time ago,  
20 Mr. Commissioner.

21 When we got the volume of documents  
22 from the Commission, I believe it was Thursday  
23 afternoon, then the issue became which are different  
24 documents. But there is absolutely not a single new  
25 document from the documents communicated to all

1 parties, it's a selection thereof.

2 I had several discussions, as did  
3 Mr. Hughes, with Commission counsel about how we were  
4 going to handle this given it was the first day and the  
5 best we could do was to do what we did today.

6 COMMISSIONER OLIPHANT: So the point  
7 is, then, that whatever documents are in the binder  
8 that you have given to Mr. Vickery are documents that  
9 he has had in his possession earlier, as have all other  
10 counsel from Commission counsel.

11 MR. PRATTE: That's so,  
12 Mr. Commissioner.

13 That being said, it's true I think  
14 that nevertheless we should indicate which out of the  
15 hundreds of documents, but they are all documents that  
16 came from Mr. Lalonde, as I understand it, through  
17 Commission counsel.

18 COMMISSIONER OLIPHANT: All right.

19 Mr. Vickery, does that explanation  
20 give you, to use Mr. McKnight's term, a level of  
21 comfort?

22 MR. VICKERY: Well, Mr. Commissioner,  
23 the point is, of course, there are thousands of  
24 documents.

25 COMMISSIONER OLIPHANT: Yes.

1 MR. VICKERY: These are apparently  
2 some of them. Which ones I have no idea, not having  
3 looked at them.

4 COMMISSIONER OLIPHANT: Well, do you  
5 want some time to have a look at the documents?

6 MR. VICKERY: Yes, that is what I  
7 would ask to have happen.

8 COMMISSIONER OLIPHANT: Okay.  
9 Now, tell me how much time you would  
10 like to have.

11 MR. VICKERY: For an initial review  
12 perhaps a half an hour, if I could, Mr. Commissioner.

13 COMMISSIONER OLIPHANT: Okay.  
14 Thank you.

15 Mr. Wolson...?

16 MR. WOLSON: I'm hoping that my  
17 friend can take 15 minutes, tell us if he needs any  
18 more time than that after he sees the documents.

19 Mr. Lalonde is not available beyond  
20 today and my suggestion is that we start as soon as we  
21 can, given that Mr. Vickery will look at the documents  
22 at least for a time, and then continue on until we are  
23 finished his testimony, even if it is beyond the  
24 ordinary time.

25 So if Mr. Vickery could take just

1 a briefer period now, if he needs more time just to  
2 let us know.

3 COMMISSIONER OLIPHANT: Well, I'm  
4 not going to put pressure on Mr. Vickery to hurry his  
5 work up.

6 It's unfortunate that Mr. Lalonde has  
7 a scheduled to meet, but so does this Commission and he  
8 is subject to a subpoena. It's unfortunate that we  
9 didn't have Mr. Lalonde here this morning because time  
10 was wasted this morning.

11 You take whatever time you need. If  
12 you do finish earlier than the half hour. perhaps you  
13 could let Commission counsel know and we could  
14 reconvene rather than waste more time this afternoon.

15 Okay?

16 MR. VICKERY: I'm quite happy to  
17 do that.

18 Thank you very much.

19 COMMISSIONER OLIPHANT: All right.

20 MR. VICKERY: Thank you.

21 THE REGISTRAR: All rise. Veuillez  
22 vous lever.

23 --- Upon recessing at 1:38 p.m. / Suspension à 13 h 38

24 --- Upon resuming at 2:18 p.m. / Reprise à 14 h 18

25 THE REGISTRAR: Please be seated.

1 COMMISSIONER OLIPHANT: Mr. Battista.

2 MR. BATTISTA: Good afternoon, Mr.  
3 Commissioner.

4 Simply for Mr. Vickery. I think Mr.  
5 Vickery has had the opportunity of reviewing the  
6 documents and we have agreed among the parties that the  
7 book prepared by Mr. Pratte will go in. There is one  
8 document on which there may be discussions but that  
9 will only be at a later date.

10 That is okay with you?

11 MR. VICKERY: My understanding is  
12 that that document is being removed from the exhibit or  
13 what is filed as an exhibit.

14 MR. BATTISTA: That is correct.

15 COMMISSIONER OLIPHANT: All right,  
16 that is fine then. Can we proceed then?

17 MR. BATTISTA: Yes.

18 COMMISSIONER OLIPHANT: Thank you.

19 MR. BATTISTA: Right. We are going  
20 to begin this afternoon with the Hon. Marc Lalonde.

21 COMMISSIONER OLIPHANT: Yes, thanks.

22 MR. BATTISTA: Good afternoon.

23 COMMISSIONER OLIPHANT: Good afternoon  
24 Mr. Lalonde and welcome.

25 MR. BATTISTA: Thank you for having

1           agreed to...

2                                   COMMISSIONER OLIPHANT: One moment  
3           please.

4                                   MR. BATTISTA: Yes, certainly.

5           ASSERMENTÉ : L'HON. MARC LALONDE /

6           SWORN: HON. MARC LALONDE

7                                   MR. BATTISTA: Go ahead Mr.

8           Commissioner.

9           INTERROGATOIRE : L'HON. MARC LALONDE PAR Me BATTISTA /

10          EXAMINATION: HON. MARC LALONDE BY MR. BATTISTA

11                                  MR. BATTISTA: Thank you for having  
12          agreed to testify this afternoon. We called somewhat  
13          earlier to accommodate your schedule and also in  
14          accordance with the Commissioner's decision to begin  
15          the inquiry immediately and then postpone it for a few  
16          days. So thank you, and we will begin now.

17                                  You received the binder which I can  
18          see that you have in hand, a binder of documents in  
19          support of your testimony.

20                                  HON. MARC LALONDE: Yes.

21                                  MR. BATTISTA: I am going to file it  
22          as Exhibit P-2. It consists essentially of documents  
23          from the Hon. Marc Lalonde, at the Commission's  
24          request.

25                                  EXHIBIT NO. P-2: Documents in

1 support of the Hon. Marc  
2 Lalonde's testimony.

3 MR. BATTISTA: All right?

4 Yes, you have your copy. So everyone  
5 has a copy. Good.

6 So to introduce things, and to avoid  
7 requiring you to recite your curriculum vitae, I am  
8 going to make a number of statements, which you can add  
9 to if required.

10 You were educated as a lawyer, and  
11 admitted to the Bar in 1957?

12 HON. MARC LALONDE: Correct.

13 MR. BATTISTA: Yes. You taught  
14 economics at the Université de Montréal, and business  
15 law, and you worked as the asistant to the Minister of  
16 Justice in the federal government, and became a partner  
17 in a law firm until approximately 1967?

18 HON. MARC LALONDE: Yes.

19 MR. BATTISTA: You then joined  
20 Mr. Pearson's office, when he was Prime Minister, as an  
21 advisor?

22 HON. MARC LALONDE: Yes.

23 MR. BATTISTA: You became  
24 Mr. Trudeau's Chief of Staff when he became the Prime  
25 Minister; is that correct?



1 HON. MARC LALONDE: Correct.

2 MR. BATTISTA: And in '72, you were  
3 elected, and ended your term in Parliament in 1984. Is  
4 that correct, September 1984?

5 HON. MARC LALONDE: That is correct,  
6 yes.

7 MR. BATTISTA: And you held various  
8 positions and worked in various departments. I will  
9 mention only a few: Health and Welfare, Amateur  
10 Sports, Status of Women, Justice, Energy and Mines, and  
11 Finance. Is that right?

12 HON. MARC LALONDE: You could have  
13 added Amateur Sports as well.

14 MR. BATTISTA: Yes.

15 HON. MARC LALONDE: Basically, I  
16 could never hold a job.

17 --- Rires / Laughter

18 HON. MARC LALONDE: I apologize for  
19 my voice, but I have been attempting to cure my  
20 laryngitis, Justice Oliphant, for a few weeks now, and  
21 I have not been very successful in doing so.

22 COMMISSIONER OLIPHANT: I understand.

23 MR. BATTISTA: So you left the  
24 government in the fall of '84 and you returned to  
25 private practice. Is that correct?

1 HON. MARC LALONDE: Yes.

2 MR. BATTISTA: So I am going to ask  
3 you to tell us about your professional or personal  
4 connections with Mr. Karlheinz Schreiber. Could you  
5 describe the nature of that relationship?

6 HON. MARC LALONDE: Mr. Schreiber was  
7 a client of mine two or three years after I left  
8 politics. I was in private practice as a partner at  
9 Stikeman Elliott at the time, and Mr. Schreiber came to  
10 see me on a number of matters that were basically  
11 commercial, and over the years, I represented him on a  
12 number of occasions in matters that involved providing  
13 advice or taking action in connection with basically  
14 commercial operations.

15 MR. BATTISTA: Would you describe  
16 your links with him as professional, personal or both?

17 HON. MARC LALONDE: I would say both.  
18 Of course it began as a purely professional  
19 relationship. Before 1986 or 87, I had never met or  
20 heard anything about Mr. Schreiber, and did not know  
21 him. But over the years, we had a very good personal  
22 relationship.

23 Mr. Schreiber and I, accompanied by  
24 our wives, would occasionally lunch together, and we  
25 would see one another socially. I believe he lived in

1 Ottawa or Toronto at the time, and we were in Montreal,  
2 so we did not see each other every day.

3 But it was the sort of relationship  
4 that you have with a good client when you are in the  
5 practice of law. You see them occasionally, etc.  
6 There are some who are keen on playing golf with their  
7 clients. I don't like golf, and I preferred having  
8 lunch with them.

9 MR. BATTISTA: Generally speaking,  
10 without going into detail, what was the nature of the  
11 forms of representation he requested of you?

12 HON. MARC LALONDE: It was basically  
13 matters that were commercial in nature, as I said.  
14 There was... I recall that he had asked me for an  
15 opinion in regard to litigation in connection with a  
16 real estate transaction that was turning out badly, I  
17 believe. In another matter, it was a relationship with  
18 a Canadian bank with which there had been a  
19 misunderstanding, I believe.

20 They were basically commercial in  
21 nature. He dealt with all sorts of things, and was  
22 active with all kinds of companies. At one point, I  
23 advised him in connection with a company that made  
24 prepared pasta.

25 And of course, I advised him in the

1 Thyssen case that is being investigated by the  
2 Commission, and I would say that this was the most  
3 significant matter that I dealt with in connection with  
4 Mr. Schreiber.

5 MR. BATTISTA: Generally speaking,  
6 over the years, who was the client, your client, when  
7 you worked on matters involving Mr. Schreiber?

8 HON. MARC LALONDE: It was generally  
9 one or other of his firms, particularly Bear Head  
10 Industries for the Thyssen case. Sometimes it was one  
11 of his other companies. I think that on one occasion,  
12 it was a company called Bitucan Holdings, which he told  
13 me he owned.

14 But there were other occasions where  
15 I represented him purely personally, in his private  
16 affairs.

17 MR. BATTISTA: All right.

18 Now, without going into any details  
19 concerning the specific forms of representation in this  
20 case, when you acted on behalf of Mr. Schreiber in  
21 connection with Bear Head, who was your client at that  
22 time?

23 HON. MARC LALONDE: The bills were  
24 sent... at the beginning, I believe, they were sent to  
25 Bear Head Industries, and then sent to Thyssen BHI,

1 BHI. I must admit that I am unaware of the exact  
2 relationship between the two, and who controlled what -  
3 you would have to ask Mr. Schreiber - but I think that  
4 Mr. Greg... Mr. Massmann... not Greg. It was...

5 MR. BATTISTA: Greg Alford perhaps?

6 HON. MARC LALONDE: No, no.

7 Massmann.

8 MR. BATTISTA: Mr. Massmann, right.

9 HON. MARC LALONDE: I can't remember  
10 his first name... Jürgen. Jürgen Massmann was, I  
11 believe, the president of that company. He was a  
12 senior official of Thyssen in Germany, whereas Bear  
13 Head, I believe, was run... belonged to Mr. Schreiber  
14 himself. It may be that Mr. Schreiber was also the  
15 chairman of BHI, but you would have to ask him about  
16 that.

17 MR. BATTISTA: Right. All right.

18 I am going to draw your attention to  
19 Tab 30 in the documents before you. There are the  
20 invoices for the fees, and I am going to draw your  
21 attention more particularly to page one and page five.

22 So we can see the heading on the  
23 first page. We can also see: Mr. Karlheinz Schreiber,  
24 Chairman, Bear Head Industries Ltd.

25 HON. MARC LALONDE: Uh-huh.

1 MR. BATTISTA: And page five... or  
2 the fifth page rather...

3 HON. MARC LALONDE: Yes.

4 MR. BATTISTA: ...or rather the  
5 sixth, I'm sorry. You see the letterhead? The  
6 letterhead clearly identifies Stikeman Elliott.  
7 Can you say who prepared the  
8 invoices? In whose name were they made out, and why  
9 would there be a difference between the first and the  
10 fifth? Is it something to do with printing?

11 HON. MARC LALONDE: I think that it's  
12 simply that I took it out of my own file. In some  
13 instances, there must have been an original placed on  
14 file bearing the Stikeman Elliott letterhead. For the  
15 others, these were copies that my secretary placed on  
16 file.

17 But in all instances, the invoices  
18 were sent out on behalf of Stikeman Elliott, and these  
19 were prepared by me on the basis of time sheets and  
20 expenses typical of those used by law firms, and the  
21 invoice was sent by me, but on behalf of Stikeman  
22 Elliott, and paid to the order of Stikeman Elliott.

23 I must say that over a 25-year  
24 period, I did not see many of these. The invoices were  
25 sent directly to the accounting department for the

1 firm, or if my secretary received the cheque, it would  
2 be sent directly to them without her showing it to me.  
3 I would hear about it when clients failed to pay.  
4 Otherwise, when the clients paid, the office seemed  
5 happy. So I must say that, to the best of my  
6 knowledge, all of those invoices were paid.

7 MR. BATTISTA: All right. You never  
8 heard about it?

9 HON. MARC LALONDE: I never heard  
10 about it.

11 MR. BATTISTA: So, simply to ensure  
12 that I have properly understood, basically, for the  
13 invoices, you prepared them with the help of your  
14 assistant; is that correct?

15 HON. MARC LALONDE: Correct.

16 MR. BATTISTA: Prepared in Stikeman  
17 Elliott's name?

18 HON. MARC LALONDE: Yes.

19 MR. BATTISTA: Invoiced by Stikeman  
20 Elliott?

21 HON. MARC LALONDE: Yes.

22 MR. BATTISTA: And paid to Stikeman  
23 Elliott?

24 HON. MARC LALONDE: Absolutely.

25 MR. BATTISTA: All right.

1                   Was your billing method to invoice on  
2                   an hourly basis, for a fixed amount, or for a lump sum?

3                   HON. MARC LALONDE: I always billed  
4                   on an hourly basis, and I can tell you, after having  
5                   checked over the past few days, that it was at my  
6                   hourly rate at the time, which was 325 dollars an hour.

7                   MR. BATTISTA: Right. And how were  
8                   these invoices paid?

9                   HON. MARC LALONDE: To my knowledge,  
10                  they were paid by cheque.

11                  MR. BATTISTA: All right. At any  
12                  time in your professional relationship with  
13                  Mr. Schreiber, did the matter of cash payments ever  
14                  come up?

15                  HON. MARC LALONDE: No. All of the  
16                  services I rendered to Mr. Schreiber were paid by  
17                  cheque or by means of a bank draft. As I said, I did  
18                  not see the money coming in, but I was a partner in a  
19                  law firm, and the arrangement was that all fees paid to  
20                  partners would go to the firm and not to the individual  
21                  partners...

22                  MR. BATTISTA: All right.

23                  HON. MARC LALONDE: ...except for  
24                  director's fees, which at the time could be kept by  
25                  those who were board members. But in all other



1 instances, at Stikeman Elliott at the time, the money,  
2 the fees were... belonged to the firm..

3 MR. BATTISTA: You have just made a  
4 distinction, which is to say that your work, as a  
5 lawyer, or in representing a client, the money for that  
6 was billed in the firm's name, and the money went to  
7 the firm; is that correct?

8 HON. MARC LALONDE: Absolutely,  
9 without exception.

10 MR. BATTISTA: But there was an  
11 exception for those instances in which you, for  
12 example, were sitting on a company board of directors,  
13 in which case those fees or those amounts could be paid  
14 directly to the partners?

15 HON. MARC LALONDE: They were  
16 excluded from the partnership agreement.

17 MR. BATTISTA: All right.

18 HON. MARC LALONDE: So, the lawyer in  
19 question could keep such fees.

20 MR. BATTISTA: Very well.

21 Was your billing method... you  
22 mentioned that you invoiced on an hourly basis. Could  
23 your billing method vary depending on the nature of  
24 services? That is to say, if you rendered services as  
25 a lawyer, you had one method of billing, and if you

1 rendered services as a lobbyist, for example, you had  
2 another method of billing?

3 HON. MARC LALONDE: No, the same  
4 method was used and the same fees were used, and my  
5 office at the time was not at all in favour of fees  
6 based on a percentage or any arrangements of that kind.  
7 The principle was that we should charge on the basis of  
8 our hourly rate, and if we had some kind of remarkably  
9 successful outcome, we would negotiate the payment of a  
10 bonus with the client.

11 Now, that does not mean that the net  
12 amount was always strictly based on the hourly fees,  
13 but the practice was not to take any assignments on on  
14 a percentage basis, whether as a lawyer or a lobbyist.

15 MR. BATTISTA: All right.

16 I am going to ask you some questions  
17 now about your role within the specific context of the  
18 Bear Head project.

19 When did your involvement in  
20 promoting the Bear Head project begin?

21 HON. MARC LALONDE: In terms of  
22 promoting the project as such, it goes back to the end  
23 of October '93. I had heard about the project  
24 beforehand. As I told you, Mr. Schreiber consulted me  
25 on various matters and spoke to me about projects in

1           which he was occasionally involved.

2                           And I believe that in early '93... in  
3           October rather, he consulted me in connection with a  
4           legal opinion that he had obtained from Gowlings, a law  
5           firm in Ottawa at the time, I believe, or Toronto -- he  
6           was also in Toronto at the time -- in connection with  
7           the possibility of suing the Canadian government for  
8           breach of contract or false representation, and he had  
9           asked me... he had given me a copy of that opinion and  
10          asked me whether I would be willing to consider acting  
11          as a lawyer in that case.

12                          And I told him at the time that first  
13          of all, it would definitely not be me because I was not  
14          a trial lawyer, but that, in my opinion, Ian Scott was  
15          an excellent Ontario lawyer, and I recommended to him  
16          that he engage Mr. Scott as his lawyer, which he did.

17                          MR. BATTISTA: Specifically in  
18          connection with the promotion, could you speak about  
19          how you were approached to undertake the specific  
20          assignment you agreed to at the end of October 1993?

21                          HON. MARC LALONDE: At the end of  
22          October -- that would have been after the election of  
23          the new Liberal government in October, I believe,  
24          1993 -- Mr. Schreiber asked me whether I would agree to  
25          attempt to convince the government to proceed with the

1 purchase of the Thyssen product, the tracked armoured  
2 personnel carrier, which the Thyssen company had been  
3 trying to sell to the Canadian government for a number  
4 of years, and in connection with which it had been  
5 unable to succeed in receiving a favourable response  
6 prior to the election.

7 So I told him that I would naturally  
8 be prepared to consider this engagement and to take it  
9 on, but that it struck me that there were some basic  
10 conditions.

11 The first was that it would be  
12 necessary to demonstrate that from the cost-benefit  
13 standpoint, it was better than the products of other  
14 competitors.

15 Second, that the product had a market  
16 beyond the Canadian market, because no one would build  
17 a plant for only 400 vehicles, after all.

18 And third, I told him that he should  
19 forget about even considering the idea that the  
20 government, the new government, would sole source this  
21 contract, that is, give it to Thyssen without a public  
22 tender, and that in my opinion, the only chance they  
23 had of succeeding was to try to convince the government  
24 to hold a public tender call, and I saw no problem,  
25 personally, in taking steps with the government

1 authorities and the administration to suggest that a  
2 project on this scale required a public tender call,  
3 and that there ought to be genuine transparent  
4 competition before reaching a decision.

5 MR. BATTISTA: When you took on the  
6 assignment, and accepted it, how far advanced was the  
7 Bear Head project?

8 HON. MARC LALONDE: I believe that it  
9 was known that the Conservative government had  
10 abandoned the project, and had decided not to proceed  
11 with it. That is my recollection. In any event, the  
12 project had been stalled for some years. But no final  
13 decision had been made. The government had not  
14 announced the purchase of new products or products  
15 different from those being offered by Thyssen.

16 So I said that the project could be  
17 considered to be, as we say, in limbo. At the time,  
18 there had not been an official decision, but it was  
19 clear that the project was... was not exactly  
20 considered a high priority at the time. That was the  
21 context in which we were, I think, in October '93.

22 MR. BATTISTA: All right.

23 I am going to refer you to tabs 3 and  
24 5 in the documents you have in front of you. I believe  
25 these are your personal notes.

1 HON. MARC LALONDE: Yes.

2 MR. BATTISTA: So let's look at the  
3 first note at Tab 3. Here are the notes that you  
4 took -- correct me if I'm wrong -- in the context of a  
5 meeting to prepare or discuss your assignment.

6 HON. MARC LALONDE: Yes, these are my  
7 notes... all of those handwritten notes refer to either  
8 telephone conversations or notes that I took at  
9 meetings with people from Bear Head Industries. But if  
10 you look at page 2 of Tab 3...

11 MR. BATTISTA: Yes.

12 HON. MARC LALONDE: ...Mr. Jürgen  
13 Massmann and Greg Alford are mentioned.

14 MR. BATTISTA: Yes.

15 HON. MARC LALONDE: So that would be  
16 a meeting I held with them at the time.

17 On the last page, there is a note  
18 "Schreiber, Greg Alford and Jack Vance". So that too  
19 was another telephone conversation or a meeting with  
20 those three persons.

21 As for the final page, all that I can  
22 see is "telephone KHS". So those were possibly notes  
23 taken in a telephone conversation with Mr. Schreiber.

24 Unfortunately, not all of those notes  
25 are dated, but I would say that those notes were taken

1 very probably at the very beginning of my assignment.  
2 They are notes that consist of providing me with  
3 information about the situation, giving me an overview  
4 of the situation with respect to the project.

5 MR. BATTISTA: At the very beginning  
6 of your involvement, at the time, was Thyssen trying to  
7 set up operations in the Quebec region or in the  
8 Province of Quebec?

9 HON. MARC LALONDE: Well, at the very  
10 beginning...

11 MR. BATTISTA: Of your involvement.

12 HON. MARC LALONDE: ...under the  
13 previous government...

14 MR. BATTISTA: Yes.

15 HON. MARC LALONDE: ...the project  
16 was considering Cape Breton, and I don't know whether I  
17 was consulted before or immediately afterwards.

18 But in any event, my view had been,  
19 from the very moment that I was consulted; listen, in  
20 my view, one of the big problems about setting up in  
21 Cape Breton is that you are going to have to require  
22 the Canadian government or find funds somewhere to  
23 spend a great deal of money on infrastructure, building  
24 a port, perhaps a railway for access to the plant, and  
25 so on, building roads.

1                   And I said, I think that one of your  
2 handicaps... moreover, I am asking myself whether they  
3 might not have mentioned it at some point. The  
4 government found that it could amount to up to a  
5 hundred million dollars on infrastructure investment,  
6 and I told them that I did not think any government  
7 could consider an investment of that magnitude at the  
8 time.

9                   So I suggested to them that they  
10 consider setting up in Quebec. There were two  
11 locations that struck me as reasonably logical or  
12 possible, and that already had the infrastructure.

13                   The first was the Davie shipyards in  
14 Lévis near Quebec City, shipyards that were always in  
15 financial trouble, that were always short of contracts,  
16 and that the government had always kept at arm's length  
17 for years, and I told myself that it might be possible  
18 to convert a portion of this huge shipyard into a plant  
19 that could manufacture this type of product.

20                   Another was in Montreal, and I think  
21 it had just closed at the time. That was the Vickers  
22 factories, which also... belonged to a British company  
23 which, I think, had already gone bankrupt, but which,  
24 during the Second World War had built a plant there  
25 that was used to repair ships, but which also, I



1 believe, if I am remembering correctly, had been used  
2 to build military equipment.

3 So the two locations, in Lévis and  
4 Montreal, had access to deep water ports and excellent  
5 access by road and railway, and thus would not involve  
6 the government in having to spend a great deal of money  
7 on infrastructure to support the project.

8 That then was the recommendation I  
9 made, but I must admit that I cannot remember whether  
10 they themselves had decided at that time that perhaps  
11 it would be better to consider Quebec rather than Cape  
12 Breton.

13 MR. BATTISTA: All right.

14 I would like to return to look at  
15 your notes again. Simply to draw your attention to  
16 page 1 of Tab 3. On line 5, we have... or line 4  
17 rather:

18 "Outdated machine. Nothing for  
19 peacekeeping. Min -- alors,  
20 Minister -- would have said you  
21 will get only -- je ne vois  
22 pas -- for peacekeeping. " (As  
23 read)

24 Do you know what that note is  
25 referring to?

1 HON. MARC LALONDE: Listen, first of  
2 all, I was not at the dinner in question; second, that  
3 is what Mr. Schreiber reported to me about the  
4 conversation with Canadian generals that he had had at  
5 that dinner...

6 MR. BATTISTA: Uh-huh.

7 HON. MARC LALONDE: ...and I believe  
8 that the generals told him, what the Minister told him,  
9 the only product that you are going to... that the  
10 government will be prepared to consider as a new  
11 investment is going to be peacekeeping equipment.

12 MR. BATTISTA: All right.

13 And we can see a little farther down,  
14 under the heading "Collenette"... I would imagine that  
15 refers to Mr. Collenette, who was a minister at the  
16 time?

17 HON. MARC LALONDE: Yes.

18 Me BATTISTA :

19 "We want export business for  
20 Canada. DND needed to test  
21 machine. Not asking to buy any  
22 machine. " (As read)

23 It's...

24 HON. MARC LALONDE: Yes, that's  
25 right.

1 MR. BATTISTA: What is that referring  
2 to? Correct me if I'm wrong, but you mentioned earlier  
3 that at the time, the goal was to demonstrate that it  
4 was a quality vehicle; second, that the vehicle could  
5 be exported, and that there would be a foreign market  
6 for it.

7 HON. MARC LALONDE: Uh-huh.

8 MR. BATTISTA: Do those notes reflect  
9 that kind of discussion?

10 HON. MARC LALONDE: Yes. Generally  
11 speaking, I would say, yes. But when I wrote here,  
12 "not asking to buy the machine, " then honestly, I am  
13 not quite sure whether it was Thyssen saying that you  
14 don't need to buy the equipment to test it, or whether  
15 it meant there was no need to pay anything to test one.

16 MR. BATTISTA: All right.

17 HON. MARC LALONDE: I cannot give you  
18 details about that.

19 MR. BATTISTA: You can no longer  
20 remember details about that sort of discussion?

21 HON. MARC LALONDE: Well,  
22 particularly with respect to "not asking to buy the  
23 machine," I don't know, as I mentioned to you, whether  
24 it means that Thyssen said you don't need to buy it to  
25 test it.

1 MR. BATTISTA: Uh-huh.

2 HON. MARC LALONDE: I don't know what  
3 it refers to precisely.

4 MR. BATTISTA: Very well.

5 I would also like to draw your  
6 attention to page three of this document. We see...  
7 you alluded earlier to KHS:

8 "To be in Ottawa week of 13th  
9 meetings." (As read)

10 And then, we have:

11 "Arrange with..." (As read)

12 I would imagine that those are  
13 ministers that you wanted to speak with, either you or  
14 you and Mr. Schreiber, to get together for a meeting?

15 HON. MARC LALONDE: Yes, absolutely.

16 MR. BATTISTA: Is that correct?

17 HON. MARC LALONDE: Yes.

18 MR. BATTISTA: With respect to the  
19 international component of the project, I'm going to  
20 draw your attention to tabs 2, 6 and 7.

21 So at Tab 2, there is a letter from  
22 Mr. Greg Alford, who was, correct me if I'm wrong,  
23 vice-president of Bear Head at the time? Was he a Bear  
24 Head official?

25 HON. MARC LALONDE: He was an

1           official, vice-president or president, I can't... I am  
2           wondering whether he might not have been president.

3                       MR. BATTISTA: All right.

4                       HON. MARC LALONDE: Mr. Schreiber was  
5           the chairman.

6                       MR. BATTISTA: Chairman, right.

7                       So Mr. Alford wrote to you on  
8           February 1, and in that document, he referred to a  
9           meeting held on December 14, 93, a meeting you did not  
10          attend. Is that correct?

11                      HON. MARC LALONDE: No. I cannot  
12          remember having attended that meeting.

13                      MR. BATTISTA: All right.

14                      And in this letter, he referred to  
15          the fact that a number of market studies and documents  
16          that tended to show that there was international demand  
17          for this type of vehicle were submitted?

18                      HON. MARC LALONDE: Yes.

19                      MR. BATTISTA: I would like to direct  
20          you to... I would like you to look at Tab 6 beginning  
21          on page 8.

22                      HON. MARC LALONDE: Yes.

23                      MR. BATTISTA: So what we have  
24          here...

25                      HON. MARC LALONDE: On page 8 of Tab

1 6?

2 MR. BATTISTA: Yes. Yes.

3 HON. MARC LALONDE: This would appear  
4 to be page 8 of 16?

5 MR. BATTISTA: Exactly!

6 HON. MARC LALONDE: Thank you.

7 MR. BATTISTA: So you no doubt recall  
8 when we met to prepare your testimony that you referred  
9 to the fact that you could remember some tables...

10 HON. MARC LALONDE: Uh-huh.

11 MR. BATTISTA: ...which showed...  
12 Are these the tables you were thinking of?

13 HON. MARC LALONDE: Yes. I  
14 definitely saw those tables. I could not remember when  
15 we held our interview because I had not found them in  
16 my file, but these are definitely the sorts of  
17 documents I must have considered at one time or  
18 another.

19 MR. BATTISTA: So, what we have here  
20 is a document in which we see:

21 "Specified NATO market"? (As  
22 read)

23 HON. MARC LALONDE: Uh-huh.

24 MR. BATTISTA: I presume that these  
25 are NATO member countries?

1 HON. MARC LALONDE: Exactly.  
2 Me BATTISTA :  
3 "Unspecified NATO market" (As  
4 read)

5 These are countries where market  
6 studies had not been conducted?

7 HON. MARC LALONDE: Yes, or had  
8 not... it's shown at the top.

9 MR. BATTISTA: Yes.

10 HON. MARC LALONDE: The first is  
11 indicated:

12 "Within NATO 14 countries are  
13 equipped with M113 variants and  
14 similar vehicles. Four specific  
15 NATO nations were covered by the  
16 BHI study." (As read)

17 And the other is:

18 "Within NATO 14 countries are  
19 equipped with M113 variants and  
20 similar vehicles. Ten NATO  
21 nations were forecast on a  
22 combined basis by the BHI  
23 study." (As read)

24 MR. BATTISTA: All right.

25 And what we have here is that Bear

1 Head Industries considers them as markets for this type  
2 of vehicle; is that right?

3 HON. MARC LALONDE: Precisely.

4 MR. BATTISTA: So on page 2, I mean  
5 page 9 of 16, there is "BHI forecast gross market", and  
6 "8,280 vehicles"...

7 HON. MARC LALONDE: Correct.

8 MR. BATTISTA: ...and "BHI forecast  
9 net market 1,656 vehicles"?

10 HON. MARC LALONDE: Uh-huh.

11 MR. BATTISTA: Then we were:

12 "Specified non-NATO market" (As  
13 read)

14 Are these countries that do not  
15 belong to NATO?

16 HON. MARC LALONDE: That's right.

17 MR. BATTISTA: And Thyssen had... or  
18 Bear Head had prepared projections on the basis of  
19 future or potential needs, and potential markets in  
20 those countries?

21 HON. MARC LALONDE: As far as I know,  
22 these studies were carried out by Thyssen in Germany  
23 and were done... were intended to identify countries  
24 that had equipment that was likely to need replacement,  
25 which is to say countries that had equipment that was



1 15, 20 or 25 years old, and it could therefore be  
2 presumed that these countries would want to modernize  
3 their equipment in a more or less medium term, and it  
4 was on this basis that the list of those countries had  
5 been established, to my knowledge.

6 MR. BATTISTA: All right.

7 And now, I would draw your attention  
8 to Tab 7, simply to finish with this document. Once  
9 again, on page 11 of 16, we have :

10 "Unspecified non-NATO market"

11 (As read)

12 And here again, we have a series of  
13 countries, but here, there are no forecasts. What we  
14 have is the number of vehicles that these countries are  
15 believed to have, but there are no forecasts about any  
16 possibilities of...

17 HON. MARC LALONDE: That's right.

18 MR. BATTISTA: ...sales, and it's the  
19 same thing on the next page?

20 HON. MARC LALONDE: That's right.

21 It's a list of countries for which no doubt Thyssen did  
22 not have any valid information for drawing any... for  
23 making any reasonable forecasts..

24 MR. BATTISTA: All right.

25 And on page 13 of 16, what we have is

1 the total potential based on Thyssen's forecasts for  
2 the international market?

3 HON. MARC LALONDE: The total  
4 potential and the market share that Thyssen thought it  
5 could obtain.

6 MR. BATTISTA: All right.

7 I now draw your attention to Tab 7.  
8 Did you have an opportunity to look at this document?

9 HON. MARC LALONDE: Yes.

10 MR. BATTISTA: May I suggest that  
11 this is the Canadian government's study about possible  
12 or plausible forecasts for the international market?

13 HON. MARC LALONDE: The external  
14 market, yes, that's right.

15 MR. BATTISTA: That then was done by  
16 the Canadian government following representations by  
17 Thyssen and Bear Head?

18 HON. MARC LALONDE: I'm not sure if  
19 it was done by the government itself. I wonder whether  
20 they might not have hired a major accounting firm as  
21 consultants, but they are government figures.

22 MR. BATTISTA: Right.

23 And which were prepared in the  
24 context of the representations made by Thyssen and Bear  
25 Head at the time?

1                   HON. MARC LALONDE: Correct. Thyssen  
2                   said that there was a large external market, a major  
3                   export market for the product, and the government said,  
4                   well, we would like to see, we would like to conduct  
5                   our own study, and we won't necessarily keep to your  
6                   figures, and the government carried out those studies.

7                   Moreover, there was a reasonably  
8                   large gap between the two. If you look at Thyssen's  
9                   projections, the figure was approximately 8,000  
10                  vehicles, whereas the government figures show 2,000  
11                  vehicles.

12                 But I know that there were subsequent  
13                 discussions between the government and Thyssen on that  
14                 score, in which I personally did not take part, but  
15                 which... let's say that the gap between the figures  
16                 tended to get narrower.

17                 But in any event, Thyssen's thesis  
18                 was to the effect that even with 2,000 export vehicles,  
19                 that would very easily support an independent facility  
20                 in Canada, and Thyssen would assign a world territory  
21                 for the product to Thyssen Canada.

22                 MR. BATTISTA: All right.

23                 I will now draw your attention to Tab  
24                 10, which is a document, sent by fax by Mr. Alford.  
25                 You were copied on it. We can see then that a copy had

1           been sent to Jürgen Massmann, Karlheinz Schreiber, Jack  
2           Vance, and yourself.

3                           HON. MARC LALONDE: Uh-huh.

4                           MR. BATTISTA: And it is a copy of  
5           the government's White Paper on defence.

6                           Can you tell us about the importance  
7           of the defence White Paper? Did it represent...

8                           HON. MARC LALONDE: Well, a new  
9           government had just taken over, and it was facing an  
10          extremely difficult financial situation. The fiscal  
11          deficit was very large, to put it mildly, and the  
12          government had made it one of its priorities, and had  
13          said that its top priority was to reduce the deficit,  
14          and both Mr. Chrétien, who was Prime Minister and  
15          Mr. Martin, who was the Minister of Finance, were  
16          committed to drastically reducing the deficit over a  
17          period of a few years.

18                          Furthermore, for years, on a regular  
19          basis, the Department of Defence had consistently asked  
20          to renew its equipment, to add to what they had, and so  
21          on, and it had always, for several decades, been a  
22          problem between the Department of Defence and the  
23          government. There is virtually no limit on the  
24          military equipment that can be purchased if you really  
25          want to keep up to date with the latest. Moreover, the

1 government's resources are necessarily limited. One  
2 therefore has to learn to compromise or lower the  
3 Department of Defence's expectations.

4 The White Paper had been prepared by  
5 the government of the day precisely to attempt to  
6 provide a framework for dealing with all the requests  
7 coming from the Department of Defence. Some requested  
8 submarines. Others wanted more destroyers. Some  
9 wanted the latest fighter planes. And of course, some  
10 were requesting better equipment for the land forces,  
11 with all that could represent.

12 And the government was stuck with a  
13 series of demands that it knew full well it could never  
14 meet, and that it could never meet all of them. So  
15 that White Paper at the time focused a great deal on  
16 the role of the Canadian Forces, the Canadian Armed  
17 Forces, for peacekeeping around the world, particularly  
18 in United Nations missions. Moreover, that had been  
19 our traditional role since the end of World War II.

20 So an emphasis had been placed on  
21 that aspect, and, as noted on page 50 of the document,  
22 where it states that we were in an extremely difficult  
23 financial position, it was necessary... it would be  
24 impossible to do everything. So that is the general  
25 context for the White Paper.

1 Me BATTISTA :All right.

2 The document had been sent to you by  
3 Mr. Alford. Is that right?

4 HON. MARC LALONDE: Uh-huh.

5 MR. BATTISTA: I am also going to  
6 refer to Tab 11 where there is a draft letter -- it is  
7 not signed -- from Mr. Jürgen Massmann to  
8 Mr. Collenette. It too is dated December 1.

9 Are we to understand that this was a  
10 draft letter for Mr. Massmann to send to Mr. Collenette  
11 in connection with the White Paper?

12 HON. MARC LALONDE: Yes. With the  
13 publication of the White Paper, it looked like it would  
14 be a good time to reposition the Thyssen project in the  
15 context of the White Paper. I don't know whether the  
16 letter was sent on December 1, but it's more likely...  
17 I frankly don't know whether it was sent or not, but  
18 very likely it was sent, yes.

19 MR. BATTISTA: All right.

20 And it was a document that had been  
21 written in response to the White Paper to position Bear  
22 Head in that context?

23 HON. MARC LALONDE: Listen, the White  
24 Paper came out on December 1, and this letter is dated  
25 December 1. So to say that it is a response to the

1 White Paper may be a little premature.

2 I suspect that the draft letter had  
3 been written a few days before that and that it had  
4 been on the bubble for some time. I was definitely  
5 consulted about the project, and was probably asked to  
6 express my point of view about the wording of the  
7 contents of the letter. But if I remember correctly,  
8 the letter was eventually sent, yes.

9 MR. BATTISTA: Perhaps simply to help  
10 you, on page 3 of the document, we have:

11 "Now that your APC..." (As read)

12 Last sentence:

13 "Now that your APC replacement  
14 requirement is specifically  
15 confirmed in the White Paper, I  
16 would welcome your early  
17 assurance..." (As read)

18 I understand, and it says the 1st,  
19 and the White Paper came out on the 1st, but it's in  
20 the context... you received... we can see that it's a  
21 letter from Thyssen that was sent to you. It was a  
22 working document from Thyssen in the context of the  
23 White Paper that was about to come out?

24 HON. MARC LALONDE: No. I believe  
25 that it is to Thyssen's credit when I see that they

1 worked quickly, and managed to get that letter out the  
2 same day as the White Paper was released.

3 MR. BATTISTA: At least, the letter  
4 is dated December 1.

5 HON. MARC LALONDE: It is dated  
6 December 1.

7 MR. BATTISTA: All right.

8 I am going to ask you to explain your  
9 relationship with your clients. With whom from Bear  
10 Head Industries were you in contact for the execution  
11 of your assignment?

12 HON. MARC LALONDE: At Bear Head  
13 Industries, there was Mr. Schreiber, Mr. Alford and  
14 Lieutenant General Vance, who was a retired officer, in  
15 particular, and there was also a former senior officer  
16 from the Armed Forces by the name of Ian Reid (ph), I  
17 believe... I believe, Ian Reid. Those then were the  
18 people with whom I was in contact, but particularly  
19 Mr. Alford and Mr. Schreiber.

20 As for Thyssen, I was of course in  
21 contact fairly frequently with Mr. Jürgen Massmann.

22 MR. BATTISTA: Describe to us the  
23 role of each, and of Mr. Massmann's role in particular.

24 HON. MARC LALONDE: Mr. Massmann held  
25 a senior position in the Thyssen AG structure in



1 Germany. I believe that he was on the company's  
2 executive committee. In any event, he had a very  
3 senior position, and he was the person working at  
4 Thyssen responsible for selling the product... vehicles  
5 to the Canadian Armed Forces.

6 So he was the one who knew -- he  
7 himself was an engineer and was in charge of a division  
8 in Germany I think -- and he was very familiar with the  
9 product and, for all practical purposes, Thyssen's  
10 official spokesman for that product.

11 MR. BATTISTA: What was his role in  
12 connection with your own or Mr. Schreiber's, with  
13 respect to the representations you were to perform,  
14 both vis-à-vis the Minister and officials?

15 HON. MARC LALONDE: Well,  
16 Mr. Massmann lived in Germany, and he was not very  
17 familiar with Canadian government personnel, whether in  
18 terms of the public service side or the political side.  
19 I happened to know them much better than he.  
20 Furthermore, he knew much more than I did about the  
21 military equipment.

22 And as for Mr. Schreiber, he was...  
23 he had been on this file intensively since 1990... '88,  
24 I'm not quite sure (it was many years). So he was  
25 right up to date and as he had done a great deal, I

1 believe, from the time of the Conservative government,  
2 he knew many people in the government, the Armed Forces  
3 and the previous government, and even the Liberal  
4 government that followed.

5 So Mr. Alford, who I believe was the  
6 president or vice-president of Bear Head -- but I think  
7 that he was the president -- was also someone who had  
8 solid experience of government administration, who was  
9 very familiar with what was going on in the public  
10 service and who had been monitoring this file closely,  
11 with some writing, and so forth.

12 MR. BATTISTA: As for your  
13 involvement in the Bear Head project and your work with  
14 the Thyssen Bear Head project, did you have any  
15 business relations with Mr. Fred Doucet?

16 HON. MARC LALONDE: No. In fact...  
17 To my recollection, I never met Mr. Fred Doucet... at  
18 the time, definitely not. I never... To my knowledge,  
19 I never had a relationship with him... even on any  
20 other matter, I must say, I... He was not someone I  
21 knew well. I may have shaken his hand in a social  
22 context or...

23 In politics or in public life, you  
24 meet a lot of people. I could not say for sure that I  
25 never met him, but he is not someone I knew and I never

1 had any contact with him to my knowledge; to the best  
2 of my recollection, no.

3 MR. BATTISTA: Do you have any  
4 information about any involvement or any role he may  
5 have played in the Bear Head project when you had  
6 agreed to act on behalf of Bear Head?

7 HON. MARC LALONDE: No.

8 MR. BATTISTA: OK. Do you know  
9 whether Mr. Schreiber or Mr. Alford were in contact  
10 with Mr. Doucet, about the Bear Head project when you  
11 were involved?

12 HON. MARC LALONDE: When I was  
13 involved, no.

14 MR. BATTISTA: So at that time, you  
15 never had any information telling you that Mr. Fred  
16 Doucet might have some link, whether close or remote,  
17 with the Bear Head project?

18 HON. MARC LALONDE: I must have known  
19 that there was some involvement with the previous  
20 government, in some way, but I never heard anything  
21 about him from the time when I was on the project, as  
22 doing anything in connection with that project.

23 MR. BATTISTA: All right. Now, as to  
24 your specific role as a lobbyist, was your role limited  
25 to making representations at the national level?

1                   HON. MARC LALONDE:  Precisely.  I  
2                   only made representations to the Canadian government.  
3                   I did not make representations either internationally,  
4                   or at the level of any provincial government.

5                   MR. BATTISTA:  And to whom did you  
6                   make representations?

7                   HON. MARC LALONDE:  To officials and  
8                   ministers.  Well, to begin with the ministers, I would  
9                   say the Minister of Industry, the Minister of Defence,  
10                  the Minister of Foreign Affairs, the Prime Minister,  
11                  towards the end of my assignment, right before the  
12                  final decision.

13                  And in terms of officials, well I was  
14                  in contact with Mr. Chrétien's Chief of Staff at the  
15                  time, with officials from the Department of Industry,  
16                  and the Department of Defence.  And people at the  
17                  Foreign Affairs Department as well; so I did...

18                  My job was to take steps to try to  
19                  convince everyone to agree to the launch of a public  
20                  tender call.

21                  MR. BATTISTA:  All right.  You spoke  
22                  of representations, both with officials and ministers.  
23                  I will now draw your attention to Tab 8.  More  
24                  specifically then, what is involved is a memo, a letter  
25                  that you sent to Minister André Ouellet, at the time.

1 HON. MARC LALONDE: Yes. He was the  
2 Minister of Foreign Affairs at the time.

3 MR. BATTISTA: What we have then is a  
4 memo, dated September 23, 1994. I would draw your  
5 attention to the fourth paragraph:

6 "There would appear to be two  
7 contradictory trends among  
8 officials in this file, and it  
9 is therefore extremely important  
10 that it be monitored closely  
11 from the political standpoint."

12 What can you tell us about that

13 HON. MARC LALONDE: It was clear that  
14 there were people in the public service who found that  
15 it was a project that deserved to go forward, and  
16 merited careful consideration. There were others who  
17 were radically opposed, and who felt that what the  
18 government needed... what the Armed Forces needed, was  
19 mainly to renew its fleet of wheeled military vehicles  
20 and that there was no need to buy a new tracked  
21 vehicle.

22 And that went back a long way. I  
23 think that it was part of the debate concerning the  
24 project from almost the very beginning. So it  
25 depended. I would say that the Department... the

1 officials at the Department of Industry, struck me as  
2 particularly positive towards the project, because of  
3 the possible spin-offs, in terms of exports, whereas  
4 those from Defence were more sceptical and, once again,  
5 worried from the cost standpoint, and were trying to do  
6 everything possible with the smallest amount of money.

7 Those then were the two opposing  
8 trends. So when I said that they... when I say here  
9 that:

10 "There would appear to be two  
11 contradictory trends among  
12 officials in this file, and it  
13 is therefore extremely important  
14 that it be monitored closely  
15 from the political standpoint."

16 Well, at the end of the line, all of  
17 those decisions come... they are Cabinet decisions.  
18 And I felt that it was important to underscore the fact  
19 that every Cabinet decision, needed... That they  
20 should not take it to be a unanimous decision on the  
21 part of government officials.

22 MR. BATTISTA: I would like to draw  
23 your attention to Tab 14 on this subject. It follows  
24 on this matter and may help you to go into further  
25 details in your reply. On page 2, there is the second

1 paragraph:

2 "During a previous  
3 conversation..."

4 Are you with me?

5 HON. MARC LALONDE: Yes, yes.

6 MR. BATTISTA:

7 "During a previous conversation  
8 with the Deputy Minister of  
9 Defence, he expressed the view  
10 that there was room in Canada  
11 for only one producer. We were  
12 amazed at this information,  
13 which in our opinion did not  
14 coincide with the facts at all.

15 In any case, if this is the  
16 Deputy Minister's opinion, how  
17 can he arrogate himself the  
18 right to say who this privileged  
19 producer should be rather than  
20 letting the competitive process  
21 work..."

22 And it continues. Could you  
23 elaborate?

24 HON. MARC LALONDE: Well I think  
25 that... The paragraph is clear; it says what it says.

1           It is not obvious that... there should be only one  
2 producer in Canada for those vehicles and if there was  
3 to be only one at the end of the line, then why not  
4 hold a public competition and choose the best?

5                       MR. BATTISTA: So, to recapitulate,  
6 when you came on the scene, you told us basically that  
7 there were three factors. First of all, to demonstrate  
8 that the vehicle was a good quality vehicle?

9                       HON. MARC LALONDE: Valid from the  
10 cost-benefit standpoint.

11                      MR. BATTISTA: Second, that there was  
12 an international export market and that production in  
13 Canada could make such exports possible?

14                      HON. MARC LALONDE: Precisely.

15                      MR. BATTISTA: And third, the goal of  
16 a competition to avoid sole sourcing the contract... to  
17 a single firm?

18                      HON. MARC LALONDE: Sole sourcing.  
19 And what we... it was a matter of requesting a proper  
20 public tender call.

21                      What we did when I was in  
22 government -- well at least on two occasions -- in  
23 connection with the purchase of the F18 fighter jets  
24 and also a contract for the construction of frigates  
25 for the navy, and in both instances there had been a



1 public competition. A number of international and  
2 Canadian firms were involved in a detailed competition  
3 that lasted, if I remember correctly, a couple of  
4 years.

5 But the net result was that the  
6 purchase had been made as the result of a public tender  
7 call.

8 MR. BATTISTA: All right.

9 COMMISSIONER OLIPHANT: (Off  
10 microphone) Mr. Jean Pelletier's position at that time?

11 HON. MARC LALONDE: Mr. Pelletier at  
12 the time was a man who listened mainly, on that  
13 subject. He... I... I wrote him and I met him. No  
14 decision had been made and I think that he was aware of  
15 the fact that opinions were divided within the  
16 government and even within the Cabinet...

17 MR. BATTISTA: Yes.

18 HON. MARC LALONDE: ...there were  
19 some departments that leaned towards one side, and some  
20 towards the other. And frankly, Mr. Pelletier did not  
21 tell me "Your project makes no sense", but on the other  
22 hand he didn't tell me "It's a done deal, we are going  
23 to call for a public tender." I never had any  
24 guarantees in either direction.

25 COMMISSIONER OLIPHANT: Thank you.

1 MR. BATTISTA: I am now going to ask  
2 you a number of questions about the international  
3 component of the Thyssen project, Mr. Lalonde.

4 As we saw earlier. at the tabs I  
5 showed you, the tables that Thyssen had prepared. At  
6 the time, you had information about the things that  
7 Thyssen had done to check the viability of an  
8 international market for this type vehicle. Is that  
9 correct?

10 HON. MARC LALONDE: Yes.

11 MR. BATTISTA: To summarize the  
12 project, the idea was to set up an armoured light  
13 vehicle production plant for vehicles made in Canada,  
14 primarily for an international market? Is that right?

15 HON. MARC LALONDE: It's clear  
16 that... what Thyssen wanted, was first of all the  
17 Canadian market... intended to produce at least 400 of  
18 those vehicles, and representing a contract of a few  
19 billion dollars. So it wasn't insignificant, but this  
20 was designed merely as the first phase leading to the  
21 development of a market, building a market that was  
22 international.

23 And once again, they knew that it  
24 would be difficult to convince the Canadian... the  
25 Canadian government to approve the building of such a

1 plant if the Canadian government was going to be the  
2 only buyer. Particularly as it was a new product, one  
3 that had not penetrated the market anywhere else at  
4 that time, so it was a market... a difficult operation  
5 to sell.

6 MR. BATTISTA: Would it be fair to  
7 say that the investment required could not perhaps be  
8 justified by simply manufacturing 400 vehicles and then  
9 closing the plant afterwards?

10 HON. MARC LALONDE: The... Thyssen  
11 was so convinced that there was an international market  
12 that they said, I believe, towards the end (and you can  
13 find it in the file)... it seems to me that they were  
14 prepared to go ahead even with the 400 vehicle base...  
15 the purchase of approximately 400 to 500 Canadian  
16 vehicles...

17 They were so convinced that if they  
18 succeeded with that, they would manage to reach the  
19 minimum goal set by Industry Canada of 2,000 vehicles  
20 to be sold abroad over a ten-year period.

21 MR. BATTISTA: Right. So you held  
22 discussions among yourselves at Bear Head, when you  
23 were a lobbyist, not only on the goals or forecasts,  
24 the market potential that Thyssen was looking into, as  
25 well as the more modest, if you will, forecasts of the

1 Canadian government?

2 HON. MARC LALONDE: Yes.

3 MR. BATTISTA: But in both cases, it  
4 is clear that the foreign market was an important if  
5 not essential component of the project?

6 HON. MARC LALONDE: Definitely an  
7 important component. "Essential"... once again, I  
8 doubt that the Canadian government would have agreed to  
9 buy into the project if it had concluded that it would  
10 be the only country in the world to have the vehicle.  
11 So for Thyssen, it was also important to clearly  
12 establish that a market could be developed.

13 Industry Canada even acknowledged  
14 that there was a reasonable market for at least 2,000  
15 vehicles and Thyssen had said: At 2,000 vehicles over  
16 ten years, we can definitely operate.

17 MR. BATTISTA: Very well. And in all  
18 the discussions you had with them, with the Bear Head  
19 representatives or lobbyists, were you ever told that  
20 the services of Mr. Mulroney had been engaged to  
21 provide any form of assistance with the international  
22 component of the Bear Head project?

23 HON. MARC LALONDE: No.

24 MR. BATTISTA: Now, you are not an  
25 expert in the legislation and regulations concerning

1 the sale of military products, but could you tell us  
2 something about this on the basis of your experience  
3 when you were a part of the Canadian government?

4 HON. MARC LALONDE: Listen... Once  
5 again... I told you, that I do not claim to be an  
6 expert in that area, but what I remember is that we had  
7 commitments both within NATO and under the joint  
8 agreement for defence products with the United States,  
9 which imposed very substantial restrictions on exports  
10 of military products.

11 I am not in a position to speak about  
12 it in detail. All that I can tell you is that as a  
13 member of NATO and perhaps as a partner in the joint  
14 treaty on military production, Canada found itself  
15 restricted in terms of its exports abroad.

16 Moreover, if you look at the  
17 projections that were made, for example, nowhere could  
18 you find there any mention of China or Russ -- the  
19 Soviet Union (or Russia, at the time). None of the  
20 former Soviet Union countries to my knowledge were on  
21 this list.

22 So there were countries that it would  
23 appear... it was inconceivable to export to them -- to  
24 which it would be impossible to imagine that we could  
25 export to them from Canada because of our international

1 agreements.

2 MR. BATTISTA: Now, your assignment  
3 in connection with the Bear Head project ended at what  
4 point?

5 HON. MARC LALONDE: When the  
6 government reached its decision. I think that the  
7 decision was made in October 95 (correct me if I'm  
8 wrong)...

9 MR. BATTISTA: August... in the month  
10 of August...

11 HON. MARC LALONDE: The decision was  
12 in August? So my assignment... for all practical  
13 purposes ended then. I took the liberty of writing an  
14 additional letter to the Prime Minister expressing my  
15 surprise and disappointment. But that did not alter  
16 the decision; it simply made me feel better.

17 But if I'm remember correctly, you  
18 have on file somewhere --

19 MR. BATTISTA: Yes, here.

20 HON. MARC LALONDE: ...a letter that  
21 I wrote to Mr. Massmann...

22 MR. BATTISTA: Yes.

23 HON. MARC LALONDE: So, saying:  
24 "Perhaps we will see one another again, but it will  
25 definitely not be on this file."

1 MR. BATTISTA: So if you go to Tab  
2 25, we will see the memo that was sent and the release  
3 attached to it, dated August 16, 1995...

4 HON. MARC LALONDE: Correct.

5 MR. BATTISTA: ...which announces  
6 that there will be the acquisition, but not any  
7 projects... Thyssen products, but GM Diesel Division  
8 products?

9 HON. MARC LALONDE: Yes.

10 MR. BATTISTA: Then, at 27, we see a  
11 letter that was sent to you by the Office of Prime  
12 Minister Jean Chrétien, the Prime Minister of the day,  
13 in response to a letter you sent him on July 13, I  
14 would imagine shortly before the decision was  
15 announced.

16 HON. MARC LALONDE: Precisely.

17 MR. BATTISTA: Then, we have a letter  
18 of September 26, which you sent. So we are at Tab 27.

19 HON. MARC LALONDE: Yes.

20 MR. BATTISTA: A letter dated  
21 September 26, which you sent to Mr. Massmann, in which  
22 you told him that things did not go as had been hoped.

23 And then we have, at Tab 28, a copy  
24 of a letter you sent to Mr. Chrétien... the translation  
25 of the letter.

1 HON. MARC LALONDE: On September 26?  
2 MR. BATTISTA: Yes. Tab 28, which is  
3 a letter dated September 26, 1995.  
4 HON. MARC LALONDE: Correct.  
5 MR. BATTISTA: Correct.  
6 HON. MARC LALONDE: My assignment  
7 ended at that point.  
8 MR. BATTISTA: All right.  
9 So if you can give me a few moments,  
10 Mr. Commissioner, I would just like to check something.  
11 --- Pause  
12 COMMISSIONER OLIPHANT: (Off  
13 microphone)  
14 MR. BATTISTA: Are you suggesting a  
15 pause right now?  
16 COMMISSIONER OLIPHANT: Yes,  
17 15 minutes.  
18 MR. BATTISTA: Very well... all  
19 right.  
20 --- Suspension à 15 h 24 / Upon recessing at 3:24 p.m.  
21 --- Reprise à 15 h 40 / Upon resuming at 3:40 p.m.  
22 ///MR. BATTISTA: Well then,  
23 Mr. Commissioner, two things. First. there is one  
24 subject I would like to cover with Mr. Lalonde, but  
25 before that, I would simply like to apologize to



1 Counsel Michel Décarie, because I forgot to introduce  
2 him at the beginning of the examination of Mr. Lalonde.  
3 Mr. Décarie is here for the Hon. Marc Lalonde.

4 MR. DÉCARIE: Good afternoon.

5 MR. BATTISTA: Mr. Lalonde, if you  
6 will allow, I will just return to one aspect of the  
7 international component. In the context of the  
8 questions you were asked, we talked about the  
9 discussions engaged in by those who were lobbying on  
10 behalf of Bear Head and the importance of the  
11 international market, studies that differed in opinion,  
12 on the one hand the Canadian government and on the  
13 other, the Thyssen studies.

14 In your view, who carried out the  
15 Thyssen projections? Who prepared them?

16 HON. MARC LALONDE: As I understand  
17 it, I do not have any personal knowledge that I could  
18 tell you with any certainty, but as far as I understand  
19 it, those studies were carried out by Thyssen in  
20 Germany, which obviously was much more familiar with  
21 the international market than Bear Head here, which had  
22 three or four employees or officials, not one of whom  
23 was a specialist in international trade in military  
24 equipment.

25 Thus I always thought that those

1 studies, and those projections "originated" with  
2 Thyssen in Germany.

3 MR. BATTISTA: All right. And do you  
4 have any information that would lead you to believe  
5 that there had been, on the part of Bear Head and the  
6 people with whom you were connected, any steps taken to  
7 make representations internationally.

8 HON. MARC LALONDE: The only instance  
9 I knew of was with respect to Malaysia. A prototype  
10 had been built of the tracked vehicle in question and  
11 if I remember correctly, a second vehicle was built for  
12 testing in Malaysia, and Thyssen expected that Malaysia  
13 would want to or wish to renew its equipment relatively  
14 soon.

15 And the Malaysian market had been  
16 identified as a potential real market in the near  
17 future and, accordingly, I believe... I do not know  
18 whether Thyssen in fact sent a prototype to Malaysia,  
19 but to my knowledge, that prototype had been subjected  
20 to tests by the Malaysian armed forces.

21 MR. BATTISTA: Who informed you of  
22 this?

23 HON. MARC LALONDE: Ah! It was  
24 Mr. Massmann and Mr. Schreiber.

25 MR. BATTISTA: All right. So they

1 shared information of that kind with you. If, for  
2 example, efforts had been made from the international  
3 standpoint or with other countries or other  
4 governments, would that kind of information have been  
5 shared with you?

6 HON. MARC LALONDE: Yes. We held  
7 discussions about those projections, those forecasts,  
8 particularly as there was such a wide gap between the  
9 projections made by the Department of Industry and the  
10 projections made by Thyssen; and of course, it was my  
11 role to attempt to see who was engaging in wishful  
12 thinking or who may have been too pessimistic.

13 And indeed, there were discussions  
14 with officials from the Department of Industry, and  
15 these officials themselves acknowledged on one or two  
16 occasions that some markets had been underestimated  
17 because they had gone through embassies... Canadian  
18 embassies abroad, and that in some instances, the  
19 contacts made had been wholly inadequate.

20 So this question of supplying foreign  
21 countries was discussed, but I would say that the only  
22 case where serious consideration had been given to a  
23 potential future buyer, to my knowledge, was Malaysia.

24 I did not know of any...

25 Well, I was told about discussions...

1 I'm sorry, I was told about discussions that had been  
2 held within NATO and also between Germany, England and  
3 France, and in particular England and... France did not  
4 share the same point of view as Germany on this matter,  
5 and preferred wheeled vehicles.

6 And there appeared at one point to  
7 have been the possibility of an agreement through  
8 Germany... under which Germany, England and Canada  
9 could perhaps work on a joint project and try by means  
10 of this product, which was called the TH495, if I  
11 remember correctly, to ensure that this product would  
12 become the preferred or privileged product for NATO.  
13 And if that had been the case, then it is clear that  
14 there would be a very substantial market for the  
15 vehicle.

16 MR. BATTISTA: To your knowledge, who  
17 made these representations or these contacts with NATO  
18 countries or representatives?

19 HON. MARC LALONDE: It was... this  
20 would have been done by Thyssen through the German  
21 government or directly through their existing contacts;  
22 I don't know. But I do know that the German government  
23 was very much aware of the efforts being made by  
24 Thyssen and the process it was following.

25 For example, you have in the file

1 information about the fact that the German Ambassador  
2 to Canada had made representations to the Canadian  
3 government around 1995 I believe, underscoring the  
4 German government's interest in purchasing the Thyssen  
5 product via Canada.

6 It is clear then that the German  
7 authorities, the German diplomatic representative, did  
8 work on behalf of the German company in question.

9 MR. BATTISTA: All right. As for  
10 you, was your role limited to the national level here  
11 in Canada?

12 HON. MARC LALONDE: Exclusively.

13 MR. BATTISTA: You had no...

14 HON. MARC LALONDE: I never went to  
15 Germany, to the Thyssen plant or... The person I met  
16 from Thyssen was Mr. Massmann.

17 MR. BATTISTA: And you met him here  
18 in connection with your...

19 HON. MARC LALONDE: Yes. I met him  
20 once in London when I was in Europe on other business.

21 MR. BATTISTA: All right. But never  
22 in the context of international lobbying?

23 HON. MARC LALONDE: Definitely not.  
24 No.

25 MR. BATTISTA: All right. And to

1 your knowledge, were there other persons, apart from  
2 those you have named, who were working on the Bear Head  
3 project with you and who were lobbying the Canadian  
4 government?

5 Were there are others who were  
6 lobbying abroad?

7 HON. MARC LALONDE: I think that in  
8 the file you will find a lobbying agency, a Mr. Despins  
9 perhaps or Després, and a Mr. Jamie Decie(ph)...

10 MR. BATTISTA: Decie(ph) yes.

11 HON. MARC LALONDE: Decie(ph) yes.

12 At one point, there was a lobbying company that had  
13 been engaged, and I knew them, I spoke to them perhaps  
14 once or twice, but did not have much contact with them.

15 MR. BATTISTA: All right. In view of  
16 the importance of the international component, as you  
17 mentioned, there was a limited market of 400 to 500  
18 vehicles for Canada, a minimum of 2,000, maximum of  
19 8,000 if one... if one considers the variations, and  
20 the scale: would you have expected to be kept informed  
21 of any efforts made internationally by the people you  
22 were working with?

23 HON. MARC LALONDE: No, not really; I  
24 did not... I was happy to learn, for example, that...  
25 for example, the project in Malaysia was on track,

1 but... and if any efforts had given rise to positive  
2 signs, I would indeed have expected to have been  
3 informed because it is clear that it would  
4 substantially strengthen the arguments we could have  
5 presented to the government.

6 But I never had an international role  
7 to play personally, and I must admit that I did not  
8 spend my time running after Thyssen and asking whether  
9 it had spoken to such and such an ambassador or such  
10 and such a country at any particular place.

11 But I expected that they, and this  
12 would have been perfectly normal for them to keep me up  
13 to date on a positive development that may have  
14 occurred in that area and the only one, to the best of  
15 my recollection, that ever occurred was with Malaysia.

16 MR. BATTISTA: Very well. Thank you  
17 then.

18 HON. MARC LALONDE: You're welcome.

19 INTERROGATOIRE : L'HON. MARC LALONDE PAR Me PRATTE /  
20 EXAMINATION: HON. MARC LALONDE BY MR. PRATTE

21 MR. PRATTE: Good afternoon  
22 Mr. Lalonde.

23 HON. MARC LALONDE: Good afternoon.

24 MR. PRATTE: I was wondering if we  
25 could give you a binder entitled...

1 HON. MARC LALONDE: I think that I  
2 have one which contains "Documents produced by the  
3 Rt. Hon. Brian Mulroney".

4 MR. PRATTE: That is correct.

5 HON. MARC LALONDE: Thank you.

6 MR. PRATTE: And I believe that you  
7 had the opportunity, with your counsel, to have a quick  
8 glance at these documents, Mr. Lalonde?

9 HON. MARC LALONDE: Exactly, quickly.

10 MR. PRATTE: Yes.

11 HON. MARC LALONDE: But I did see  
12 them.

13 MR. PRATTE: Can you confirm to me  
14 that these documents, to your knowledge, come from  
15 documents that you yourself gave to the Commission, and  
16 that they come from your files?

17 HON. MARC LALONDE: I believe that is  
18 the case, but I know that there was... for example, the  
19 files... if you go to Tab 3, I do not remember having  
20 found in my file the statistics that are mentioned  
21 there. But I do remember very well having seen those  
22 figures.

23 So these documents may come from the  
24 Commission itself, documents that the Commission had in  
25 its possession, but I do not... it seems to me that



1 when I reviewed my files, I did not find those  
2 documents.

3 MR. PRATTE: But when you...

4 HON. MARC LALONDE: I found the  
5 first, the letter of transmission, but I had not found  
6 the appendices. But I can confirm to you that I saw  
7 all of those documents at the time.

8 MR. PRATTE: OK. Very well. Yes,  
9 Mr. Commissioner, can we file the document as... I do  
10 not know what number the Commission will assign it when  
11 it is the document about Mr. Mulroney: M-1 or P-3?  
12 P-3, Mr. Commissioner.

13 EXHIBIT P-3: Document concerning  
14 Mr. Mulroney.

15 MR. PRATTE: Mr. Lalonde, if I have  
16 understood your testimony properly thus far you began  
17 your role of representation proper towards the end of  
18 October 1993?

19 HON. MARC LALONDE: Uh-huh!

20 MR. PRATTE: Is that correct, yes?

21 HON. MARC LALONDE: Yes. Sorry.

22 MR. PRATTE: Before that,  
23 Mr. Schreiber, whom you knew because of the other  
24 matters entrusted to you in connection with a lawsuit  
25 he was considering, in connection with the Bear Head

1 project because the Canadian government had decided not  
2 to proceed with it at the time. Is that correct?

3 HON. MARC LALONDE: Yes.

4 MR. PRATTE: And I would like you to  
5 look in the documents we gave you, number or Tab 35. It  
6 should be an opinion dated April 13, 1993 from the firm  
7 Gowling Strathy & Henderson.

8 HON. MARC LALONDE: Uh-huh! Yes.

9 MR. PRATTE: Correct. And it is a  
10 document that we obtained from you along the way. Can  
11 you remember having seen such a document at the time?  
12 When I say "at the time", Mr. Lalonde, I am referring  
13 to the spring of 1993.

14 HON. MARC LALONDE: I don't have a  
15 date shown on it, but if you look at the writing there,  
16 that is mine, Thyssen, then I definitely saw that  
17 document. When precisely it was given to me I could  
18 not tell you, but I probably saw it around those dates.

19 MR. PRATTE: OK. If you go to  
20 page 5, the first full paragraph, there is a sentence  
21 that begins and I quote:

22 "In April 1992, the Federal  
23 Government announced that it had  
24 cancelled the MRCV Program and  
25 would order 229 LAVs from GM, at

1 approximately a cost of  
2 \$800,000,000."

3 Do you have that?

4 HON. MARC LALONDE: Yes.

5 MR. PRATTE: And after that, it  
6 continues:

7 "The reason given for the  
8 cancellation of the MRCV Program  
9 was its produced cost of \$2.8  
10 billion and in light of efforts  
11 to reduce deficit, it was no  
12 longer affordable."

13 Do you see that?

14 HON. MARC LALONDE: Yes.

15 MR. PRATTE: It's... am I correct in  
16 concluding that this information from the Gowling  
17 opinion came from Mr. Schreiber or Bear Head?

18 HON. MARC LALONDE: I have no idea  
19 from whom it came. I see that the opinion is signed by  
20 Mr. Ian Scott of Gowling.

21 MR. PRATTE: And it was sent to whom,  
22 if you look at the first page?

23 HON. MARC LALONDE: To Mr. Thyssen  
24 BHI, attention Mr. Alford.

25 MR. PRATTE: And Thyssen BHI was the

1 company for which you were lobbying?

2 HON. MARC LALONDE: I had the  
3 lobbying assignment for both Bear Head and Thyssen. It  
4 was bonnet blanc, blanc bonnet, that is, it amounted to  
5 the same thing.

6 MR. PRATTE: OK. Very well. Do you  
7 have any reason at all to challenge the veracity of the  
8 statement made by Gowling in their opinion to the fact  
9 that the Canadian government had cancelled the program  
10 in 1992?

11 HON. MARC LALONDE: No. None.

12 MR. PRATTE: And if you look at the  
13 previous page, I should have begun with that. On  
14 page 4, in the very last paragraph, as noted, and I  
15 quote:

16 "As noted, the LAV procurement  
17 program was cancelled in April  
18 1999 budget. However,  
19 discussions continued between  
20 the government and Thyssen.  
21 Thyssen BHI was reassured that  
22 its possible participation in  
23 reequipping the Armed Forces was  
24 still being considered but with  
25 the focus shifting to the MRCVs

1                               rather than the tank supporting  
2                               LAVs."

3                               Have you got that?

4                               HON. MARC LALONDE: Yes.

5                               MR. PRATTE: Then we see in the  
6                               chronology that the first program with regard to the  
7                               LAV, I believe that means "Light Armoured Vehicle", was  
8                               cancelled in 1989, but that there were discussions that  
9                               continued with respect to a successor vehicle, the  
10                              MRCV. Is that correct?

11                             HON. MARC LALONDE: Uh-huh!

12                             MR. PRATTE: And if we return to  
13                             page 5, it shows that the program was cancelled in  
14                             1992.

15                             HON. MARC LALONDE: Yes, according  
16                             to... that text.

17                             MR. PRATTE: According to the  
18                             document?

19                             HON. MARC LALONDE: Yes, yes.

20                             MR. PRATTE: OK. And am I right to  
21                             think that it was on that basis for cancelling those  
22                             two programs that, to your knowledge, Bear Head was  
23                             considering taking legal action against the Canadian  
24                             government?

25                             HON. MARC LALONDE: To my knowledge,

1           yes, it was in connection with that, yes.

2                           MR. PRATTE:  Yes.  I am going to... I  
3           also gave you, at Tab 41, Mr. Lalonde, a document  
4           entitled "Statement of claim".

5                           HON. MARC LALONDE:  Uh-huh!  Yes.

6                           MR. PRATTE:  And if you go to the  
7           last page, we can see that it was prepared by Gowling  
8           Henderson.

9                           HON. MARC LALONDE:  All right.

10                          MR. PRATTE:  By Mr. Scott.  Is he the  
11           lawyer you had recommended to Mr. Schreiber?

12                          HON. MARC LALONDE:  Yes.

13                          MR. PRATTE:  And just to be clear, it  
14           was Mr. Schreiber who consulted you on behalf of Bear  
15           Head, in the spring of 1993 to obtain a legal opinion,  
16           was it now?

17                          HON. MARC LALONDE:  He had probably  
18           consulted me about finding a good trial lawyer, but he  
19           didn't ask me whether he should ask for a legal opinion  
20           from Gowling.  I can't remember precisely.

21                          MR. PRATTE:  No, but it was he who...

22                          HON. MARC LALONDE:  But he had  
23           approached me to consult me, to find out whether...  
24           who... he was considering taking legal action against  
25           the government and he wanted to know whom he could hire

1 who would be an excellent lawyer in matters such as  
2 these.

3 MR. PRATTE: And to the best of your  
4 knowledge, the case was based specifically on the  
5 cancellation of the program that had been discussed or  
6 the potential purchase by the government of LAVs or  
7 MRCVs until 1992. Is that right?

8 HON. MARC LALONDE: Yes, the  
9 documents speak for themselves.

10 MR. PRATTE: OK. And while we're on  
11 the topic of documents that speak for themselves, if  
12 you look at the plans for legal action, on page 6,  
13 Tab 41, Mr. Commissioner, paragraph 10, we have, and I  
14 quote:

15 "In or about April 1989, the  
16 Federal Government cancelled the  
17 LAV procurement program"

18 -- and if you go to paragraph 20:

19 "In or about --"

20 -- and on page 9, just a little  
21 farther down, Mr. Lalonde, paragraph 20:

22 "In or about March or April -- "

23 Have you found it at the bottom of the page,

24 Mr. Lalonde?

25 HON. MARC LALONDE: Yes.

1 MR. PRATTE:  
2 "In or about March of April  
3 1992, Mass decided further that  
4 the MRCV acquisition would be  
5 cancelled."

6 -- etc. Do you see it?

7 HON. MARC LALONDE: Yes.

8 MR. PRATTE: And do you remember  
9 having seen this draft proposal?

10 HON. MARC LALONDE: I perhaps did not  
11 see it as a draft, but I definitely saw it at some  
12 point, once it had been filed in Court. I do not  
13 remember having seen it as a draft.

14 MR. PRATTE: Do you know if action  
15 indeed went forward in Court?

16 HON. MARC LALONDE: I have no idea.

17 MR. PRATTE: If you go to page 14 -  
18 sorry, Mr. Lalonde.

19 HON. MARC LALONDE: I could perhaps  
20 add that to my knowledge, Mr. Schreiber eventually said  
21 that Thyssen had finally decided not to take the matter  
22 further, partly because they had other investments in  
23 Canada in various sectors, in various plants,  
24 particularly automobile parts, etc. and that they had  
25 decided that it would not be in their interest to



1 continue at that time.

2 That is the information given to me  
3 by Mr. Schreiber at the time, but I don't know more  
4 than that.

5 MR. PRATTE: And when you say at the  
6 time, if you look at page 14, you can see that the  
7 document... the statement or draft statement is  
8 dated... is dated August 20, 1993.

9 HON. MARC LALONDE: Uh-huh! Yes.

10 MR. PRATTE: Yes, OK. There is no  
11 reason for you to doubt the authenticity of that date?

12 HON. MARC LALONDE: No, I have never  
13 had any doubt about it.

14 MR. PRATTE: Thank you. And now the  
15 lobbying assignment, Mr. Lalonde, that you accepted at  
16 the end of October 1993; was that entrusted to you by  
17 Mr. Schreiber?

18 HON. MARC LALONDE: Yes.

19 MR. PRATTE: And, at that time, if I  
20 am correctly recalling your testimony when you answered  
21 Mr. Battista's questions, it was not necessarily clear  
22 in your mind as to whether it was an assignment solely  
23 for Bear Head or Thyssen, because as you said earlier,  
24 you thought it was "bonnet blanc, bonnet noir", meaning  
25 that it amounted to the same thing. The two had a

1 common interest?

2 HON. MARC LALONDE: The expression is  
3 "bonnet blanc, blanc bonnet".

4 MR. PRATTE: Blanc bonnet. The  
5 professor... once a professor, always a professor!

6 HON. MARC LALONDE: Yes. Moreover, I  
7 believe, if you look attentively at the correspondence  
8 that was filed, it would appear that there was a letter  
9 at some point from Mr. Alford, on Bear Head Industries  
10 letterhead, and underneath it shows that it was  
11 re-incorporated as Thyssen BHI or something like that.

12 So I must admit that I never paid  
13 much attention to the internal corporate relationships  
14 of those two entities

15 MR. PRATTE: In any event,  
16 Mr. Lalonde, insofar as exports were very important if  
17 the project was to go forward, both the head office, if  
18 I can call it that, Thyssen in Germany and Bear Head in  
19 Canada, would be the beneficiaries?

20 HON. MARC LALONDE: Of course, and  
21 the idea was to the effect that if the Canadian  
22 government proceeded with it, there would be a world  
23 licence granted to the Canadian company to manufacture  
24 the vehicles in Canada.

25 When you succeed in getting a world

1 licence for a product it definitely constitutes an  
2 enormous advantage.

3 MR. PRATTE: Now, I am going back to  
4 the beginning of your involvement, once again as a  
5 lobbyist, Mr. Lalonde, in the fall of 1993 and in early  
6 1994. From the outset, I think that you have been  
7 telling us that you had concluded that without imports  
8 the project would be difficult -- exports I should have  
9 said -- would be difficult to go forward because one  
10 cannot build a plant and justify the existence of a  
11 plant on the basis of 400 units.

12 Is that what I understood from your  
13 testimony?

14 HON. MARC LALONDE: Yes.

15 MR. PRATTE: And am I not correct in  
16 suggesting that at the outset, in any event, you were  
17 dealing more with Mr. Schreiber than with Mr. Massmann?

18 HON. MARC LALONDE: At the beginning,  
19 yes, that is correct.

20 MR. PRATTE: And that Bear Head and  
21 Thyssen's interest in the international market was  
22 something that you discussed with Mr. Schreiber?

23 HON. MARC LALONDE: Yes. Definitely.

24 MR. PRATTE: So it is clear in your  
25 mind that Mr. Schreiber, and it is only to be expected,

1 but that Mr. Schreiber had in mind the international  
2 market as an important cornerstone of the project?

3 HON. MARC LALONDE: It struck him,  
4 and me too, that this was indeed a very important  
5 condition for the success of the project.

6 MR. PRATTE: And the international  
7 market, which could certainly interest Canada among  
8 others, was in connection among other things with  
9 Canada's involvement in peacekeeping operations?

10 HON. MARC LALONDE: Yes, it was  
11 government policy at the time, but it was certainly not  
12 impossible for the Thyssen vehicle to be used in armed  
13 conflict. It was equipped for both peacekeeping and  
14 combat operations.

15 MR. PRATTE: Very well. But as you  
16 said, it could do both and certainly the peacekeeping  
17 aspect for a country like Canada was a very important  
18 one given Canada's foreign policy at the time in any  
19 event.

20 HON. MARC LALONDE: Precisely.

21 MR. PRATTE: Yes. And you spoke  
22 earlier when you were alluding to NATO countries and to  
23 potential agreements with Germany, for example, and  
24 England and Canada's involvement. And was not the  
25 intent basically to have a single vehicle that of

1 course, in a military situation, could have... that  
2 everyone should have the same equipment, which would  
3 make it advantageous?

4 HON. MARC LALONDE: Listen, as I said  
5 earlier, I am definitely no expert in that field, but  
6 what I can tell you is that studies had been carried  
7 out within NATO attempting to achieve a higher level of  
8 equipment standardization for the NATO member  
9 countries, because NATO found that the proliferation of  
10 all kinds of different equipment within NATO led to  
11 increased costs and to inefficient systems, and the  
12 objective was to try to... and if not reach agreement  
13 on standard equipment, then at least to reduce the  
14 quantity and variety of equipment.

15 So those discussions were under way  
16 at the time. I suspect that they are ongoing even  
17 today, but it's certainly logical.

18 MR. PRATTE: In view of the questions  
19 asked by Mr. Battista, I do not really intend to go  
20 over each and every one of the documents that you wrote  
21 or that were sent to you, but my reading of them has  
22 led me to the specific conclusion that in your oral  
23 testimony, it was the exporting and peacekeeping aspect  
24 that comes up in virtually all of the documents sent to  
25 the Canadian government.

1                   HON. MARC LALONDE: We had read the  
2 White Paper, which had made peacekeeping a priority.  
3 It would not have been very intelligent, you know, to  
4 say that the vehicle was useless for peacekeeping.

5                   MR. PRATTE: Is that partly why we  
6 see the Minister of Foreign Affairs and the Minister  
7 for International Trade, in addition to some ministers  
8 responsible, the Minister of Industry or the Minister  
9 of Defence, but also the international component, and  
10 when you do your lobbying with them, you want to get  
11 the ministers involved who handle the international  
12 scene?

13                   HON. MARC LALONDE: Exactly.

14                   MR. PRATTE: Now the peacekeeping  
15 operations in which...

16                   HON. MARC LALONDE: Excuse me  
17 Mr. Pratte, if we are talking about the Department of  
18 Industry, then of course there is the international  
19 trade aspect, but also of course domestic spin-offs,  
20 which are not insignificant.

21                   MR. PRATTE: That's right. No, the  
22 domestic benefits that stem from the fact that you can  
23 serve the international market.

24                   HON. MARC LALONDE: Or even build a  
25 plant here in Canada.

1 MR. PRATTE: To be sure, but whose  
2 long-term market would be international, and the  
3 benefits in Canada, precisely. Is that it?

4 HON. MARC LALONDE: Yes.

5 MR. PRATTE: Yes. And when you were  
6 talking about NATO's role, you were, I think, among  
7 other things, speaking about NATO's role partly in the  
8 context of peacekeeping missions?

9 HON. MARC LALONDE: Could you repeat  
10 the question?

11 MR. PRATTE: The role... NATO, as you  
12 know, I am sure, would like to play a certain role in  
13 United Nations peacekeeping operations.

14 HON. MARC LALONDE: Yes.

15 MR. PRATTE: And so, in that regard,  
16 when there are peacekeeping operations in which Canada  
17 is taking part, are they generally, if not universally,  
18 sanctioned or approved or encouraged by the United  
19 Nations?

20 HON. MARC LALONDE: That has  
21 generally been the case, but NATO is not primarily or  
22 exclusively oriented towards peacekeeping operations.

23 MR. PRATTE: No, no. I wanted to...

24 HON. MARC LALONDE: NATO has a very  
25 important active military dimension, of which I am sure

1           you are aware.

2                           MR. PRATTE: No, no. I wanted to...  
3           I am pleased that you have reminded me, but I was aware  
4           of it. All I meant is that with respect to  
5           peacekeeping operations, NATO also plays a role. It is  
6           not simply a military role proper.

7                           HON. MARC LALONDE: Yes. It plays a  
8           direct role in certain missions. In others, it is not  
9           even there. There are some peacekeeping missions that  
10          are the responsibility of the African Union, for  
11          example and others in which countries are involved that  
12          are not NATO members...

13                          MR. PRATTE: But there are  
14          missions...

15                          HON. MARC LALONDE: ...which are  
16          direct United Nations missions, for example.

17                          MR. PRATTE: That's right. All I  
18          wish to establish, to make sure that it is clear,  
19          Mr. Lalonde, is that in some cases, there are  
20          peacekeeping missions in which the United Nations will  
21          be directly involved in sanctioning peacekeeping  
22          missions; is that correct?

23                          HON. MARC LALONDE: Correct.

24                          MR. PRATTE: And can it work in  
25          cooperation with NATO member countries?



1 HON. MARC LALONDE: or other  
2 countries.

3 MR. PRATTE: Or other countries.  
4 Could you give me a moment?

5 --- Pause

6 MR. PRATTE: Do you know,  
7 Mr. Lalonde, when the United Nations approves the  
8 peacekeeping missions, at what level this decision is  
9 taken? Is the decision made at the United Nations  
10 Security Council level?

11 HON. MARC LALONDE: I could not give  
12 you a learned answer to that. I believe that it is at  
13 the Security Council level.

14 MR. PRATTE: OK.

15 HON. MARC LALONDE: But...

16 MR. PRATTE: Well, you told my...

17 HON. MARC LALONDE: If you would like  
18 a legal opinion, I could give you one, but...

19 MR. PRATTE: What would your hourly  
20 rate be?

21 HON. MARC LALONDE: ...I would have  
22 to send you a bill for my fees.

23 MR. PRATTE: No, but you answered  
24 Mr. Battista's questions. Notwithstanding the fact  
25 that you have never claimed to be an expert in

1 international matters, you were nevertheless a very  
2 important minister for many years.

3 HON. MARC LALONDE: My work is almost  
4 exclusively international arbitration.

5 MR. PRATTE: This is not an area that  
6 is foreign to you?

7 HON. MARC LALONDE: Absolutely not.

8 MR. PRATTE: Good! So to the best of  
9 your knowledge, the United Nations Security Council is  
10 involved in decisions to participate in world  
11 peacekeeping missions?

12 HON. MARC LALONDE: Generally, to my  
13 knowledge, yes.

14 MR. PRATTE: Do you know who the  
15 permanent members of the Security Council are?

16 HON. MARC LALONDE: I believe there  
17 are five.

18 MR. PRATTE: Yes.

19 HON. MARC LALONDE: So, if you would  
20 like, I will try to pass the exam. I will try. The  
21 United States, Russia, China, France and England.

22 MR. PRATTE: One hundred per cent.

23 HON. MARC LALONDE: Thank you very  
24 much.

25 MR. PRATTE: Thank you, Mr. Lalonde.

1                   Those are my questions

2           Mr. Commissioner.

3           --- Pause

4                   COMMISSIONER OLIPHANT:   Mr. Auger...?

5                   MR. AUGER:   Yes.   Thank you,

6           Commissioner.

7           EXAMINATION:  HON. MARC LALONDE BY MR. AUGER /

8           INTERROGATOIRE : L'HON. MARC LALONDE  PAR Me AUGER

9                   MR. AUGER:   Good afternoon, Mr.

10          Lalonde.

11                   My name is Richard Auger, I have a  
12          few brief questions on behalf of Mr. Schreiber.  I'm  
13          going to have to ask my questions in English and, of  
14          course, as you know, you can answer in either English  
15          or in French.

16                   You have told the Commission, as I  
17          understand your evidence, that Mr. Schreiber did not at  
18          any time pay for your services in cash.

19                   Did I understand that correctly?

20                   HON. MARC LALONDE:  Yes, I have said  
21          this clearly, as clearly as it can be said.  Every time  
22          my services were retained by Mr. Schreiber, either I  
23          gave it free or generally he received a bill.

24                   MR. AUGER:  I take it that indeed at  
25          no time did Mr. Schreiber ask you if he could pay you

1 for your services in cash?

2 HON. MARC LALONDE: Excuse me?

3 MR. AUGER: At no time did Mr.  
4 Schreiber ask you if he could pay you in cash?

5 HON. MARC LALONDE: Definitely not.

6 MR. AUGER: And I take it that at no  
7 time did Mr. Schreiber say anything to the effect of "I  
8 am an international businessman and I deal in cash and  
9 I would like to pay you in cash."

10 Nothing like that with you?

11 HON. MARC LALONDE: Certainly not.

12 And under my partnership agreement  
13 with my firm I would have been in breach of my  
14 partnership agreement, at least -- unless I suppose I  
15 would have returned the cash to the partners, but we  
16 don't do business that way.

17 COMMISSIONER OLIPHANT: But your firm  
18 would take cash if that was presented?

19 HON. MARC LALONDE: Probably, but I  
20 never heard of this happening I must say I'm 25 years  
21 of the firm.

22 MR. AUGER: Just as a follow-up to  
23 the Commissioner's question, I take it that if that  
24 were to occur a receipt would have been issued for that  
25 cash?

1 HON. MARC LALONDE: Oh, there would  
2 have had to be. I mean you have to trace these things.  
3 But you have my answer.

4 MR. AUGER: Thank you.

5 You have produced your accounts to  
6 the Commission and I have reviewed them and just  
7 roughly, as I total, you billed Thyssen Bear Head  
8 approximately \$50,000 to \$55,000.

9 Is that a fair approximation?

10 HON. MARC LALONDE: If you made the  
11 calculation, I'll take your word for it.

12 MR. AUGER: And that was over a  
13 three-year period as I understand it.

14 HON. MARC LALONDE: October 1993 to  
15 September 1995. It's probably more like two years.

16 MR. AUGER: Thank you.

17 And just roughly with that total of  
18 approximately \$50,000 in services, again rough math,  
19 would mean that you worked approximately 150 hours for  
20 that money?

21 HON. MARC LALONDE: Well, divide it  
22 by \$325, you will get the result. If you tell me it's  
23 150 hours, that's it.

24 MR. AUGER: The way that works in  
25 simple terms is, if you have a meeting with an official

1 to discuss the project, you write down that time in  
2 your dockets and enter it the firm; right?

3 HON. MARC LALONDE: Every lawyer does  
4 this. Normally in a firm you are expected to do that  
5 and justify your bills if necessary.

6 MR. AUGER: And that's what you did  
7 in this case?

8 HON. MARC LALONDE: Of course.

9 MR. AUGER: So if you have a meeting  
10 for an hour with an official to talk about the project,  
11 that one hour gets billed to the client?

12 HON. MARC LALONDE: Sure.

13 MR. AUGER: You have known Mr.  
14 Schreiber for some 22, 23 years approximately?

15 HON. MARC LALONDE: Yes. Yes.

16 MR. AUGER: In both a professional  
17 and personal relationship?

18 HON. MARC LALONDE: Yes.

19 MR. AUGER: And you have always known  
20 Mr. Schreiber to be an honest and ethical person with  
21 you?

22 HON. MARC LALONDE: As far as my  
23 personal relationships with Mr. Schreiber, and  
24 professional relationships, it has always been  
25 aboveboard.

1 I don't know whether he has any  
2 complaints about it, but I have never had any problem  
3 in terms of professional ethics or ethics generally.

4 MR. AUGER: In fact, you had signed  
5 to be his surety.

6 Is that right?

7 HON. MARC LALONDE: Yes, I am one of  
8 the people who have signed for surety.

9 MR. AUGER: And you in fact did sign  
10 for \$100,000 of your own money in relation to that  
11 surety obligation?

12 HON. MARC LALONDE: Well, I didn't  
13 put a penny. As you know, a surety is something, a  
14 guarantee you give. It didn't cost me anything.

15 MR. AUGER: And you were prepared to  
16 give that guarantee obviously because you trusted Mr.  
17 Schreiber?

18 HON. MARC LALONDE: Well, Mr.  
19 Schreiber was fighting to stay in Canada so it was easy  
20 to provide a bail in that case. He was not trying to  
21 run away, he was trying to stay here, so I felt that  
22 was a very easy guarantee to give.

23 MR. AUGER: You mentioned your  
24 dealings with Mr. Massmann from Thyssen.

25 I just want to ask you briefly, I

1 take it that at no time did Mr. Massmann ever mention  
2 to you that Mr. Mulroney might be involved in selling  
3 light armoured vehicles to China?

4 HON. MARC LALONDE: Could you repeat  
5 the question?

6 MR. AUGER: Certainly.

7 Did Mr. Massmann ever mention to you  
8 Mr. Mulroney being involved in the Bear Head Project in  
9 any capacity?

10 HON. MARC LALONDE: No.

11 MR. AUGER: Are you able to tell the  
12 Commission whether or not Thyssen, the parent company  
13 Thyssen, had a number of employees in Canada at the  
14 time that you were involved?

15 HON. MARC LALONDE: Yes, they had --  
16 well, whether it's Thyssen or Bear Head, I mentioned  
17 Mr. Schreiber, Mr. Alford, Mr. Vance and Mr. Reid.

18 There may have been secretaries in  
19 addition. These are those I knew. There may have been  
20 others, but I didn't know others.

21 MR. AUGER: I listened to your  
22 evidence carefully and I got the impression that you  
23 would agree that you certainly didn't feel that you  
24 were qualified to sell this product internationally.

25 Is that a fair interpretation of your



1 evidence?

2 HON. MARC LALONDE: That would be an  
3 obvious interpretation I think.

4 MR. AUGER: And I take it that you  
5 were never asked if you were interested in travelling  
6 to China or Russia to sell the product?

7 HON. MARC LALONDE: No, certainly not  
8 and, if asked, the answer would have been "I don't  
9 think I'm your man."

10 MR. AUGER: And that's because you  
11 didn't have the expertise I take it?

12 HON. MARC LALONDE: Exactly.

13 MR. AUGER: And did Mr. Schreiber at  
14 any time ever say to you "Don't worry about the  
15 international lobbying aspect, I have that covered off.  
16 I'm going to approach or I have approached Mr.  
17 Mulroney"?

18 HON. MARC LALONDE: No.

19 MR. AUGER: Thank you, Mr. Lalonde.

20 HON. MARC LALONDE: Thank you.

21 MR. HOUSTON: I have no questions;  
22 thank you.

23 COMMISSIONER OLIPHANT: Okay. No  
24 questions for Mr. Houston.

25 Mr. Vickery...?

1 MR. VICKERY: I have no questions.

2 COMMISSIONER OLIPHANT: No questions  
3 from Mr. Vickery. All right.

4 I take it, then, that that -- yes,  
5 sir?

6 MR. DECARIE: Before I ask a  
7 question --

8 --- Off microphone / Sans microphone

9 MR. DECARIE: What I would like to  
10 know, is whether... there was a mention of bail. Was  
11 the bail paid by Mr. Lalonde and others to the  
12 authorities of any importance or any relevance? So, if  
13 it was, because I would simply like Mr. Lalonde to  
14 explain...

15 COMMISSIONER OLIPHANT: Excuse me,  
16 sir, if you will, there is a problem with...

17 HON. MARC LALONDE: The  
18 interpretation.

19 COMMISSIONER OLIPHANT: Yes.

20 --- Off microphone / Sans microphone

21 MR. DECARIE: Mr. Commissioner,  
22 excuse me. I wanted to know whether, for the work of  
23 the Commission, the circumstances surrounding the bail  
24 paid by Mr. Lalonde and others for the release of  
25 Mr. Schreiber has any importance, and if so, I would

1 have liked to ask Mr. Lalonde to explain the  
2 circumstances under which he was led to put up this  
3 bail.

4 COMMISSIONER OLIPHANT: You wish to  
5 ask your client a question?

6 MR. DECARIE: Yes.

7 COMMISSIONER OLIPHANT: Yes.

8 --- Pause

9 MR. WOLSON: I would have no  
10 objection to this question about bail being asked,  
11 although ordinarily I wouldn't think that counsel  
12 should be asking questions.

13 But on the issue of bail, I wouldn't  
14 have an issue if you feel it's relevant, Mr.  
15 Commissioner.

16 COMMISSIONER OLIPHANT: Well, go  
17 ahead.

18 MR. DECARIE: Thank you.

19 That's why I asked if you felt it was  
20 relevant. But anyway...

21 INTERROGATOIRE : L'HON. MARC LALONDE PAR Me DECARIE /  
22 EXAMINATION: HON. MARC LALONDE BY MR. DECARIE

23 MR. DECARIE: Mr. Lalonde, could you  
24 explain the circumstances under which you were led to  
25 put up bail for the release of Mr. Schreiber?

1                   HON. MARC LALONDE: It is, of course,  
2 after the whole Thyssen affair. It was towards the end  
3 of the '90s, and there was an extradition request  
4 against Mr. Schreiber in Germany. Mr. Schreiber had...  
5 the Court had set a very high level of bail, I think it  
6 was \$1.3 million, and Mr. Schreiber and his wife had  
7 put up everything they had in Canada as bail,  
8 approximately \$800,000, and they were short  
9 approximately \$500,000.

10                   And they turned to five people they  
11 knew to ask whether they would agree to put up bail of  
12 \$100,000 each, and I think at the time that  
13 Mr. Schreiber had told me that Mr. Elmer MacKay, for  
14 example, who was a former Conservative minister, had  
15 agreed to put up this bail, but that he hoped that I,  
16 as a former Liberal minister would also be willing to  
17 contribute to his bail.

18                   And I told him that I had no problem  
19 in that regard and I proceeded to put up that bail,  
20 repeatedly, together at the time with three others...  
21 four other persons, I believe. And that bail was  
22 renewed year after year.

23                   MR. DÉCARIE: I have no further  
24 questions.

25                   COMMISSIONER OLIPHANT: Thank you.

1 Mr. Wolson...?

2 Is there any reason, Mr. Wolson, why  
3 Mr. Lalonde cannot be excused at this time?

4 MR. WOLSON: None at all, sir.

5 COMMISSIONER OLIPHANT: Thank you  
6 very much, Mr. Lalonde. I thank you for your  
7 testimony.

8 HON. MARC LALONDE: Thank you very  
9 much, Mr. Commissioner.

10 MR. WOLSON: Mr. Commissioner,  
11 tomorrow we have two witnesses. The witness set for  
12 the morning, Beth Moores, is not expected to take very  
13 long. I have canvassed all counsel. I expect her  
14 testimony to be fairly brief.

15 That being the case, my suggestion is  
16 that we start at 1 o'clock tomorrow, not have a morning  
17 where we would start at 9:30 and finish within a half  
18 an hour or so. So that we start at 1 o'clock, we deal  
19 with Beth Moores and then deal with Mr. Burney after  
20 Beth Moores.

21 I am advised that Mr. Burney is not  
22 available in the morning. He is flying into Ottawa  
23 late morning to be here for the afternoon.

24 So that's my suggestion and all  
25 counsel agree and I propose that to you.

1                   COMMISSIONER OLIPHANT: Well, it  
2 sounds like I have a pretty formidable array of counsel  
3 all agreeing on the same point. That doesn't always  
4 happen so I'm going to endorse the agreement and we  
5 will commence at 1 o'clock tomorrow afternoon.

6                   Thank you, counsel.

7                   THE REGISTRAR: All rise. Veuillez  
8 vous lever.

9                   --- Whereupon the hearing adjourned at 4:20 p.m.,  
10 to resume on Tuesday, March 31, 2009 at 1:00 p.m. /  
11 L'audience est ajournée à 16 h 20, pour reprendre  
12 le mardi 31 mars 2009 à 13 h 00

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23                   We hereby certify that we have accurately  
24 transcribed the foregoing to the best of  
25 our skills and abilities.

