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Chair

Mr. Paul Szabo

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Thursday, February 14, 2008

•(0900)

[English]

The Chair (Mr. Paul Szabo (Mississauga South, Lib.)): This is the 16th meeting of the Standing Committee on Access to Information, Privacy and Ethics. Our order of the day is, pursuant to Standing Order 108(2), the study of the Mulroney Airbus settlement.

We have one witness in this meeting. Our witness is appearing by video conference from Switzerland. His name is Mr. Giorgio Pelossi. The video conference, I understand, is operational and tested.

Good morning, Mr. Pelossi.

Mr. Giorgio Pelossi (As an Individual): Good morning.

The Chair: Are you prepared to proceed with us now? Are you comfortable?

Mr. Giorgio Pelossi: Yes.

The Chair: Excellent.

Mr. Pelossi, on December 15, 2007, this committee, the standing committee referred to as the ethics committee, provided me with a list of priority witnesses to be called, and your name was included. We want to thank you sincerely for accepting our invitation to appear before us today.

Mr. Pelossi, we understand that you were an accountant and money manager for Mr. Karlheinz Schreiber from 1969 to 1991. We also understand that you were appointed the trustee of funds that were transferred between a number of industrial companies, such as International Aircraft Leasing, referred to as IAL; Thyssen Industry AG, referred to as Thyssen; and Government Consultants International, referred to as GCI.

Are these facts correct, sir?

Mr. Giorgio Pelossi: Yes.

The Chair: Thank you.

I would now ask you to be sworn in for your testimony. Could we proceed with that? The clerk will administer the oath.

The Clerk of the Committee (Ms. Erica Pereira): I will just ask you to repeat after me.

Put your left hand on the Bible and raise your right hand, please.

The evidence I shall give on this examination shall be the truth, the whole truth, and nothing but the truth, so help me God.

Mr. Giorgio Pelossi: The evidence I shall give on this examination shall be the truth, the whole truth, and nothing but the truth, so help me God.

The Clerk: Thank you.

The Chair: Thank you, Mr. Pelossi.

I know that you have been asked about this matter before quite extensively by the Royal Canadian Mounted Police investigation unit. It continues to be before us in another mode. It still is a very serious matter, and we hope you can clarify and/or help us to better understand certain matters brought before the committee.

As a courtesy to our translators—we do this in both official languages here—I'd ask you not to speak too quickly. I certainly will give you all the time you need to make any statements or to respond fully to any questions that committee members may pose to you.

Do you have any questions before we begin?

Mr. Giorgio Pelossi: I have just two questions.

Did you have a chance to see my testimony to the RCMP?

The Chair: It was not made available to us, sir. The answer is no.

Mr. Giorgio Pelossi: Oh. Okay.

The second is just to tell you that at that time, after my testimony, I was submitted to—I don't know what you call it—a lie detector or something like this, and it was positive that everything I told was true.

The Chair: Thank you for that, sir.

Do you have an opening statement that you would care to make, or would you like us to lead you through...?

Mr. Giorgio Pelossi: No, I have nothing else.

The Chair: You have nothing else.

Why don't we start—

Hon. Robert Thibault (West Nova, Lib.): Mr. Dhaliwal was just pointing out to me that you indicated to all other witnesses that any testimony given at the committee couldn't be used in other processes.

•(0905)

The Chair: Thank you. We're aware, and it's not applicable.

Mr. Pelossi, maybe we could start by having you give us a brief description, please, of your relationship with Mr. Karlheinz Schreiber.

Mr. Giorgio Pelossi: I met Mr. Schreiber the first time in 1969. He had a company with other people here in Lugano. The company was for road-marking, like what he did in Germany.

They had some problems, and the board of directors hired me—or our company—to make an audit of the company just to justify that everything was correct, because Schreiber was accused of having produced losses that they presumed were not true. He was very satisfied with my work and hired me as his consultant for all the business he had outside of Germany.

The Chair: I'll go to Mr. Tilson on a point of order.

Could you state the nature of your point of order before you get into details?

Mr. David Tilson (Dufferin—Caledon, CPC): I'm going to try, Mr. Chairman.

I've noticed that more and more you are asking questions, and now you're starting off asking questions—

The Chair: That's not a point of order, that's an issue of debate.

Mr. David Tilson: Well, it's a point of privilege, Mr. Chairman, and you've got to hear me out. You can't just cut me off. Let me have my say.

The point is, Mr. Chairman, you happen to be a Liberal, and I suppose if you're going to ask questions—

The Chair: Mr. Tilson, I have to rule you out of order, sir.

Mr. David Tilson: —then what that means—

The Chair: Mr. Tilson, I'm ruling you out of order.

Mr. David Tilson: [*Inaudible—Editor*]...this meeting, and you're going to have a shot, and then the Liberals are going to have a shot, is that it? Are you going to take over the Liberals' time in this meeting?

The Chair: Mr. Tilson, I'm asking you to come to order.

I want to respond to you that I discussed with the clerk and the researchers how we might proceed with this witness. In view of the fact that there is not an opening statement, we made the decision—and I concurred—to get some background information before the questioning so that the members could have an opportunity to have some foundation.

Because this is—

Mr. David Tilson: Mr. Chairman, I have no problem with you introducing the witnesses. What I do have a problem with is what you've been doing more and more—interrupting the proceedings, asking questions, and in fact taking up the time of this committee.

If you wish to do that, you can come back to the bulk of this committee and ask questions. But you can't just take over this meeting.

The Chair: Mr. Tilson, sir, thank you—

• (0910)

Mr. David Tilson: No, don't thank me; I'm telling you that you're out of order, Mr. Chairman.

The Chair: Mr. Tilson, as chair of a committee, I am, as you know, entitled to ask questions.

Mr. David Tilson: You are, sir, but if you're going to ask questions—

The Chair: I'm not going to get into a debate with you. Come to order, please. Come to order, Mr. Tilson.

We will have a discussion later, Mr. Tilson, after this witness. I need to move on. We have a witness before us now, please.

Mr. David Tilson: Well, I've made my point, Mr. Chairman. You're out of order, as you have been for the last two or three meetings.

The Chair: You are out of order on this. As I told you at the beginning, this is a debate. I'm glad you've had an opportunity, however, to say your piece.

You know that I have always made sure that every party got their equitable distribution of questions. I'm going to continue to do that. I'm going to defend the rights and the privileges of all members at this table. I made that commitment at the beginning, I've stuck with it, and I will continue to finish with it.

In my judgment—and I have some discretion as chair—I would like to have some foundation background simply for the members' interest so that we can have the most relevant questions possible, sir. So please accept my discretion.

Mr. David Tilson: Well, sir, you've got the gavel, and you can do as you like, I guess, but I'm just telling you that you're out of order.

The Chair: Thank you, Mr. Tilson. I will speak with you afterwards as well.

Mr. David Tilson: You should do that in session, not privately.

The Chair: We do have business to do and we will continue with our business here.

Mr. Pelossi, I apologize to you for this interruption.

As I indicated to you, I think it may be helpful to the committee if you would provide us a brief description of your relationship with Mr. Karlheinz Schreiber. Could you please proceed?

Mr. Giorgio Pelossi: Yes.

During the first years of our relationship, he asked me to help him finance his company in Germany, and I did it through banks and clients of mine. I did this from 1972 to 1988. I was in charge of all companies he had outside of Germany.

Is that enough for you?

The Chair: That's fine, sir.

You also referred to the RCMP interview. I understand they have a VCR tape that is some six hours long. I'm hoping, in our proceedings, that you will be able to relay to the committee members as they ask their questions some of the vital areas on which you were examined by the RCMP. I also understand, sir, that you had identified a number of people to the RCMP whom you knew were involved with the activities of Mr. Schreiber in Canada, and I hope you will be able to tell us the names of those persons whom you recall and the nature of their involvement with Thyssen, or Mr. Schreiber in his Canadian activities.

At this point I will move on to questions by the members. We'll start with Mr. Thibault.

Hon. Robert Thibault: Thank you very much, Mr. Pelossi, for making yourself available to the committee.

You referred, or the chair did, to a six-hour interview with the RCMP. Are you in possession of a copy of that interview, of that tape or transcript?

Mr. Giorgio Pelossi: No, I never had it.

Hon. Robert Thibault: Thank you.

In an article in 1995 with *The Financial Post*, you said, and I quote, "...over the course of decades, Mr. Schreiber has paid out tens of millions of dollars in bribes to politicians in Europe and Canada". Is that correct?

Mr. Giorgio Pelossi: Yes.

Hon. Robert Thibault: Can you tell us, of the people who received money in Canada, were there politicians involved?

Mr. Giorgio Pelossi: I cannot directly, because I just knew from Mr. Schreiber, but I was never present when he paid it. He just told me all the time, "I have to give some money to...". But even in Germany, I was not present when he gave the money.

Hon. Robert Thibault: But in Canada, did he tell you the names of the people to whom he gave money?

Mr. Giorgio Pelossi: I would say he told me the people he would probably give the money to, as I know now.

Hon. Robert Thibault: So this is money that he had available.

Mr. Giorgio Pelossi: Yes.

Hon. Robert Thibault: Do you know a Mr. Frank Moores?

Mr. Giorgio Pelossi: Yes, very well.

Hon. Robert Thibault: Did you accompany Mr. Moores to a bank to open two accounts?

Mr. Giorgio Pelossi: Yes.

Hon. Robert Thibault: Was the password to open one of those accounts "Devon", D-e-v-o-n?

Mr. Giorgio Pelossi: Yes, yes.

Hon. Robert Thibault: According to your understanding, who was that account for?

Mr. Giorgio Pelossi: It was for Brian Mulroney.

Hon. Robert Thibault: When the initials appear as "BM" along with that account, that would mean Brian Mulroney?

• (0915)

Mr. Giorgio Pelossi: Yes, I wrote myself on my.... I have it here.

I have the card of the guy who was in charge at the bank, and I wrote the name and the number of the account, and on the top, I wrote with my handwriting, "F. Moore" and "BM", which means Brian Mulroney.

Hon. Robert Thibault: The other account, was it for Frank Moores?

Mr. Giorgio Pelossi: Yes.

Hon. Robert Thibault: Did you yourself ever transfer or know of a transfer of money into those two accounts?

Mr. Giorgio Pelossi: No. All the money we received in the company, IAL, I transferred to Mr. Schreiber's account in Zurich, in the same bank, and he distributed the money, but I never saw it.

Hon. Robert Thibault: Is that the account we know as Frankfurt, the account you transferred it to?

Mr. Giorgio Pelossi: No. I'll tell you what I know now, I didn't know at that time. But I transferred all the money to the main account, and the number is 18679, rubric IAL, and it was the main account of Mr. Schreiber. Then he set up all these subaccounts. I didn't know at that time that he had the subaccounts. I knew later on, during the years.

Hon. Robert Thibault: Did you personally get to know where those moneys came from through your professional capacity, or only through what you saw in the media?

Mr. Giorgio Pelossi: I don't understand the question.

Hon. Robert Thibault: Was the money from the main account of Mr. Schreiber distributed to other accounts? Mr. Schreiber told us of the Britan account, for example. We know of the Marc account. What is your knowledge of these accounts? How did you come to know, from your professional association with Mr. Schreiber or through the media?

Mr. Giorgio Pelossi: No, from the media and from the prosecutor in Germany sometimes, because they asked me about these accounts.

Hon. Robert Thibault: Did you ever meet a Mr. Fred Doucet or have discussions with Mr. Fred Doucet?

Mr. Giorgio Pelossi: I think I met him once, yes, in the offices of GCI.

Hon. Robert Thibault: At the offices of GCI?

Mr. Giorgio Pelossi: Yes, I was once in Ottawa with Mr. Schreiber. We went to the offices of GCI, and I remember I also met Mr. Doucet—

Hon. Robert Thibault: Was that a social meeting?

Mr. Giorgio Pelossi: Just a social meeting.

Hon. Robert Thibault: Just a social meeting.

To your knowledge, was Airbus involved with GCI? Do you know the company GCI that Frank Moores headed?

Mr. Giorgio Pelossi: Yes.

Hon. Robert Thibault: Did they have involvement with Airbus, Thyssen, or MBB, but specifically Airbus, first?

Mr. Giorgio Pelossi: I don't know directly, but I know that Mr. Moores had.

Hon. Robert Thibault: Mr. Moores had some involvement with Airbus.

Mr. Giorgio Pelossi: Yes. Mr. Schreiber told me from the beginning that if the deal with Airbus was done, it would be through the lobbying of Mr. Moores and the help of Mr. Mulroney.

Hon. Robert Thibault: With the help of Mr. Mulroney. And so when we see correspondence from Frank Moores on the letterhead of GCI, directly to Mr. Strauss, that confirms what you already knew from Mr....

Mr. Giorgio Pelossi: Yes, exactly.

Hon. Robert Thibault: Had Mr. Schreiber ever told you he would be making some of the money available in Canada for politicians?

Mr. Giorgio Pelossi: Yes.

Hon. Robert Thibault: Did he name politicians?

Mr. Giorgio Pelossi: At the time we set up the account, he told me that if the deal with Airbus was done, he would have to give 25% to Mr. Moores and 25% to Mr. Mulroney. I know now he didn't, but he was supposed to.

Hon. Robert Thibault: He was supposed to, and that would have been in those two accounts.

Do you have any way of knowing whether Mr. Mulroney would have been aware of this?

• (0920)

Mr. Giorgio Pelossi: I don't know, no.

Hon. Robert Thibault: You have no way of knowing that.

Did he ever tell you of people who would not have been politicians but might have been close to politicians, other than Mr. Moores, whom he was working with or would be contributing money to?

Mr. Giorgio Pelossi: Yes. I remember now. Previously, also, in Alberta he mentioned some people who gave some money.

Hon. Robert Thibault: Would they have been officials of the Canadian government, bureaucrats, or would they have been close associates?

Mr. Giorgio Pelossi: No, they were officials of the Alberta government.

Hon. Robert Thibault: Of the Alberta government. Okay.

Thank you very much.

The Chair: Thank you.

Monsieur Ménard, s'il vous plaît.

[Translation]

Mr. Serge Ménard (Marc-Aurèle-Fortin, BQ): I understand you speak excellent French, Mr. Pelossi?

Mr. Giorgio Pelossi: Yes, it is better than my English.

Mr. Serge Ménard: That is great. The same goes for me. Thank you.

Mr. Pelossi, you started out speaking about your statement to the RCMP. You were surprised that we had not received it, were you not?

Mr. Giorgio Pelossi: Yes.

Mr. Serge Ménard: Were some officers taking notes when you made your statement to the RCMP?

Mr. Giorgio Pelossi: They taped it on a videocassette. The whole thing is recorded.

Mr. Serge Ménard: They recorded the whole thing. Did you receive a transcript of it?

Mr. Giorgio Pelossi: No, I have never seen it, but I know that the entire interview was recorded.

Mr. Serge Ménard: I see. In your opinion, was the statement true?

Mr. Giorgio Pelossi: Yes. As I said to the committee chair at the outset, I had to take a... What is it called?

An hon. member: A lie detector test.

Mr. Giorgio Pelossi: ...a test to determine whether I was telling the truth. I forget the name of the device, but they came to Milan a few months later for this purpose and they gave me this test, on which I did very well.

Mr. Serge Ménard: It is called a polygraph.

Mr. Giorgio Pelossi: Yes, that is right. I had forgotten the name of it.

Mr. Serge Ménard: You had hoped we would see your statement.

Mr. Giorgio Pelossi: Yes, for the simple reason that I gave it in 1996, 12 years ago. I am sure you will appreciate that it is much more difficult for me now to remember all the dates and details. But at the time of the statement, I had all the documents available to me. So the information was much more specific than anything I can say today.

Mr. Serge Ménard: If we need it your authorization to see the statement, would you be prepared to give that to us now?

Mr. Giorgio Pelossi: Yes, I will give you that authorization. I have done so in writing to the clerk. I received an e-mail, and I wrote back giving my authorization.

Mr. Serge Ménard: Very well. Given that, this is not a secret to the RCMP. That is the testimony you would have liked to have given this morning in order to be more specific. Is that correct?

Mr. Giorgio Pelossi: Yes.

Mr. Serge Ménard: Do we have that statement, Mr. Chair?

[English]

The Chair: I can indicate that we did receive an affirmation from Mr. Pelossi that he would give his authorization for it to be viewed. The request was turned down by the RCMP. The reasons were only oral, and it sounded like it was part of their materials from their investigation, which may be opened up in the future, and they wouldn't want to compromise their case or their evidence.

We can have the discussion this afternoon at our in camera meeting after we see Stevie Cameron, if that's acceptable to the members.

[*Translation*]

Mr. Serge Ménard: I understand, Mr. Pelossi, that you are the person who wrote a contract or who was involved in writing a contract between IAL and Airbus?

Mr. Giorgio Pelossi: Yes, that is the contract was written by Airbus and approved by Mr. Schreiber. I signed it myself, along with the president of Airbus at the time.

Mr. Serge Ménard: This contract...

Mr. Giorgio Pelossi: A lawyer in Zurich has a single copy of it, and it was to remain secret. All I had was an unsigned copy.

• (0925)

Mr. Serge Ménard: This contract provided for a commission that would be given by Airbus to IAL in the event aircraft were sold to Air Canada. Is that correct?

Mr. Giorgio Pelossi: Yes, that is correct.

Mr. Serge Ménard: How much was the commission?

Mr. Giorgio Pelossi: Oh, the amount varied. There was a chart showing various percentages. It depended somewhat on the number of aircraft involved. It also depended on whether or not spare parts were involved, for example. I no longer remember the exact details, but there were a number of different percentages.

Mr. Serge Ménard: For 34 aircraft, do you remember...

Mr. Giorgio Pelossi: I would tell you that right away, because I had a chart drawn up by Airbus. The amount was about \$30 million US.

Mr. Serge Ménard: It was \$30 million, in US funds, of course.

Mr. Giorgio Pelossi: Yes.

Mr. Serge Ménard: So for 34 aircraft, I think you spoke about a commission...

Mr. Giorgio Pelossi: With the total being \$30 million, that amounts to about \$800,000 for each aircraft, yes.

Mr. Serge Ménard: I calculated that if the percentage were 2 %, the total would be \$36 million Canadian of the \$1.8 billion. The figure would be in that range.

Mr. Giorgio Pelossi: A little lower. I think it was about 1.5 % of the total amount.

Mr. Serge Ménard: Were these amounts to be paid in full to Mr. Schreiber, or was some of the money supposed to go to other individuals?

Mr. Giorgio Pelossi: He always told me that these amounts were supposed to be divided as follows: 50 % for Canadians and 50 % for himself and Mr. Strauss.

Mr. Serge Ménard: Mr. Strauss who was the president of Airbus?

Mr. Giorgio Pelossi: Yes, he was the president of Airbus and the prime minister of Bavaria.

Mr. Serge Ménard: So Mr. Strauss was receiving a commission on the aircraft he sold to Canada. Is that correct?

Mr. Giorgio Pelossi: He should have received the commission, because Mr. Schreiber always told me that this was for the assistance

he had provided. Otherwise, he would have never received a contract of this type from Airbus. The second reason was that Mr. Strauss had lost \$2 million in Canadian funds in real estate deals in Alberta.

Mr. Serge Ménard: In any case, what we are particularly interested in is the Canadian side of the transaction.

Did he give you the names of the people who were supposed to receive these payments in Canada?

Mr. Giorgio Pelossi: In this case, he did. He had always told me that 25 % would be for Mr. Moores and 25% for Mr. Mulroney.

Mr. Serge Ménard: So, 25 % of \$18 million.

Mr. Giorgio Pelossi: It was \$7 million and change.

I know he never paid it, but... That is, I know it now.

Mr. Serge Ménard: How was this amount of money supposed to have been paid?

Mr. Giorgio Pelossi: Initially, I thought he was going to put the money into his account, but apparently he deposited very little or no money into his account. He was accustomed to making these payments in cash.

Mr. Serge Ménard: So payments of this type, such as the amounts paid to Mr. Strauss and Mr. Mulroney, would have been paid in cash.

Mr. Giorgio Pelossi: That was possible, in any case.

I was never involved in distributing the money. He did that secretly by himself. All I know about the distribution of the money is what I found out during the investigation in Germany and through the media.

Mr. Serge Ménard: If I understand correctly, Airbus did not want to provide any money that would have looked like kickbacks—let's call a spade a spade—but preferred to do it through the individual who was entitled to a commission, and that person looked after paying the kickbacks. Is that correct?

Mr. Giorgio Pelossi: Yes.

[*English*]

The Chair: *Merci.*

Mr. Martin, please.

Mr. Pat Martin (Winnipeg Centre, NDP): Thank you, Mr. Chair.

Good morning, Mr. Pelossi.

Mr. Pelossi, I'm particularly interested in the testimony you gave in response to Mr. Thibault's questioning, that in 1986 Frank Moores and Mr. Schreiber came to Zurich to open those two bank accounts with the Swiss Bank Corporation, one of which you believed was for Canadian political friends. And you've been very specific that you believed that one of those accounts was to hold the payout or the kickbacks for Brian Mulroney.

Is that your testimony?

• (0930)

Mr. Giorgio Pelossi: Yes, yes. That's what Mr. Schreiber told me at that time.

Mr. Pat Martin: I'm sure all Canadians will be very interested to hear that testimony, Mr. Pelossi.

I have a question. Were you ever contacted by a Mr. John Crosbie in the early days of the Airbus investigation, in the mid- to late 1980s?

Mr. Giorgio Pelossi: No, I don't think so.

Who was Mr. Crosbie?

Mr. Pat Martin: Mr. John Crosbie was a Canadian minister at the time doing an original investigation into the Airbus sale.

Mr. Giorgio Pelossi: No.

Mr. Pat Martin: I see.

The original contract with Airbus you have spoken about cited that a commission of 2% to 2.5% would not be eligible if there were major political change within Canada; the clause would expire and would no longer apply.

Mr. Giorgio Pelossi: Yes.

Mr. Pat Martin: Were you aware of Mr. Schreiber and friends—that is, Josef Strauss, etc.—pumping a lot of money into the campaign to dump Mr. Joe Clark, the leader of the Progressive Conservative Party, and to elect Brian Mulroney as the leader of that party?

Mr. Giorgio Pelossi: No, I wasn't aware at that time.

Mr. Pat Martin: I understand.

Mr. Giorgio Pelossi: Mr. Schreiber just told me sometimes that he would help, but how and the details of it I didn't know.

Mr. Pat Martin: Part of our study is to examine the settlement from a defamation lawsuit that Mr. Mulroney filed against the Government of Canada because of the leaking of the letter that the Canadian government sent to the Swiss authorities. The letter of request was leaked.

Do you have any knowledge or information about from whom or how that information may have been leaked to a Canadian journalist?

Mr. Giorgio Pelossi: No, no idea.

Mr. Pat Martin: I understand.

Have you talked to any other members of this committee prior to this interview today?

Mr. Giorgio Pelossi: No. I don't know who is a member, but I spoke with nobody.

Mr. Pat Martin: Do you have any information about any other money or gifts or perks that may have been given to Canadian politicians or bureaucrats?

Mr. Giorgio Pelossi: No. The only thing I heard from Schreiber was that he had to give some money to a politician in Newfoundland for the Thyssen plant that was not built—for the Bear Head project.

Mr. Pat Martin: Now, as the Bear Head project moved along and the promissory note was signed between the Government of Canada, the Government of Nova Scotia, and Thyssen, a \$4 million advance was forwarded to Mr. Schreiber.

Were you still handling Mr. Schreiber's accounts at that time?

Mr. Giorgio Pelossi: Yes, I received the money and paid IAL.

Mr. Pat Martin: Do you have any knowledge of how that money was distributed throughout Canada? Was it your understanding that any of that money was to go to Canadian political partners?

Mr. Giorgio Pelossi: The only thing I knew was that he gave some money to a Thyssen manager, but I have no knowledge of when and how much he distributed in Canada.

Mr. Pat Martin: Mr. Pelossi, some skeptics say you're giving this testimony so freely today as a way to get revenge against Karlheinz Schreiber, that your testimony today will either convince Canadians that Canadian politicians have a terrible paucity of ethics, or it will put Karlheinz Schreiber back on a plane to Germany to sit in jail for the rest of his life.

What do you say to accusations that you're motivated by revenge or malice towards Mr. Schreiber?

Mr. Giorgio Pelossi: No, not at all. I am just saying the truth, as I did with the RCMP.

Mr. Pat Martin: Thank you, Mr. Pelossi.

That's all, Mr. Chairman.

The Chair: Thank you.

We'll move now to Mr. Tilson, please.

Mr. David Tilson: Thank you, Mr. Chairman.

Mr. Pelossi, thank you for coming and giving testimony today to the committee.

I've been listening carefully to the answers you've been giving thus far to members of the committee, and I'd like you to tell me whether you agree or disagree with my observation that most of what you know is not within your personal knowledge, that most of what you're telling us has either been told to you by Mr. Schreiber or by the media.

Is that true?

• (0935)

Mr. Giorgio Pelossi: No.

By Mr. Schreiber, yes.

Mr. David Tilson: By Mr. Schreiber. So most of what you're telling us today, Mr. Schreiber informed you of. That's how you came to your conclusions and the information you're giving the committee today?

Mr. Giorgio Pelossi: Yes.

Mr. David Tilson: Thank you.

Those are my questions.

We're going to continue with Mr. Del Mastro.

The Chair: Mr. Del Mastro, please, for the balance of this time slot.

Mr. Dean Del Mastro (Peterborough, CPC): Thank you, Mr. Chair.

Mr. Pelossi, has Mr. Schreiber ever lied to you or lied about you in statements?

Mr. Giorgio Pelossi: Excuse me?

Mr. Dean Del Mastro: Has Mr. Schreiber ever lied to you or lied about you in statements that he's made? Has he ever lied to you? Yes, he has?

Thank you.

Mr. Giorgio Pelossi: He lies all the time.

Mr. Dean Del Mastro: He lies a lot.

Thank you.

Mr. Giorgio Pelossi: He still lies. He is still lying.

Mr. Dean Del Mastro: He is still lying.

Mr. Giorgio Pelossi: When I read his statements in the newspapers, I know that he is lying.

Mr. Dean Del Mastro: Okay, thank you.

I appreciate that; it's very valuable.

Mr. Pelossi, you testified that you met Mr. Schreiber in the late sixties. You started working for him, and you provided financing in 1972 and were in charge of all his companies outside Germany. Is that correct?

Mr. Giorgio Pelossi: Yes.

Mr. Dean Del Mastro: Thank you.

When did you leave International Aircraft Leasing?

Mr. Giorgio Pelossi: It was in July 1991.

Mr. Dean Del Mastro: It was in July 1991. Okay, thank you.

When did you first start speaking to the media and to police about your knowledge of IAL and Mr. Schreiber's business transactions?

Mr. Giorgio Pelossi: It was in 1994, I think. It was after he refused to make an arrangement with me and after he accused me in Liechtenstein. He made a criminal charge against me, and it was dismissed six months later.

Mr. Dean Del Mastro: Okay, thank you.

Mr. Pelossi, could you describe for the committee what position you held at IAL and what your responsibilities entailed?

Mr. Giorgio Pelossi: Yes, I was a director who did everything from managing the money to bookkeeping to all the day-to-day business of the company. It was always on the instructions of Mr. Schreiber.

Mr. Dean Del Mastro: Thank you.

So you were fully aware of all money being paid to IAL and you were aware of where payments and transfers from IAL's accounts were being directed.

Mr. Giorgio Pelossi: I knew, yes, what went in and what went out. All the money went to the accounts of Mr. Schreiber, with a few exceptions to pay all the costs. And I made a few payments for him. For example, I made a payment on behalf of Mr. Max Strauss, and Schreiber gave me instructions to follow the instructions of Mr. Strauss. I think it was 100,000 D-Marks.

Mr. Dean Del Mastro: Okay, thank you.

I want to ask you a few questions about the Airbus transaction. When did IAL receive the first commission payment from Airbus for the sale of planes to Air Canada?

Mr. Giorgio Pelossi: It was October 5, 1988.

Mr. Dean Del Mastro: Thank you. I appreciate that.

Mr. Giorgio Pelossi: It was \$5 million U.S.

Mr. Dean Del Mastro: It was \$5 million U.S. Thank you.

After you received the payment to the IAL account, what did you do with it? Where did the money go?

Mr. Giorgio Pelossi: We went to the bank in Liechtenstein, Mr. Schreiber and I, and we wired most of the.... We paid all the debts he had, first, and also with my clients, then the rest of the money went to his personal account.

Mr. Dean Del Mastro: Okay. According to my information, \$4.5 million went to IAL's parent company, Kensington Anstalt. Is that correct?

Mr. Giorgio Pelossi: Yes.

Mr. Dean Del Mastro: Okay, thank you.

Why was the money immediately transferred out of IAL's account to Kensington Anstalt? Why was that done?

Mr. Giorgio Pelossi: I don't remember why. I just know that from the Kensington account, the bank issued a cheque, and Mr. Schreiber cashed this cheque at Swiss Bank Corporation in Zurich. I don't remember how much. It was probably \$4.5 million.

● (0940)

Mr. Dean Del Mastro: Okay.

What happened to the remaining \$500,000? Why wasn't that transferred to the Kensington account?

Mr. Giorgio Pelossi: It was because the debts were all in Kensington or in other companies. We had to pay the debts, and the debts were with other parent companies, not directly from IAL and not directly from Kensington. Therefore, we had to transfer, because Kensington was a holding company.

Mr. Dean Del Mastro: Okay. So \$500,000 was Mr. Schreiber's profit.

Mr. Giorgio Pelossi: It wasn't the profit. The profit was the \$5 million.

Mr. Dean Del Mastro: The profit was the \$5 million, okay.

Are you aware of what happened to the funds once they were deposited into Mr. Schreiber's bank account?

Mr. Giorgio Pelossi: No.

Mr. Dean Del Mastro: No, okay.

Are you aware of what happened to the funds once they were deposited into the Kensington account?

Mr. Giorgio Pelossi: I cannot say now, but I remember that we paid all the debts we had for the companies.

The Chair: Thank you, Mr. Del Mastro.

Mr. Pelossi, I need to get clarification on a couple of matters. The bank accounts that were opened up, the Devon for Mr. Moores and Mr. Mulroney, did you personally set those up? Were you involved in setting those up yourself?

Mr. Giorgio Pelossi: No, I was just present at the bank.

The Chair: I'm sorry, I didn't hear.

Mr. Giorgio Pelossi: I was present at the bank. Mr. Schreiber and Mr. Moores took me to the bank, and I was there. I had no direct involvement, but I was there and I saw and I know. I took note. Schreiber told me, "Take the numbers in case you need them."

The Chair: Okay, I just wanted to clarify because of the earlier question as to whether you had any direct knowledge or if everything you're testifying to was simply things Mr. Schreiber told you. In this particular matter, you had direct knowledge.

Mr. Giorgio Pelossi: I was present myself.

The Chair: Thank you.

Mr. Murphy, please.

Mr. Brian Murphy (Moncton—Riverview—Dieppe, Lib.): Thank you, Mr. Chair.

Mr. Pelossi, you just said and have said a couple of times, I guess, that you were present when account 8679—those are the first four numbers—was set up.

Mr. Giorgio Pelossi: I am not sure it was the one set up at that time.

Mr. Brian Murphy: Sorry, it's 18679.

Mr. Giorgio Pelossi: Yes, probably this account existed before.

Mr. Brian Murphy: And you were present with Mr. Moores and Mr. Schreiber?

Mr. Giorgio Pelossi: Yes.

Mr. Brian Murphy: And that was some time in 1986?

Mr. Giorgio Pelossi: Yes.

Mr. Brian Murphy: You pointed to a document, and it's very hard—

Mr. Giorgio Pelossi: In any case, it was in February. I remember it was February 1986 or 1985.

Mr. Brian Murphy: Right. Time is limited.

You have a document in front of you that you were showing us.

Mr. Giorgio Pelossi: Yes.

Mr. Brian Murphy: We'll get a copy of that document somehow, Mr. Chairman?

The Chair: I've got it.

Mr. Giorgio Pelossi: No problem. It's already all over the world in the media. But I can provide you with a copy.

• (0945)

Mr. Brian Murphy: All right. Fine. The interview you gave with the RCMP, was that sometime after June of 1995? Is that the first time you spoke—

Mr. Giorgio Pelossi: It was March 1996.

Mr. Brian Murphy: Their first contact with you, however, was in June of 1995.

Mr. Giorgio Pelossi: It's possible, yes.

Mr. Brian Murphy: And you've given your permission to us to ask the RCMP for that interview?

Mr. Giorgio Pelossi: Yes.

Mr. Brian Murphy: Just to confirm that, Mr. Chairman, we must get that, and we'll discuss it later, but you must write a letter asking the RCMP to produce that.

Mr. Pelossi, you've said variously here that Mr. Schreiber is always lying, that you find that he is not credible. Is that right?

Mr. Giorgio Pelossi: Yes.

Mr. Brian Murphy: I'm going to suggest to you that you worked with and for this gentlemen from the late 1960s till July of 1991. You handled his business affairs, his day-to-day business affairs, and his accounting. At some point, from 1960 to 1991, you must have believed what he was telling you. You worked with him and for him.

Mr. Giorgio Pelossi: Yes, and what you said was correct. At that time I think he didn't lie to me because he had no reason to lie.

Mr. Brian Murphy: Okay, so in and around 1986, when he's discussing who the money was to go to—

Mr. Giorgio Pelossi: Yes.

Mr. Brian Murphy: He wasn't lying, in your opinion?

Mr. Giorgio Pelossi: Yes.

Mr. Brian Murphy: When he got in trouble and he started pointing the finger around and one of those fingers pointed at you, he began to lie quite often. Is that your opinion?

Mr. Giorgio Pelossi: Yes.

Mr. Brian Murphy: All right. You looked off to one side, so I just want to be sure that you believed him when he said that half the money was going to go to Frank Moores and half of it was going to go to Brian Mulroney in and around 1986 when he said it to you. Is that right?

Mr. Giorgio Pelossi: Yes.

Mr. Brian Murphy: I want to ask you about the Bear Head project, which you indicated was in Newfoundland. I'll just give you a little geography lesson. It was proposed for Cape Breton.

Money was paid for the signing of a memorandum for that project of \$1.9 million. What did you have to do with that money? You mentioned that you received the money. Is that correct?

Mr. Giorgio Pelossi: Yes.

Mr. Brian Murphy: And you said that Mr. Schreiber said some of it was to go to the manager of Bear Head or Thyssen in Canada. Was that Mr. Greg Alford? Was it any one of the MacKays? Who was it?

Mr. Giorgio Pelossi: No, the only knowledge I had.... It was 500,000—I don't remember even if it was dollars or German marks—that he gave to Mr. Haastert, manager of Thyssen in Germany.

The Chair: Thank you, Mr. Murphy.

We'll go now to Mr. Hiebert.

An hon. member: Nice try, Brian.

Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC): Thank you, Mr. Chair.

Mr. Pelossi, you stated that Mr. Schreiber told you that some of the money was intended for Brian Mulroney, but do you know if any of that money ever made it to Mr. Mulroney?

Mr. Giorgio Pelossi: No.

Mr. Russ Hiebert: You're not sure if it made it, or you know it did not make it?

Mr. Giorgio Pelossi: I am not sure, because I have no knowledge of what he made with the money.

Mr. Russ Hiebert: Right.

When IAL received the first commission payment from Thyssen, was that around October 1988?

Mr. Giorgio Pelossi: Yes.

Mr. Russ Hiebert: How much was that payment for?

Mr. Giorgio Pelossi: I don't remember. I remember only that the first payment was related to the land, that the Province of Newfoundland would give the land for free. The second payment was about this letter that was mentioned before, the letter of intent of the Canadian government to buy tanks.

Mr. Russ Hiebert: But you're not sure how much money was given?

Mr. Giorgio Pelossi: No, no, both times it was \$2 million.

Mr. Russ Hiebert: So it was a total of \$4 million?

Mr. Giorgio Pelossi: It was \$2 million, yes—Canadian dollars.

Mr. Russ Hiebert: It was Canadian dollars; thank you.

You said that both times it was \$2 million?

Mr. Giorgio Pelossi: Yes, one was \$1.9 million, because \$100,000 went to set up the Bear Head company. Schreiber set up the Bear Head company in his name.

Mr. Russ Hiebert: Did that money come from the IAL account?

Mr. Giorgio Pelossi: Yes.

Mr. Russ Hiebert: Did you handle the \$2 million that was received from the Kensington Anstalt account?

Mr. Giorgio Pelossi: No, the money went to IAL, not Kensington.

Mr. Russ Hiebert: Right, but apparently some money went to Kensington Anstalt as well—\$2 million.

Mr. Giorgio Pelossi: It's possible, yes.

Mr. Russ Hiebert: Mr. Pelossi, in February 1986, when Frank Moores opened up a Swiss bank account, what was the purpose of these accounts? Do you know?

Mr. Giorgio Pelossi: Yes, Schreiber told me that was in case we got the Airbus deal through. It was intended to put the money—the 25% each—in these accounts.

●(0950)

Mr. Russ Hiebert: Mr. Pelossi, you opened your testimony today indicating that you made a lengthy statement to the police.

Mr. Giorgio Pelossi: Yes.

Mr. Russ Hiebert: We're also aware that the police here in Canada spent eight years investigating this matter. Do you have any new information to offer us now that was not available when you first testified before the police?

Mr. Giorgio Pelossi: No, nothing new.

Mr. Russ Hiebert: Okay.

Thank you, Chair.

The Chair: We're going now to Madame Lavallée.

[*Translation*]

You have the floor.

Mrs. Carole Lavallée (Saint-Bruno—Saint-Hubert, BQ): Thank you very much.

I am going to be speaking to you in French, Mr. Pelossi.

Mr. Giorgio Pelossi: No problem.

Mrs. Carole Lavallée: You were the manager, a close associate of Karlheinz Schreiber from 1972 to 1991. Is that what you said?

Mr. Giorgio Pelossi: That is correct, yes.

Mrs. Carole Lavallée: So you saw all the money coming in and going out, perhaps not right up until the final phase, but you did see the money. Is that correct?

Mr. Giorgio Pelossi: That is correct.

Mrs. Carole Lavallée: How much money came in with the \$20 million from Airbus over that period of time?

Mr. Giorgio Pelossi: About \$25 to \$30 million.

Mrs. Carole Lavallée: So Airbus accounted for most of it.

Mr. Giorgio Pelossi: No, perhaps it was not as much as that. There was about \$12 million from Airbus and \$4 million from Thyssen. So it was a little less. It amounted to between \$15 and \$20 million.

Mrs. Carole Lavallée: So that accounted for the revenues of IAL over this period, essentially.

Mr. Giorgio Pelossi: Yes, there was \$1 million from Messerschmitt for the helicopters.

Mrs. Carole Lavallée: You left in 1991. Do you assume that other funds came in, given the contracts that had been signed?

Mr. Giorgio Pelossi: I assume that the rest of the Airbus commissions came in, yes.

Mrs. Carole Lavallée: As the manager, you were required to sign cheques, to manage the funds. Earlier, you spoke about the \$5 million that came in on October 5, 1988. I imagine that you wrote some cheques at that time. Earlier you spoke about a figure of \$500,000. Is that correct?

Mr. Giorgio Pelossi: Yes, it was about that.

Mrs. Carole Lavallée: And the rest, \$4.5 million, went into other accounts. If I understood you correctly, Mr. Schreiber left with cash.

Mr. Giorgio Pelossi: No, he took it in the form of a cheque, which he cashed at the Swiss Bank Corporation.

Mrs. Carole Lavallée: What do you mean when you say that he cashed it?

Mr. Giorgio Pelossi: He deposited the cheque into his account.

Mrs. Carole Lavallée: He deposited it into his own account.

Mr. Giorgio Pelossi: Yes.

Mrs. Carole Lavallée: The \$5 million in question was deposited into the IAL account. Is that right?

Mr. Giorgio Pelossi: The IAL account. Yes, that is correct.

Mrs. Carole Lavallée: When you refer to his account, are you referring to the Kensington account?

Mr. Giorgio Pelossi: No, I am talking about his account in Zurich.

Mrs. Carole Lavallée: His personal account.

Mr. Giorgio Pelossi: The IAL and Kensington accounts were in Liechtenstein.

Mrs. Carole Lavallée: I see. So there was a personal account into which he deposited the \$4.5 million.

Mr. Giorgio Pelossi: The bank in Liechtenstein issued a cheque for \$4.5 million. He took it, went to Zurich and deposited it into his private account, number 18679.

Mrs. Carole Lavallée: But you did issue cheques in the amount of \$500,000 that day. Is that correct?

Mr. Giorgio Pelossi: Yes, we made some payments. We do not use cheques here, we use bank transfers.

Mrs. Carole Lavallée: All right, so the amounts were paid by bank transfers, but this was in no way an irregular transaction.

We recently had Marc Lalonde appear before us. He is a lawyer who worked with Mr. Schreiber for many years. He said that he was indeed paid by bank transfer or cheque, he was not exactly sure which.

Mr. Giorgio Pelossi: I never made any payments over there.

Mrs. Carole Lavallée: You never made any payments in Canada.

Mr. Giorgio Pelossi: I never made any payments in Canada from over there.

Mrs. Carole Lavallée: I see. Generally speaking, would you say that routine payments were made by cheque, and secret commissions were paid in cash? Could you say that?

Mr. Giorgio Pelossi: More or less, yes.

Mrs. Carole Lavallée: More or less. Were there some exceptions to that rule?

Mr. Giorgio Pelossi: Yes, it's possible. I do not know exactly what Mr. Schreiber did, but he had all his sub-accounts at the bank. It is possible that he may have transferred some money. Personally, I transferred the 100,000 marks, not directly to Mr. Strauss, but to a person named by Mr. Strauss. That was the only time I made a direct payment.

Mrs. Carole Lavallée: Very well.

What did Frank Moores do exactly to deserve a 25% commission?

● (0955)

Mr. Giorgio Pelossi: According to Mr. Schreiber, he looked after the deal with Air Canada. Otherwise, I do not see how he could have had such a contract with Mr. Schreiber alone.

[*English*]

The Chair: Thank you, madame.

Mr. Hiebert.

Mr. Russ Hiebert: Thank you, Mr. Chair.

Mr. Pelossi, you said you were present when these two accounts were opened in Switzerland, and that one was for Mr. Frank Moores.

Mr. Giorgio Pelossi: Yes.

Mr. Russ Hiebert: Can you tell us exactly what you recall during that transaction or experience? Were you the one at the desk or were you watching? What was your role?

Mr. Giorgio Pelossi: I just was with them at the table, and Mr. Paul Schnyder, an employee of the bank.... The guy in charge of the account was André Strobel, who was a director, but he was not available that day. Mr. Schnyder came to the room and brought all the papers and...[*Inaudible—Editor*]...the whole time. Both accounts were opened in the name of Mr. Moores.

Mr. Russ Hiebert: Do you remember how much money was deposited into the account?

Mr. Giorgio Pelossi: No. Nothing, probably, or \$100 or something like that.

Mr. Russ Hiebert: Mr. Moores has stated in the past that one account was for himself and the other account was for the initials BM, and that those initials stood for Beth Moores.

Mr. Giorgio Pelossi: His wife—but it's not true.

Mr. Russ Hiebert: It's not true.

Mr. Giorgio Pelossi: No.

Mr. Russ Hiebert: What explanation do you have for why he would say that, and how do you know it wasn't for Beth Moores?

Mr. Giorgio Pelossi: It's just the case that they have the same initials, you see. He invented the story that it was for his wife, but Mr. Schreiber told me exactly that it was for Brian Mulroney. And I put BM. I didn't even know the name of the wife of Mr. Moores.

Mr. Russ Hiebert: When Mr. Schreiber was before this committee, he told us that you stole money from him. I think he said it was about \$3 million that you stole from him.

How do you respond to that accusation?

Mr. Giorgio Pelossi: First of all, it was not \$3 million; it was \$1 million, and I was entitled to have it. At that time I was missing this piece of paper, therefore he said I stole it. But this piece of paper says I'm entitled to 20% of all the profits we made from Kensington and all those companies. It would probably be more like \$3 million, \$4 million, or \$5 million.

Mr. Russ Hiebert: Thank you.

Mr. Chairman, I'll pass the balance of my time to Mr. Tilson.

Mr. David Tilson: Sir, I have just one question.

You have said that Mr. Schreiber lies all the time. Why do you think that?

Mr. Giorgio Pelossi: First of all, when we had a falling out he told everybody it had nothing to do with Kensington or IAL; it was not his company, it was somebody else's company, and such stories. That was one of the first times he began to lie. Now he's lying every time he tells you something. The only goal he has is to stay in Canada and not be deported to Germany.

Mr. David Tilson: Okay. Thank you, sir.

I'm sorry, he wants to finish.

Mr. Giorgio Pelossi: Even this story here—it's an old story.

Mr. David Tilson: The whole story? Excuse me, sir. I didn't hear you.

Mr. Giorgio Pelossi: The story of the \$300,000 he paid to Mr. Mulroney is an old story, but he took it out only now because he was very anxious about being deported.

• (1000)

Mr. David Tilson: I just want to be clear I understand. Are you telling me what he told this committee on that particular subject of the \$300,000 is not true?

Mr. Giorgio Pelossi: No, no, I'm staying it's an old story. He brought it back from five or ten years ago.

Mr. David Tilson: There are all kinds of people making noises here. I want to make sure I understand what you just said.

Mr. Giorgio Pelossi: I just said that this story is an old story. He paid in 1993, and it was known for six or seven years that he paid Mr. Mulroney \$300,000.

Do you understand what I mean? Now he's making it a big story.

Mr. David Tilson: Okay.

Thank you.

Mr. Giorgio Pelossi: Do you understand?

Mr. David Tilson: I do indeed. I understand everything.

The Chair: Mr. Pelossi, you have been holding up some papers and reading from others. I don't know whether it's possible, but it may be helpful for the committee to receive copies of some of the vital documents—for instance, the one you just held up. Is it possible for us to arrange with you to get copies of some of those documents?

Mr. Giorgio Pelossi: If you write to me about what you want by e-mail, I will provide it to you. I just need the address to send it.

The Chair: That would be very helpful. Thank you kindly.

Mr. Giorgio Pelossi: I will make copies and send them to you.

The Chair: Thank you, sir. I appreciate it very much. It will be very helpful to the committee.

We'll now move to Mr. Mulcair, *s'il vous plaît*.

[Translation]

Mr. Thomas Mulcair (Outremont, , NDP): Good morning, Mr. Pelossi. Thank you for assisting the committee with its work.

I want to come back to some dates to make sure we understood everything correctly. You said earlier that you met with the Royal Canadian Mounted Police in June 1995. Is that correct?

Mr. Giorgio Pelossi: The first time, yes. They came here, to Lugano.

Mr. Thomas Mulcair: At that time, they did not film or record your conversation. It was at the second...

Mr. Giorgio Pelossi: No, they did not do anything. They said that they could not question me about the facts. They just wanted to know whether I would be prepared to come and testify in Canada.

Mr. Thomas Mulcair: You met them next in March 1996. Is that correct?

Mr. Giorgio Pelossi: Yes. First, they sent the letter of request to the Swiss police. The Swiss police seized all the documents at my home and sent them to the RCMP. Three or four months later, I came to Canada to testify, because they had all the documents.

Mr. Thomas Mulcair: I see. So the testimony took place in March 1996.

Mr. Giorgio Pelossi: Yes, that is correct.

Mr. Thomas Mulcair: Some material had been seized and a significant request made of the police in Switzerland at that time. Did they give you any detailed information about the reason the material was seized or why they required your testimony?

Mr. Giorgio Pelossi: No. The reason was clear to me.

Mr. Thomas Mulcair: I would like to start by finding out exactly what they said to you.

Mr. Giorgio Pelossi: I cannot remember exactly. The first time, all they asked was whether I would be prepared to come and testify. There had been some articles in the press in Europe—I do not know whether there had been some in Canada as well—and I said that I was prepared to come. Before I went, they had the documents seized at my home by the Swiss police.

Mr. Thomas Mulcair: When the Swiss police seized the documents, did they say that they needed these documents at the request of Canada, for example?

Mr. Giorgio Pelossi: Yes. It was clear that there was a request from Canada.

Mr. Thomas Mulcair: Regarding what matter exactly? Did they mention any individuals or did they just talk about a subject in general terms?

Mr. Giorgio Pelossi: They spoke in general terms.

Mr. Thomas Mulcair: What was the issue?

Mr. Giorgio Pelossi: It was the payment of commissions by Airbus.

Mr. Thomas Mulcair: I see. So the Swiss police seized documents at your place at the request of the Canadian authorities and they said that it had to do with payments by Airbus?

Mr. Giorgio Pelossi: That did not come as a surprise to me.

Mr. Thomas Mulcair: At the time, did you ask them, or did they tell you whether they had already spoken to Karlheinz Schreiber?

Mr. Giorgio Pelossi: No.

Mr. Thomas Mulcair: It never came up, or they did not mention it to you?

Mr. Giorgio Pelossi: They did not mention it to me, and I did not ask, either, but I thought that they had not spoken to Mr. Schreiber.

Mr. Thomas Mulcair: You thought that they had not spoken to him. That is in fact the information we have today. We are still having difficulty understanding that. In your testimony, which we will eventually see because the chair will get it from the RCMP, will we hear you say the police should talk to Mr. Schreiber about particular matters? Did you give them any leads? Did you tell the Royal Canadian Mounted Police that it should talk to Mr. Schreiber?

• (1005)

Mr. Giorgio Pelossi: No, that was not my role. It was not up to me to decide who they should hear from.

Mr. Thomas Mulcair: I have one last question before turning the floor over to my colleague Mr. Martin.

Has anyone ever spoken to you about another bank account known as Marc?

Mr. Giorgio Pelossi: No.

Mr. Thomas Mulcair: Thank you.

[English]

Mr. Pat Martin: Mr. Pelossi, I have one brief question.

A lot of Karlheinz Schreiber's problems in Europe were not due to bribes or kickbacks to individual politicians, but to Helmut Kohl's political party. In fact, he gave a million Deutschmarks to the treasurer of the political party in a parking lot.

In any of the talk about taking care of Canadian political friends, was there any conversation about taking care of payments to the Conservative Party of Canada, not just Conservative politicians?

Mr. Giorgio Pelossi: No. I don't remember.

The Chair: Thank you, Mr. Pelossi.

We'll now move to Mr. Murphy.

Mr. Brian Murphy: Thank you.

Mr. Pelossi, I left off talking about the Bear Head project. It was for armoured personnel carriers to be built in Canada. Do you recall that?

Mr. Giorgio Pelossi: Yes.

Mr. Brian Murphy: The memorandum of understanding was signed by the Canadian government some time in 1988. Money was disbursed and you received the money. What did you hear of Bear Head after depositing the money some time in 1987-88?

Mr. Giorgio Pelossi: I just remember that Mr. Schreiber was upset that things didn't go the way they should have.

Mr. Brian Murphy: When did he say that?

Mr. Giorgio Pelossi: It was in 1989-90.

Mr. Brian Murphy: From your point of view, after 1989-90, there was no further mention of Bear Head and of making light armoured personnel carriers in Canada by Thyssen.

Mr. Giorgio Pelossi: No. At then end, he told me that General Motors would build the plant or would do business with the government and that they were out.

Mr. Brian Murphy: Over the course of your dealings with Mr. Schreiber, did you have a lot of contact with Thyssen officials?

Mr. Giorgio Pelossi: Not a lot, but I had a few contacts.

I was in Dusseldorf—I don't know whether it is a main city. I was there once with Mr. Schreiber and I met Mr. Haastert a few times. I had phone contact with some officials at Thyssen about payment, invoices, and so on.

Mr. Brian Murphy: But you were very aware that Thyssen made personnel carriers in Germany?

Mr. Giorgio Pelossi: Yes.

Mr. Brian Murphy: And you knew that they sold them worldwide?

Mr. Giorgio Pelossi: Yes.

Mr. Brian Murphy: Does it surprise you that they would hire, or that Mr. Schreiber on their behalf would hire a former Prime Minister to sell vehicles to China, Russia, and France? Does that surprise you?

Mr. Giorgio Pelossi: No, that's not true.

Mr. Brian Murphy: How do you know it's not true?

Mr. Giorgio Pelossi: Because Mr. Schreiber told me from the beginning that he relied on Mr. Mulroney, as the Prime Minister, to use his influence to get the plant built in Newfoundland.

Mr. Brian Murphy: It was Cape Breton, but I understand.

Mr. Giorgio Pelossi: But it was not for selling tanks outside of Canada. It was clear from the beginning that the armoured vehicles could be sold only in Canada and eventually in the United States.

Mr. Brian Murphy: Thank you.

You mentioned that you met Fred Doucet at the offices of GCI. Do you know when that was?

Mr. Giorgio Pelossi: Yes. I can tell you the exact date. It was the day Mr. George Bush Sr. was elected President of the United States. After the meeting, in the evening, we had a dinner party in Ottawa, and we waited for the results of the vote .

Mr. Brian Murphy: So according to judicial notice, it was November of 1988?

• (1010)

Mr. Giorgio Pelossi: Yes.

Mr. Brian Murphy: What do you understand Fred Doucet's role to be?

Mr. Giorgio Pelossi: Excuse me?

Mr. Brian Murphy: What was his role? Who did he represent?

Mr. Giorgio Pelossi: I don't remember what Mr. Schreiber told me.

Mr. Brian Murphy: How much time do I have left?

Mr. Pelossi, you've talked about bank account 18679. What do you know about a bank account in the name of IAL235972027? Have you ever heard of that account?

Mr. Giorgio Pelossi: No. Is it the same bank?

Mr. Brian Murphy: On October 25, 1988, Thyssen Industries deposited \$2 million into that account. Do you have any knowledge of that?

Mr. Giorgio Pelossi: Yes. It was an account in Liechtenstein.

Mr. Brian Murphy: Who was that account for? That's my final question.

Mr. Giorgio Pelossi: It was a normal account of IAL to receive money from Airbus or from anybody. It was the first payment they received.

The Chair: Thank you.

Mr. Hiebert.

Mr. Russ Hiebert: Thank you.

Mr. Pelossi, I want to go back to the Swiss bank accounts. There are still some unanswered questions here.

On one hand we have you saying that the accounts belonged to Frank Moores and Mr. Mulroney, yet at the same time we have information that was obtained by *The Financial Post* in the mid-nineties, actual bank statements from these accounts, indicating that when the account was opened, \$500 was deposited, and then within four years the account was closed without any major transactions having occurred.

The original application also states that the power of attorney was given to Mr. Frank Moores' wife, Beth Moores. So that lends some credibility to his statement that the account was actually for his wife, since she had power of attorney.

Do you have any evidence to dispute this information that these accounts were never used?

Mr. Giorgio Pelossi: No. I was present when the account was set up, and I never heard anything about the account since that date. What I know is what you know, which is what was in the media.

Mr. Russ Hiebert: So perhaps some of this information—

Mr. Giorgio Pelossi: There was no payment on the accounts.

Mr. Russ Hiebert: So perhaps our source of this information is the same. It's the media.

Mr. Giorgio Pelossi: Yes.

Mr. Russ Hiebert: So there's not a lot of first-hand knowledge here.

Do you know if Brian Mulroney ever knew about this account?

Mr. Giorgio Pelossi: No.

Mr. Russ Hiebert: Okay.

Thank you, Mr. Chair. I pass the balance of my time to my colleagues.

The Chair: Thank you.

Mr. Pelossi, relax just for a second. You may want to fill up your water.

I would like to address the matter raised earlier by Mr. Tilson, which has come up often, about the chair's role and his authority. I would like to provide the committee with the references from Marleau and Montpetit. On pages 827 and 828 on the role of chairs, they say that chairs assume a leadership role in planning and coordinating the committee's work and in conducting its investigations.

The coordinating aspect includes the set-up of the meetings as well as the introduction of witnesses and setting the tone for the witness before the committee. This is what I attempted to do in trying to get an idea of the relationship between Mr. Pelossi and Mr. Schreiber.

The final item is more related to Mr. Tilson's point, and I want to give him a specific reference. Marleau and Montpetit's *House of Commons Procedure and Practice* states on page 282 under "Authority of the Chair" that in addition to presiding over the deliberations, recognizing speakers, and establishing or adhering to the established rules and practices, the chair may also participate in the questioning of witnesses. I know that the member was an active member of the legislative committee on Bill C-2, the Federal Accountability Act, where as the chair he often asked questions. So I think he was aware of his authority.

So with respect to what the chair can do, I consider the matter closed. However, I'd be happy to discuss this further with any member at a later time.

So now we're going to move to Mr. Thibault.

I recognize Mr. Tilson on a point of privilege.

• (1015)

Mr. David Tilson: Mr. Chairman, you said that I asked questions in another forum, the legislative committee. I can tell you that I never asked questions there. You obviously didn't watch those proceedings. Whoever told you that I asked questions, it's not true.

The Chair: Mr. Murphy was also on the committee.

Mr. David Tilson: Well, Mr. Murphy must have been imagining things, because I never asked questions. I made a point of not doing that. I believe the chair can ask questions, but the convention of this Parliament is that you normally wait until other members of the committee have taken their turn.

Normally, if you as a Liberal ask questions, the Liberal caucus forgoes the right to ask questions in that round, because in effect you are giving the Liberal Party two rounds of questions and that's not fair.

The Chair: Mr. Tilson, one of the things you will also note is that I do not have prepared questions. My questions have been for clarification or to try to set the tone for the witness.

Mr. David Tilson: Mr. Chairman—

The Chair: Sir, I have the floor.

Mr. David Tilson: What are you reading from? Those are questions. I can see them.

The Chair: No, I'm sorry, there are no questions here. This is my introduction of Mr. Pelossi and these are the notes....

Excuse me, I have the floor. I have the floor, sir.

I'm just trying to answer questions. But now we agree that the chair has the authority under the rules of Parliament to ask questions. We agree on that. Is that correct, sir?

Mr. David Tilson: No, it's not correct. Do you want me to debate that with you?

The Chair: Not right now.

Mr. David Tilson: Yes, let's go on, Mr. Chairman. You're out of order; let's proceed.

The Chair: Okay, do you know what? I'm sorry, colleagues. For some time now I have taken a fair bit of challenging by Mr. Tilson on my authority of Parliament, and a fair bit of abuse, and some challenging of what I can do or not do. I believe the members of this committee are aware of the matters and of what has happened, and I take this latest outburst, and final outburst, even when I explained the rules, to be a direct challenge of the chair, and I am considering it deemed to be a motion challenging the chair's authority. I'm prepared to relinquish my position if the committee so views that it's necessary for that to happen.

I am going to put the question now on the motion challenging the chair's authority, collectively by Mr. Tilson. There is no debate on a challenge to the chair, so I am going to ask right now for the vote of the committee on whether the committee sustains the decision of the chair.

(Ruling of the chair sustained)

The Chair: It is carried unanimously, so that matter is over.

Mr. David Tilson: On a point of order, Mr. Chair—

An hon. member: Come on, Tilson, give it up.

The Chair: Excuse me, colleagues. You understand that a point of order is the right and a privilege of a member, and I'm going to defend that right of all members. Mr. Tilson has asked for a point of order, and I'll ask him to state the nature of his point of order before he gets into the details so that I can rule on whether or not it's in order.

Mr. David Tilson: Very simply, Mr. Chairman, the vote was not unanimous, and you said it was unanimous.

The Chair: Sir, that's not a point of order. You're in debate. I can tell you that all the people who voted on that motion voted to sustain. People who don't vote are not included in the total of the vote. The vote was unanimous.

Let's move on now to Mr. Thibault, please.

[*Translation*]

Hon. Robert Thibault: Thank you, Mr. Chair.

I would like to welcome you once again, Mr. Pelossi. You know Mr. Edmund Frick as a trustee of IAL, do you not?

Mr. Giorgio Pelossi: Yes, that is correct.

Hon. Robert Thibault: Did IAL have any other trustees?

Mr. Giorgio Pelossi: No.

Hon. Robert Thibault: He was the only trustee. Did you ever meet or know Elmer MacKay before the end of your association with IAL in 1991?

• (1020)

Mr. Giorgio Pelossi: That is possible, but I do not remember exactly, because I met a lot of people in Canada. It is hard to say. I do not remember exactly that I met him in Canada.

Hon. Robert Thibault: Did you meet Stuart Iddles?

Mr. Giorgio Pelossi: Not personally, I know who he is, but I never met him.

Hon. Robert Thibault: You know who he is. How did you know about Stuart Iddles? Did Mr. Schreiber speak to you about Mr. Iddles, or did you know him through...?

Mr. Giorgio Pelossi: Yes.

Hon. Robert Thibault: Mr. Schreiber spoke to you about Mr. Iddles before 1991?

Mr. Giorgio Pelossi: Yes. Mr. Iddles had taken over. I believe he was the president or something of Airbus. He was Mr. Pailleret's successor, if I remember correctly.

Hon. Robert Thibault: One of Mr. Schreiber's sub-accounts was known as Stewardess. Are you familiar with it?

Mr. Giorgio Pelossi: I heard about it through the German police.

Hon. Robert Thibault: You had nothing to do, personally, with this account?

Mr. Giorgio Pelossi: I never knew that Mr. Schreiber had all those accounts. I found it out when I was questioned by the attorney in Oxford, who showed me the list and asked me whether I drew the same conclusions as he did. I said yes, that that was probably how it worked.

Hon. Robert Thibault: When you went to the banks with Frank Moores, were you dealing with Mr. Moores as an individual or as the president of GCI? What was the relationship between Frank Moores and IAL?

Mr. Giorgio Pelossi: I would say that Frank Moores and Mr. Schreiber were very good friends.

Hon. Robert Thibault: They were very good friends. Was there a business relationship between the company for which you worked, IAL, and Frank Moores' company?

Mr. Giorgio Pelossi: The only direct relationship had to do with helicopters. There were some direct payments from MBB, Messerschmitt, to GCI, and they were deducted from the account, the commissions for IAL.

Hon. Robert Thibault: IAL paid commissions to GCI.

Mr. Giorgio Pelossi: IAL received commission from MBB. All these commissions were deducted from the direct payment that Messerschmitt, MBB, had made to GCI. There was a monthly fee. How do you say that in French?

Hon. Robert Thibault: I understand.

Mr. Giorgio Pelossi: Each month, they took \$2,000 in fees, or something like that.

Hon. Robert Thibault: They were retainers.

Mr. Giorgio Pelossi: I knew that, because they received the amount and transferred half of it to a company in Alberta owned by Mr. Schreiber—Bitucan.

Hon. Robert Thibault: Based on your experience, can you explain why Mr. Alford, who testified before the committee last week and was the president of GCI, could tell us that GCI had no business relationship with Airbus, when there is correspondence signed by Mr. Moores on GCI letterhead and it is addressed to Mr. Strauss?

Mr. Giorgio Pelossi: I read the letter somewhere in the newspapers.

Hon. Robert Thibault: Would you say that was a business relationship?

Mr. Giorgio Pelossi: I think so. Mr. Moores had a relationship with Mr. Strauss and with everyone. You know better than I that Mr. Moores was on the Air Canada board of directors for a while.

Hon. Robert Thibault: Thank you.

[English]

The Chair: Thank you.

I'd like to move now to *Monsieur Ménard, s'il vous plaît.*

[Translation]

Mr. Serge Ménard: Thank you, Mr. Chair. As you know, Mr. Pelossi, Airbus denied paying commissions to Mr. Schreiber. If I understand correctly, you read the contract between Airbus and IAL, Mr. Schreiber's company. Is that correct?

• (1025)

Mr. Giorgio Pelossi: I not only saw it, I signed it.

Mr. Serge Ménard: You signed it, but there is no signature by an Airbus representative on this contract.

Mr. Giorgio Pelossi: Yes, we both signed it. We signed the first contract together. The president of Airbus and I went to this legal firm in Zurich. We signed the contract that day. We were not together when the amendments were made to the contract later. I went there, and I signed the contract. He came in and signed it as well. We signed the first contract together, at the same time.

Mr. Serge Ménard: Did you talk about this contract in your statement to the police?

Mr. Giorgio Pelossi: Yes.

Mr. Serge Ménard: As well as signing, Airbus payed substantial sums of money to IAL, did it not?

Mr. Giorgio Pelossi: Yes. It was not stated in writing that Airbus was making the payment. There was only the name of the bank on the payment. But it was clear, I had the list from Airbus. I was

corresponding with Mr. Bailly, an Airbus employee. He sent me the list of the payments he was going to make. I could check things, even if the money arrived without the name of the sender. It always came from the same French bank in Paris. Airbus was not mentioned on the payment.

Mr. Serge Ménard: There was no way of tracing where the money came from. It came from the bank, end of story, with no one knowing...

Mr. Giorgio Pelossi: Yes, I knew it came from Airbus, because I was corresponding with the employee there and I knew how much was supposed to arrive. Otherwise, I don't know who could have been paying this money to IAL.

Mr. Serge Ménard: That's right, to IAL.

Mr. Giorgio Pelossi: It certainly wasn't manna from the heavens.

Mr. Serge Ménard: So this was done according to a written contract that you discussed with the police and that the police saw.

Mr. Giorgio Pelossi: Yes.

Mr. Serge Ménard: You were saying that the payments were about \$800,000 Canadian per aircraft. Is that correct?

Mr. Giorgio Pelossi: Yes, roughly speaking. The payment was always in American dollars.

Mr. Serge Ménard: It was in American dollars. So, that means...

Mr. Giorgio Pelossi: Everything was done in American dollars.

Mr. Serge Ménard: It amounts to \$27,200,000 for 34 aircraft. That is about the amount...

Mr. Giorgio Pelossi: Yes, it was about thirty million dollars.

Mr. Serge Ménard: What work did Mr. Schreiber, from IAL, do for that money?

Mr. Giorgio Pelossi: He brought the two ends of the deal together. He got the contract because he was a friend of Mr. Strauss, on the one hand, and of Mr. Moores, on the other. He even said that Mr. Mulroney was in favour of the arrangement.

Mr. Serge Ménard: Let's call a spade a spade. Airbus did not want to pay out kickbacks officially, so the company hired an agent to whom it gave a commission amounting to some \$27 million, and this money was to be redistributed to the people who were to get [Editor's Note: *Inaudible*]. And that was done in Bavaria, where Mr. Strauss was, and in Canada. Is that correct?

Mr. Giorgio Pelossi: It should have been. That should have been done. I don't know myself if it was done. All I know is that Mr. Moores received the money because he admitted it himself. I know that he received it, because he himself admitted that at one point. I also know that he resolved that with the—what do you call it?—Canadian taxes, Canadian income tax.

[English]

The Chair: Thank you.

I'm now going to move to Mr. Martin, please.

Mr. Pat Martin: Thank you, Chair.

Mr. Pelossi, with respect to the March 1985 contract that Monsieur Ménard was speaking about between IAL and Airbus, our information has it that you stated earlier that Mr. Schreiber arranged for the contract but he never signed it himself in order to obscure the money trail.

Mr. Giorgio Pelossi: That's correct.

•(1030)

Mr. Pat Martin: I see. We're talking about the same—

Mr. Giorgio Pelossi: Yes. He was the owner of IAL, but he was not on the board—never. The only people who were in charge of the company were Mr. Frick and me. And Mr. Frick did nothing for the company; I did all the work.

Mr. Pat Martin: I see.

Mr. Pelossi, I'm still interested in the period of time leading up to the Airbus purchase and this series of events, which I'll walk you through briefly.

In September 1984, Brian Mulroney was sworn in as the Prime Minister, and within six months he fired all of the board of directors of Air Canada and replaced that board with new directors, one of whom was Frank Moores.

Mr. Giorgio Pelossi: Yes, I remember.

Mr. Pat Martin: You were aware of this.

Were you privy to any conversations during that period of time that these circumstances may in fact have been deliberately and consciously put in place to pave the way for the successful sale of Airbus planes to Canada?

Mr. Giorgio Pelossi: I cannot say.

I didn't know that all the board was removed; I just knew from Mr. Schreiber that Mr. Moores was elected on the board. There was a guarantee for him to have somebody who would work in order to get the contract.

Mr. Pat Martin: You were aware then, of course, that Mr. Moores was in fact a lobbyist for Airbus when Mr. Mulroney placed him as a member of the board of directors?

Mr. Giorgio Pelossi: Yes.

Mr. Pat Martin: And it was obvious to you that they did so in order to influence the decision of the board to purchase Airbus airplanes rather than some other airplane.

Mr. Giorgio Pelossi: Yes, yes.

Mr. Pat Martin: Thank you.

The last question I have then, before I pass it over to my colleague, is regarding IAL leasing corporation. Was Engelbert Schreiber or his son, Engelbert Jr., ever involved with Kensington Anstalt, Erfel Anstalt International, IAL, or any other entities related to the Airbus transaction?

Mr. Giorgio Pelossi: I don't remember. I know both, and sometimes I had companies with them, but I don't remember that it was one of these; IAL, in any case, not. It may be that I moved.... Yes, it's possible that Erfel was my company and that when we had the falling out I moved it to his office. It's possible. I'm not sure.

Mr. Pat Martin: Very good.

Thank you, Mr. Chairman.

The Chair: We will now move to Mr. Murphy, please.

Mr. Brian Murphy: Thank you, Mr. Chairman.

I think what we have, Mr. Pelossi, is a version in which you believed what Karlheinz Schreiber told you up until there were troubles for Mr. Schreiber and he started flinging mud in all directions. To be specific on that, you believed Mr. Schreiber when he told you that accounts were to be set up for certain purposes and certain people were to be paid off. Is that correct?

Mr. Giorgio Pelossi: Yes.

Mr. Brian Murphy: And you believed—

Mr. Giorgio Pelossi: At that time, I had never had a reason to believe he was lying to me, because he didn't. In the 20 years we were together, everything he told me was true. I never had the impression that he was lying to me.

Mr. Brian Murphy: Can you think of a reason, Mr. Pelossi, why he would tell you that 25% of the money laid out for success in Airbus would go to Brian Mulroney, if it weren't true? Why would he say it to you?

•(1035)

Mr. Giorgio Pelossi: The only reason, I think, is that I was entitled to have some 20% of the profit, and then he would have had to give me half of that, you see? If he pays 50% to somebody else, that's a cost. It would be only the other half, and a quarter of—

Mr. Brian Murphy: Fair enough.

The RCMP investigated this and took six hours of videotape from you, I believe. Is there anything in that testimony regarding the involvement of Mr. Mulroney, Airbus, or Bear Head that you haven't told this committee?

Mr. Giorgio Pelossi: I don't think so. The testimony there is more accurate than what I can tell today, because I have no documents; I have just.... And to have things that happened 20 years ago....

Mr. Brian Murphy: Okay.

Did you know, at the time it was set up, that the name Devon on the account was the name of a street upon which Mr. Mulroney's house existed?

Mr. Giorgio Pelossi: No. I learned it later on.

Mr. Brian Murphy: When this account was set up and the initials BM were beside it, at that time did you know the name of the wife of Mr. Frank Moores?

Mr. Giorgio Pelossi: No. I just put BM instead of Brian Mulroney, but it's my writing, and I didn't even know that the wife had the same initials.

Mr. Brian Murphy: You put BM because....? You put that down to signify that it was Brian Mulroney?

Mr. Giorgio Pelossi: Because Schreiber told me that Brian Mulroney.... Yes.

Mr. Brian Murphy: Mr. Schreiber was the sole owner of IAL, you said, but he was not on the board. Is that what you said?

Mr. Giorgio Pelossi: Yes.

Mr. Brian Murphy: Who else was on the board of IAL?

Mr. Giorgio Pelossi: Mr. Frick was, because by law you have to have a person who is a resident and a citizen of Liechtenstein. For each company in Liechtenstein it is compulsory that you have one person there.

Mr. Brian Murphy: How many people were on the board in total?

Mr. Giorgio Pelossi: There were two, Mr. Frick and me.

Mr. Brian Murphy: Fair enough.

Were there any trustees or shareholders of that company?

Mr. Giorgio Pelossi: No.

Mr. Brian Murphy: Okay.

There's a company called Bitucan Holdings Ltd. Are you aware of that company?

Mr. Giorgio Pelossi: Yes.

Mr. Brian Murphy: What was the relationship between it and IAL?

Mr. Giorgio Pelossi: They had the same owner: Mr. Schreiber.

Mr. Brian Murphy: Finally, Mr. Pelossi, you were aware then that Fred Doucet and Frank Moores were hired to lobby on behalf of Bitucan between 1989 and 1993.

Mr. Giorgio Pelossi: It is possible, yes.

The Chair: Colleagues, the clerk has circulated the room. We're going to have one more round. Two of the parties want to participate and two don't, but that may change as we go.

I'm going to go to the third round, and it'll be Liberal, Conservative, Bloc, Conservative, NDP, Liberal, Conservative. That is the order as I've circulated the form to you. We're going to be starting with Mr. Thibault.

As you're thinking about that, I'd like to ask you, Mr. Pelossi, to help us with an issue here. One of the problems we've had is whether the payments to Mr. Mulroney were \$100,000 or \$75,000 on three different occasions. I understand that there was an expenditure withholding tax in Germany. It was suggested to me that it was 25%. Are you familiar with that?

Mr. Giorgio Pelossi: No, it had nothing to do with that, because the accounts were in Switzerland.

The Chair: With regard to Bitucan, which is Mr. Schreiber's company in Calgary, there is another one that's called Bayerische Bitumen-Chemie. Are you familiar with that one?

Mr. Giorgio Pelossi: Yes, that is a company in Germany.

The Chair: That's a company in Germany.

Mr. Giorgio Pelossi: Yes, it is Bayerische Bitumen-Chemie.

The Chair: That is Mr. Schreiber's company.

Mr. Giorgio Pelossi: Yes, it is a road marking company he had in Kaufering.

The Chair: Bitucan is in Calgary.

Mr. Giorgio Pelossi: Yes.

• (1040)

The Chair: Do you know the purpose of these companies?

Mr. Giorgio Pelossi: Bayerische Bitumen-Chemie was a road marking company. Bitucan was a holding of Mr. Schreiber's in Alberta, because he had a lot of companies. At the time of the annexation in Edmonton, he had set up about 10 or 12 companies.

The Chair: As the accountant for Mr. Schreiber, were you involved with the accounting with regard to companies other than IAL and so on?

Mr. Giorgio Pelossi: Yes, I followed all the companies in Canada.

The Chair: You followed all the companies in Canada.

Mr. Giorgio Pelossi: He also had a company that did road marking called M.L.E.

The Chair: Are you familiar with payments by Bitucan in 1988 to Fred Doucet Consulting International?

Mr. Giorgio Pelossi: No.

The Chair: If you were the accountant, would you have had information on the accounting within Bitucan?

Mr. Giorgio Pelossi: Yes, but I don't remember it.

The Chair: You don't remember.

Could you verify or confirm for us payments from Bitucan to Mr. Fred Doucet's consulting company if we gave you the details?

Mr. Giorgio Pelossi: I'm not sure. I don't think I have the documents. His documents are all in Canada. When I was there, I reviewed those accounts. I don't think I have documents with me.

The Chair: I will get you, Mr. Pelossi, a copy of an invoice to Bitucan and a cheque paid by Bitucan in the amount of \$90,000. I'm hoping that you will be able to find some aspect, or direct us, as to how we can see what this was for. It's just called "professional services". This is a matter I'll be taking up with the committee this afternoon when we're in camera. I'll provide documents to the members.

Finally, Mr. Pelossi, did you ever have conversations with Mr. Schreiber about Airbus and the possible sale of Airbus aircraft to Air Canada?

Mr. Giorgio Pelossi: Oh yes, a lot.

The Chair: Were you kept apprised of the developments related to that proposal?

Mr. Giorgio Pelossi: Yes. Mr. Schreiber informed me more or less. When something happened, he informed me.

The Chair: Okay.

Do you know the chairman of the board, Mr. Jeannot? Do you know that name?

Mr. Giorgio Pelossi: Not—

The Chair: The chairman of the board. I think Claude Taylor was the CEO...the president? Mr. Jeannot, he was a senior executive at Air Canada at the time. Mr. Jeannot.

Mr. Giorgio Pelossi: In any case, I have no knowledge of him.

The Chair: All right, you don't know. Okay.

Did Mr. Schreiber tell you at some point that 13 of the 15 members of the board of directors of Air Canada had been replaced by Mr. Mulroney?

Mr. Giorgio Pelossi: No. I remember he told me that Mr. Moores was elected to the board. But he didn't tell me that the whole board had been changed.

The Chair: Okay. Thank you kindly.

We'll now move to Mr. Thibault.

Hon. Robert Thibault: Thank you, Mr. Chair.

Mr. Pelossi, did you facilitate transfers to the PC Canada Fund, or did Mr. Schreiber talk to you about contributions to the PC Canada Fund?

Mr. Giorgio Pelossi: No.

Hon. Robert Thibault: Did you know a Mr. Charbonneau, who later became a senator?

Mr. Giorgio Pelossi: No.

Hon. Robert Thibault: I want to talk about Air Canada board members. Do you know of any Air Canada board members having received cash, or talked about cash?

Mr. Giorgio Pelossi: No, I have no idea. With the exception of Mr. Frank Moores.

Hon. Robert Thibault: Mr. Moores, yes. You stated that earlier, thank you.

I want to bring you back to the Devon account. You and Mr. Moores went to the bank to set up the account. He specifically told you one was for him and one was for Mr. Mulroney. Is that right?

Mr. Giorgio Pelossi: Mr. Schreiber told me, yes.

Hon. Robert Thibault: Mr. Schreiber told you, but Mr. Moores accompanied you.

•(1045)

Mr. Giorgio Pelossi: Yes, because he was the owner of the both accounts.

Hon. Robert Thibault: He was the owner of both accounts, so he would be the only one who could withdraw money from either of those accounts?

Mr. Giorgio Pelossi: Correct.

Hon. Robert Thibault: Did he put his wife as a trustee on one of those accounts?

Mr. Giorgio Pelossi: No.

Hon. Robert Thibault: He was the sole trustee on both of those accounts.

Did he at the time tell you where he got the name Devon?

Mr. Giorgio Pelossi: No. I didn't ask him. Nobody told me anything about this.

Hon. Robert Thibault: Why would you—

Mr. Giorgio Pelossi: I remember that he put this name just to facilitate the identifying of both accounts. You see they are similar, one is 34107 and the other one is 34117. He just put this Devon to identify that as their account.

Hon. Robert Thibault: If you had remained with the company, would you have had the responsibility of transferring money in those accounts, or would that have been done by Schreiber?

Mr. Giorgio Pelossi: No, never.

Hon. Robert Thibault: All the transfers to the subaccounts or the other accounts were done by Schreiber?

Mr. Giorgio Pelossi: Yes, I had no knowledge of this.

Hon. Robert Thibault: Let me put a hypothesis to you, Mr. Pelossi. Could it be possible that Mr. Moores was pulling a fast one on Mr. Schreiber?

Mr. Giorgio Pelossi: Excuse me?

Hon. Robert Thibault: Could it be possible that Mr. Moores was pulling a dirty one on Mr. Schreiber, saying that he was giving money to Mr. Mulroney, that he would be receiving money for Mr. Mulroney, and keeping that money for himself?

Mr. Giorgio Pelossi: It's possible. I can't say anything, but it's possible, yes.

Hon. Robert Thibault: You don't know of any money ever being transferred into that account, is that correct? You have stated that.

Mr. Giorgio Pelossi: Yes.

Hon. Robert Thibault: Do you know that none ever was?

Mr. Giorgio Pelossi: I don't know.

Hon. Robert Thibault: You don't know. You lost track of that account after that time.

Mr. Giorgio Pelossi: I didn't even know that this account was set up, you see.

Hon. Robert Thibault: Why was it necessary for you to be present to set up those accounts?

Mr. Giorgio Pelossi: It was Schreiber who asked me to be present. I went specially from Lugano to Zurich on that day only for this, to meet Mr. Mulroney. We had lunch together. After lunch, at two o'clock, we went to the bank.

Hon. Robert Thibault: You met with Mr. Mulroney?

Mr. Giorgio Pelossi: Otherwise there was no reason. Mr. Schreiber invited me and they said, "You know Mr. Moores, and you should know that he has the Airbus account, in any case". You see?

At that time we didn't know if we would do business with Airbus or not. In 1986 we didn't know.

[Translation]

The Chair: Ms. Lavallée.

Mrs. Carole Lavallée: Mr. Pelossi, I would like to go back to the question where we left off a little earlier. We were talking about the work that Frank Moores reportedly did to warrant a commission of 25%. You said that he sat on the board of directors at Air Canada.

In your opinion, was it really clear that Frank Moores was going to sit on the board of directors at Air Canada to facilitate the purchase of aircraft from Airbus? For you, was that very clear?

Mr. Giorgio Pelossi: That was clear, yes.

Mrs. Carole Lavallée: So Mr. Frank Moores was appointed to the position by Brian Mulroney, as you know, to facilitate the purchase of aircraft from Airbus. Is that correct?

Mr. Giorgio Pelossi: Yes.

Mrs. Carole Lavallée: You are aware that he did not stay there very long, because of conflicts of interest.

Mr. Giorgio Pelossi: Yes, I know that six months later, he left the...

Mrs. Carole Lavallée: Yes. Did Mr. Moores do anything else to warrant a commission of 25%?

Mr. Giorgio Pelossi: I don't know.

Mrs. Carole Lavallée: You don't know?

Mr. Giorgio Pelossi: I don't know what he did.

• (1050)

Mrs. Carole Lavallée: You know that he was president of GCI, don't you?

Mr. Giorgio Pelossi: Yes.

Mrs. Carole Lavallée: Moreover, you went there with Mr. Schreiber. Did you make any payments? Did one of Mr. Schreiber's companies make any payments to GCI?

Mr. Giorgio Pelossi: Not directly. I am only aware of payments by MBB or Messerschmitt, in the case of the helicopters. Otherwise, I don't know.

Mrs. Carole Lavallée: But MBB was part of the Airbus consortium.

Mr. Giorgio Pelossi: Indirectly, yes.

Mrs. Carole Lavallée: MBB was part of it?

Mr. Giorgio Pelossi: At this time, yes, but I believe that MBB was independent at that time. At any rate, the company was in Bavaria, and Mr. Strauss had influence there. I believe that he was the MBB majority shareholder in Bavaria.

Mrs. Carole Lavallée: You said earlier that MBB had paid retainers. I think we call that "*provisions*" in French.

Mr. Giorgio Pelossi: They were deducted from the retainers, yes.

Mrs. Carole Lavallée: You said that when the Airbus commission began, the MBB retainers...

Mr. Giorgio Pelossi: That related only to the helicopters. It had nothing to do with Airbus.

Mrs. Carole Lavallée: In your view, could Frank Moores' commissions have been paid to GCI?

Mr. Giorgio Pelossi: I don't know. I have no idea.

Mrs. Carole Lavallée: You have no idea, nor do you know if the money from the secret commissions that we were talking about earlier, the \$4.5 million, could have transited through GCI.

Have you ever met Mr. Mulroney?

Mr. Giorgio Pelossi: No, never.

Mrs. Carole Lavallée: Apart from Frank Moores, who else at GCI have you met?

Mr. Giorgio Pelossi: I don't remember, but I met four or five people the day I went there. I only went there once.

Mrs. Carole Lavallée: And those people did not go to Europe?

Mr. Giorgio Pelossi: There were two lawyers who were brothers. I no longer remember if... Does Frank Doucet have a brother who is also a lawyer?

Mrs. Carole Lavallée: Do you mean Frank Moores? I don't know.

Mr. Giorgio Pelossi: No, not Frank Moores: Doucet.

Mrs. Carole Lavallée: Yes, Fred Doucet has a brother whose name is Gérald Doucet, I believe. They call him Gerry.

Mr. Giorgio Pelossi: That's it, they were there.

Mrs. Carole Lavallée: Gerry Doucet was one of the...

Mr. Giorgio Pelossi: I remember that there were two brothers and that they were both lawyers. So, it was them.

Mrs. Carole Lavallée: Gerry Doucet was a GCI shareholder. So, they were there. And your meeting with them was strictly social in nature? It was not a business meeting?

Mr. Giorgio Pelossi: We did not discuss business, no.

Mrs. Carole Lavallée: Nor did you discuss commissions?

Mr. Giorgio Pelossi: No, nothing like that.

Mrs. Carole Lavallée: To your knowledge, did Mr. Mulroney have a lawyer in Switzerland?

Mr. Giorgio Pelossi: I don't think so.

Mrs. Carole Lavallée: Thank you.

Mr. Giorgio Pelossi: I don't know, but I don't believe that was the case.

The Chair: Mr. Mulcair, you have the floor.

Mr. Thomas Mulcair: Thank you, Mr. Chairman.

Mr. Pelossi, I'm going to continue in English, since you answered in English earlier.

[*English*]

Mr. Pelossi, you mentioned that all of the documents were in Canada. Does that mean the Swiss police never gave you back the documents they seized for and on behalf of the Canadian authorities?

Mr. Giorgio Pelossi: Yes, because I made copies. I kept copies of all the documents I gave to the Swiss police to be transmitted to Canada.

Mr. Thomas Mulcair: Good. So when the chairman of our committee—

Mr. Giorgio Pelossi: Excuse me, these were already copies, because the originals were in Augsburg.

Mr. Thomas Mulcair: Okay.

What documents you were referring to were in Canada?

Mr. Giorgio Pelossi: They are all documents about the bank accounts of IAL, Kensington—

Mr. Thomas Mulcair: But you have copies of all of them?

Mr. Giorgio Pelossi: Yes.

Mr. Thomas Mulcair: Good. Our chairman will be in touch with you to follow up on that, which gives me occasion, on behalf of the NDP and my colleague Pat Martin, Mr. Chairman, to go through a couple of things that have been a great preoccupation to you in your intention of getting from the RCMP the six hours of tapes.

You might recall, Mr. Chairman, that at our first meeting with Mr. Schreiber, he explained to us that he had never been interviewed by the RCMP prior to the \$2.1 million settlement between Brian Mulroney and the Canadian government.

Interestingly enough, as you might also recall, the RCMP sent out the next day a spokeswoman to deny Mr. Schreiber's version, saying that the RCMP had indeed met with him. But what was interesting was that when we re-questioned Mr. Schreiber specifically, it was quite clear that he had, of course, met with them, but only after the settlement. I don't think there had been any ambiguity the first time, because I was the one who asked the question; but in case there had been ambiguity, I re-asked the question, as did Madame Lavallée, and he confirmed this for us very clearly.

What was preoccupying for us in the NDP was that this equivocation, this prevarication, came up again in David Johnston's report, in addition to the other things we saw in there—for example, his echoing of the Prime Minister's musings about perhaps no longer needing an investigation, or the fact that he said that Stevie Cameron's books were proof that this was well-tilled ground and that we don't have to go over Airbus—as if Stevie Cameron had somehow done anything but raise more doubts about Airbus. What was very preoccupying for us was that the Johnston report referred specifically again to the RCMP and, contrary to what had been alleged, he gave a series of dates, all of them post-settlement. Then here we have Mr. Pelossi coming in and he gives us his very clear dates.

So it's going to be very interesting for us to find out what's on those tapes. We members of the NDP want to make it clear to you that we trust your ability to get that information from the RCMP, because this committee can't continue its work without it. That's our opinion. This committee cannot continue its work unless we get access to what was given to them back then. So those tapes are crucial.

I will end by repeating a request made to you by my colleague Mr. Ménard and me. The first request is to get the full partnership agreement between Brian Mulroney and Ogilvy Renault. The second is to get all billings from Marc Lalonde and Stikeman Elliott to Karlheinz Schreiber, or any of the corporate entities directly or indirectly related to Karlheinz Schreiber. We need indications not only of how they were paid, but also of what Mr. Pelossi is calling *des virements*, because he has provided information today that things were normally done by these means, which I'll allow myself to translate as bank transfers. We need information on those as well.

All of that has to be produced before this committee.

Thank you, Mr. Chairman.

• (1055)

The Chair: Thank you.

That concludes the testimony. I would like to indicate to colleagues that there is going to be an in camera meeting after we hear from Stevie Cameron, to discuss the issues of our authority to

access persons, papers, or records by subpoena, as well as the full range of matters that we have discussed at this meeting and at other meetings. Please come prepared for that.

I'd also alert you that there is another issue that has come up related to the appointment of Dr. Johnston, on the terms of reference and his appointment under paragraph 127.1(1)(c) of the Public Service Employment Act. It would appear there is a concern with the delegation of inquisitorial powers specifically to examine whether or not there was any indication of any criminal activity, and to recommend what steps should be taken. The concern that has been raised, which I want to bring to the committee's attention at our in camera meeting, has to do with whether or not the Prime Minister has potentially improperly appointed an independent adviser in Dr. Johnston, in that the only person in the government who has the authority for inquisitorial powers is the Attorney General. That responsibility to find an independent person and to conduct inquisitorial matters is in fact the responsibility of the Attorney General, who is the adviser to the crown on legal matters. He is the sole adviser to the crown on legal matters.

It's a little bit technical. I have some documents that I will get produced for you for background material. We may have to make a determination of whether or not we have to go back to the Clerk of the Privy Council, whom we have asked to deal with this problem—we have already raised it with him—about the public inquiry building on our work. We are asking whether or not that's utilizing the work of this committee, which is not permitted since it's protected by parliamentary privilege.

So we have some fairly meaty matters to deal with, and I hope you will come ready to deal with them.

Mr. Pelossi, I want to thank you kindly for all of your attention and assistance.

Sir, it appears the committee is after as much paperwork as we can get. We have had some difficulty. I'm going to ask for your indulgence, so that if you could, you would, in addition to anything that we might specifically ask of you, also provide us with any other documents that you think are remotely relevant to the matter before us. We would be happy to pick up and defray any and all costs of producing it and transmitting it to us. The clerk will be in touch with you in that regard.

Would that be okay, sir?

• (1100)

Mr. Giorgio Pelossi: Yes, no problem.

The Chair: Thank you, sir.

We are adjourned.

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