
HISTORY OF THE SPONSORSHIP PROGRAM

How Did the Sponsorship Program Begin

The “Sponsorship Program” had its origin in 1994-95 when the advertising section of Public Works and Government Services Canada (PWGSC), under its director, Joseph Charles (“Chuck”) Guité, disbursed about \$2 million from its normal operating budget for what were described as “special programs,” at which federal government advertisements were prominently displayed. In 1995-96, nearly \$22 million was disbursed by PWGSC for advertising rights at similar events and for expenses related to the promotion of national unity. The objective was to publicize certain federal programs and the federal presence in general.

Following the very close result of the referendum in Quebec on October 30, 1995, the federal Cabinet, at a special meeting held on February 1 and 2, 1996, decided to counteract the sovereignty movement in Quebec by

taking steps to make the federal presence more visible across Canada and particularly in Quebec, such as by advertising and displays at community, cultural and sporting events. The advertising group of PWGSC under Mr. Guité was assigned this task. Because Mr. Guité's organization had insufficient in-house expertise, he chose to contract with advertising and communication agencies to manage and administer the sponsorships. In return, these agencies would receive commissions as well as fees paid for "production costs."

The Sponsorship Program was directed in its initial stages, at the request of the Prime Minister, by Jean Pelletier, his Chief of Staff, with the assistance of the Privy Council Office. All of this was done in collaboration with Mr. Guité. When the Honourable Alfonso Gagliano became Minister of PWGSC in June 1997, he took an active role in the direction of the Sponsorship Program, gradually taking over supervision from Mr. Pelletier.

In August 1999, Mr. Guité retired and was replaced as head of the Communication Coordination Services Branch (CCSB), the section within PWGSC that handled sponsorships and advertising, by Pierre Tremblay, formerly Mr. Gagliano's Executive Assistant.

In September 1999, Daniel Leblanc of the *Globe and Mail* made his first request for information about the Sponsorship Program under the *Access to Information Act*. Further requests were being processed during the early months of 2000, and they eventually lead to a series of newspaper articles.

In February 2000, Mr. Gagliano or Deputy Minister Ranald Quail (the question of who made the decision is a matter of controversy) decided to order an internal audit of the Sponsorship Program. The audit report, presented to Mr. Gagliano in September 2000, disclosed a number of irregularities in the administration of the Program. He says that he ordered a temporary suspension of the Program until a

plan could be implemented to mitigate the risks identified in the audit. Given that contracts were issued as early as November 2000, the moratorium, if it did occur, was of a very short duration.

On September 1, 2001, after CCSB had been merged with the Canada Information Office, the new organization, Communication Canada, assumed responsibility for the Sponsorship Program. Communication Canada created for the first time an administrative structure for the Program, using known and published criteria and standard procedures.

In January 2002, the Honourable Don Boudria became Minister of PWGSC. The Auditor General advised him in May 2002 that, following an investigation of three sponsorship contracts, the files in question were being referred to the RCMP and there would be a complete audit of the Sponsorship Program from 1997 to 2001. The problems associated with the Program became the subject of daily questions in the House of Commons and extensive critical media coverage.

Since the government's advertising activities were also being administered by CCSB, the Auditor General undertook at the same time to audit the advertising activities of the federal government for the period from November 1997 until 2001. The Auditor General determined that the Sponsorship Program had been the subject of an internal PWGSC audit in 2000 that revealed serious administrative shortcomings. Similar problems had been uncovered in an earlier audit of the government's advertising activities conducted by Ernst & Young in 1996.

On the basis of the initial Report of the Auditor General, on May 23, 2002, Prime Minister Chrétien announced an eight-point plan that included changes to the legislation governing the financing of political parties and candidates for office. On May 26, 2002, the Honourable Ralph Goodale became Minister of PWGSC. He was instructed by Prime Minister Chrétien to "go in there, find out what is the problem and fix it."

Within 24 hours Mr. Goodale determined that the problems with the Program were of such importance that it would be best to again suspend it. The moratorium was partially lifted on July 22, 2002, and when the program was resumed in September of that year, Communication Canada had the responsibility of administering it under new rules and without using the services of communication or advertising agencies as intermediaries.

Conclusions from the Auditor General's Report

The Auditor General's Report is highly critical of the government's handling of the Sponsorship Program and comes to eight principal conclusions:

- Parliament's role was not respected;
- there was a breakdown in internal controls;
- there were problems related to the selection of agencies;
- files were poorly documented;
- amendments were made irregularly;
- there were serious problems relating to section 34 of the *Financial Administration Act*;
- commissions and production costs were excessive; and
- the Government's Transfer Payments Policy was not observed.

In December 2003, when the Right Honourable Paul Martin took office as Prime Minister, the first action taken by the new Cabinet was to cancel the Sponsorship Program. A few months later Communication Canada was dismantled.

From 1994 to 2003, the amount expended by the Government of Canada for special programs and sponsorships totalled \$332 million, of which 44.4%, or \$147 million, was spent on fees and commissions paid to communication and advertising agencies. These amounts do not include the salaries or costs of the public servants who worked on the Sponsorship Program, the costs of the numerous audits and investigations, or the costs of the present Commission of Inquiry.

Our Inquiry concurs with the conclusions of the Auditor General's Report. In many cases, however, the irregularities and mismanagement that she described were clearly worse and more widespread than she had learned or imagined.

