

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



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

Public Hearing

Audience publique

Commissioner

L'Honorable juge /
The Honourable Justice
Jeffrey James Oliphant

Commissaire

Held at:

Bytown Pavillion
Victoria Hall
111 Sussex Drive
Ottawa, Ontario

Wednesday, April 29, 2009

Tenue à :

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

le mercredi 29 avril 2009

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

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

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

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

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

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

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

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

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

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

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

25 25391 MR. WOLSON: And you became Minister

1 of Justice in February of 1990?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10 25408 I don't remember it at all.

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

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

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

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

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

21 25414 You would have had a Chief of Staff?

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

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

1 selling to the country a product?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22 25431 MR. WOLSON: Yes.

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

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

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

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

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

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

1 were doing in any of the portfolios.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5 25451 That would be Mulroney:

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

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

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

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

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

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

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

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

11 25457 It says:

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

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

20 25459 In the first paragraph --

21 25460 MR. WOLSON: Yes...?

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

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

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

5 25463 Is that your handwriting?

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

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

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

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

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

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

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

3 25470 MR. WOLSON: Sure.

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

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

12 25473 Is that what the norm would be?

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

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

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

5 25477 Would that be a fair assessment?

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

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

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

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

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

17 25483 Are you familiar with this letter?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14 25499 Do you see that?

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

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

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

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

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

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

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

16 25505 Is that your signature?

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

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

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

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

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

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

11 25511 MR. WOLSON: Yes...?

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

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

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

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

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

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

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

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

13 25518 -- which would be Mulroney:

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

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

23 25520 THE RIGHT HON. A. KIM CAMPBELL:

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

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

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

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

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

14 25524 MR. WOLSON: Yes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 I'm quite sure not.

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

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

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

12 25543 MR. WOLSON: Yes.

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

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

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

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

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

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

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

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

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

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

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

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

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

6 25560 COMMISSIONER OLIPHANT: Mr. Landry...

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

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

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

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

14 25565 COMMISSIONER OLIPHANT: Mr. Auger...

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

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

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

22 25568 MR. AUGER: Good morning.

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

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

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

7 25571 Correct?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12 25587 MR. AUGER: Correct.

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

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

17 25590 Correct?

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

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

22 25593 MR. AUGER: Thank you, Commissioner.

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

1 25595 Fair?

2 25596 THE RIGHT HON. A. KIM CAMPBELL:

3 M'hmm.

4 25597 MR. AUGER: The other aspect that I

5 think you have alluded to is the economics.

6 25598 Is that a fair way to summarize?

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

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

9 was probably the most important. I think the bottom

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

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

12 understandable, from his perspective, that he would

13 make the strongest case possible for a product that he

14 obviously believed in.

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

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

17 letter addressed to Robert Fowler, and the Commissioner

18 has heard some evidence relating to Mr. Fowler.

19 25601 Did you have discussions with Mr.

20 Fowler about the Thyssen project in any way that you

21 recall?

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

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

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

25 at all.

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

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

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

17 25606 Thank you, Commissioner.

18 25607 COMMISSIONER OLIPHANT: Thank you.

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

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

23 25610 COMMISSIONER OLIPHANT: All right.

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

1 you are free to leave at this time.

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

4 25613 THE RIGHT HON. A. KIM CAMPBELL:

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

8 25614 Best wishes on your deliberations.

9 25615 COMMISSIONER OLIPHANT: Thank you.

10 25616 Mr. Roitenberg...

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

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

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

20 25620 MR. ROITENBERG: I do not.

21 25621 COMMISSIONER OLIPHANT: All right.

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

23 25622 MR. ROITENBERG: Thank you, sir.

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

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

1 25623 COMMISSIONER OLIPHANT: Be seated,
2 please.

3 25624 Good morning, Mr. Beatty.

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

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

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

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

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

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

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

18 25630 MR. ROITENBERG: Thank you, sir.

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

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

23 25633 THE HON. PERRIN BEATTY: I did.

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

1 background.

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

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

6 25637 MR. ROITENBERG: Remarkable.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 25651 After that, Mr. Chrétien asked me to

1 become President of the Canadian Broadcasting
2 Corporation.

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

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

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

11 --- Laughter / Rires

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

15 25656 THE HON. PERRIN BEATTY: Yes.

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

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

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

25 25660 COMMISSIONER OLIPHANT: Is this book

1 of documents going in by consent, counsel?

2 25661 MR. AUGER: Yes, sir.

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

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

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

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

17 25665 Would that be right?

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

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

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

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

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

5 25670 Is that correct?

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

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

12 25673 Is that fair?

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

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

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

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

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

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

25 25680 THE HON. PERRIN BEATTY: Yes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 was financial, one would expect.

2 25697 THE HON. PERRIN BEATTY: Yes.

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

6 25699 THE HON. PERRIN BEATTY: No.

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

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

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

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

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

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

4 25705 Would that be fair?

5 25706 THE HON. PERRIN BEATTY: Yes.

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

10 25708 THE HON. PERRIN BEATTY: Yes.

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

15 25710 You recall that.

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

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

19 25713 THE HON. PERRIN BEATTY: Yes.

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

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

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

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

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

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

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

1 government will seriously consider their proposal.

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

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

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

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

25 25725 MR. ROITENBERG: As you raised the

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

4 25726 THE HON. PERRIN BEATTY: Yes.

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

9 25728 It reads:

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

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

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

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

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

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

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

15 25733 THE HON. PERRIN BEATTY: Sure.

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

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

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

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

5 25737 Am I right?

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

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

13 25740 Would that be fair?

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

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

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

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

25 25745 THE HON. PERRIN BEATTY: Bev Dewar

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

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

5 25747 THE HON. PERRIN BEATTY: Yes.

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

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

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

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

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

25 25753 Now, during my tenure as Minister of

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

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

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

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

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

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

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

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

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

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

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

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

25 25764 THE HON. PERRIN BEATTY: Yes, very

1 much so.

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

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

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

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

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

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

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

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

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

8 25773 Would you agree with that?

9 25774 THE HON. PERRIN BEATTY: Yes.

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

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

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

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

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

21 25779 THE HON. PERRIN BEATTY: Yes.

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

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

1 each of which DND..."

2 25781 Department of National Defence:

3 "... would like to reject

4 because they involve some degree

5 of sole-sourcing or lowered

6 competition..."

7 25782 THE HON. PERRIN BEATTY: Yes.

8 25783 MR. ROITENBERG: So this would have

9 been a highlighting of one of the concerns that DND

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

11 protection of the contracting process and not wanting

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

13 then --

14 25784 THE HON. PERRIN BEATTY: Yes.

15 25785 MR. ROITENBERG: -- which was for

16 this sole source contract to Thyssen?

17 25786 THE HON. PERRIN BEATTY: Yes.

18 25787 MR. ROITENBERG: And you take no

19 issue with how it is characterized here?

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

21 25789 MR. ROITENBERG: If I could then ask

22 you --

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

24 there were other concerns in addition to that.

25 25791 MR. ROITENBERG: And some are named,

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

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

6 25793 THE HON. PERRIN BEATTY: Fine.

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

13 25795 Page 3 --

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

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

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

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

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

7 25799 THE HON. PERRIN BEATTY: Yes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10 25812 THE HON. PERRIN BEATTY: Yes.

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

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

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

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

24 25817 THE HON. PERRIN BEATTY: Fifteen?

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

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

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

3 25820 COMMISSIONER OLIPHANT: I think there

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

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

6 25821 MR. ROITENBERG: Are you referring --

7 perhaps I should ask you this, sir.

8 25822 Are you referring to the actual

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

10 today?

11 25823 THE HON. PERRIN BEATTY: I'm

12 sorry...?

13 25824 MR. ROITENBERG: Are you referring to

14 the actual exhibit that was given to you --

15 25825 THE HON. PERRIN BEATTY: Yes.

16 25826 MR. ROITENBERG: -- or the document

17 that was forwarded to you?

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

19 the one that you sent me two days ago?

20 25828 MR. ROITENBERG: Okay. If you turn

21 to the --

22 25829 THE HON. PERRIN BEATTY: I have Tab

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

24 John McDowell.

25 25830 MR. ROITENBERG: Okay. If you turn

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

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

3 25832 MR. ROITENBERG: And if you turn to

4 the second page of the document at 15A.

5 25833 COMMISSIONER OLIPHANT: I'm sorry,

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

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

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

9 handwritten document.

10 25834 THE HON.PERRIN BEATTY: Mine is quite

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

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

13 September 6th, called "Thyssen Update".

14 25835 COMMISSIONER OLIPHANT: That's the

15 one I have.

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

17 15. There were amendments made to the books this

18 morning, Commissioner, and for some reason --

19 25837 COMMISSIONER OLIPHANT: I don't have

20 it.

21 25838 MR. ROITENBERG: -- I guess the

22 amendment wasn't made to yours.

23 25839 Ms Corbeil is just ensuring that both

24 the witness and you have the appropriate document.

25 25840 COMMISSIONER OLIPHANT: Let's just

1 take a moment while that is done.

2 --- Pause

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

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

8 --- Pause

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

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

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

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

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

19 25848 THE HON. PERRIN BEATTY: Thank you.

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

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

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

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

3 25853 MR. ROITENBERG: Thank you.

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

7 25855 THE HON. PERRIN BEATTY: Yes.

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

16 25857 THE HON. PERRIN BEATTY: Yes.

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

22 25859 THE HON. PERRIN BEATTY: I do.

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

25 25861 As I understand it, back in June of

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

4 25862 Would that be correct?

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

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

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

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

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

15 25868 MR. ROITENBERG: Okay.

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

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

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

25 25872 COMMISSIONER OLIPHANT: As we speak.

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

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

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

8 25886 MR. ROITENBERG: Gerry Doucet.

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

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

14 25889 THE HON. PERRIN BEATTY: Yes.

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

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

20 25892 MR. ROITENBERG: Karlheinz Schreiber?

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

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

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

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

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

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

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

11 25900 MR. ROITENBERG: Fred Doucet?

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

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

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

1 25904 I don't recall any other discussion.

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

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

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

15 25908 THE HON. PERRIN BEATTY: Gladly.

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

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

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

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

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

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

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

1 Italy could do.

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

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

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

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

14 25920 THE HON. PERRIN BEATTY: Yes.

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

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

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

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

25 25925 MR. ROITENBERG: Do you recall

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

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

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

8 25928 THE HON. PERRIN BEATTY: Yes.

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

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

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

15 25932 THE HON. PERRIN BEATTY: Yes.

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

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

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

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

25 25937 MR. ROITENBERG: And he was at the

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

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

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

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

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

12 25942 THE HON. PERRIN BEATTY: Yes.

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

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

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

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

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

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

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

11 25950 THE HON. PERRIN BEATTY: No.

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

17 25952 Would that be fair?

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

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

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

1 shared by the Prime Minister in that vein?

2 25956 THE HON. PERRIN BEATTY: Gladly.

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

8 25957 COMMISSIONER OLIPHANT: Name
9 dropping.

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

12 25959 COMMISSIONER OLIPHANT: Name
13 dropping.

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

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

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

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

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

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

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

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

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

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

23 25970 MR. ROITENBERG: Please.

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

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

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

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

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

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

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

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

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

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

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

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

1 important.

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

10 25983 That was the advantage that I saw.

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

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

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

25 25987 If Thyssen had been willing to agree

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

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

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

12 25990 MR. ROITENBERG: Yes...?

13 25991 THE HON. PERRIN BEATTY: Absolutely.

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

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

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

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

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

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

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

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

- 1 25999 The document that we signed and the
2 procedures that we put in place were designed to ensure
3 that the only basis on which Thyssen would be able to
4 get payment from the Government of Canada was if they
5 could meet all of those conditions.
- 6 26000 MR. ROITENBERG: Let's talk about the
7 negotiations that led up to your agreement to sign the
8 document, just to put things further in perspective.
- 9 26001 If I can get you to turn to Tab 19.
- 10 26002 THE HON. PERRIN BEATTY: Yes, sir.
- 11 26003 MR. ROITENBERG: Page 7 as it is
12 noted at the tops of the pages.
- 13 26004 THE HON. PERRIN BEATTY: Yes.
- 14 26005 MR. ROITENBERG: The middle
15 paragraph. This is an aide memoir that seemed to have
16 been prepared around September 19, 1988.
- 17 26006 The middle of page 7 indicates that:
18 "On September 14, Mr. Derek
19 Burney chaired a meeting
20 attended by Senator Murray and
21 Mr. Beatty."
- 22 26007 You recall that at one time you
23 attended a meeting -- I don't believe you recall the
24 exact date --
- 25 26008 THE HON. PERRIN BEATTY: That's

1 right.

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

6 26010 THE HON. PERRIN BEATTY: Yes.

7 26011 MR. ROITENBERG:

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

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

23 26013 Is that correct?

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

25 26015 MR. ROITENBERG:

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

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

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

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

3 26041 THE HON. PERRIN BEATTY: Yes.

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

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

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

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

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

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

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

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

8 26050 THE HON. PERRIN BEATTY: Yes.

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

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

18 26053 THE HON. PERRIN BEATTY: Yes.

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

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

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

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

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

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

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

25 26061 THE HON. PERRIN BEATTY: Because

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

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

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

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

20 26065 Tab 4 goes back in time some --

21 26066 THE HON. PERRIN BEATTY: Yes.

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

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

2 26068 THE HON. PERRIN BEATTY: Yes.

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

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

13 26070 THE HON. PERRIN BEATTY: Yes.

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

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

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

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

2 26074 THE HON. PERRIN BEATTY: Yes.

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

8 26076 Is that right?

9 26077 THE HON. PERRIN BEATTY: Yes.

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

16 26079 THE HON. PERRIN BEATTY: Yes.

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

23 26081 THE HON. PERRIN BEATTY: Yes.

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

1 26083 THE HON. PERRIN BEATTY: It may, or
2 it could be recommending at the end of competition the
3 preferred bidder.

4 26084 If you are saying would we hold open
5 for ourselves the ability to sole source? Yes, the
6 Department has to do that in some instances. But the
7 key consideration here was when the military makes a
8 decision as to who the best potential supplier is, is
9 it the Military's recommendation that is going to take
10 priority or is it somebody else's?

11 26085 And what we wanted to do was to
12 ensure that our discretion was simply unfettered on
13 that.

14 26086 MR. ROITENBERG: Tab 23, if you
15 would.

16 26087 THE HON. PERRIN BEATTY: Yes.

17 26088 MR. ROITENBERG: Tab 23 is a letter
18 written under your hand to Mr. Peapples, who was the
19 President and General Manager of General Motors Canada.

20 26089 THE HON. PERRIN BEATTY: Yes.

21 26090 MR. ROITENBERG: Is that right?

22 26091 COMMISSIONER OLIPHANT: Which tab?

23 26092 MR. ROITENBERG: Tab 23,
24 Mr. Commissioner.

25 26093 This was written by yourself on

1 October the 20th of 1988.

2 26094 THE HON. PERRIN BEATTY: Yes.

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

5 26096 THE HON. PERRIN BEATTY: Yes.

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

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

15 26098 I want to stop there.

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

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

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

21 26102 THE HON. PERRIN BEATTY: Yes.

22 26103 MR. ROITENBERG: And you indicate
23 "Further to my letter of September 26", so one can
24 assume that that would have been a letter that you sent
25 to Mr. Peapples.

1 26104 THE HON. PERRIN BEATTY: Yes.

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

4 26106 THE HON. PERRIN BEATTY: Yes.

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

19 26109 THE HON. PERRIN BEATTY: Yes.

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

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

1 26112

MR. ROITENBERG:

2

"During these meetings, it was

3

determined that \$175 million for

4

all elements of the proposal is

5

the order of the magnitude of

6

costs required for

7

implementation of the proposal."

8 26113

THE HON. PERRIN BEATTY: Yes.

9 26114

MR. ROITENBERG:

10

"The purpose of this letter..."

11 26115

I am now in paragraph 3:

12

"... is to advise you that, on

13

the understanding the 200 Light

14

Armored Vehicles and all other

15

elements of your proposal can be

16

delivered at a 'not to exceed'

17

cost of \$175 million, I am

18

prepared to support the proposal

19

to meet my Department's urgent

20

requirement for Light Armored

21

Vehicles associated with our

22

Land Reserve Modernization

23

Program."

24 26116

Was the LAV for the land reserve

25

modernization program opened up to public tender?

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

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

2 26126 MR. ROITENBERG: There is no date.

3 There is no date on the letter.

4 26127 THE HON. PERRIN BEATTY: Yes.

5 26128 MR. ROITENBERG: So I use your

6 reference from your draft response.

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

8 26130 MR. ROITENBERG: In this letter to

9 you -- first of all, I pause.

10 26131 The Honourable Gerald Merrithew

11 succeeded Sen. Murray as the Minister Responsible for

12 ACOA. Am I correct?

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

14 26133 MR. ROITENBERG: In fact, he

15 succeeded him before the September 27th signing of the

16 Understanding in Principle, but as he had had no

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

18 carried through with the Understanding.

19 26134 THE HON. PERRIN BEATTY: Literally

20 days before.

21 26135 MR. ROITENBERG: Yes. In this letter

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

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

24 letter to Mr. Peapples at General Motors Canada.

25 26136 Would that be fair?

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

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

4 26147 THE HON. PERRIN BEATTY: Yes.

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

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

14 26150 THE HON. PERRIN BEATTY: Yes.

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

21 26152 THE HON. PERRIN BEATTY: Yes.

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

25 26154 THE HON. PERRIN BEATTY: We have to

1 answer any Minister who wrote you a letter.

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

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

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

11 26158 THE HON. PERRIN BEATTY: Yes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19 26172 MR. ROITENBERG: Please...?

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

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

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

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

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

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

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

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

1 which one, Mr. Roitenberg?

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

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

9 26182 MR. ROITENBERG: Certainly.

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

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

15 26185 THE HON. PERRIN BEATTY: Yes.

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

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

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

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

23 26190 COMMISSIONER OLIPHANT: Okay.

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

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

3 26192 Let me just check very briefly.

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

7 26194 THE HON. PERRIN BEATTY: It is.

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

10 26196 MR. ROITENBERG: First full
11 paragraph.

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

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

17 26199 THE HON. PERRIN BEATTY: Page 25.

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

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

25 26202 Going back to the document that was

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

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

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

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

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

24 26207 COMMISSIONER OLIPHANT: I'm with you.

25 26208 THE HON. PERRIN BEATTY: Okay.

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

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

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

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

25 26213 The next paragraph, sir, makes a

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

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

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

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

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

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

1 would have been very limited as a consequence.

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

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

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

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

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

24 26228 THE HON. PERRIN BEATTY: Sure.

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

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

4 26230 THE HON. PERRIN BEATTY: Yes.

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

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

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

25 26234 So as I indicated earlier, you have a

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 26250 MR. ROITENBERG: -- and the criteria

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

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

5 26252 THE HON. PERRIN BEATTY: Yes.

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

13 26254 THE HON. PERRIN BEATTY: Yes.

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

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

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

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

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

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

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

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

21 26262 THE HON. PERRIN BEATTY: Yes.

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

1 would result in some interruption of their business.

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

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

14 26266 Correct?

15 26267 THE HON. PERRIN BEATTY: Yes.

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

20 26269 THE HON. PERRIN BEATTY: Yes.

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

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

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

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

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

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

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

25 26276 MR. ROITENBERG: There is one last

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

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

6 26278 THE HON. PERRIN BEATTY: Yes.

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

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

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

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

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

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

11 26282 THE HON. PERRIN BEATTY: Yes.

12 26283 MR. ROITENBERG: And:

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

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

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

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

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

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

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

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

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

5 26291 COMMISSIONER OLIPHANT: Yes.

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

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

13 26294 Is that more accurate perhaps?

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

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

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

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

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

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

1 would be pleased to do that.

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

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

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

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

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

25 26306 If the whole fight, all of these many

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 but I want to know what they mean.

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

10 26336 That certainly could have been done.

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

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

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

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

5 26341 MR. ROITENBERG: Thank you, sir.

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

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

17 26344 MR. ROITENBERG: Absolutely.

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

21 26346 MR. ROITENBERG: Please.

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

25 26348 MR. ROITENBERG: Thank you, sir.

1 --- Upon recessing at 12:35 p.m. / Suspension à 12 h 35
2 --- Upon resuming at 2:05 p.m / Reprise à 14 h 05
3 26349 COMMISSIONER OLIPHANT: Be seated,
4 please.
5 26350 Maybe just wait half a second. I see
6 Mr. Houston coming down the hall.
7 26351 All right, I think we can start now
8 that Mr. Houston is here.
9 26352 MR. ROITENBERG: Thank you,
10 Mr. Commissioner.
11 26353 Mr. Beatty, I only have a short few
12 minutes more of your time that I will require.
13 26354 If I understood what you were telling
14 us before we broke for the noon recess, in short, the
15 sole source to General Motors Diesel Division for the
16 light armoured vehicles for the Reserves was, in your
17 view, a good idea as it was preserving a proven
18 military supplier for the Canadian Forces who had been
19 utilized before and ensuring their continued survival?
20 26355 THE HON. PERRIN BEATTY: Yes, sir.
21 26356 MR. ROITENBERG: And the benefits of
22 their continued survival was to be able to participate
23 as a future competitor in future procurements?
24 26357 THE HON. PERRIN BEATTY: Yes.
25 26358 MR. ROITENBERG: So in essence it was

1 a sole source to save future competitions?

2 26359 THE HON. PERRIN BEATTY: Yes. And to
3 preserve in Canada concentration of expertise that
4 existed within GM Diesel Division in London already,
5 not to lose it to the United States.

6 26360 MR. ROITENBERG: Okay. Now, I am
7 assuming that, as you were aware, in September of 1988
8 that an election was looming, and you have already told
9 us that. Yes?

10 26361 THE HON. PERRIN BEATTY: Yes.

11 26362 MR. ROITENBERG: You would agree with
12 me that a major employer in the London, Ontario area,
13 such as General Motors, closing up shop on the eve of
14 an election or during an election campaign would not
15 have been looked upon very favourably politically
16 within the region?

17 26363 THE HON. PERRIN BEATTY: I don't
18 disagree with that.

19 26364 MR. ROITENBERG: Mr. Hockin, as you
20 advised earlier, was cc'd on your October 20, 1988
21 letter to General Motors. Yes...?

22 26365 THE HON. PERRIN BEATTY: Yes.

23 26366 MR. ROITENBERG: It was in his
24 constituency that the General Motors' plant was
25 situated?

1 26367 THE HON. PERRIN BEATTY: No, but it
2 is near his constituency.

3 26368 MR. ROITENBERG: Near his
4 constituency. And you yourself were a Minister from
5 Ontario?

6 26369 THE HON. PERRIN BEATTY: Yes.

7 26370 MR. ROITENBERG: I asked you earlier
8 about directions from the Prime Minister himself as to
9 what he wanted you to accomplish or do with the Bear
10 Head proposal.

11 26371 Do you recall me asking you about
12 that?

13 26372 THE HON. PERRIN BEATTY: Yes, sir.

14 26373 MR. ROITENBERG: And you advised that
15 you had received no directions directly from the Prime
16 Minister?

17 26374 THE HON. PERRIN BEATTY: That's
18 right.

19 26375 MR. ROITENBERG: Did you receive
20 directions from anybody who you thought credibly was
21 delivering --

22 26376 THE HON. PERRIN BEATTY: No.

23 26377 MR. ROITENBERG: -- a direction from
24 the Prime Minister?

25 26378 THE HON. PERRIN BEATTY: No. And had

1 I, Mr. Roitenberg, I would have followed the Prime
2 Minister's suggestion, which was if somebody purports
3 to be speaking for me, speak to me yourself. Only I
4 speak for myself, was the Prime Minister's point.

5 26379 And again, it would have come down to
6 a choice for me if there was a clear -- did I assume
7 that the Prime Minister would like to see a plant
8 opened in Cape Breton? Yes. The government was
9 committed to doing that. It had made a public
10 commitment and certainly the Prime Minister had not
11 intervened to say forget about any deal in Cape Breton,
12 we don't need to have a facility there.

13 26380 So did I assume that under
14 appropriate circumstances he would be glad to see a
15 facility there? Sure.

16 26381 But at no time did I feel constrained
17 in any way that would impede my ability to recommend
18 what I felt was in the best interests of the Canadian
19 Forces, and at no time that I am aware of did anybody
20 credibly say to me I am representing the Prime
21 Minister's views on this.

22 26382 The only -- I suppose the credible
23 person to represent the Prime Minister would have been
24 his Chief of Staff, Mr. Burney, who held a meeting with
25 us, and the instructions that he gave were that the

1 Understanding in Principle needed to be amended to make
2 sure that it didn't bind the government.

3 26383 MR. ROITENBERG: So your dealings
4 with the Prime Minister's Chief of Staff, Mr. Burney,
5 and Mr. Burney's involvement in -- maybe brokering is
6 too strong a word but I will use it anyways -- in
7 brokering these concessions or these conditions and
8 their appropriateness from everybody's position on
9 September 14, 1988, was not taken by you to be pressure
10 from the Prime Minister's Office to get this done. It
11 was more dispute resolution or consensus reaching on
12 the part of the Chief of Staff.

13 26384 THE HON. PERRIN BEATTY: I would go
14 beyond that, Mr. Roitenberg, and say that the
15 intervention that was made by Mr. Burney in giving
16 instructions that once he had had legal advice that
17 this could be binding on the government, giving
18 instructions that the Understanding in Principle had to
19 be changed to ensure that it would not be binding, was
20 supportive of our position.

21 26385 In essence, it wasn't necessary for
22 us to compromise on the essential element of this,
23 which was that at the end of the day the Department of
24 National Defence would be able to recommend the
25 supplier that they felt was most appropriate.

- 1 26386 And Derek Burney's intervention
2 strengthened our position on that.
- 3 26387 MR. ROITENBERG: Now, as this matter
4 had been a matter of discussion within Cabinet while
5 you were the Minister of National Defence --
- 6 26388 THE HON. PERRIN BEATTY: Yes.
- 7 26389 MR. ROITENBERG: -- its continuation
8 as a matter for discussion within Cabinet carried on
9 beyond your tenure as Minister of that Department;
10 correct?
- 11 26390 THE HON. PERRIN BEATTY: It did.
- 12 26391 MR. ROITENBERG: Were you aware
13 within your role as a continued Cabinet Minister as to
14 if and when the project, as far as its location in Nova
15 Scotia, was cancelled --
- 16 26392 THE HON. PERRIN BEATTY: No.
- 17 26393 MR. ROITENBERG: -- or derailed?
- 18 26394 THE HON. PERRIN BEATTY: I was not.
19 I was Minister of National Health and Welfare following
20 I think it was the 30th of January of 1989. The Navy
21 has a long-standing tradition that when the new
22 Commander sails in the old Commander sails out the same
23 day, and I did not meddle in the affairs of any
24 department once I had left it.
- 25 26395 I don't recall a specific decision

1 being made when I was about that said this definitely
2 will not be built in Cape Breton. I left it to
3 Mr. McKnight to handle his own files.

4 26396 The same applied to the controversial
5 nuclear submarine program I had proposed and a whole
6 range of other areas.

7 26397 MR. ROITENBERG: Mr. Beatty, I thank
8 you very much for joining us today. I'm not certain if
9 any of my colleagues have questions for you, but I will
10 stand aside.

11 26398 THE HON. PERRIN BEATTY: Thank you.

12 26399 MR. HUGHES: Commissioner, we have no
13 questions for Mr. Beatty. Thank you, sir.

14 26400 COMMISSIONER OLIPHANT: Thank you
15 very much.

16 26401 MR. VICKERY: We don't have questions
17 for Mr. Beatty as well.

18 26402 MR. HOUSTON: I have no questions.
19 Thank you, Mr. Commissioner.

20 26403 COMMISSIONER OLIPHANT: Thank you,
21 Mr. Houston.

22 26404 Mr. Auger...?

23 26405 MR. AUGER: No questions.

24 26406 COMMISSIONER OLIPHANT: No questions.

25 26407 Well, Mr. Beatty, I think that pretty

1 well finishes things as far as you are concerned,
2 except for me to say thank you very much for coming to
3 assist us. I appreciate your help, sir.

4 26408 THE HON. PERRIN BEATTY: Thank you,
5 Your Honour.

6 26409 COMMISSIONER OLIPHANT: You are free
7 to leave.

8 26410 THE HON. PERRIN BEATTY: I appreciate
9 it.

10 26411 MR. ROITENBERG: Mr. Commissioner, as
11 you are aware, Mr. Beatty was our final witness for
12 today. Tomorrow we had scheduled Norman Spector and
13 Senator Lowell Murray.

14 26412 COMMISSIONER OLIPHANT: In the
15 opposite order.

16 26413 MR. ROITENBERG: In the opposite
17 order, yes.

18 26414 COMMISSIONER OLIPHANT: Right.

19 26415 MR. ROITENBERG: Yesterday late in
20 the day, at around 5:30 or so, I received a telephone
21 call from Senator Murray advising me that he had
22 located certain files and certain documents which might
23 be of interest to the Commission.

24 26416 I have dispatched --

25 26417 COMMISSIONER OLIPHANT: This would be

1 yesterday afternoon at 5:30?

2 26418 MR. ROITENBERG: Yes. This morning I
3 dispatched counsel to Mr. Murray's office to commence
4 going through these files with the Senator, and there
5 are some notes that may be of interest to the
6 Commission and may be of interest to counsel for the
7 parties.

8 26419 As such, I have canvassed with
9 Senator Murray if he is available to testify next week
10 on the Tuesday instead of tomorrow, and he is.

11 26420 I would suggest that we stand down
12 his testimony so that proper disclosure could be made
13 to the parties of these materials.

14 26421 COMMISSIONER OLIPHANT: All right. I
15 hear what you have said and of course while you may be
16 privy to the documents in question, other counsel
17 haven't seen them and fairness dictates that they be
18 given a reasonable opportunity to not only see the
19 documents but to digest the contents of those
20 documents.

21 26422 Is calling Senator Murray next week
22 going to in any way have an impact on how that week
23 progresses?

24 26423 MR. ROITENBERG: I don't believe it
25 will, no.

1 26424 COMMISSIONER OLIPHANT: All right.

2 26425 MR. ROITENBERG: And I can tell you
3 that Mr. Spector, who was scheduled for tomorrow
4 afternoon, is available tomorrow morning.

5 26426 COMMISSIONER OLIPHANT: He is?

6 26427 MR. ROITENBERG: Yes.

7 26428 COMMISSIONER OLIPHANT: Because he is
8 coming from Victoria, I believe.

9 26429 MR. ROITENBERG: Yes.

10 26430 COMMISSIONER OLIPHANT: All right.

11 26431 And there are no further witnesses
12 for today, obviously.

13 26432 MR. ROITENBERG: No, sir.

14 26433 COMMISSIONER OLIPHANT: We will
15 adjourn, then, until 9:30 tomorrow morning.

16 26434 I simply encourage my counsel to get
17 the documents into the hands of other counsel in the
18 inquiry at the earliest opportunity.

19 26435 Thank you very much and I will see
20 you all tomorrow morning at 9:30.

21 26436 Good afternoon.

22 --- Whereupon the hearing adjourned at 2:15 p.m.,
23 to resume on Thursday, April 30, 2009 at 9:30 a.m./
24 L'audience est ajournée à 14 h 15, pour reprendre
25 le jeudi, 30 avril 2009 à 09 h 30

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We hereby certify that we have accurately
transcribed the foregoing to the best of
our skills and abilities.

Nous certifions que ce qui précède est une
transcription exacte et précise au meilleur
de nos connaissances et de nos compétences.

Lynda Johansson

Jean Desaulniers

Fiona Potvin

Sue Villeneuve