Sponsorship firm moves to settle with Ottawa
DANIEL LEBLANC
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OTTAWA — A company that made large payments to a former Liberal organizer has offered to pay back millions of dollars to taxpayers in relation to its role in the sponsorship scandal, sources say.

Groupe Polygone is involved in secret discussions with federal lawyers in the hopes of reaching an out-of-court settlement in Ottawa's massive $44-million lawsuit against the main players in the sponsorship scandal.

After waging a three-year fight to have the lawsuit dismissed, Polygone's lawyers brought a motion before the Quebec Superior Court last week to delay the civil trial to allow further discussions with Ottawa.

Mr. Justice André Wery of Quebec Superior Court agreed to Polygone's request, and postponed the proceedings until October, 2009.

Luc Lemay, former president of Groupe Polygone testifies at the Gomery Commission of Inquiry into the Sponsorship Program, in Montreal, April 13, 2005. (Reuters)

Sources said Polygone's lawyers have offered about $5-million to settle the firm's portion of the lawsuit. The federal government rejected the offer, but is still involved in discussions in an effort to obtain more money.

“The departments [of Justice and Public Works] have been seeking an extra $10-million from Polygone,” a federal official said.

Polygone was a central player in the sponsorship program, receiving more than $35-million to put federal advertising in its publications and at its events, such as hunting and fishing shows.

Evidence has been presented in court and at a public inquiry that Polygone made millions in profits by charging large margins on marketing opportunities. For example, court documents show that Polygone obtained $475,000 in federal funds after spending only $7,300 to run ads on a community station in Quebec City.

The public inquiry into the sponsorship program heard that Polygone surreptitiously paid out $6.7-million in subcontracts to former Liberal organizer and fundraiser Jacques Corriveau. Inquiry commissioner John Gomery called Mr. Corriveau a “central figure in an elaborate kickback scheme” that benefited the Liberal Party of Canada.

Polygone and its president, Luc Lemay, have always denied any wrongdoing.

“It was the Government of Canada which freely and of its own volition decided the amount to be paid for each sponsorship,” Groupe Polygone had said in a statement of defence. “That the government decided … to fund, even generously, certain events … cannot be retroactively challenged simply because another government feels that its predecessor paid too much.”

Mr. Lemay's lawyer, Louis Bélanger, recently confirmed that he is involved in discussions with the federal government. However, he refused to discuss the money involved in the negotiations.

Federal officials said Polygone was never a well-known player in the sponsorship scandal, and that there is interest in Ottawa in finding out whether the company can help authorities go after Mr. Corriveau.

“Mr. Corriveau is a lot better known. Mr. Lemay has always flown under the radar,” a source said.

The RCMP has been investigating both Mr. Corriveau and Mr. Lemay for years.

An RCMP search warrant reveals that other players in the sponsorship scandal, including former adman Jean Brault, are collaborating with the Mounties.

The search warrant alleges that Mr. Lemay, Mr. Corriveau and Mr. Brault “committed fraud and a conspiracy to commit fraud against the government of Canada.”

Groupe Polygone's offices were raided in June, 2005, on the same day that Mr. Lemay was arrested and released. The RCMP raided Mr. Corriveau's home last year.

The goal of the sponsorship program was to promote national unity by putting flags and banners at cultural and sporting events in Quebec, but the program was marred by mismanagement and fraud.

So far, the heads of three advertising firms and one bureaucrat have been found guilty of fraud in conjunction with the RCMP and Sûreté du Québec investigations. A former Liberal organizer is awaiting trial.