

**Documents in support of Patrick MacAdam's testimony**

**Patrick MacAdam**

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## THE MYSTERIOUS DEAL-MAKER

### FIFTH ESTATE

Broadcast Date: Wednesday, October 20, 1999

Time: 21:00:00

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**LINDEN MACINTYRE:** Good evening and welcome. On March 28, 1995, the fifth estate broadcast a story that kicked off a tempest which rages to this day. We told how the European aerospace giant Airbus made secret payments aimed at making sure Air Canada bought some of its planes. We also introduced Canadians to the man who received those payments and allegedly channeled some along to others, Karlheinz **Schreiber**. Not long after our broadcast, Canadian authorities sent a letter to their Swiss counterparts requesting access to Swiss bank accounts. The letter contained allegations that former Prime Minister Brian Mulroney received some of **Schreiber**'s Airbus money. When that became public, Mr. Mulroney sued the federal government for defamation; amid a storm of front-page accusations about political motivation, he won a settlement and an apology. But in all the furore, crucial questions about the Airbus case went unanswered. Where did the secret Airbus commissions and money from other **Schreiber** deals go? How did code names referring to Canadians wind up on secret **Schreiber** bank accounts, and did **Schreiber** use those names in an effort to mislead German tax authorities. Tonight for the first time, the fifth estate has some answers to these questions, in the story of the mysterious deal-maker.

November 23, 1990: a brand new Airbus passenger jet lands in Canada, number seven in a consignment of 34, part of a \$1.8 billion dollar deal that would give Air Canada a new look and air travelers new comforts. But the benefits didn't end there. Each time one of these spiffy new airplanes touched down to become part of the Air Canada fleet, people behind the scenes got a lot richer, thanks to a secret side deal and some creativity in a Swiss bank.

This is the story of a consummate middleman and how, on the one hand, he cultivated enormous political influence in Canada, and, on the other, convinced Airbus executives to pay him millions of dollars to help make the aircraft sale happen; and, in detail previously unknown to all but a few insiders, how he transferred large amounts of money into a series of special coded bank accounts at this branch of the former Swiss Bank Corporation, money that was intended for people that he believed to have corporate and political clout. For Karlheinz **Schreiber**, the airbus deal was to be the consummation of years spent earning the trust and friendship of some powerful Canadians.

**Schreiber** showed up in Alberta during the '70s with a new company that painted the markings on highways. His former partner, Erwin Zeiter, remembers him as a born salesman.

**ERWIN ZEITER** (former business partner of Karlheinz **Schreiber**): Down to earth, a lot of jokes to tell, had a very healthy attitude towards business, towards people. I found him very nice.

MACINTYRE: Politicians and public servants dole out roadwork, and Zeiter soon found his partner had some novel ideas for getting on the good side of them. Crudely put, they're called kickbacks.

ZEITER: I have in my wildest dreams never had an idea to go to some city mayor or some roads department manager and say, OK, you give me a contract to do the roads and I give you some money. He said this is the only way we're going to get something done. The whole world works different than what you think. I have to do that.

MACINTYRE: The whole world clearly didn't include then premier Peter Lougheed's Alberta, according to Erwin Zeiter.

ZEITER: Lougheed told everybody in his office here in Edmonton that anybody who does business with Karlheinz **Schreiber** or his associates is out, in other words, doesn't get nothing.

MACINTYRE: By June, 1983 **Schreiber** had forged some federal Tory connections and was close to key supporters of the man many saw as the natural and next leader of the national party.

NEWS STOCK FOOTAGE: Brian Mulroney wins it by about 250 votes over Joe Clark.

MACINTYRE: Brian Mulroney didn't disappoint them. He won the party leadership. Pat MacAdam went way back with the new leader, back to university days in Nova Scotia. Mulroney picked MacAdam to run his office while he was in opposition. An early visitor was Karlheinz **Schreiber**, who would occasionally show up with Max Strauss, son of Franz Joseph Strauss, Bavarian premier and chairman of the giant Airbus company.

PAT MACADAM (former associate of Brian Mulroney): They knew each other long before Mr. Mulroney became an MP and leader of the opposition - I don't know where they met, maybe through the Strausses - and he'd pay a courtesy call on Mr. Mulroney in the Office of the Leader of the Opposition. I was the gatekeeper then and kept the appointments, and he'd come in with Max Strauss and say hello and leave.

MACINTYRE: A year later Brian Mulroney was the prime minister of Canada, and Karlheinz **Schreiber** was keen to capitalize on his proximity to power. MACADAM: They're both honest, decent men. I would have no hesitation in going out in the desert if Brian Mulroney or Karlheinz had the water. I wouldn't be afraid. That's how...you know, I trust them implicitly.

MACINTYRE: In 1985, a German arms-maker, Thyssen Industrie, hired **Schreiber** to get government help for a new venture planned for Nova Scotia: manufacturing armoured personnel carriers. Ottawa insiders like Pat MacAdam were soon hearing a lot about the Bearhead Project - named for the place in Cape Breton where the plant was supposed to go - from Thyssen's man, **Schreiber**.

MACADAM: Oh, he's aggressive. He's very aggressive without being pushy.

MACINTYRE: that's a gift.

MACADAM: Yeah, and he's a person who doesn't give up easily. He's not a quitter. I don't know how many years he had an office here for Bearhead, fighting.

MACINTYRE: **Schreiber** had a good incentive to fight. Thyssen was offering a \$4 million fee, but they also wanted to see some results before they laid that money down. On September 27, 1988, on the eve of a federal election, they got a formal understanding in principle that the federal cabinet was behind the project. October 25th Thyssen executives made good on their promised commission to **Schreiber**. What he subsequently did with the \$4 million would become a bone of contention. **Schreiber** would tell German tax officials that he paid a lot of it out to a Canadian, who in turn spent much of it on useful expenses as permitted under German law. The Canadian was Frank Moores, a former Newfoundland premier whose Tory credentials gave his lobbying firm, Government Consultants International, a lot of drag in Ottawa. Frank Moores had been a close Mulroney friend and ally. He was eventually joined by another Mulroney loyalist, Gary Ouellet.

Pat MacAdam would also end up at GCI, and while he had nothing to do with Thyssen, he felt Frank Moores and **Schreiber** were a perfect fit.

MACADAM: Frank was very outgoing, Frank was hail fellow well met, back-slapper. He was great with clients. He could sell a refrigerator to an Eskimo.

MACINTYRE: But selling tanks to the Department of National Defense - even with powerful political contacts - would prove to be even more difficult than that. Department officials dragged their feet until they were ordered by their bosses to meet with **Schreiber**. Colonel Michel Drapeau remembers the scene.

COLONEL MICHEL DRAPEAU: It was very obvious from both the tone and the comments given to me by the deputy minister that this was not a meeting that he wanted. This was against his will. and the meeting had been forced upon him.

MACINTYRE: For anyone behind the scenes in Ottawa in those days, the pressure wouldn't have come as a surprise. The Thyssen lobby by the late 80s was strengthened by the recruitment of Fred Doucet, formerly of the Prime Minister's Office. A former Liberal cabinet minister, Marc Lalonde, then out of politics, was also lobbying for the Thyssen deal. And Elmer MacKay, who in 1983 had briefly surrendered his Nova Scotia seat in parliament so Mulroney could get an easy ride into the Commons, was the cabinet minister in charge of Atlantic regional development and a strong advocate for Thyssen's project. Internal documents show that in 1990 Brian Mulroney himself directed his chief bureaucrat, Paul Tellier to meet with Karlheinz **Schreiber** and Elmer MacKay.

MACADAM: Well I think a lot of us, especially we Nova Scotians, saw it as job creation for our province. And Elmer represented Pictou County. I didn't look upon it as putting money in Karlheinz's pocket. I looked upon it as a great industry for Nova Scotia.

MACINTYRE: Internal records also show that Karlheinz **Schreiber** met personally with Mulroney in Ottawa about the project at least twice, in 1991 and in 1992, and **Schreiber**'s own handwritten notes indicate that he had hopes of meeting with him more than that. Thyssen seemed to be getting full value for its lobbying dollar in Ottawa, and the most effective advocates were Frank Moores' lobby firm, GCI.

MACINTYRE: How important a client to GCI was Karlheinz **Schreiber**?

MACADAM: In terms of dollars I don't know. I wasn't privy, I was an employee, contract employee. I don't know what the freight was per month.

MACINTYRE: We've actually seen some of his Swiss banking records, and it's still difficult to tell what the freight was, possibly because **Schreiber** deliberately created a complex system of sub-accounts, or Rubriks, within his own bank accounts. He gave them code names that could create the impression that the money in them really belonged to other people. One of the busier ones was called Frankfurt, which court documents prepared by German authorities say refers to Frank Moores. In November '88 a few weeks after he got the balance of his \$4 million fee from Thyssen, **Schreiber** transferred \$500,000 Cdn. into the Frankfurt account. A sub-account named Marc shows total cash withdrawals of just over \$236,000 between late '91 and mid-'94. German investigators say it refers to Marc Lalonde, but he has told us he's never heard of it, which is entirely possible. Another sub-account named Fred, which shows a paltry \$30,000, is believed to refer to Fred Doucet. Like Lalonde, he says he knows nothing about it. The GCI lobbyist, Gary Ouellet, had his own Swiss bank account - number 45828.0 - and gave power of attorney to Karlheinz **Schreiber**. In one five-year period Ouellet received more than \$350,000 in Canadian funds. German authorities want to know where it came from. Alas for Thyssen, the political pressure ultimately failed to overcome the resistance of the bureaucracy. Mulroney ultimately let the project die.

The Thyssen project in Nova Scotia, failed though it was, was above board and transparent, an up-front lobbying deal. And while a lot of money may have been passing through the famously secret Swiss banking system, there is nothing illegal about that. Then sometime in 1988 **Schreiber** set up another lobbying deal, and this one was super-sensitive and top-secret right from the start. The deal with Airbus dwarfed the Thyssen project. It could be worth \$20 million to him, but there was a catch. In the event of a major political change in Canada, the deal with **Schreiber** was off. In spite of the need for secrecy, **Schreiber** told his German banker. Hans Reiter would later declare that he was "personally informed by Mr. Karlheinz **Schreiber** that (**Schreiber**) had been employed as an agent for the Airbus company" and that "he brokered 34 Airbuses to Canada."

**Schreiber** privately recorded salient details of the Airbus sale in his personal day-timer - names of the president of Airbus and the chairman of Air Canada, a rough schedule for the delivery of planes, and a lot of references to a man named Stuart Iddles, the Airbus vice-president who directly handled the aircraft sale to Canada. But it was a deal **Schreiber** would never discuss in public. Speaking with fifth estate producer Harvey Cashore in 1995, he was still adamant he had nothing to do with it.

HARVEY CASHORE (fifth estate producer): What I still don't understand is why can't you tell me what role you and Moores played on the Air Canada sale for Airbus.

KARLHEINZ **SCHREIBER** (German businessman): I have told you already, whether you believe it or not: I played no role at all. I played no role at all on the Airbus.

MACINTYRE: It would be some time before **Schreiber** would admit that he'd received those Airbus commissions, but soon the Airbus controversy would be the least of his worries. Back here in Bavaria, his home state, investigators in the state prosecutor's office were closing in on him over another secret commission deal, this one involving the sale of Thyssen fox tanks in Saudi Arabia, and this time authorities were confident that they had all the evidence they needed to show that **Schreiber** had been involved in a kickback and bribery scheme. And the Saudi deal would provide some striking new insights into

**Schreiber's** banking practices, insights that would illuminate part of the Airbus money trail.

A lot of the hardware Saddam Hussein had at his fingertips in the 1991 Gulf War was from German arms dealers. Companies like Thyssen were anxious to correct the balance by selling even better hardware, like top-of-the-line tanks, to Saddam's enemies in Saudi Arabia. And Karlheinz **Schreiber** was friends with two senior officials at Thyssen Industrie, Juergen Massman and Winfried Haastert. He also had a powerful friend in the civil service, Holger Pfahls, a top defense official.

Reinhard Nemetz is the chief state attorney in Bavaria. He says the evidence seems clear that, among other things, **Schreiber** bribed his friend Holger Pfahls.

REINHARD NEMETZ (translation): We strongly suspect, based on various records and bank documents, etcetera, etcetera, that Mr. **Schreiber** had paid 3.8 million DM to a former state secretary in the federal ministry of defense.

Hans Leyendeker is an investigative journalist in Cologne. He knows **Schreiber** and, for a while, felt **Schreiber** was being wrongly accused. Then some documents about his involvement with Holger Pfahls helped change his mind.

HANS LEYENDEKER (investigative journalist, Cologne): Holger Pfahls, Holger Pfahls, yeah, he worked sometimes for Mr. Strauss, Franz Josef Strauss, and he was the chief of the Secret Service in this country. I think **Schreiber** bribed him. I'm pretty sure now.

MACINTYRE: As in the Canadian deals, **Schreiber** has been betrayed by his own hand, by entries in his day-timers, secret code names easily deciphered to reveal the names of his friends. Here's how the German authorities are translating the entries regarding the Saudi deal: Holgert: Holger Pfahls; Winter: Winfried Haastert; Jrglund: Jrgen Massman. It looked as if he simply altered first names by adding or removing a consonant or two. And if there was any remaining doubt for the German authorities, they felt it disappeared earlier this year when they matched the day-timer entries with code names on his bank accounts. The two sources revealed a paper trail for millions of DM.

A Swiss court has since ruled that the codes "can, with little imagination and through more than coincidence, be tied" to **Schreiber's** alleged partners in the Saudi deal. And if that wasn't enough, travel records confirm trips by the two Thyssen executives to Zurich at the time money was being withdrawn from the sub-accounts that bore their code names. By May this year, the two Thyssen managers had been charged with receiving kickbacks from **Schreiber**. Holger Pfahls, the former bureaucrat, evaded arrest and is now a fugitive.

It was also in May that Karlheinz **Schreiber** decided it might be time to head for the Zurich airport. He'd been living in Switzerland, avoiding an arrest warrant in Germany over his tax problems. Germany suddenly seemed too close for comfort. He caught a flight to Canada. Hans Leyendeker:

LEYENDEKER: I spoke with other people later on, and these people told me that he felt bad at Switzerland because his friends - Mr. Massman, for example - became trouble, Holger Pfahls became trouble. And he thought it would be a problem for, for him to stay there.

MACINTYRE: He was afraid, he was getting nervous.

LEYENDEKER: Yeah, he was getting nervous at Switzerland, yeah.

MACINTYRE: If he had asked you for advice, what would you have told him?

LEYENDEKER: Oh, I would have told him: Mr. **Schreiber**, stay there where you are - Switzerland is a wonderful country if you have problems with your taxes. But he didn't ask me.

MACINTYRE: When we come back...

FRANK MOORES (former Nova Scotia premier, now with Government Consultants International): You are absolutely full of it. Whoever told you that is right up to their ears in it.

#### COMMERCIAL BREAK

VOICE-OVER ANNOUNCER: And now we return to the fifth estate.

MACINTYRE: Karlheinz **Schreiber** and his wife Barbara eventually settled into a posh Yorkville hotel in Toronto as Mr. and Mrs. Herman. In effect, he'd become a fugitive from German justice, suspected of having evaded taxes on several business deals, including the Air Canada/Airbus commissions. He's hired lawyers to fight the allegations and he now claims that, while he did receive the money, he gave much of it away to others, which means he wouldn't have to pay taxes on it.

Prof. Erich Samson is **Schreiber**'s German defence lawyer. He says that all those Airbus commissions **Schreiber** collected on the Air Canada sale are just "schmeirgelder" - literally "greasemoney" - and legitimate deductions under German tax law. But he doesn't know who got the grease.

PROF. ERICH SAMSON (**Schreiber**'s German defence lawyer, TRANSLATION): As has been said all along, **Schreiber** will not name the recipients and has not named them to me, so that I cannot give an answer as to who it is.

MACINTYRE: Samson says that even if **Schreiber** only gave money to facilitators, he could cause them tax grief by talking. **Schreiber** has insisted that no Canadian official, elected or not, got a single penny.

SAMSON: I have been a defense lawyer for 30 years and always view my clients with a bit of skepticism. In this case I believe **Schreiber**, but in accordance with my 30 years of experience, I cannot rule out anything.

MACINTYRE: There is, in fact, a pretty clear trail for some of the Airbus money, and it comes mostly from **Schreiber**'s own records, records which show that each time a new Airbus jet hit the Tarmac in Canada, the money flow would begin all over again, a money trail that could add up to nearly \$20 million. And it went like this:

Remember that new Airbus that arrived on November 23, 1990? Airbus's Paris bank then sent \$393,000 in commissions to an account in Liechtenstein in the name of a **Schreiber** shell company called IAL. Thirteen days later, the shell company wired the money to Zurich, Switzerland, to **Schreiber**'s US dollar account. Where all that money went from there was a mystery until German authorities raided the **Schreiber** compound in Kaufering, just outside Munich, in 1995. Here at 27 Reifeisenstrasse they discovered a 1991 day-timer and in it there were some important clues. On one page, in small



handwriting, he did some careful math, math which divvied up the airbus commissions. January 19, 1991, **Schreiber** added up three Airbus payments, including that November delivery, totaling nearly a million dollars. Here's how he split it: half for CAN, meaning Canadians; a quarter for himself; one-eighth to "Maxwell"; one-eighth to "Stewardess." And bank records confirm the day-timer entries. German authorities have identified "Stewardess" as Stewart Iddles, the former vice-president of Airbus.

January 21, 1991: the money shows up in the "Stewardess" sub-account, part of a steady infusion that ultimately totaled \$2.2 million U.S. the fifth **estate** caught up to Iddles in France four years ago. He was reluctant to stop his morning jog to talk and, in fact, the run has taken him quite a distance since then. These days he divides his time between his villa in Spain and a spread in Puerto Vallarta in Mexico that cost him a million and a half dollars. The real **estate** agent who sold him his Mexican retreat recalls that Iddles paid for it in cash. Brock Squire.

**BROCK SQUIRE** (real **estate** agent): The funds were transferred through the Iddles' bank, or Mr. Iddles' bank in Switzerland.

**MACINTYRE**: Iddles didn't always wire the money he wanted to spend. At least once he tried to take cash straight out of Switzerland in a briefcase, according to Squire.

**SQUIRE**: He mentioned to me once, as we were talking about his experiences with Airbus and travelling all over the world, and he had mentioned that on one occasion he had \$2 million in cash that he had in a briefcase.

**MACINTYRE**: Today Iddles seems financially secure. He recently bought an airline with other investors. It seems he just wants to put the Airbus story behind him. The **Schreiber** day-timer shows another one-eighth share of the Airbus money going to "Maxwell." German authorities say that's a code name for Max Strauss, the son of the former Airbus chairman. Bank documents confirm the Maxwell sub-account account received Airbus commissions well into the millions of dollars.

**Schreiber** set aside a quarter of the Airbus commissions for himself, then a whopping 50 per cent under the letters CAN, representing Canadians. Applied to the whole Airbus deal, this formula could give "Canadians" nearly \$10 million US dollars. So who were the Canadians? Here's how **Schreiber** broke it down in his day-timer:

Half went to the sub-account named Frankfurt - which referred, according to investigators, to Frank Moores - amounting to about \$4.4 million. Moores never denied lobbying for Thyssen's proposed Nova Scotia deal, but he's fiercely insisted he had nothing to do with Airbus commissions, and when we contacted him in 1995, he denied having his own Swiss bank account.

**FRANK MOORES**: You are absolutely full of it. Whoever told you that is right up to their ears in it. Would I remember if I had an account? Of course, now what do you think?

**MACINTYRE**: Eight months later his memory improved. He publicly admitted he had two Swiss accounts; there could be a third, also code-named Frankfurt, which could go along with that other mysterious **Schreiber** sub-account Frankfurt, which Moores says has nothing to do with him. Even after ploughing through **Schreiber**'s meticulous bank records and his diary entries, the financial puzzle remains incomplete. He wrote in the diary that Canadians were to get half the airbus commissions, but transfers to the so-called Frankfurt

account only add up to about half of that. What happened to the rest, payments amounting to about \$125,000 for every plane delivered to Air Canada, millions of dollars, much of it, it seems, withdrawn in untraceable cash? The closer you look at the accounts where **Schreiber** kept the Airbus money, the more the secret of the Airbus commissions turns into a mystery that only Karlheinz **Schreiber** can explain. He's not likely to oblige, but his day timer and bank records drop broad hints that the mystery money could add up to as much as \$5 million.

June 13, 1993: a Progressive-Conservative convention picked a new party leader and brought an end to the Mulroney era. Karlheinz **Schreiber** was there. Six weeks later, across the Atlantic, he did some more banking at the Swiss Bank Corporation in Zurich. July 26th **Schreiber** transferred \$500,000 from that Frankfurt sub-account into a new Canadian dollar sub-account, with the number 46341.5 and the code-name "Britan." The next day someone withdrew more than \$100,000 in cash. Then there was another \$100,000 cash withdrawal three months later, and the following year, another \$100,000, in cash.

We wanted to speak directly to the man best positioned to explain those transactions - Karlheinz **Schreiber**.

(to Mr. **Schreiber**) Have you anything at all to say about the "Britan" account? Anything at all to say about the "Britan" account, Mr. **Schreiber**? Can you tell us why you had code-named accounts naming Canadians, Mr. **Schreiber**? You don't want to speak to us?

But who is "Britan" supposed to represent? If **Schreiber** followed his previous pattern for code names, adding or subtracting consonants, Canadians could be forgiven for thinking it might yield the name Brian. The only Brian who has been publicly associated with the Airbus affair is the former prime minister. Whoever **Schreiber** had in mind, we have no evidence that Mulroney ever knew that **Schreiber** set up a bank account with a code name similar to Brian. He will not talk to us, but he has stated under oath that he never had a Swiss bank account, nor was one ever set up on his behalf. We also have no evidence that Mulroney received a single penny of any of those Airbus or Thyssen commissions.

All of which raises the intriguing possibility that Karlheinz **Schreiber** created a phony paper trail to fool the German tax man, leaving room for inevitable speculation about some important Canadians like Brian Mulroney, people who may now regret they ever met the middleman.

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

LUC LAVOIE (Brian Mulroney's public spokesman): Karlheinz **Schreiber** is the biggest fucking liar the world has ever seen. That's what we believe.

MACINTYRE: In early September the long arm of the law caught up with Karlheinz **Schreiber** in Toronto. He was in the back of a paddy wagon heading for court after RCMP officers picked him up on an international arrest warrant. His lawyer, Edward Greenspan, asked the court to let him out on bail while he fights efforts to bring him to Germany to face accusations that would range from tax fraud to bribery. He got the bail, thanks to some old friends including Marc Lalonde, who put up \$100,000. Elmer MacKay also posted a bond of \$100,000.

ELMER MACKAY: He is a man of his word, I've known him for some time, and I find him to be a good friend. That's as far as it goes. I don't desert my friends.

MACINTYRE: The judge released **Schreiber** on a total of \$1.2 million bail and on conditions that restricted his movements.

**SCHREIBER**: It is, I think, a great pleasure I have always friends in my life, and I will never let a friend down. So they came here to get me out. I will never do anything to harm them.

MACINTYRE: Caught in the spotlight after years avoiding it, **Schreiber** couldn't resist using the moment to make some new friends among his pursuers.

**SCHREIBER**: I started out very poor, in a small village, 900 people, (word inaudible) parents. I know what it means to work every day hard. This is what you do to feed your families - I admire you. Have a good day.

MACINTYRE: On Monday the chair of the CBC's board of directors received a letter from a lawyer for Mr. Mulroney. It stated that Mr. Mulroney has had no involvement of any kind in the Airbus deal, and it made an unprecedented threat: Mr. Mulroney will sue every member of the CBC's board of directors if he thinks our story was defamatory.

the fifth **estate** returns in a moment.

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## CHOPPERS, PLOTS, AND COLD

### HARD CASH FIFTH ESTATE

Broadcast Date: Wednesday, March 14, 2001

Time: 20:00:00 ET

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Network: CBC-TV

LINDEN MACINTYRE (the fifth estate): Good evening, and welcome to the fifth estate. Tonight the dramatic and previously untold story of how foreign business and political interests helped reshape a major Canadian political party and Canadian history. If you asked most Canadians to name the most savvy and effective politician in Ottawa these days, the answer might well be Joe Clark. And what an irony that is because two decades ago an accident-prone Joe Clark surrounded by enemies, was evicted from the leadership of his own party. For years there have been sinister rumours about the Dump Joe Clark movement, rumours that foreign money helped to do the dumping, about a right-wing plot to install a Tory leader who was friendlier to big business and more enthusiastic about tearing down obstacles for foreign trade. Tonight we can shed some light on that definitive moment in Canadian history through a story about a helicopter purchase and some secret payola, a payola scheme that might explain in part how the foreigners who helped pay to dump Joe Clark got their money back. We'll hear from two of the key people who helped bankroll the movement to remove Joe Clark and install Brian Mulroney as Tory leader: an enigmatic tycoon named Walter Wolf, and Karlheinz **Schreiber**, best known to fifth estate viewers as the mysterious Airbus middleman. If you go to the fifth estate Web site through [cbc.ca](http://cbc.ca), you'll find many of the documents we've uncovered in our research for this story. It's the story of choppers, plots and cold hard cash. In January 1987, this was a cause of celebration for the Canadian Coast Guard, one of twelve new helicopters to be delivered that year, the latest in German technology by Messerschmitt-Bolkow-Blohm, known in the aviation business as MBB. December 1999, twelve years later in Fort Erie, Ontario, the RCMP raided the MBB factory, now called eurocopter, where the choppers were assembled. The \$27 million deal that brought smiles to the faces of Coast Guard officers fourteen years ago is now part of an unraveling scandal. It's a murky story with a now familiar theme of kickbacks to middlemen who claimed to have influence with federal government decision-makers. The helicopter deal paid a secret commission of more than a million dollars that the police believe ultimately came out of the pockets of Canadian taxpayers, but forensic analysis of the deal here and in Germany have uncovered details that suggest that the financial scandal was a mere footnote to a larger story, a startling tale of intrigue that changed the face of Canadian politics. The man who made it happen was the German businessman Karlheinz **Schreiber**, well known for his ability to cultivate important Canadian political friends, but long before he came to Canada, **Schreiber** had powerful political friends back home, including Franz-Josef Strauss [sp?], the premier of Bavaria. **Schreiber** helped look after Bavarian and Strauss family business interests abroad. Pat McAdam, a Tory insider, remembers **Schreiber** visiting Ottawa in the early 1980s.

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PAT McADAM (Tory): He represented the Strauss family business interests in North America--Canada and the U.S. He'd often come here with Franz-Josef Strauss' son, Max, and visit his trapline.

MACINTYRE: Visiting the trapline wasn't all work. **Schreiber** gregarious personality got him close and personal with a lot of important people in business and politics in the old country, and his jolly style worked here too when he moved to Alberta in the seventies, soon to be partying with prominent provincial politicians, like the then deputy premier, Hugh Horner.

McADAM: He's, in his own way, charismatic, fun-loving, generous, and, as I say, he always had a good product. He always came calling with a good product.

MACINTYRE: The Bavarian government owned large chunks of companies that made products like Airbus airplanes and MBB helicopters; Franz-Josef Strauss sat on the boards of both companies. Inevitably **Schreiber** would be drawn to pro-business conservatives in Canada.

McADAM: He was a close friend of Mr. Mulroney's. They knew each other long before Mr. Mulroney became an MP and leader of the opposition.

MACINTYRE: Back then the Conservative leader was Joe Clark who, in the brief stint as prime minister, had alienated some powerful business interests in Canada and abroad. **Schreiber** and a group of right-wing Tories were soon plotting to replace him with the pro-business Mulroney. In the early 1980s, Alan Gregg was a Progressive-Conservative party activist and pollster.

ALAN GREGG (former Progressive-Conservative party activist): I think the attraction was nothing more than sheer opportunism on the part of the right-wing, and in turn, a certain astuteness on the part of Brian Mulroney himself. He knew the party extremely well, he knew this was a disaffected group within the party. He, in turn, was extremely opportunistic because he knew that he could mobilize that support towards his end, which was the leadership of the Conservative Party.

MACINTYRE: Maribor, Slovenia, two decades after that Tory uprising, this is where we found one of his key players. Once a Canadian-based oilman, he's busy these days building new factories in the former Yugoslavia. His name is Walter Wolf, another protg of the late Franz-Josef Strauss.

WALTER WOLF (German businessman): I was donating money for that cause. I wasn't the pioneer. There were people which were working against Mr. Clark at that time, starting from Mulroney down.

MACINTYRE: He's candid about his role today, but back in 1982, when he was in this Calgary hotel meeting with key anti-Clark plotters, his involvement was highly sensitive. Through friends like Montreal lawyer Michel Cogger, he became a key part of the money machine that would fund the rebellion. It was Wolf who brought Karlheinz **Schreiber** into the cause. [to Mr. Wolf] At that meeting in Calgary with **Schreiber** and the others, **Schreiber** indicated that he was prepared to raise money.

WOLF: If he needs help, he would be prepared to help in the campaign, yeah. Why should I be the only one to pay?

MACINTYRE: Who do you remember as being the principal people involved in the movement to remove Joe?

WOLF: Well, the very active people I think was people like Frank Moores, Cogger, many other.... I was the one that introduced Karlheinz **Schreiber** to Frank Moores.

MACINTYRE: Frank Moores was the former premier of Newfoundland, in transition to a new and more lucrative life as a paid lobbyist like Karlheinz **Schreiber**. He was the dump-Clark bagman, but there was a problem: Wolf says Moores was near personal bankruptcy, so he helped him out financially.

WOLF: He was in the problems, and because I had the same interest--and that was called at that time, Joe Clark--he was very active in it, protecting, if you want to know, Canada from further disasters.

MACINTYRE: Moores also got a lifeline from another source, from **Schreiber** and Bavarian premier Franz-Josef Strauss, who pumped \$369,000 into a Frank Moores project in Newfoundland. We encountered Karlheinz **Schreiber** on a Toronto street, where he agreed, for the first time, to talk on camera to the fifth estate. [to Mr. **Schreiber**] We're doing a story about the move to dump Joe Clark from the Progressive-Conservative leadership, and it's been suggested that you were involved in that.

**SCHREIBER**: What do you mean by that?

MACINTYRE: That you participated in the move to change the leadership of the Progressive-Conservative party and replace Joe Clark in Winnipeg in the early eighties.

**SCHREIBER**: Yeah, Mr. Wolf approached me and was collecting money to support the leadership of Mr. Mulroney, hoping that he would win.

MACINTYRE: And getting rid of Joe Clark in the process.

**SCHREIBER**: Yes, yes.

MACINTYRE: But plotting to save Canada from Joe Clark and the Red Tories came to a head in Winnipeg in January 1983. They came from across Canada, nearly 2,400 of them, and whether they knew it or not, they were about to initiate fundamental changes in their party and the country. Joe Clark was ready for the fight, he welcomed the political review of his leadership; he demanded not just the traditional two-thirds vote of support, he raised the bar to seventy per cent. And he might have got it but for a surprising show of enemy strength from Quebec.

GREGG: Here we are in the dead of winter, and you know, in Winnipeg--colder than a well-digger's ass--and, you know, into the hall comes all of these Quebec delegates out of buses, no one knows where they've come from. You know, they're bullying through the lines to get registered.

MACINTYRE: A strong turnout from Quebec--it was the classic good news-bad news scenario. The Tories barely had a presence in Quebec, so who were these people? How did they get here?

WOLF: Don't forget that the delegation from Quebec, unannounced, shipped into Winnipeg, you know, with two big Boeing from Wardair, OK?

MACINTYRE: And how much did this exercise cost?

WOLF: That I will not tell you.

MACINTYRE: **Schreiber** also remembers funding delegates to go to Winnipeg.

**SCHREIBER**: It's expensive to travel, right? For this is what Walter Wolf collected the money, and then get the people in which worked for you, and you paid their fare, and perhaps he said to you, They need some money for their wives, they want to go shopping, or whatever, for the hotels.

MACINTYRE: In the end, more than two-thirds of the delegates voted for Joe, but it wasn't the seventy per cent he wanted.

JOE CLARK (Tory leader): My friends, that mandate is not clear enough.

MACINTYRE: It was the end of an era, the Red Tory years that started in the fifties with a Prairie populist named John Diefenbaker, and all it took was a handful of delegates from Quebec.

GREGG: You don't have to be a mathematician to figure it out: if you have 2,000 delegates, and twenty delegates swinging their vote from one way to the other, that's two per cent in total, one on each way. So a very small bit of jiggery-pokery could make a huge difference to both that outcome of that particular delegated convention, and, arguably, history.

BRIAN MULRONEY (former prime minister): It's a big country, and it's a demanding job.

MACINTYRE: Within five months, the party had a new face and a new leader, and a new sense of its destiny.

MULRONEY: Drive the Liberals from office and bring about a majority Progressive-Conservative government.

MACINTYRE: Within a year, the political investments of businessmen like **Schreiber** and Wolf seemed to have paid off. Mulroney was prime minister, and preaching the philosophy that warmed the heart of the old Bavarian Franz-Josef Strauss.

MULRONEY: Our message is clear, here and around the world: Canada is open for business again.

MACINTYRE: There have been many unanswered questions in the years since that narrow vote in 1983 that cleared the way for Brian Mulroney's rise to power. One of them is, where the anti-Joe Clark plotters got the hundreds of thousands of dollars they needed to bring all those delegates from Quebec. Walter Wolf says he used his own money, Karlheinz **Schreiber** says some of the money passed through one of his companies. But is that the whole answer, or is there more to it than that? Well, part of the answer seems to be emerging from an investigation of the helicopter deal that was just beginning to take shape when all that hoopla was going on in Winnipeg. Throughout the early eighties, MBB worked hard to convince government officials that they had exactly the machine the Coast Guard wanted. Helge Wittholz was the president of MBB's Canadian operations, and remembers a long process of hard-nosed negotiation.



HELGE WITTHOLZ (former president of MBB's Canadian operations): There was a very tough negotiations, and they knew exactly what they wanted. They made us to develop a lot of options and accessories here in Canada, and we had to work really hard to satisfy them.

MACINTYRE: The MBB head office back in Germany had high hopes for its new Canadian subsidiary, so much so that, unbeknownst to Helge Wittholz, they were investing in some political insurance on the side. They had an arrangement with Karlheinz **Schreiber**, and he hooked them up with one of his fellow dump-Clark plotters, Frank Moores.

WITTHOLZ: The consent and agreement was in place without our knowledge, initially, between the headquarters in Germany and GCI, Frank Moores. And at that time, when we asked what this was all about and what the purpose was, we were told not to get involved, it was not our business.

MACINTYRE: A senior MBB official in Germany boasted in a memo that they had special status with the Mulroney government; in fact, "cooperation with members of the Conservative government was even tight before their election victory." In this note, Karlheinz **Schreiber** advises MBB officials in Germany that Frank Moores is a vital pipeline to the government; hiring Frank Moores, he wrote, is "expected by the other side." June 1986 MBB won the Coast Guard contract. Helge Wittholz had every reason to be proud to have beaten the competition. Then he discovered a secret side deal, and that Moores and **Schreiber** were making money for every chopper delivered to the Coast Guard. [to Mr. Wittholz] How did you discover that there had been a commission paid?

WITTHOLZ: One person, he gave me a copy of the agreement, you know. I don't think that he was authorized to do that, but he did it anyway, and I couldn't believe it, what I saw. They had an agreement between MBB Germany, the helicopter division, and the organization of Karlheinz **Schreiber**.

MACINTYRE: This is the agreement between a company controlled by **Schreiber** in Liechtenstein, International Aircraft Leasing, and Helge Wittholz boss, Kurt Pfleiderer, to pay commissions to Moores and **Schreiber**. It wasn't just offensive; the Canadian MBB president thought it was illegal.

WITTHOLZ: This was something that was absolutely not necessary, not right, and should not be done.

MACINTYRE: But why were you so upset about this? What was it about....

WITTHOLZ: I was very upset because Karlheinz **Schreiber** had never met the customer or the representatives, nor any government agencies, to my knowledge, and had not been involved in the negotiations. And why would an agent or representative, whatever he's called, get a commission when he hasn't done anything?

MACINTYRE: Have you ever seen anything like this before?

WITTHOLZ: I knew that these things, obviously in countries like Nigeria and maybe Indonesia, had to be done if somebody wanted to do business. That's what I was told, so I was very surprised that in a country like Canada, I was told that this was necessary and prudent to do.

MACINTYRE: This is what had Wittholz really concerned: no-bribe clause in the contract he had signed with the Canadian government, a clause forbidding secret commissions like the ones paid to **Schreiber** and Moores.

WITTHOLZ: So I got very upset, and obviously where there's a clause in the Canadian Coast Guard contract [that] said that...prohibited any commissions to be paid, and I was very concerned.

MACINTYRE: Today Karlheinz **Schreiber** insists the government of Bavaria, a major shareholder in MBB, condoned the secret commission in the helicopter deal. [to Mr. **Schreiber**] The MBB contract, Mr. **Schreiber**, there's a suggestion...there's an investigation of fraud, there's an investigation of all sorts of irregularities--what was your role in that contract?

**SCHREIBER**: Well, I learned about this because last year the RCMP came with a search warrant to one of my companies, so I learned about this. In that days, my recollection [is] MBB had a very prominent shareholder Bavarian government, province.

MACINTYRE: What are you telling Mr. **Schreiber**? Are you telling me that the Bavarian government were participants in the fraud?

**SCHREIBER**: That if there is a fraud case, in my opinion, yes.

MACINTYRE: To protect his own integrity, Wittholz committed his misgivings to paper, and made it clear in writing to his bosses that he didn't like what was going on. Finally, to shut him up, they let him in on what they said was the real tale behind the secret commissions, the story that linked the Canadian Tories who dumped Joe Clark with the Bavarian political machine of Franz-Josef Strauss, the Christian Social Union, the CSU.

WITTHOLZ: I was told that the Bavarian government, the CSU, was funnelling money into Canada to help Brian Mulroney to win the party leadership.

MACINTYRE: To take it away from....

WITTHOLZ: Yeah, in competition to Mr. Clark, and that somehow this had to be paid back later on. And that would be done through deals with German companies that would then, obviously, transfer a share of that into the party.

MACINTYRE: In Bavaria.

WITTHOLZ: Yeah.

MACINTYRE: Did you hear that explanation from somebody trustworthy, somebody credible?

WITTHOLZ: Yes, that's right.

MACINTYRE: His credible source is now retired in Munich. [speaking to Kurt Pfleiderer] Hi, Mr. Pfleiderer.

KURT PFLEIDERER (former president of MBB helicopter division): Yes.

MACINTYRE: I'm from Canada. ...But Kurt Pfleiderer is still on the company payroll, and the company has told the former president of MBB's helicopter division in Germany to keep his mouth shut about commissions and secret deals, to accentuate the positive.

**PFLEIDERER:** I'm very fond of all Canadians because our negotiations with the Canadians were the best I ever had in the world.

**MACINTYRE:** But company records contain some explosive documentation of a deal that worried Helge Wittholz so much that he warned his boss in writing of danger areas, and the serious implications of any indication of foreign money that goes into party funds either directly or indirectly. He demanded that secret political payoffs cease. At a meeting in Ottawa's Chateau Laurier, Wittholz and a Canadian colleague confronted Pfeleiderer and threatened to resign. The secret commissions could damage MBB's future if the story ever leaked out. The boss from Germany was astonished by his Boy Scout attitude.

**WITTHOLZ:** He said we're purists, we're nave, idealists, and [if] we don't like it, we should have sold ball points, you know.

**MACINTYRE:** Ballpoint pens.

**WITTHOLZ:** Ballpoint pens, yeah. That's it.

**MACINTYRE:** Today Karlheinz **Schreiber** will not rule out the possibility that money went from the Bavarian CSU to help fund the dump-Joe Clark movement, and back again, through the helicopter deal. He says he doesn't know, but he acknowledges that Franz-Josef Strauss had a special fund set aside to influence foreign political parties. [speaking to Mr. **Schreiber**] Mr. **Schreiber**, you were a friend of Franz-Josef Strauss.

**SCHREIBER:** Yes.

**MACINTYRE:** Mr. Franz-Josef Strauss was a patron of Conservative movements in various countries.

**SCHREIBER:** Absolutely.

**MACINTYRE:** And I understand he had a fund for the promotion of conservative causes.

**SCHREIBER:** Yes, I think every party has a fund.

**MACINTYRE:** Have you ever been a party to using some of those funds?

**SCHREIBER:** Bringing some funds to donate to somebody around the world in the conservative camp?

**MACINTYRE:** Yeah.

**SCHREIBER:** Sure.

**MACINTYRE:** Can you tell me where?

**SCHREIBER:** No.

**MACINTYRE:** Joe Clark, riding the crest of a remarkable political comeback nearly twenty years after his humiliation in Winnipeg, is taking a philosophical view of history. [speaking to Mr. Clark] Karlheinz **Schreiber** had admitted to us that he was part of the money machine that ferried delegates out there. How do you feel about that?

**JOE CLARK:** As I say, I'm not going to go back into that. I'll just let that part of the past rest where it is, at least until the time I'm writing my memoirs.

MACINTYRE: When we come back a German inquiry exposes political skeletons in Canadian closets. [speaking to Yanolef Leisner, lawyer for Karlheinz **Schreiber**] decision-makers, are we talking about Canadian decision-makers.

YANOLEF LEISNER (lawyer for Karlheinz **Schreiber**): In a certain MBB deal we were talking about, we are talking about Canadian decision-makers, yeah.

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Idnumber: 200103140008

Length: 3291 words

Guest: PAT McADAM, Tory insider; ALAN GREGG, former Progressive-Conservative strategist; WALTER WOLF, German businessman; KARLHEINZ **SCHREIBER**, German businessman; JOE CLARK, Tory leader; HELGE WITTHOLZ, former president of MBB's Canadian operations; KURT PFLEIDERER, former president of MBB helicopter division; YANOLEF LEISNER, lawyer for Karlheinz **Schreiber**

Tone: Negative ■■

Audience Reach: 656,000 ■■■■■■■■■■

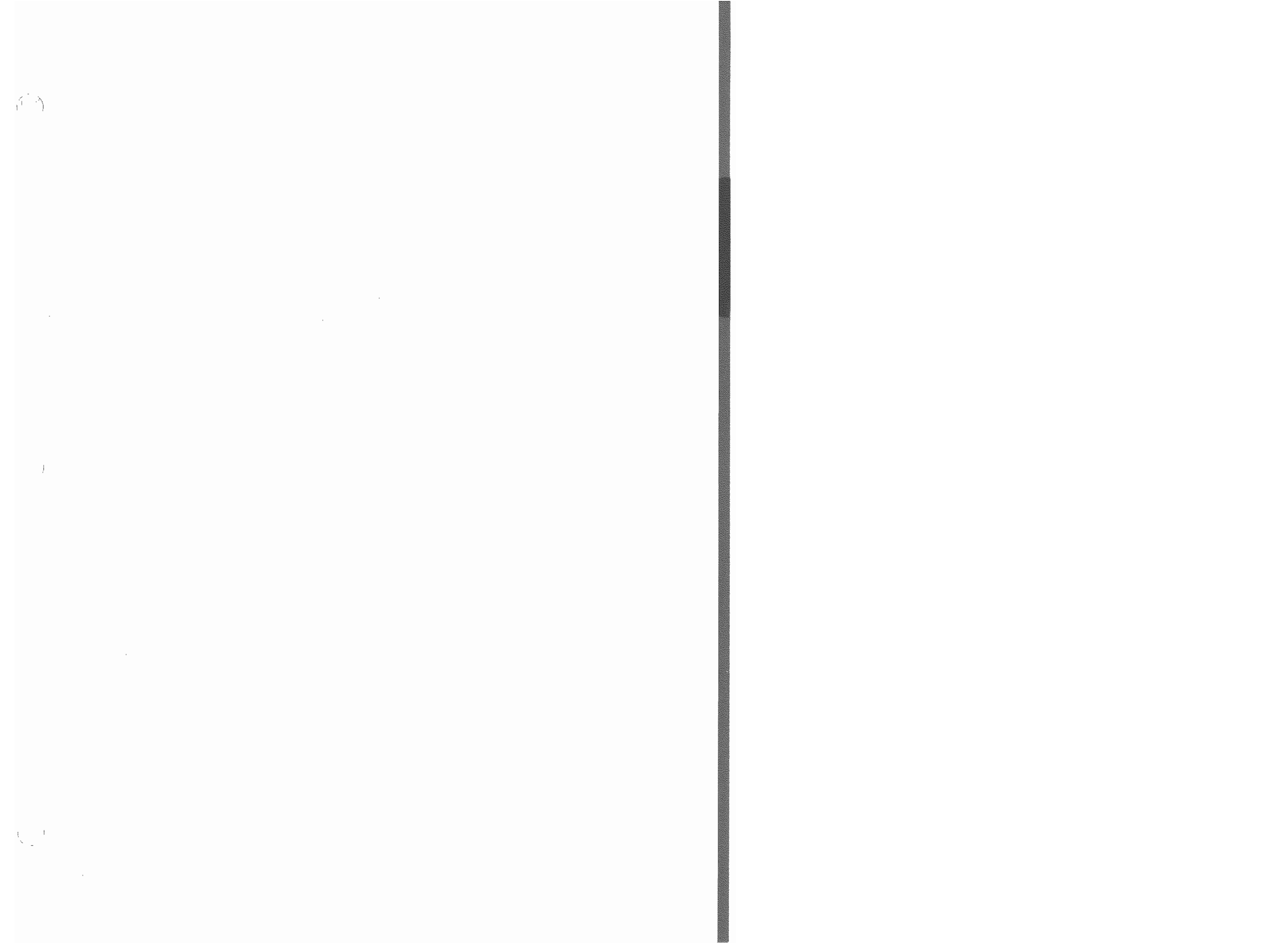
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**DOCUMENT PRODUCED TO THE COMMISSION  
BY WILLIAM KAPLAN**

Interview with Pat MacAdam Sunday July 18, 2004

Q: Apparently Mulronev and Schreiber knew each other quite well.

A: Brian Mulronev kept him at arms length. He used to show up with Strauss's son. I do not think Mulronev would have seen him otherwise. Brian Mulronev was pretty thick with Franz Joseph Strauss. Schreiber was a very funny guy. A little guy. He could light up a room.

Q: When you read the Globe & Mail did you know about the money?

A: I found out about it later. Mulronev told me it was not \$ 300,000. He told me it was \$225,000 and that he paid tax on it and declared it. I asked Mulronev how the information got out. Mulronev told me it was in FRANK Magazine, and that Mathias had given it to them. Brian told me that he had been examined by nine lawyers and that if they had asked him about the money he would of said so.

Q: What did he say about me; namely, when I asked him about the money?

A: He reported to me that you never asked him, that no one ever asked him about the money.

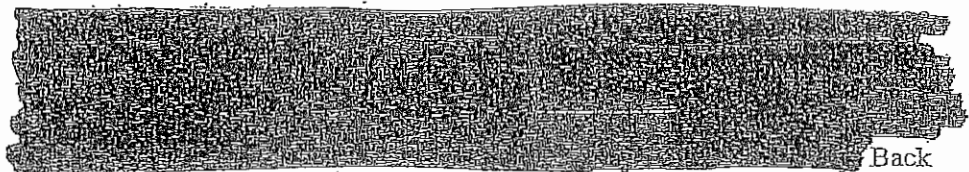
Q: What did he do to earn the money?

A: I have no idea, I read that Schreiber was trying to sell spaghetti.

I am still in touch with him. He has been in China on a boat. He was adamant, that he was been examined on discovery and no one ever asked him if he had taken the money. If they had, he would of said yes. He told me that it was not solicitor client privilege, so he would have answered it truthfully. Schreiber inflated the money to \$300,000 to make himself look bigger.

Q: Why did Mulroneý take it in cash?

A: I have no idea. Did he take it in cash? He said he declared it on his income tax and that he paid tax on it.



Back to Mulroneý, however, he was under no compulsion to volunteer that he had a commercial relationship with Schreiber, but he would of said yes if he had been asked about it.





**DOCUMENT PRODUCED TO THE COMMISSION  
BY WILLIAM KAPLAN**



As this entire document was given to the CBC and, at one time, in any event, posted on their website, it is being disclosed in its entirety.

July 19, 2004

William:

I must confess I am not au courant with the recent happenings, e.g. your Globe and Mail articles (3) in the Stevie Cameron, Brian Mulroney, Karlheinz Schreiber matter.

All I know is in my memory bank I call a brain and I think I discussed most of it with you on the "phone yesterday.

Mike Duffy keeps sending me Emails about Ms. Cameron and her fundraising efforts in Toronto. I don't know if he is sending me them for action (unlikely) or if his tongue is in his cheek (likely). I have a call in for him but I suspect he is scarfing down lobsters in P.E.I.

The last message I received from him was the McGill-Queens University Press web page about your upcoming book.

Jaysus, I hope you are not writing what I read and that it is the over-zealous product of a flack in McGill-Queens' promotion department.

My guess is that Mulroney will sue the pants off you and McGill-Queens.

I am totally unaware of any circumstance  
"WHERE HE TESTIFIED UNDER OATH ABOUT HIS  
RELATIONSHIP ABOUT HIS RELATIONSHIP WITH

2.

GERMAN MIDDLEMAN KARLHEINZ SCHREIBER AND THEN TRIED TO SUPPRESS THE STORY IN THE MEDIA."

I am also at sea regarding the passage in the promo piece: "KAPLAN REVEALS HOW HE WAS MISLED AND DECEIVED BY BOHT MULRONEY AND CAMERON."

Did you know that early on, Mulroney's lawyer, Roger Tasse, the much respected former deputy minister of Justice, contacted the Justice department in Ottawa and offered to come to Ottawa and table Mulroney's income tax returns for the past 20 years. Justice blew Tasse away as if he were a nuisance.

The amount Mulroney received was \$225,000 - not \$300,000 - and he declared it and paid tax on it.

I went through my old files, correspondence and Emails last night and found that:

1. Karlheinz hired Mulroney to sell Bearhead armoured vehicles to China. The vehicles were/are top of the line. Former Chief of the Defence Staff Ramsey Withers told me Bearhead's vehicle was the Cadillac of armoured vehicles - heavily armoured and capable of performing for four days in air conditioned comfort in the event of a gas attack. Ramsey said the vehicles the Canadian military bought were so

3.

lightly armoured that a bullet from a standard NATO rifle could pierce the skin. He also said that the crew would be goners in a chemical or biological attack.

2. Schreiber also engaged Mulroney to explore the sale of pasta machines. The machines required a special kind of wheat and Schreiber thought that this would be right up the alley of Archer, Daniel, Midland. Mulroney was a consultant to ADM. I found this out from a former Hill aide who went to work for ADT in one of their installations in the mid-West.

Mulroney told me he was interrogated by nine (9) Justice lawyers at Examination for Discovery and not once was he asked if he had received a financial retainer from Schreiber. The air at the Examination was so poisonous that all Mulroney offered was name, rank and serial number and truthful answers to any questions.

Was Mulroney expected to tell the world, voluntarily, that he had been retained by Schreiber? I think now.

When I was at GCI I didn't go about boasting who my clients were or what services I performed for them.

I respect you as a lawyer, researcher and gifted author and don't want to see you end

4.

up wearing egg all over your face or spending the next few years in Quebec Superior court defending yourself. Mark my words, I have known Mulroney since 1955 and I know he will pull out all the stops if he believe his name is being "besmirched".

I hope what I read is the hype of an over-zealous flack in McGill-Queens' promo department.

Pat MacAdam .





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CTV NEWSNET Television, Inc.

November 13, 2007 Tuesday

**SHOW: MIKE DUFFY LIVE 17:00:00 ET**

**Mulroney-Schreiber Affair**

**ANCHORS: MIKE DUFFY**

**LENGTH: 614 words**

**MIKE DUFFY:** Pat MacAdam is a long time friend of Mr. Mulroney. He was his roommate at St. FX University in Antigonish, the charity which is receiving the benefit of Mr. Mulroney's fund-raising tonight. Mr. MacAdam, you're, I can't think of anyone probably other than Mila Mulroney who's closer. What is your sense of his mood in the face of this adversity?

**PAT MACADAM (Brian Mulroney Friend):** Well there's no one better in my knowledge damage control and damage control is a lot easier when you have the truth and facts on your side. For a while I was a gate keeper and Mr. Mulroney's mandate and opposition and government and as far as I can recall, **Karlheinz Schreiber** was an accidents accidental tourist. He came in the wake of Max Strauss who was the son of former chancellor of Bavaria.

**DUFFY:** Franz Joseph Strauss.

**MACADAM:** Franz Joseph, yeah. Well his son Max paid a courtesy call on Mr. Mulroney and he brought Karlheinz with him. As far as I know that was the only meeting they had. They weren't friends.

**DUFFY:** Now the Prime Minister, I keep saying that, the former Prime Minister issued a statement last night saying he wants a full public inquiry but he wants it to go back to include everything from 1988, i.e., when he got his second mandate. That would include the Chretien years. Why do you think he's doing that?

**MACADAM:** I have no idea. I have no idea.

**DUFFY:** Is it a suggestion that Mr. Mulroney thinks there may be a few skeletons in the Chretien closet.

**MACADAM:** Probably there are. I haven't spoken to him lately.

**DUFFY:** What about the \$300,000 in cash? Everywhere I go around here there are friends of Brian Mulroney, people who have known him and admired him for many years, but even his most

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close friends are a bit shaken by this idea of \$300 grand in cash. Has that shaken your faith in your friend?

MACADAM: Not really. The commission was for a pasta operation and it was a natural fit because Mr. Mulroney was very close to Archer Midland Daniel who are the large food processors, probably the largest food processors in the world, so I guess Karlheinz thought perhaps he could be helpful there with his pasta enterprise.

DUFFY: There was something Lisa LaFlamme just mentioned that if the police are now involved and we've got a commission coming, there may be a kind of edict ordered to say he's not allowed to talk. Faced with that, and we know how Mr. Mulroney loves to speak and orate, faced with that kind of prospect, are you expecting a big speech from him tonight proclaiming his innocence before the cone of silence is dropped?

MACADAM: I'm not sure who's gonna drop the cone of silence?

DUFFY: Well I suppose if it's before the courts or whatever.

MACADAM: Well he's innocent until proven guilty and I don't for a moment...

DUFFY: Do you think that's been lost?

MACADAM: No, I don't think so. I don't believe for a movement that, he told me a long time ago, he said I never denied receiving the money. He was examined by government lawyers and I think he said nine times and no one ever asked him. He said if they had asked me if I received money, I would have answered truthfully. He paid the tax on the money. He paid it later, but he had other fish to fry at the time. He was fighting for his reputation and his honour. And as Voltaire said, you know, when he was asked why he didn't send reinforcements to Lewisburg, he said when the manner house is on fire you don't bother with the stables. He was fighting for his integrity. And he did pay the tax, and I assume he paid a late filing fee penalty. I'm not sure. I don't know.

DUFFY: J. Patrick MacAdam, thank you very much for joining us tonight. I appreciate your making the effort, sir.

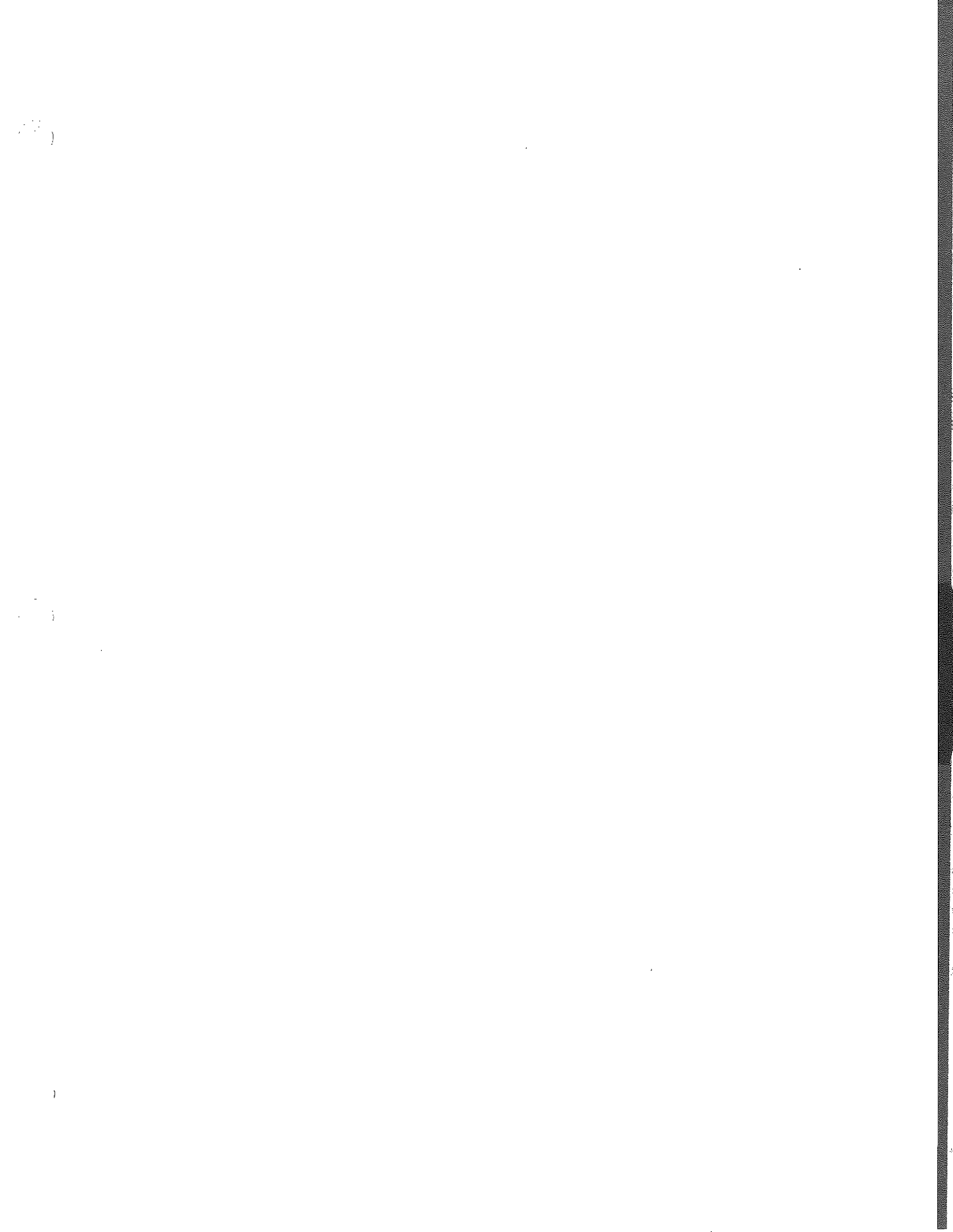
MACADAM: Okay, Mike.

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The Globe and Mail (Canada)

December 13, 2007 Thursday

## **Mulroney must explain cash payments, Tory MP says; Members of the ethics committee will start today with questions on the \$300,000 the former PM received from Schreiber**

**BYLINE:** DANIEL LEBLANC, With a report from Greg McArthur in Toronto

**SECTION:** NATIONAL NEWS; THE MULRONEY-SCHREIBER SAGA; Pg. A4

**LENGTH:** 940 words

**DATELINE:** OTTAWA

MPs plan to question Brian **Mulroney** about envelopes of cash, late tax filings and sworn testimony about who he met for coffee when the former prime minister appears on Parliament Hill today to discuss his controversial dealings with **Karlheinz Schreiber**.

Conservative MP Dean Del Mastro said the starting point of Mr. **Mulroney's** four-hour appearance will be the \$300,000 in cash he received from Mr. Schreiber in 1993 and 1994.

"I think he needs to provide clarification to Canadians," Mr. Del Mastro said. "He needs to respond to the allegations that have been made, he needs to provide some clarity. ... And I think he's going to have to explain to Canadians why he accepted \$300,000 in cash payments."

Another key issue will be Mr. **Mulroney's** 1996 testimony under oath as part of a lawsuit against the government, that he had minimal contact with Mr. Schreiber after leaving office in 1993.

"When he was going through Montreal, he would give me a call. We would have a cup of coffee, I think, once or twice," Mr. **Mulroney** said, without discussing the business dealings that came to light in 2003.

Mr. **Mulroney** settled his lawsuit, which dealt with allegations of impropriety surrounding Air Canada's 1988 purchase of Airbus planes, and was awarded \$2.1-million in costs.

NDP MP Pat Martin said he will ask Mr. **Mulroney** why he did not address the \$300,000 during the lawsuit testimony.

"My first question is why did you testify under oath that you only had passing dealings with the man," Mr. Martin said.

Mr. Martin said he will be skeptical if Mr. **Mulroney** says he needed the cash because he was in poor financial standing after leaving office, as Mr. **Mulroney's** former spokesman has said.

"You go to Money Mart like the rest of us if you have cash flow problems," Mr. Martin said. "You don't have to go to **Karlheinz Schreiber** and ask for a sack of cash." Mr. Martin said he also wants to know exactly when Mr. **Mulroney** paid his taxes on the \$300,000. The Globe and Mail and CBC's *the fifth estate* revealed last month that the former prime minister did not declare the revenue in the years in which he received the money.

"It seems that Mr. **Mulroney** only paid his taxes when it became clear he could no longer hide the fact he took the money," Mr. Martin said. "That doesn't wash with Canadians."

**Mulroney** must explain cash payments, Tory MP says; Members of the ethics committee will start today with questions on the \$300,000 the former PM received from Schreiber The Globe and Mail (Canada) December 13, 2007 Thursday

Mr. **Mulroney's** statements will be carefully compared by MPs with what Mr. Schreiber told them in his four appearances in front of the ethics committee in recent weeks.

Mr. Schreiber said he hired Mr. **Mulroney** to promote a light-armoured vehicle plant in Canada following a request from Mr. **Mulroney's** former chief of staff.

"Fred Doucet told me that [Mr. **Mulroney**] is in desperate shape and needed money so badly that I should help him," he said.

Mr. Schreiber also said that a business agreement was struck two days before Mr. **Mulroney** stepped down as prime minister - a point Mr. **Mulroney** has disputed through a spokesman.

Since author William Kaplan first revealed the payments in 2003, Mr. **Mulroney** has offered, through his spokespeople, various explanations for the cash.

The first explanation came from Mr. **Mulroney's** former spokesman, Luc Lavoie, who told Mr. Kaplan the former prime minister was hired "to assist Schreiber with his pasta business and to arrange a number of introductions and meetings with international business executives."

Mr. Kaplan received another explanation from a former **Mulroney** aide, Pat MacAdam, who said that "Karlheinz hired **Mulroney** to sell Bear Head armoured vehicles to China."

In an interview yesterday, Mr. MacAdam said the source of his information was Mr. **Mulroney**.

"I was talking to Brian on the phone and he ... he said, 'Well you know, it wasn't \$300,000 - it was 225. And I paid the tax on it,'" Mr. MacAdam said.

#### IN THEIR OWN WORDS

Brian **Mulroney** - along with his team of lawyers, spokespeople and associates - have said many things about the former prime minister's commercial relationship with Karlheinz Schreiber.

Here is how things have evolved over a decade - in their own words.

**Nov. 18, 1995:** "Mr. **Mulroney** categorically and unequivocally states that he had absolutely nothing to do with Air Canada's decision to buy Airbus nor did he receive a cent from anyone."

- Mr. **Mulroney's** lawyer, Harvey Yarovsky, announces at a news conference that Mr. **Mulroney** is suing the federal government for accusing him of a crime in connection with the secret commissions that Mr. Schreiber made on the 1988 sale of Airbus airplanes to Air Canada.

**April 17, 1996:** "When he was going through Montreal he would give me a call. We would have a cup of coffee, I think, once or twice."

- Mr. **Mulroney's** response, under oath, when asked about his contact with Mr. Schreiber since leaving office.

**October, 1999:** "I mean the bottom line is that he never received any money from anybody."

- Mr. **Mulroney's** spokesman, Luc Lavoie, in response to questions from CBC's *the fifth estate* about one of Mr. Schreiber's Swiss bank accounts codenamed 'Britan.'

**November, 2003:** "Anyone who says anything about that will be in for one fuck of a fight."

- Mr. **Mulroney** made this challenge to author William Kaplan when Mr. Kaplan discovered the \$300,000 cash payments and began preparing a series of articles for The Globe and Mail.

**Sept. 9, 2007:** "This is the usual trash and trivia of politics."

- Mr. **Mulroney's** response to a question about the cash payments from CTV anchor Lloyd Robertson

**Nov. 21, 2007:** "Mr. **Mulroney** admits today that he made a colossal mistake."

- Mr. **Mulroney's** spokesman, Mr. Lavoie, answering questions by Globe reporter Brodie Fenlon about the cash payments.

Greg McArthur

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