

**Documents in support of Fred Doucet's testimony**

**FRED DOUCET**

**INDEX**

<b>TAB</b>	<b>Documents</b>
<b>1</b>	<b>February 5, 1986</b> memo from R.R.F. to Paul Tellier, "Thyssen A.G. Proposal" (AGC01171)
<b>2</b>	<b>September 12, 1986</b> note for Charles McMillan from Reid Morden, cc to Bernard Roy and Fred Doucet "Your memo of September 12 – Peres Visit: Thyssen" (AGC01178)
<b>3</b>	<b>July 20, 1988</b> document, "Conclusions of July 19 P&P Meeting" (AGC00901)
<b>4</b>	<b>August 9, 1988</b> letter from Jean-Pierre Kingsley to Fred Doucet followed by <b>August 25, 1988</b> letter from Joseph Stanford to Fred Doucet (Third-party document)
<b>5</b>	<b>August 31, 1988</b> memo from Wynne Potter to Don McPhail, "Thyssen: Departmental Concerns" (AGC00195)
<b>6</b>	<b>September 6, 1988</b> memo from Don McPhail to John McDowell, "Update" (AGC00196)
<b>7</b>	<b>September 19, 1988</b> Aide mémoire, "A proposal by Bear Head Industries to establish a heavy manufacturing facility in Cape Breton" (AGC00014)
<b>8</b>	<b>November 2 to 15, 1988</b> invoices and matching cheques from FDCI, Doucet & Associates, Frank and Beth Moores, GCI and Lemoine Consultants Inc. (Third-party document)
<b>9</b>	<b>July 20, 1989</b> memo from John McDowell to file, cc D. McPhail, W. Potter, P. Bernier, "Thyssen – Update" (AGC01143)
<b>10</b>	<b>October 10, 1989</b> Tier 1 Lobbyists Registration – Fred Doucet registering as a lobbyist for Bitucan Holding Ltd and Bear Head Industries Ltd (Third-party document)
<b>11</b>	<b>December 14, 1990</b> letter from Karlheinz Schreiber to Fred Doucet, cc Elmer MacKay (Third-party document)
<b>12</b>	<b>January 18 and 19 and February 7 and 8, 1991</b> agenda entries from Karlheinz Schreiber, including two account statements from rubrics "Frankfurt" and "Fred" (Third-party document)
<b>13</b>	<b>February 21, 1991</b> fax from Fred Doucet to Karlheinz Schreiber "CLDO Briefing" (Third-party document)
<b>14</b>	<b>March 8, 1991</b> fax from Fred Doucet to Karlheinz Schreiber forwarding a copy of an exchange of the March 7, 1991 Question Period (Third-party document)
<b>15</b>	<b>April 2, 1991</b> letter from Karlheinz Schreiber to Fred Doucet (Third-party document)
<b>16</b>	<b>April 12, 1991</b> letter from Fred Doucet to Paul Tellier (Third-party document)
<b>17</b>	<b>April 17, 1991</b> memo from William A. Rowat to Paul Tellier, "Analysis of the New Thyssen Proposal" (AGC01154)
<b>18</b>	<b>April 19, 1991</b> letter from Karlheinz Schreiber to Brian Mulroney (Third-party document)
<b>19</b>	<b>April 23, 1991</b> letter from Fred Doucet to Marcel Masse (Third-party document)
<b>20</b>	<b>May 7, 1991</b> letter from Karlheinz Schreiber to Paul Tellier (AGC00026)
<b>20A</b>	<b>November 11, 1998</b> interview of Karlheinz Schreiber by William Kaplan (Third-party document)

TAB	Documents
	document)
21	May 9, 1991 fax from Fred Doucet to Karlheinz Schreiber of May 9, 1991 letter from Fred Doucet to Paul Tellier (Third-party document)
22	May 17, 1991 letter from Paul Tellier to Karlheinz Schreiber (Third-party document)
23	July 1, 1991 letter from Karlheinz Schreiber to Fred Doucet (Third-party document)
24	April 19, 1992 letter from Fred Doucet to Karlheinz Schreiber (Third-party document)
25	May 13, 1992 letter from Karlheinz Schreiber to Marcel Masse, cc Brian Mulroney, Elmer MacKay (AGC00030)
26	August 27, 1992 fax from Fred Doucet to Karlheinz Schreiber (Third-party document)
27	August 26, 1993 document, "Thyssen project in Canada" (Third-party document)
28	August 30, 1993 letter from TM Williams to RN Sturgeon, P Lagueux, "Thyssen!!" (AGC00043)
29	September 2, 1993 report from Helmut Zankl, Dick Krajewski, "Status of Bear Head Industries (A Division of Thyssen AG)" (AGC00123)
30	September 9, 1993 memo from Helmut Zankl to file, "Thyssen visit August 26, 1993" (AGC00208)
31	September 9, 1993 memo from Helmut Zankl (AGC00124)
32	September 22, 1993 letter from Fred Doucet to Bruce Deacon (AGC01210)
33	October 4, 1993 meeting minutes, "Thyssen BHI and Canadian Government Departments" (AGC01211)
34	October 14, 1993 letter from Fred Doucet to Bruce Deacon (AGC00318)
35	October 15, 1993 meeting minutes, "Thyssen BHI and Canadian Government Departments" (AGC01211)
36	November 5, 1993 notes to file, "ISC marketing meeting with Thyssen" (AGC01198)
37	December 14, 1993 letter from Greg Alford to Dick Krajewski (AGC00943)
38	December 14, 1993 message slip for "KHS" from "Fred Doucet's office" (Third-party document)
39	December 5, 1994 fax from Fred Doucet to Francine Colin (Third-party document)
40	December 8, 1994 document, "Schedule for the Right Honourable Brian Mulroney" (Third-party document)
41	August 20, 1999 news article from Philip Mathias, "Mulroney asks Schreiber to clear the Airbus air: Former PM wants businessman to release bank records" (Open-source document)
42	October 20, 1999 transcript of CBC's Fifth Estate (Open-source document)
43	October 29, 1999 typed and handwritten notes from Fred Doucet (Third-party document)
44	December 26, 1999 typed and handwritten notes from Fred Doucet (Third-party document)
45	January 11, 2000 typed and handwritten notes from Fred Doucet (Third-party document)
46	February 4, 2000 mandate, 5 versions (Third-party document)
47	August 27, 2000 typed notes from Fred Doucet (Third-party document)
48	January 17, 2001 transcript of CBC's Fifth Estate (Open-source document)
49	March 14, 2001 transcript of CBC's Fifth Estate (Open-source document)
50	January 29, 2007 letter from Karlheinz Schreiber to Brian Mulroney (AGC00253)

TAB	Documents
51	<b>April 14, 2007</b> letter from Karlheinz Schreiber to Brian Mulroney, "Return of \$300,000 cash payments" (Third-party document)
52	<b>May 8, 2007</b> letter from Karlheinz Schreiber to Brian Mulroney (Third-party document)
53	<b>November 7, 2007</b> affidavit sworn by Karlheinz Schreiber (AGC00166)
54	<b>December 7, 2007</b> news article from Norma Greenaway, "Mulroney's ultimate righthand man, Fred Doucet, plays key role in story" (Open-source document)
55	<b>March 14, 2008</b> News article, "How one file set off Schreiber's string of mystery payments"
56	<b>February 13, 1987</b> News article " Mulroney's top advisor an "intensely loyal man" who learned from PM
57	<b>April 23, 2009</b> The Metropolitan club
58	<b>March 24, 1992</b> letter from J.A. Doucet to Karlheinz Schreiber
59	<b>August 27, 1993</b> letter from Fred Doucet to Karlheinz Schreiber
60	<b>April 28, 1994</b> letter from J.A. Doucet to Karlheinz Schreiber





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SECRET

February 5, 1986

File #	2378-1
Original	
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PRIVY COUNCIL  
OFFICE

FEB 5 3 25 PM '86

MEMORANDUM FOR MR. BELLIER

BUREAU DU  
CONSEIL PRIVE

Thyssen A.G. Proposal

We are forwarding the attached memorandum to the Prime Minister for your signature and onward transmission to him.

The memorandum expresses our concern, which derives from the very highly sensitive nature of the Thyssen proposal. As you are aware, the proposal calls for construction of a plant in Cape Breton by a major German manufacturing concern to produce military vehicles (including light tanks) for sale in the Middle East and, perhaps, elsewhere.

As you will see, we have somewhat unusually and rather forcefully stated our (your) strong reservations about the Thyssen proposal; this in the full knowledge that senior ministers (NB Stevens) and, indeed, the Prime Minister - strongly encouraged by both Messrs Doucet and McMillan - appear to favour it. Stated succinctly, Harry Swain thinks the economic risks outweigh any possible advantages; for my part, I believe approval of the proposal would be the type of "political accident" à la Jerusalem Embassy (both domestically and internationally) the Prime Minister is judiciously trying to avoid.



R.R.F.

c.c. Mr. Swain  
Mr. Shortliffe



SECRET

MEMORANDUM FOR THE PRIME MINISTER

Thyssen A.G. Proposal

The purpose of this memorandum is to provide you with an update on the Thyssen proposal to establish a manufacturing facility at Bear Head, Cape Breton Island.

The salient points on this issue are:

- the Memorandum to Cabinet from Mr. Clark has been circulated and is being brought to the Committee on Foreign and Defence Policy today (February 5th);
- it will be considered following further discussion of revisions to the policy with respect to arms exports;
- you should be aware that initial consideration of the revised Export Controls Policy by the F&DP Committee on January 22 resulted in a fairly even split among Ministers as to whether the policy should be made more liberal or more restrictive;
- Mr. Clark and Mr. Stevens have not been able to resolve their fundamental differences on the policy bilaterally prior to the F&DP Committee meeting today.

- it is expected that an even stronger divergence of views will obtain when the Thyssen proposal is considered. Some Ministers will support the proposal because of the promise of economic and job creation benefits the manufacturing facility proposes to bring to Cape Breton. Others will be opposed because of the potentially serious implications for our foreign policy in the Middle East (in particular for our relations with Israel) because of Thyssen's insistence on guaranteed export licences for their military vehicles (including tanks) to a number of Arab countries.
  
- You should be aware that a few years ago, Krauss-Maffei (a German firm which built the Leopard tanks now used by the Canadian Forces), attempted to sell an updated version of that tank to Saudi Arabia. The German Government intervened and stopped the sale, arguing that they did not want to be perceived as descendants of the Nazi regime selling arms to a country in dispute with Israel. The analogy with the Thyssen proposal is compelling, the perception in this case being a German firm attempting to "end run" German government policy and, in effect, "laundering" its sale of military equipment through Canada. (See attached references to the Nazi background of Thyssen's founder whose autobiography is entitled "I Paid Hitler".)
  
- Economically the Federal Government's investment would be \$19 million in start-up infrastructure costs plus \$35 million in investment tax credits. This would represent a direct cost per job of \$42,000 and an overall cost (factoring in the tax credit) of \$119,000 per job created, which would probably be viewed as very excessive.
  
- Additionally, many aspects of the proposal (technology transfer, spin-offs, Canadian content) have not been spelled out.

- A more compelling argument against acceptance of the Thyssen proposal is the bleak prospect for entry into the American market, a market which is assessed as prerequisite to the success of the Thyssen venture.
- The Defence department does not support the proposal as the Canadian Forces have no need for the equipment to be produced by Thyssen, yet fear that once production commenced, there would be extreme pressure in favour of a major DND purchase in order to maintain and expand the production lines between anticipated sales.
- Finally, if the Thyssen proposal were accepted, they would be entering into direct competition with General Motors Diesel Division of London, Ontario who are already producing similar pattern vehicles.

Having reviewed and analyzed the Thyssen proposal, both from an economic and regional development and foreign policy perspective, and in view of significant foreign policy considerations, we would recommend against Government approval of the Thyssen proposal. In our view, the potential damage to our bilateral relations with Israel (and the attendant domestic fallout from the Canadian Jewish community), coupled with an assessment that the forecast economic benefits are based on what we believe to be tenuous market assumptions, militate against approval of the Thyssen proposal.

The attached list of excerpts from a recent telex sent by Ambassador Bartleman in Tel Aviv serve to reinforce our foreign policy concerns vis-à-vis Israel.

Paul M. Tellier

Sutherland/Fowler

c.c. Bernard Roy



PCO File

→ 2778-1

2460-7-1

September 12, 1986

NOTE FOR CHARLES MCMILLAN

From: Reid Morden

Your memo of September 12 - Peres Visit: Thyssen

We spoke. Contacts with the local representative of Frank Moore's group have indicated that Thyssen have been pursuing their prospects in the US market possibly in conjunction with General Motors. With the results of this probing in Washington and after assessing the new Export Control Policy, they will probably be putting forward a new proposal later this month. We do not anticipate any further development until after the Peres visit.

  
J.R.M.

c.c. Bernard Roy  
Fred Doucet



SECRET

July 20, 1988

Conclusions of July 19 P&P Meeting

James Bay Road

- \* no discussion, B. Bouchard to report once provincial review has progressed.

Royal Commission on Reproductive Technology

- \* issue to be reviewed by smaller group of Ministers -- Mazankowski, Epp, Murray, McDougall, Hnatyshyn.

Conflict of Interest

- \* DPM to try to manage Caucus support for bill passing \*\* second reading.
- \* this progress would help PM to name Commissioners (in cooperation with Opposition Leaders) under the Inquiries Act.

Abortion

- \* Ministers may move with single resolution, at an early date --- but Caucus reaction critical.
- \* Issue will be reviewed by smaller group of Ministers before Caucus.

Matane

- \* Issue will only proceed when Crosbie and Wilson are onsite.

Electricity Deregulation

- \* Ministers approval in principle but timing is a factor.
- \* No announcement before 3rd week of August, and before prior agreement of PM, Crosbie, Wilson.



272x-a Vol 101

### Defence Procurement

- \* Mr. Beatty's proposals were approved for:
  - TCCCs
  - Northern Terrain Vehicle, and
  - Mines Countermeasures
- \* Mr. Murray raised Tyssen project
  - many Ministers had serious concerns:
    - uncertain of details
    - wanted better process
  - Senator Murray or his staff to organize meeting for full review of proposal, before it proceeds to the Committee

### Farm Credit Corporation

- \* Agreement between Wise and Wilson was ratified.
  - convert \$400 M. of FCC debt to government equity, etc.
  - continue to review
- \* Mr. Wise will announce in the House this week.

### Grain/Wheat Prices

- \* Mr. Mayer's proposed price increases were approved.

### Annex Items

- \* All 12 items were approved but Amendments to Northern Inland Waters Act to await progress on Trade debate.

272X-2 Vol 101





Treasury Board of Canada  
Secretariat

Conseil du Trésor du Canada  
Secrétariat

Ottawa, Canada  
K1A 0R5

ANNEX "B"

CONFIDENTIAL

Personnel Management

August 9, 1988

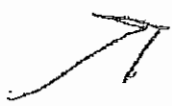
Dr. J. Alfred Doucet,  
68-3691 Albion Road South,  
Gloucester, Ontario.


Dear Dr. Doucet:

I am writing to confirm the arrangements which have been agreed upon between you and the Government of Canada in consideration of which you will provide Her Majesty the Queen in right of Canada with a Release, the terms of which are contained in Annex "A".

In consideration of your resignation from the position of Ambassador and Chairman of the Organizing Committee for International Summits, effective August 16, 1988, and following approval of the arrangements by the Treasury Board:

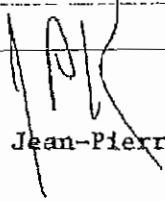
Canada<sup>111</sup>

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4. The one year limitation period on your making representation for or on behalf of any other person or entity to any department with which you had significant official dealings, as specified in sub-section (b) of Section 42 of Part III Post-Employment Compliance Measures of the Post-Employment Code for the Public Service, will be waived.

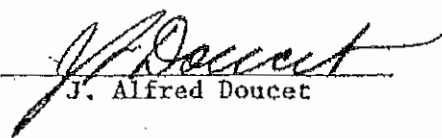
- 
6. The particulars of this settlement shall be held strictly confidential by the parties and shall not be disclosed to any person. However, you may make disclosure to your immediate family and your professional and financial advisors. Disclosure may also be made by the Government to Treasury Board Ministers and those Public Servants required to finalize and implement the settlement.

I would appreciate it if you would confirm your agreement with the above by signing below and by signing the release attached hereto.

Yours sincerely,



Jean-Pierre Kingsley.



J. Alfred Doucet



External Affairs  
Canada

Affaires extérieures  
Canada

Associate Under-Secretary

Sous-secrétaire associé

PROTECTED:  
PERSONNEL SENSITIVE

August 25, 1988

Mr. J. Alfred Doucet  
389 Ontario Street  
Stratford, Ontario  
NSA 3H7

*Joe*  
Dear Mr. Doucet,

I am pleased to advise you that the Treasury Board at its meeting of August 18th approved the terms of the agreement contained in Jean-Pierre Kingley's letter to you of August 9, 1988.

Yours sincerely,

*Joe*  
Joseph S. Stanford







Government of Canada

Gouvernement du Canada

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MEMORANDUM

NOTE DE SERVICE

TO  
A  
  
FROM  
DE

Don S. McPhail  
c.c. Jaffray Wilkins

Wynne Potter  
Vice President  
ACOA Nova Scotia

SUBJECT  
OBJET

THYSSEN: DEPARTMENTAL CONCERNS

As you know, we met with representatives of DRIE, DND, Finance and Justice this afternoon. Specifically, departmental positions and concerns raised were the following:

DRIE (Cliff Mackay)

Position: Will recommend to Mr. de Cotret that he not sign.

- Concerns:
- need to prioritize Nova Scotia requests for federal funding -- e.g. Westray, Louisiana Pacific, Thyssen, especially since a political undertaking in support of the Westray project may have been made to the Province by Minister de Cotret/PMO;
  - lack of money in DRIE budget for assistance programs, including DIPP;
  - excess capacity (GM); and
  - further details (business plan) required on civilian diversification.

DND (Ed Healey)

Position: Will recommend to Minister Beatty that he not sign.

- Concerns:
- Thyssen proposal only one of several unsolicited proposals, each of which DND would like to reject because they involve some degree of sole-sourcing or lowered competition;
  - source of funds, operational requirements for LAV project so far undefined;
  - uncertain regarding Thyssen's ability to meet DND's operational requirements.

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SECURITY - CLASSIFICATION - DE SÉCURITÉ
<b>SECRET</b>
OUR FILE -- N / RÉFÉRENCE
<b>JMC-910</b>
YOUR FILE -- V / RÉFÉRENCE
DATE
<b>August 31, 1988</b>

- 2 -

Politically: NTV sole sourcing in Calgary may have caused Ministers to be "gun shy" on directing military contracts; and

Mr. Beatty may have responsibilities as regional (Ontario/GM) Minister.

Finance (Sheryl Kennedy, Director, Economic Development)

Position: Continued fundamental concerns beyond narrow legal issue.

- Concerns:
- source of funds, extent of draw on funding, so far, unknown;
  - document is de facto binding -- represents "moral and political" commitment;
  - Wilson wishes priority setting for projects -- including Thyssen -- within context of likely draws on DRIE/DND funding;
  - communications/capacity (GM) worries; and
  - lack of apparent commitment to civilian diversification by Thyssen, lead to worries regarding ongoing dependence on Government.

Politically: Mr. Wilson may have responsibilities as regional (Ontario/GM) Minister.

Justice (Jacques Gauthier, A/General Counsel, Commercial)

Position: Document is contractually binding, but legal interpretation is that various undertakings are within mandates/authority of respective Ministers.

- Concerns:
- does not legally require Cabinet approval prior to signature;
  - "consider participation" preferred legally to "seek participation of"; and

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- each proposed phrase however, comprises a degree of commitment -- and risk -- between no commitment on the one hand and "shall ensure participation of" on the other hand.



Wynne Potter





Government of Canada

Gouvernement du Canada

MEMORANDUM

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ACOA-OTTAWA: Jmc. 9/6

CIRC. CHRON FILE

FAXED: 7.9.88

BY-HAND:

c.c. P. [unclear]

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TO  
A

D.S. McPhail  
c.c.: J. Wilkins  
W. Potter

FROM  
DE

John McDowell

SUBJECT  
OBJET

~~Thyssen~~ Update

S	TE
OUR FILE - N / REFERENCE	
JMC-918	
YOUR FILE - V / REFERENCE	
DATE	
September 6, 1988.	

Senator Murray called this afternoon to seek further information on Thyssen, prior to placing a phone call to each of Mssrs. de Cotret and Beatty to urge that they sign the Understanding in Principle.

Specifically, the Senator sought:

- 1) confirmation on DRIE's position, reflected in the September 2 letter from Cliff Mackay to Wynne Potter;
- 2) further enlightenment on DND's position, which I relayed, based on the views Mr. Healey had expressed to Wynne Potter on August 31.

The Senator also asked whether -- in the event that he was unsuccessful in persuading his colleagues to sign -- we could be ready to go to Cabinet, and in particular P&P next Tuesday.

You may wish therefore to get in touch with the Minister to determine the outcome of his discussions, and if necessary, to initiate the preparation of further documentation.

*John McDowell*  
John McDowell



24  
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Exempt - Cabinet

SECRET

Aide Mémoire

Aide Mémoire

A PROPOSAL BY BEAR HEAD  
INDUSTRIES TO ESTABLISH  
A HEAVY MANUFACTURING  
FACILITY IN CAPE  
BRETON

PROPOSITION DE LA BEAR  
HEAD INDUSTRIES POUR LA  
FABRICATION DE PRODUITS  
DE L'INDUSTRIE LOURDE.  
AU CAP-BRETON

September 19, 1988

le 19 septembre 1988

28  
38

AIDE MEMOIRE

**PURPOSE:** To develop an appropriate response by the Government of Canada to the proposal by Bear Head Industries Limited, (a subsidiary of Thyssen) to establish a heavy-industry manufacturing facility in Cape Breton, which would support the region's economic development.

**PROPOSAL:** Thyssen Industries AG, based in the Federal Republic of Germany, is one of the world's largest industrial manufacturing companies with annual sales exceeding \$30 billion, and 130,000 employees world wide. Of Thyssen's annual sales, less than 5% are in the defence sector.

In Canada, Thyssen's holdings include:

- Budd Canada Inc., Kitchener (automobile parts);
- Northern Elevator Holdings Ltd., Toronto (elevators);
- Greening Donald Co. Ltd., Hamilton (metal fabrication);
- Thyssen Marathon Canada Ltd., Mississauga (steel importers); and
- Thyssen Canada Ltd., Rexdale (steel importers).

In all, Thyssen employs some 3,000 Canadians.

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In the U.S., the company has recently reached an agreement with General Dynamics concerning technology sharing for the production of light armoured vehicles for the U.S. military, further increasing Thyssen's existing North American commitment.

In 1985, the then DRIE Minister during a visit to Germany, requested that Thyssen submit a proposal to establish a manufacturing facility in Cape Breton. In March 1988, Thyssen submitted a revised proposal to the Government, through ACOA, to establish an \$85 million heavy-industry manufacturing facility at Bear Head, Cape Breton.

200

The initial capital cost of the facility would be \$88 million, assisted by the federal (and possibly the provincial) government in accordance with existing programs and guidelines. A further \$27 million for common-user infrastructure would be provided by the federal and the provincial governments. Thyssen would work closely in its production and subcontracting requirements with Lavalin (through the Trenton Works facility), possibly Sysco (as source its steel requirements), and Krauss Maffei, if the latter is successful in supplying DND with main battle tanks. Formal undertakings in support of these work-sharing arrangements are in place.

Thyssen proposes to establish the Bear Head facility in two phases:

- Phase I, the production of military vehicles for the North American defence market; and
- Phase II, diversification, within twelve months, into civilian production.



29  
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The exact product mix, and markets, associated with Phase II are currently being discussed with Thyssen, and the company is preparing a formal business plan for Phase II. Thyssen has consistently maintained that Phase I is a necessary launching pad for ultimate diversification into civilian production, and the company is willing to commit to repay portions of government funds received under Phase I, should Phase II not proceed.

THE UNDERSTANDING IN PRINCIPLE: The attached Understanding in Principle is not a formal Memorandum of Understanding (MOU), but instead, has been prepared to set out the nature of discussions to date. This document is required to initiate a decision from Thyssen's Board of Directors to proceed in Cape Breton. To this end, it is desirable that this document be signed by the ACOA Minister, the DRIE Minister, and the DND Minister.

While the Understanding in Principle formally binds neither the Government nor Thyssen in a manner which the other side would wish, the company is cited to be considered for participation in the light armoured vehicle project (part of the Government's projected modernization of the Canadian Forces, envisaged by DND to proceed in the early-to-mid 1990s), provided the company meets the Government's technical, operational and industrial/regional benefits requirements.

SC11b

Since the Prime Minister's direction to Senator Murray in June 1987, to evaluate and report back on the Thyssen proposal, senior ACOA officials, in consultation with officials of DRIE, DND, and on occasion, PCO, Finance, Justice, and External Affairs, have met with Thyssen at length and developed further the company's heavy-industry proposal. Although Thyssen had originally sought a directed contract from the Government to provide DND with 250 LAVs in the early 1990s, the company has softened considerably its position, and is now willing to proceed with the heavy-industry facility on the basis of established government regional and industrial development assistance, and on the understanding that it will be considered for participation in the LAV program.

From the Government's perspective, the heavy-industry proposal for Cape Breton offers very considerable benefits, including technology transfer, to a particularly underdeveloped region of Canada. The Cape Breton plant would also pursue shared production and sourcing arrangements with Tavelin (at Trenton), and is ideally positioned to supply heavy-industry requirements of Sibernia.

At this point, Thyssen will commit to establishing a facility which would employ a minimum of 400 people. Employment is expected to grow considerably when diversification occurs.

STATUS: In order to report to the Prime Minister on the Thyssen proposal, the Prime Minister's Office and Senator Murray asked ACOA officials to take discussions

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with Thyssen to the point where the minimum undertakings required from the Government of Canada to allow the project to proceed, would be determined.

On September 12, Senator Murray met with Mr. de Cotret to discuss the Thyssen proposal. Mr. de Cotret agreed to sign the Understanding in Principle, in recognition that to proceed, the Bear Head proposal required the document as an interim step, prior to the development of a formal business plan.

Mr. de Cotret observed to Senator Murray that DRIE had some 800 projects seeking applications for financial assistance for which no DRIE funding was available. In this context, Mr. de Cotret stressed that the Government would have to develop a source of funds for projects valued in excess of \$20 million, and that, in the case of Thyssen, funds would have to be earmarked prior to Thyssen's submission of a business plan, and application for funding.

On September 14, Mr. Derek Burney chaired a meeting attended by Senator Murray and Mr. Beatty. Mr Beatty agreed to sign the Understanding in Principle subject to further Ministerial discussion, as required, providing that:

- (1) the company be informed clearly that in signing the UIP, the Minister of National Defence was not binding the Government to proceed with the LAV project;
- (2) a letter be sent from the DND Minister to the ACOA Minister noting that, in signing the Understanding in Principle, the Minister of Defence was not limiting his discretion to determine the timing of the LAV project, and to recommend a preferred bidder to Cabinet; and
- (3) communications of the initiative be "low-key".

These conditions are entirely in accordance with the Thyssen proposal and Understanding in Principle. Efforts for their implementation are well underway.

DEPARTMENTAL POSITIONS: The Department of External Affairs has no concerns regarding the Bear Head proposal, providing that its stated objective, defence-related production aimed at North American (or NATO) markets and in the long-term, diversification into civilian production, is realized. External Affairs would, however, be concerned, if, in the long-run, with these markets, the Bear Head facility was not commercially-viable, and as a result, petitioned the Government to allow military exports into markets prohibited under Canada's export control policy. In this regard, External Affairs cautions that Thyssen's entry to U.S. military vehicle markets is by no means assured, because the U.S. Department of Defense has historically purchased its vehicle requirements almost exclusively from domestic sources.

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The Department of Finance is concerned that if Ministers sign the Understanding in Principle, the Government will be entering into a de facto commitment, and moreover, a commitment not supported by a business plan. Finance is also concerned that if Ministers wish to enter into such a commitment, that a source of funds, from existing resources, be identified.

The Department of Regional Industrial Expansion is concerned that within its reference levels, funding for major projects, including Thyssen, is unavailable. On industrial policy grounds, DRIE cannot support the establishment of the Thyssen facility because the Thyssen project would exacerbate existing excess capacity in Canada, in the heavy fabrication including the, military-vehicle sector.

DND  
11(1)

The Department of National Defence is preparing documentation to meet the requirements of the position adopted by Mr. Beatty in his discussions with Senator Murray and Mr. Burney on September 14, 1988, as summarized on page 5. Mr. Beatty has agreed to sign the Understanding in Principle, on the understanding that he is acting in accordance with his commitment to the Minister of Finance, concerning the funding of future defence projects.

(1)

**TIMING:** Thyssen must establish shortly a manufacturing facility in North America to be in a position to win -- in conjunction with its partner, General Dynamics -- a portion of an upcoming U.S. Department of Defence procurement of armoured vehicles, valued at about \$750 million (U.S.). Moreover, the U.S. government plans to proceed with a massive procurement of armoured vehicles, valued at some \$200 billion, for which Thyssen, at Bear Head, would be eligible to compete, under the Canada-U.S. Defence Production Sharing Agreement.

From the Government's perspective, the Thyssen proposal has been developing for some time. Given the timing of the U.S. project, if Ministers wish to support the establishment of the heavy-industry facility at Bear Head, a decision to proceed further will have to be reached soon.

**FINANCIAL IMPLICATIONS:** Thyssen is not applying for government assistance at this juncture, and any such application cannot proceed without a formal business plan. Moreover, in the absence of a business plan for both Phase I and Phase II, the ultimate draw on (and profile of) government funding, arising from the Bear Head project, is very difficult to determine.

13-C

However, should the Bear Head project proceed as envisaged, including Phase I and Phase II, federal Government assistance could be as high as \$50 million, over at least three years, beginning in 1989/90. The province of Nova Scotia, in addition to land, would provide a further \$8 million, as its share of the common-user infrastructure.

32  
4/2

A source of funds for the federal assistance has not been identified, and must be developed prior to Thyssen's submission of a formal business plan and application for funding.

It will be necessary to agree with the Government of Nova Scotia to augment the approximately \$11 million in funds currently available in the Strait of Canso Industrial Development Agreement, which be used as an instrument and a partial source of funds to provide the infrastructure assistance. This funding would come from the Atlantic Cooperation (ERDA) funds notionally set aside.

Funding under the Defence Industry Productivity Program (DIPP), which historically has not been a particularly active program in Atlantic Canada, is not available within existing DRIF reference levels. Further, Atlantic Enterprise Program funding, delivered by DRIF, is also not available within existing DRIF reference levels.

Additional funding for this project must eventually be considered within the broader issue of how -- following the expiration of the IRDP -- the Government is to provide assistance to industrial projects in Atlantic Canada, valued at greater than the \$20 million ceiling for ACCA participation.

EVOLUTION OF THE THYSSEN PROPOSAL: Since Thyssen's original request in 1985, the Federal Republic of Germany has revised its armaments exports policy to allow for specific arms exports from Germany to the Middle East. Accordingly, the current proposal by Thyssen is entirely independent of domestic German exports policy.

RELATED ISSUES: In the course of responding to the Thyssen proposal, Ministers may wish to weigh the following considerations:

*17. 11/85*  
Suitability of the Thyssen vehicle for DND: The operational and technical requirements for the LAV vehicle must be determined solely by DND, and, as noted in the Understanding in Principle, Thyssen will be required -- as will other potential contractors -- to satisfy fully these operational requirements prior to being considered for participation in the LAV project. Envisaged for the early-to-mid 1990s. While Thyssen has consistently maintained that it will be able to meet DND requirements, DND officials observe that Thyssen does not currently manufacture a vehicle which meets the operational requirements envisaged for the LAV project.

*132*  
Support of the Government of Nova Scotia: Thyssen has already entered into an agreement with the Government of Nova Scotia regarding the provision of land, and provincial site establishment assistance.

Creation of additional Canadian military vehicle production capacity: While there is no question that the Bear Head heavy-industry facility would add to Canada's existing industrial capacity in this sector,

33  
43

20(4)

now comprising primarily the GM plant in London, Ontario, (and also potentially including FMC, Canadian Foremost, Lavalin, Bombardier, and so on) the proposed arrangement with Thyssen for participation in the LAV contract would not exclude others -- including GM -- from participating as well. Moreover, when diversification into civilian production occurs, the Bear Head facility would contribute greatly to the industrial base of Atlantic Canada, and create a facility capable of competing for military vehicle contracts -- and in other civilian markets -- in the U.S. On the contrary, in order to establish an Atlantic facility, GM, so far, has sought directed, sole-source, military contracts on a single-product-facility basis, with little of the regional or other industrial diversification benefits of the Thyssen proposal.

Consistency of the "Understanding in Principle" and the Government's procurement policy: The Government would stress from the beginning that while Bear Head would be considered for participation in the LAV contract, the proposed arrangements in no way constitute sole sourcing, nor guaranteed participation, and that the fundamental principles of operational requirements and competitive pricing are protected fully.



NEXT STEPS: Should Ministers wish to contemplate a regional development proposal of this kind, the following course of action could be pursued:

September 1988

- immediate finalization of the Understanding in Principle; and
- agreement on, and signature of, the Understanding in Principle by involved Ministers.

34  
44

Fall 1988

- formal, detailed negotiations between key federal departments (ACOA, DRIE, DND, Supply and Services) and the company to develop fully a corporate business plan and assistance package;
- concluding negotiations between the federal Government and the Government of Nova Scotia on the common-user infrastructure arrangements;
- preparation of a formal Memorandum of Understanding between the Government of Canada and Bear Head Industries Ltd.;
- formal submission of a Memorandum to Cabinet to CCERD;
- the signing of a formal contractual, legally-binding agreement between Bear Head and the Government.



A 7/91

0414 512

**FDCI**  
FRED DOUCET  
CONSULTING  
INTERNATIONAL

**INVOICE**

**BILL TO:**  
Bitucan Holdings Ltd.  
1204 Dome Tower  
333 - 7th Ave. S.W.  
Calgary, Alberta  
T2P 2Z1

**INVOICE NO.:** 119

**DATE:** November 2, 1988

**Attention:** Mr. Karlheinz Schreiber

**DESCRIPTION:**

**Re: Professional Services** \$90,000.00

<b>BITUCAN HOLDINGS LTD.</b>		<b>104</b>
1204, 333 - 7 AVENUE S.W. PHONE 209-9377 CALGARY, ALBERTA T2P 2E1		November 15 19 88
<b>PAY TO THE ORDER OF</b>	<b>FDCI/FRED DOUCET CONSULTING INTERNATIONAL</b>	<b>\$ 90,000.00</b>
Re: Invoice No. 119/2.11.1988		DOLLARS
<b>Bank of Montreal</b> 508 - 6TH STREET S.W. CALGARY, ALBERTA T2P 1X3	<b>BITUCAN HOLDINGS LTD.</b> <i>[Signature]</i>	PER
⑈0000 104⑈ ⑆250 29⑈00⑆ 1012⑈765⑈		

FRED DOUCET CONSULTING INTERNATIONAL INC.  
SUITE 1300, 50 O'CONNOR STREET



A 7/91

0413

1770 MARKET STREET  
SUITE 408  
HALIFAX, N.S. B3J 2M4  
CANADA


November 2 1988  
TELEPHONE 429-1040  
HALIFAX, N.S.

M. Bitucan Holdings Limited  
1204 Dome Tower, 333 - 7th Avenue S.W., Calgary, Alberta.  
in account with T2P 2Z1

**Doucet & Associates**  
BARRISTERS & SOLICITORS

To services rendered by Gerald Doucet ----- \$ 90,000.00

E. & O. E.

<b>BITUCAN HOLDINGS LTD.</b>		105
1204, 333 - 7 AVENUE S.W. PHONE 269-8377 CALGARY, ALBERTA T2P 2E1		
PAY TO THE ORDER OF	Doucet & Associates	November 15 19 88
		\$ 90,000.00
REGISTERED 90000 DOLLARS 00 CTS		100 DOLLARS.
Re: Invoice 2.11.1988		
Bank of Montreal 506 - 8TH STREET S.W. CALGARY, ALBERTA T2P 1X3		BITUCAN HOLDINGS LTD.  PER 
⑆0000105⑆ ⑆25029⑆001⑆ 1012⑆765⑆		

A 7/91

0411

Frank and Beth Moores  
403 Clark Ave.  
Westmount, Que.,  
H3W 3C3

November 8, 1988

Bitucan Holdings Limited  
1204, 333 - 7th Avenue S.W.  
Calgary, Alberta  
T2P 2Z1

I N V O I C E

For Services Rendered by Frank  
D. Moores on your behalf \$90,000.00

<b>BITUCAN HOLDINGS LTD.</b>		<b>107</b>
1204, 333 - 7 AVENUE S.W. PHONE 269-9377 CALGARY, ALBERTA T2P 2E1		
		November 15 19 88
PAY TO THE ORDER OF	Frank D. Moores	\$ 90,000.00
REGISTERED 194P-11081		DOLLARS
90000000000000000000		100.
Re: Invoice 8.11.1988		BITUCAN HOLDINGS LTD.
Bank of Montreal 508 - 6TH STREET S.W. CALGARY, ALBERTA T2P 1X3		PER <i>[Signature]</i>
⑈0000107⑈ ⑆25029⑈001⑆ 1012⑈765⑈		

A.7/91

0410

**GCI**  
GOVERNMENT  
CONSULTANTS  
INTERNATIONAL

NOV 15 1988

**INVOICE**

**BILL TO:** Bitucan Holdings Limited  
1204, 333 - 7th Avenue S.W.  
Calgary, Alberta  
T2P 2Z1

**INVOICE NO.:** 1880

**DATE:** November 10, 1988

DESCRIPTION	AMOUNT
Re: Consulting Services Rendered	\$250,000.00

GOVERNMENT CONSULTANTS INTERNATIONAL INC.  
SUITE 1300, 30 O'CONNOR STREET,  
OTTAWA, CANADA K1P 6J2  
PHONE: (613) 236-7001 TELEX: 051-3960

<b>BITUCAN HOLDINGS LTD.</b>		103
1204, 333 - 7 AVENUE S.W. PHONE 288-9377 CALGARY, ALBERTA T2P 2E1		
PAY TO THE ORDER OF GOVERNMENT CONSULTANTS INTERNATIONAL		November 15 19 88
		\$ 250,000.00
REGISTERED 250000 DOLS 00 CTS		
Re: Invoice No. 1880/10.11.1988		100 DOLLARS
<b>Bank of Montreal</b> 506 - 8TH STREET S.W. CALGARY, ALBERTA T2P 1X3	BITUCAN HOLDINGS LTD. <i>[Signature]</i>	
⑈0000103⑈ ⑆25029⑈00⑆ ⑆1012⑈765⑈		

A 7/91

0412

510

LEMOINE CONSULTANTS INC

NOV 15 1988


INVOICE

December 1, 1988

To Bitucan Holdings,  
Calgary, Alberta

For professional Services rendered: \$90,000.00

TOTAL \$90,000.00

<b>BITUCAN HOLDINGS LTD.</b>		106
1204, 333 - 7 AVENUE S.W. PHONE 269-9377 CALGARY, ALBERTA T2P 2E1		November 15 19 88
PAY TO THE ORDER OF	LEMOINE CONSULTANTS INC.	\$ 90,000.00
REGISTERED 134 F 1 1 0 5 1 9 0 0 0 0 D O L L A R S 0 0 C T S		100 DOLLARS
Bank of Montreal 506 - 6TH STREET S.W. CALGARY, ALBERTA T2P 1X3	BITUCAN HOLDINGS LTD. 	PER _____
⑈0000106⑈ ⑆25029⑈00⑆ 1012⑈765⑈		

1262 James Lemoine, Sillery, Quebec, Canada G1S 1A2 Telephone: 418 682-3172





# SUPERText



## RCMP "A" DIVISION COMMERCIAL CRIME

File: A102  
95A-517

### EXHIBIT INFORMATION

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Obtained By: \_\_\_\_\_

Exhibit No.: \_\_\_\_\_

Item No.: \_\_\_\_\_

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### DOCUMENT CATEGORIZATION

Document Type: \_\_\_\_\_

Original: Yes \_\_\_\_\_ No \_\_\_\_\_

COMMENTS Potter - Subject Sub - file  
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Clave:

156



Atlantic Canada Opportunities Agency / Agence de promotion économique du Canada atlantique

96-34-57

Head Office / P.O. Box 6051 / Moncton, N.B. / Canada E1C 9J8

Siège social / B.P. 6051 / Moncton (N.-B.) / Canada E1C 9J8

MEMORANDUM

366 20 1989

SECRET

TO: File
cc: D.S. McPhail, W. Potter, P. Bernier
FROM: John McDowell
SUBJECT: THYSSEN - UPDATE

The following information was provided to me on July 17 by Greg Alford, and to Paul Bernier by Mssrs. Alford, Massman, and Lang (Thyssen Engineering) during a meeting on July 11. (In addition, Greg indicated that Karlheinz Schreiber had met with Minister MacKay last week, but the results of this meeting were unknown.)

Specifically:

MILITARY

- BHI was aware that -- as a result of the Budget -- the light armoured vehicle (LAV) purchase envisaged by the White Paper was effectively "on hold" indefinitely;
- BHI believed that the upcoming contract to supply the Canadian land reserves with some 200 LAVS (wheeled) was a major opportunity for the Cape Breton facility -- despite DND's known intentions to seek very shortly Cabinet approval to award the \$110 million contract to GM (Diesel Division, London, Ontario) on a sole-source basis;
- BHI hoped to persuade DND to forgo providing the Reserves with GM-built vehicles at this juncture, and instead, to purchase Thyssen LAVs valued at some

Canada

- \$250 million. Under the BHI concept, this purchase could be viewed by DND as a preliminary tranche under the larger LAV program, and, if desired, some LAVs could subsequently be provided to the Reserves when the larger LAV acquisition occurred;
- Mr. Fred Doucet would be meeting with DND (Fowler) on Friday, July 21st to discuss this concept (Greg has provided a backgrounder on this matter prepared by BHI, for Mr. Doucet, which is attached.);
- As far as the U.S. order was concerned, the Thyssen - General Dynamics Team was very confident it had prevailed on the technical element of the competition over its rivals, General Motors - TRW, and a decision by the U.S. Government on the overall contract winner was expected later this fall; and
- Should Thyssen be successful in winning the U.S. order, it was still the intention of the company to place a portion (possibly 1/3 or 1/2) of the hull production at the BHI facility in Cape Breton.

CIVILIAN

- Dr. Lang had had successful meetings with Environment Canada (Len Good), External Affairs (Reg Dorratt, ADM Trade Development), and DRIE (Pat Lemmon, Manager Environmental Industries);
- Thyssen (Engineering) would provide BHI with a full-time expert on environmental equipment production to provide support to Alford on civilian diversification; and
- BHI had been requested by the government of each of New Brunswick and Nova Scotia to provide, within a few weeks, cost estimates of various environmental projects, but while encouraging, there was, of course, no assurance that contracts would materialize, or even be placed.

*J.M. McDowell*  
 John McDowell





**TIER I  
LOBBYISTS REGISTRATION**

This information is collected under the authority of the Lobbyists Registration Act, and will be a public record.  
It is stored in Personal Information Bank CCA/P-PU-095.

For registry use only	
DATE <b>OCT 10 1989</b>	1 of 3
DOC # <b>89296002</b>	

**RETURN** (Please type or print in a legible manner.)

**A: Individual**

Surname <b>DOUCET</b>	Given names and initials <b>J.A. (FRED)</b>		
Title <b>PRESIDENT &amp; CEO</b>			
Legal name of your firm <b>FRED DOUCET CONSULTING INTERNATIONAL INC.</b>	Facsimile no. <b>(613) 782 2428</b>		
Your business address Number <b>320</b> Street <b>440 LAURIER AVENUE WEST</b> City <b>OTTAWA</b>			
Province <b>ON</b>	Postal code <b>K1R 7X6</b>	Country <b>CANADA</b>	Telephone no. <b>(613) 782 2336</b>

**B: Client**

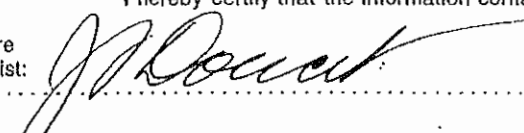
Legal name of corporation, organization or person on whose behalf you lobby <b>BITUCAN HOLDINGS LTD.</b>			
If client is a corporation or organization, give the name of the principal representative with whom you deal <b>MR. KARL HEINZ SCHREIBER</b>			
Address Number <b>333</b> Street <b>7 Avenue S.W.</b> City <b>Calgary</b>			
Province <b>Alberta</b>	Postal code <b>T2P 2Z1</b>	Country <b>Canada</b>	Telephone no. <b>(403) 269 9377</b>
Name of parent(s) of the client corporation <b>N/A</b> <small>(FOR ADDITIONAL PARENT(S) USE SEPARATE SHEET)</small>			
Head Office address Number _____ Street _____ City _____			
Province	Postal code	Country	Telephone no. <b>( )</b>
Name of subsidiary(ies) of the client corporation <b>SEE ATTACHED SHEET FOR SUBSIDIARIES</b> <small>(FOR ADDITIONAL SUBSIDIARY(IES) USE SEPARATE SHEET)</small>			
Head Office address Number _____ Street _____ City _____			
Province	Postal code	Country	Telephone no. <b>( )</b>

**C: Subject-matter** (See paragraph 5(2)(d) of the Act): Define the subject-matter of your undertaking by reporting one or more applicable combinations of a number, representing the area of concern, and a letter, representing the type of activity (e.g., 16A).

Language used to define subject-matter: English <input checked="" type="checkbox"/> French <input type="checkbox"/>	<input type="checkbox"/> 1 <input type="checkbox"/> 1 <input type="checkbox"/> D	<input type="checkbox"/> 1 <input type="checkbox"/> 1 <input type="checkbox"/> E	<input type="checkbox"/> 1 <input type="checkbox"/> 1 <input type="checkbox"/> F	<input type="checkbox"/> 1 <input type="checkbox"/> 1 <input checked="" type="checkbox"/> X	<input type="checkbox"/> 1 <input type="checkbox"/> 4 <input type="checkbox"/> A	<input type="checkbox"/> 1 <input type="checkbox"/> 4 <input type="checkbox"/> D	<input type="checkbox"/> 1 <input type="checkbox"/> 4 <input type="checkbox"/> E	<input type="checkbox"/> 1 <input type="checkbox"/> 4 <input type="checkbox"/> F
	<input type="checkbox"/> 1 <input type="checkbox"/> 4 <input checked="" type="checkbox"/> X	<input type="checkbox"/> _____	Other <input type="checkbox"/> 9 <input type="checkbox"/> 9 _____	Please specify: <b>SEE ATTACHED SHEET</b> <b>FOR ADDITIONAL SUBJECT-MATTER</b>				

**D: Certification**

I hereby certify that the information contained in this return is true to the best of my knowledge and belief.

Signature of lobbyist: 

05 - 10 - 89  
Day Month Year

B: CLIENT

SUBSIDIARIES

OCT 11 1989

of

89296007

BITUCAN HOLDINGS LTD.

<u>Company</u>	<u>Address</u>
1. M.L.E. INDUSTRIES LTD.	10060 Jasper Avenue 20th Floor Esso Tower Scotia Place Edmonton, Alberta T5J 3R8
2. ABS INVESTMENTS LTD.	" "

3 of 3

OCT 10 1989

89296002

C: SUBJECT MATTER

OF

BITUCAN

21D, 21E, 21F, 21X

26E, 26F, 26X

48D, 48E, 48F, 48X

**TIER I  
LOBBYISTS REGISTRATION**

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For registry use only	
DATE <b>OCT 10 1989</b>	1 of 2
DOC # 80274036	

**RETURN** (Please type or print in a legible manner.)

**A: Individual**

Surname <b>DOUCET</b>		Given names and initials <b>J.A. (FRED)</b>	
Title <b>PRESIDENT</b>			
Legal name of your firm <b>FRED DOUCET CONSULTING INTERNATIONAL INC.</b>			Facsimile no. <b>(613) 782 2428</b>
Your business address Number <b>320</b> Street <b>440 LAURIER AVENUE WEST</b>		City <b>OTTAWA</b>	
Province <b>ON</b>	Postal code <b>K1R 7X6</b>	Country <b>CANADA</b>	Telephone no. <b>(613) 782 2336</b>

**B: Client**

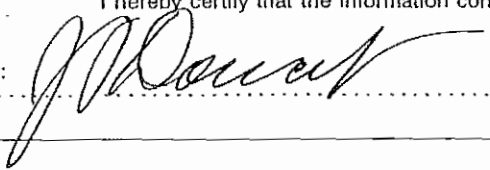
Legal name of corporation, organization or person on whose behalf you lobby <b>BEAR HEAD INDUSTRIES LIMITED</b>			
If client is a corporation or organization, give the name of the principal representative with whom you deal <b>Greg Alford - Senior Vice President, Corporate</b>			
Address Number <b>350</b> Street <b>Suite 908 Sparks Street</b>		City <b>Ottawa</b>	
Province <b>Ontario</b>	Postal code <b>K1R 7S8</b>	Country <b>Canada</b>	Telephone no. <b>(613) 563 3321</b>
Name of parent(s) of the client corporation (FOR ADDITIONAL PARENT(S) USE SEPARATE SHEET) <b>Thyssen Industrie AG</b>			
Head Office address Number <b>AM Thyssenhaus 1</b> Street		City <b>Essen</b>	
Province	Postal code <b>4300</b>	Country <b>West Germany</b>	Telephone no. <b>( )</b>
Name of subsidiary(ies) of the client corporation (FOR ADDITIONAL SUBSIDIARY(IES) USE SEPARATE SHEET) <b>N/A</b>			
Head Office address Number <b></b> Street		City <b></b>	
Province	Postal code	Country	Telephone no. <b>( )</b>

**C: Subject-matter** (See paragraph 5(2)(d) of the Act): Define the subject-matter of your undertaking by reporting one or more applicable combinations of a number, representing the area of concern, and a letter, representing the type of activity (e.g., 16A).

Language used to define subject-matter: English <input checked="" type="checkbox"/> French <input type="checkbox"/>	0 9   D	C 9   X	1 1   D	1 1   E	1 1   F	1 1   X	1 2   D	1 2   E
	1 5   D	1 5   X	Other 9 9	Please specify: <b>SEE ATTACHED LIST</b>				
FOR ADDITIONAL SUBJECT-MATTER								

**D: Certification**

I hereby certify that the information contained in this return is true to the best of my knowledge and belief.

Signature of lobbyist: 	05 - 10 - 89 Day Month Year
---	--------------------------------

OCT 10 1989

C: SUBJECT - MATTER

of

BEAR HEAD INDUSTRIES LIMITED  
(continued)

02D

13D, 13X

14A, 14B, 14C, 14D, 14E, 14F, 14X

20A, 20B, 20C, 20D, 20E, 20F, 20X

21D, 21F, 21X

26D, 26E, 26X

27X

29D, 29E, 29F, 29X

30D, 30X

34D, 34X

39X

41D, 41E, 41X

42D, 42E, 42X

46D, 46E, 46X

48D, 48E, 48F, 48X

31D



## Karlheinz Schreiber

Suite 908, 350 Sparks Street, Ottawa, Ontario  
Telephone: (613) 563-3321 Fax: (613) 563-7648

Mr. Fred Doucet  
Suite 200  
400 Laurier Ave. West  
Ottawa, Ont.  
K1R 7X6

14 December 1990

Dear Fred:

I am sorry that I could not meet with you before your departure to Florida, so I am writing today to share with you a few of my concerns.

I am returning to Germany today in a sad mood, having thought that a good message could have been issued before Christmas for the people in Nova Scotia, as well as for our soldiers.

In response to your question about the costs about the Thyssen vehicle I can confirm to you that the cost for the Thyssen Fox vehicle is \$1.16M per unit as was described in our original proposal to ACOA. The estimated ceiling price for the TH495 vehicle is \$1.4M per unit as was submitted to ACOA December 10, 1990.

Meanwhile, I have learned that the extraordinary cost estimates of \$1.1 Billion for 250 vehicles comes from Mr. Fowler and his staff. In a simple explanation, they have mixed the project costs and life cycle costs with the purchase price, and in the process, duplicating many costs and applying contingencies on top of contingencies.

For example, to my knowledge, GM London received a sole sourced order for 199 vehicles at a contract price of \$100 Million. If you use this same formula as Fowler and company have used on our project, the cost of the GM project would have been \$250 Million.

To apply this to real life, it would be as if you buy a car for \$50,000 and you estimate the



costs using the same cost factor as DND, then you would budget \$125,000 to own it for 10 years. But then you must consider the risk of crashes, terrorist attacks, etc. Or on the other hand you might also want to consider the possibility of some crook stealing it.

Enough of this non-sense.

The important thing I have learned about the Government bureaucrats in Canada is, as long as issues deal with GM, all is perfect and affordable, while Thyssen is only expensive, unsuitable and unwanted. As another laugh, I look back to the 1986 accusations that a Thyssen plant in Canada was a problem since it would surely sell cars to Saudi Arabia and that just couldn't be accepted by "Joe" and External Affairs. Damaging press articles were leaked from External to the Globe and Mail where headlines stirred up an unbelievable anti-Thyssen, anti-German lobby, pitting us against the Canadian Jewish Community as some "evil company".

Two weeks later we were astonished to find Joe Clark lobbying the Saudi Minister of Defence for the sale of armoured cars from GM in London, Ontario. We can only conclude that Canada's position is that a US owned company operating in Canada is governed by one export policy but for a German company different rules apply.

Today, from External Affairs we learn that GM London will sell 400 cars to the Saudis.

So there is nothing new.

What hurts me most is the situation of budget restrictions affecting the Canadian soldiers. For the last 10 years they lived with the constant threat of annihilation while fulfilling their NATO mission in Europe, being one of the poorest equipped Forces in the NATO Alliance. Now, while they are engaged in even more threatening service, they can only look at the DND budget to see that nothing will change for another 10 years.

What a situation, when a Canadian soldier has to use something as outdated as the Leopard 1 main battle tank to confront a few Mohawk Indians carrying AK 47 rifles. Lets pray that no war will break out in the Gulf region, where there is no way to carry pilots to their aircraft in a chemically protected vehicle. And also pray that there will be no terrorist attacks on Ottawa, as threatened by Saddam Hussein; because the Canadian Army possesses no vehicle to detect chemical or biological contamination. For in such an instance it will be the lives of Army soldiers exposed to these risks.

Perhaps, if you have time in the new year, you should arrange to meet some soldiers and officers, then you can learn first hand of the disappointment. These are only some of the main concerns I take with me to Europe and you know that these concerns deal with more than the Thyssen project. Nonetheless, I find it hard to believe that \$250 Million can be wasted on training vehicles for the Militia, bought from GM London, when at the same

time, your regular soldiers are being sent into active engagement with equipment that I can only describe as junk.

So lets get together and find a way to help the Prime Minister to get business going, to generate exports. That is what the Free Trade Agreement and the U.S.-Canada Defence Sharing Agreement are there for. Lets try to return to the situation the country was in not long ago, when Canada ranked first internationally for economic growth. If my information is correct, 1% economic growth will produce about \$12 Billion tax revenue for the Federal and Provincial Governments.

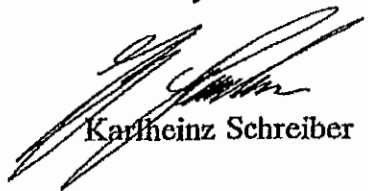
Such a situation will solve most of the problems in Canada immediately.

My friend Franz Josef Strauss always said:"Hungry stomachs and empty pockets know only one way to march.....against governments."

While these are not the most uplifting thoughts, I felt I had to share these with you because I know of your sincere concern in these matters.

I wish you and your family the very best for the Christmas Season.

Sincerely



Karlheinz Schreiber

cc: Hon. Elmer MacKay

P.S. I attach a copy of the press clipping announcing the unfortunate news that ADIL has laid off 140 people in Nova Scotia.

# SIGHT & SOUND

MEDIA MONITORING

Halifax (902) 455-7241

Publication: <sup>THE</sup> CHRONICLE HERALD

Pub. Date: Dec 14/90

Page #: A1-A2



Placement

## Atlantic Defence Industries lays off over 140 employees

By Gordon Delaney  
and Anna-Maria Galante  
VALLEY BUREAU

BRIDGETOWN

Atlantic Defence Industries Ltd. locked its doors Thursday and laid off more than 140 employees indefinitely.

The company issued a brief written statement yesterday blaming the closure on "current financial difficulties and the removal of equipment from the plant by a key supplier."

"ADIL, its bankers and representatives from its major customer are meeting to discuss the com-

pany's future," the company said.

ADIL president Andrew McArthur would not return telephone calls Thursday, but a management spokesman confirmed that Atlantic Oxygen, ADIL's major supplier, repossessed its welding equipment.

Without the equipment, work could not proceed at the plant, which manufactures components for military vehicles, including fuel tanks for armoured personnel carriers. ADIL is making the components for defence contractor Lavalin.

■ See Employees/A2

## Employees lose jobs

■ continued from A1

Plant workers said ADIL owed Atlantic Oxygen more than \$150,000.

Bridgetown RCMP Cpl. Willard McPhee confirmed that police were called to supervise the removal of equipment from the plant Wednesday night.

The ADIL spokesman said a "skeleton management staff" would be kept on at the plant.

Industry Minister Donald Cameron said the province is not prepared to bail out the defence sub-contractor.

"We told them some time ago that we wouldn't give any additional assistance, that they had to make it on their own," he said.

"Apparently they're having difficulty doing that."

The Nova Scotia government has over time extended \$5.5 million worth of loans and loan guarantees to the company. The Atlantic Can-

ada Opportunities Agency provided another \$1.1 million in assistance.

Mr. Cameron said Thursday he did not know whether the plant would be placed in receivership or how much money the province expects to recover.

He said the government will put no more money into the company in its present state, but is exploring ways to keep the plant operating long enough to complete its contract with Lavalin.

ADIL is owned by the same group of investors which controls Halifax-Dartmouth Industries Ltd., including Mr. McArthur and Halifax developer Ben McCrae.

Bridgetown Mayor Hardy Beviss said the loss "will hurt every town up and down the Valley."

"It's a bad time of year for all these people to be out of work."

The plant owes the municipality \$80,000 in taxes and is the area's largest employer.

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Publication: THE DAILY NEWS (HLFX)  
Pub. Date: Dec 14/90  
Page #: 3



Placement

## Gov't-aided plant folds; 146 lose jobs

By CHARLENE SADLER  
& REG FENDICK  
*The Daily News*

A Bridgetown defence fabrication firm that received more than \$5 million in government money since it opened 2½ years ago has folded, throwing 146 people out of work.

Atlantic Defence Industries Ltd., a subsidiary of Halifax-Dartmouth Industries Ltd. and Bridgetown's biggest employer, closed its doors without warning yesterday morning after discovering its key supplier, Dartmouth's Atlantic Oxygen Ltd., had removed all its welding equipment the night before.

ADIL president Andrew McArthur sent out a short press release, saying only that the company was trying to refinance operations.

Bridgetown Mayor Hardy Beviss said the closing comes as a blow to the town of 1,200. Most

of the jobs were highly skilled and not easily transferable. He was also concerned about \$80,000 ADIL owed in back taxes.

"It does mean a tremendous blow to the town. It had a \$3-million payroll. It doesn't take many years for that to add up," said Beviss. "We're hoping it is not permanent."

Industry Minister Don Cameron said the province won't put any more money into the company to prop it up. He said he wasn't sure ADIL was salvageable.

"We're going to see if we can at least see the contract finished, but it's not a matter of the province putting more money in it," he said. "We simply can't do those kinds of things any longer."

ADIL's state-of-the-art facility came on stream with much fanfare in April 1988. Over the next 2½ years it received more than \$800,000 in federal funding,

garnered favorable interest rates for loans, and got a \$4-million loan guarantee from the province.

ADIL was working on three large contracts at the time Atlantic Oxygen took its welding gear for lack of payment of \$200,000. Atlantic Oxygen had no comment and denied that amount was owed.

Two of ADIL's contracts were with the Department of National Defence. The largest was an \$11-million contract with Montreal's Lavalin Inc., awarded in September 1989.

An ADIL spokesman, who asked not to be named, said he did not know the status of any of the contracts.

Industry Department officials met McArthur, the banks and Lavalin yesterday to see what could be worked out.

Cameron said HDIL won't be asked to bail out ADIL.



Samstag 19. Januar

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Freitag 18. Januar

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19	30 Gude-Hesselhof.
20	Fax Stuart.



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Halbjahresauszug

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Kontoauszug vom 1.01. bis 30.06.1991

"FRANKFURT"

PO- 41,391.0

Datum	Text	Belastung	Gutschrift	Valuta	Saldo	CAN-S
	SALDOVORTRAG					45'390.00
24.01	VERGUETUNG	30'000.00		25.01.91		
23.01	DEWISENGESCHAEFT	601992	284'745.00	25.01.91		
25.01	UEBERTRAG	147647	296'000.00	25.01.91		4'135.00
25.02	TREUHANDKOMMISSION	175.00		25.02.91		
25.02	VERGUETUNG	147647	2'564.82	25.02.91		
25.02	UEBERTRAG	147647	296'000.00	25.02.91		
25.02	UEBERTRAG	153538	298'000.00	25.02.91		4'524.82
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28.06	TREUHANDKOMMISSION	170.00		28.06.91		
28.06	VERGUETUNG	173296	2'277.26	28.06.91		
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Wir bitten Sie, diesen Kontoauszug zu prüfen und uns allfällige Unstimmigkeiten umgehend zu melden.				30.06.1991	Saldo zu Ihren Gunsten	533.20

S.E. & C.

**Viola Geburtstag.**  
Freitag 8. Februar

SA 7.50 SU 17.24  
6. Woche 39-326

7	Ullrich Prof. Balda ✓	Riedl Urban Hip - Kollagen
8	Kraupp Tami Plankton ✓ Jenski Heilberg Gils	Mag-lev Catg. U - F - F - Sau
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18		Miguel w. Straka
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**Donnerstag 7. Februar**

SA 7.51 SU 17.22  
6. Woche 38-327

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13	Dr. Anach: Essen	
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17	Ferrari	
18	Viola Essa Ferrari	
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Date February 21, 1991 TO/À M. Karlheinz Sammler

FIRM/SOCIÉTÉ

FAX 011-49-8191-7888 FROM/DE J.A. Doucet

WE ARE TRANSMITTING PAGES INCLUDING THIS COVERING PAGE  
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*Rayane*

Original to:  Follow by mail  
 Follow by courier  
 Be filed

Message

Le 21 février 1991  
Le message a été livré par General Roy en Ontario le 21 février 1991  
pour les particularités clauses 19, 20, 21 et 22.

Sincerely,

*[Signature]*

red

## CLDO BRIEFING

TO THE DEFENCE INDUSTRIAL PREPAREDNESS ASSOCIATION

INTRODUCTORY REMARKS:

THANK YOU FOR THIS OPPORTUNITY TO SPEAK TO YOU TODAY ABOUT THE EQUIPMENT NEEDS OF THE ARMY. AS WITH ALL WESTERN ARMIES, THE CANADIAN LAND FORCE IS IN A PERIOD OF CONSIDERABLE CHANGE AND RESTRAINT AS THE GOVERNMENT COMES TO GRIPS WITH AN EVOLVING INTERNATIONAL ORDER, INCLUDING WAR ABROAD, A FINANCIAL CRISIS AND PRECARIOUS ECONOMY AT HOME. I AM SURE THAT FOR THE MOST PART YOU ARE ALL AWARE OF THE ROAD WE HAVE TRAVELLED IN RECENT TIMES, THE WHITE PAPER OF 1987, THE APRIL 89 BUDGET AND MOST RECENTLY THE FEB 90 BUDGET CUT.

DEFENCE OBJECTIVES

1. CLEARLY, AS A RESULT OF ALL THESE ISSUES AND MORE THE GOVERNMENT MUST NOW CONTEMPLATE CHANGES IN EMPHASIS AND ORIENTATION FOR DEFENCE POLICY. THE CURRENT POLICY REVIEW IS THEREFORE CONSIDERING FUTURE DEFENCE OBJECTIVES TO INCLUDE THE FOLLOWING IN PRIORITY:

- 2 -

- A. DEFENCE, SOVEREIGNTY AND CIVIL RESPONSIBILITIES IN CANADA;
- B. COLLECTIVE DEFENCE ARRANGEMENTS, INCLUDING OUR CONTINENTAL DEFENCE PARTNERSHIP WITH THE UNITED STATES; AND
- C. INTERNATIONAL PEACE AND STABILITY, THROUGH CONTINGENCY OPERATIONS, PEACEKEEPING, ARMS CONTROL AND VERIFICATION, AND HUMANITARIAN ASSISTANCE.

2. IF APPROVED, THIS POLICY MAY SHIFT OUR RELATIVE EMPHASIS FROM EUROPE, AND FOCUS THEM ON NORTH AMERICA, THE PROTECTION OF SOVEREIGNTY AND THE PERFORMANCE OF "SUPPLEMENTARY TASKS". THIS WOULD SATISFY BOTH THE PUBLIC'S DEMAND FOR A "PEACE DIVIDEND" AND THE FINANCE DEPARTMENT'S NEED TO FURTHER REDUCE GOVERNMENT SPENDING.

3. IN DESCRIBING THE PRESENT STATE OF THE POLICY REVIEW, THERE ARE SEVERAL OUTSTANDING FACTORS I SHOULD STRESS:

- A. FIRSTLY, THE POLICY IS IN DEVELOPMENT ONLY AND, I WOULD EMPHASIZE, THE GOVERNMENT HAS YET TO APPROVE ANY CHANGE FROM ITS WHITE PAPER OBJECTIVES.
  
- B. SECONDLY, CANADA WILL REMAIN COMMITTED TO ITS COLLECTIVE DEFENCE ALLIANCES.
  
- C. AND FINALLY, SUCH RECENT DEVELOPMENTS AS THE WAR IN THE PERSIAN GULF AND LAST SUMMER'S OKA SITUATION MAY YET HAVE A SIGNIFICANT IMPACT ON POLICY FORMULATION.

ARMY THEMES AND PRINCIPLES

FORCE DEVELOPMENT

4. LET ME NOW SPEAK BRIEFLY ON FORCE DEVELOPMENT. CONCURRENTLY WITH THE POLICY REVIEW, THE DEPARTMENT HAS UNDERTAKEN A PLANNING EXERCISE AIMED AT PRODUCING A REVISED 15-YEAR PROGRAMME LEADING TO A FORCE STRUCTURE THAT WILL SATISFY BOTH CANADIAN SECURITY REQUIREMENTS AND BE ACHIEVABLE WITH RESPECT TO REALISTIC RESOURCE EXPECTATIONS.

- 4 -

5. IN TERMS OF DESIGNING THE LAND FORCE PORTION OF THIS STRUCTURE, THE GUIDANCE ISSUED BY THE CHIEF OF THE DEFENCE STAFF WAS PRECISE AND CLEAR: "BUILD AN ELEMENTAL ARMY THAT CAN FIGHT. THIS REQUIRED THAT WE REVIEW OUR STRUCTURE AND OPERATIONS FROM BASIC PRINCIPLES, AND THAT WE DO SO IN CONJUNCTION WITH REORIENTATION OF OUR ATTENTION FROM THE EUROPEAN FOCUS OF THE 1987 WHITE PAPER TO THE NEW PRIORITY PROJECTED FOR THE TERRITORIAL ROLE.

6. THE SECOND MAJOR FACTOR AFFECTING OUR STRUCTURE DEVELOPMENT WAS RESOURCES. WE SHOULD EXPECT LITTLE OR NO GROWTH IN ALLOTTED RESOURCES.

7. FINALLY, THE PROJECTED SHORTAGE OF RESOURCES UNDERLINED THE NEED TO SEEK BALANCE. WE BELIEVE THERE SHOULD BE BALANCE BETWEEN ALL SERVICES. AS WELL, THERE MUST BE A REASONABLE BALANCE BETWEEN PERSONNEL, OPERATIONS AND MAINTENANCE AND CAPITAL WITHIN THE ARMY.

#### APPROACH TO STRUCTURING

8. IN ACCORDANCE WITH THESE FACTORS, THE FUTURE LAND FORCE MODEL WAS STRUCTURED FROM FIRST PRINCIPLES.

- 5 -

9. IN DEVELOPING A FORCE MODEL, CERTAIN "ESSENTIALS" HAVE TO INCLUDE:

- A. A FIELD FORCE LARGE ENOUGH TO FIGHT;
- B. MAINTENANCE OF OUR TRAINING ESTABLISHMENT AND PROFESSIONAL EXPERTISE;
- C. THE CAPABILITY FOR CONTINGENCY OPERATIONS; AND
- D. ACCOMMODATION FOR CANADA'S GEOGRAPHY, DEMOGRAPHIC AND LINGUISTIC BALANCE, NON-NEGOTIABLE POLITICAL OBJECTIVES AND FUTURE CONSTRAINTS OR SURPRISES.

10. THIS ANALYSIS RESULTED IN A STRUCTURING CONCEPT IN WHICH THREE THEMES DEFINE THE NATURE OF THE LAND FORCE. THEY UNDERPIN OUR WHOLE APPROACH AND WILL SET THE CHARACTER OF THE FUTURE ARMY.

11. THE FIRST, GENERAL PURPOSE COMBAT CAPABILITY, RECOGNIZES THAT, IN TIMES OF FISCAL RESTRAINT, THE MOST EFFICIENT USE OF RESOURCES WILL BE TO GENERATE FORCES WITH THE INHERENT FLEXIBILITY TO BE ABLE TO



- 6 -

REACT TO THE WIDEST POSSIBLE RANGE OF TASKS. SUCH FORCES MUST INCLUDE ALL COMBAT FUNCTIONS AND THE ABILITY TO COMBINE THEM ON THE BATTLEFIELD IN COMBAT TEAMS AND BATTLE GROUPS.

12. FOR THE PRESENT, OUR MODEL STRUCTURE IS DESIGNED TO BE ABLE TO OPERATE IN LOW TO MID INTENSITY OPERATIONS; AND THE FORCES WITHIN IT WILL BE RELATIVELY LIGHT AND MOBILE, IN ACCORDANCE WITH THE MAJOR ROLES FORESEEN FOR THEM.

13. THE SECOND STRUCTURING THEME IS TOTAL FORCE. THOUGH THE NUMBER AND SCOPE OF DEFENCE COMMITMENTS ARE LIKELY TO CONTINUE IN THE PREDICTABLE FUTURE, SUFFICIENT PERSONNEL RESOURCES DO NOT EXIST TO MEET THESE REQUIREMENTS WITH FULL-TIME SOLDIERS ONLY.

14. THE THIRD THEME, THE RETURN TO A REGIONAL COMMAND FRAMEWORK, WHICH IS ALREADY PARTIALLY IMPLEMENTED, IS ESSENTIAL TO THE FUTURE OF THE LAND FORCE. IT IS A LOGICAL SOLUTION TO FUNDAMENTAL FLAWS IN OUR PRESENT STRUCTURE AND WILL ENHANCE EVERY ASPECT OF THE WAY IN WHICH FORCES ARE GENERATED, DEPLOYED AND SUPPORTED.

- 7 -

15. THE FIELD FORCE WILL BE COMPOSED OF TWO PARTS: MANOEUVRE TROOPS AND DEPLOYMENT TROOPS. MANOEUVRE TROOPS WILL BE EQUIPPED AND TRAINED TO ENSURE THEY CAN BE MOVED TO ANY PART OF THE COUNTRY, OR OFF-SHORE, AS THE NEED ARISES. THEY WILL BE MAINTAINED AT A RELATIVELY HIGH LEVEL OF READINESS AND THUS WILL BE THE FIRST ELEMENTS OF THE FIELD FORCE TO MEET THIS RANGE OF TASKS. BECAUSE OF THE NATURE OF THEIR EMPLOYMENT, THEY WILL BE COMMANDED BY REGULAR FORCE OFFICERS AND MANNED PREDOMINANTLY BY THE REGULAR FORCE. WHEN AVAILABLE FOR FULL-TIME EMPLOYMENT, DURING PEACE TIME AS WELL AS IN DECLARED EMERGENCIES OR WAR, RESERVE SOLDIERS WILL BE A PART OF THESE FORCES.

16. DEPLOYMENT TROOPS, ON THE OTHER HAND, WILL BE HELD AT A LOWER LEVEL OF RESPONSIVENESS TO MEET TASKS SUCH AS MVP, SUSTAINMENT AND MOBILIZATION BASE. THEY WILL BE COMMANDED BY RESERVE FORCE OFFICERS AND MANNED PREDOMINANTLY BY THE RESERVE FORCE.

17. A THIRD ELEMENT, INFRASTRUCTURE, EMBRACES TRAINING SUPPORT AND BASE SUPPORT. IN FUTURE, EACH AREA WILL HAVE AN AREA TRAINING CENTRE COMPOSED OF THREE ELEMENTS: A MILITIA TRAINING SUPPORT CENTRE; A BATTLE SCHOOL; AND RESERVE TRAINING DETACHMENTS.

- 8 -

THE CAPITAL PROGRAMME

18. CLEARLY WHAT I HAVE SAID ABOUT THE FUTURE ARMY WILL BE REFLECTED IN THE NATURE OF OUR EQUIPMENT IN KEEPING WITH THE REORIENTATION OF ATTENTION FROM EUROPE TO NORTH AMERICA.

19. THE CHARACTER OF OUR EQUIPMENT INVENTORY WILL LIKELY NO LONGER BE SET BY THE MBT AND THE ASSOCIATED TRACKED VEHICLES WHICH ARE COMPATIBLE WITH IT. RATHER, THE CENTRAL CAPABILITIES IN THE FIELD FORCE WILL BE BASED ON A NEW MULTI-ROLE COMBAT VEHICLE.

20. THE OBJECTIVE OF THE MRCV PROJECT IS TO DEVELOP A GENERIC COMBAT VEHICLE WITH ARMOUR, INFANTRY AND RECONNAISSANCE VARIANTS. THE CONCEPT OF THE MRCV PROJECT IS A PHASED PROCUREMENT OF A RECONNAISSANCE COMBAT VEHICLE TO REPLACE THE LYNX, AN ARMOUR COMBAT VEHICLE TO REPLACE THE COUGAR, AND AN INFANTRY COMBAT VEHICLE TO MAKE UP THE SHORTFALLS IN APCs. THE QUANTITATIVE REQUIREMENTS ARE BASED UPON THE PLAN TO EQUIP THE CANADIAN BASED FORCE STRUCTURE, A BATTLE GROUP PER AREA TRAINING CENTRE, AND A TR/PL IN EACH ARMOURY.

21. AS A HOST OF POTENTIAL ADVERSARIES HAVE NOT BEEN SO QUICK TO DISCARD THE MBT, ANTI-ARMOUR WEAPONS ARE OF CRITICAL IMPORTANCE. THE TOW UNDER ARMOUR PROJECT, RECENTLY APPROVED, PROVIDES FOR THE LONG RANGE HEAVY ANTI-ARMOUR NEEDS OF OUR FUTURE FORCE STRUCTURE.

22. THE SHORT RANGE ANTI-ARMOUR WEAPON HEAVY PROJECT, A JOINT VENTURE BETWEEN CANADA AND FRANCE, WILL PROVIDE THE ARMY WITH A WEAPON CALLED ERYX. THIS WEAPON WILL BE DESIGNED TO DEFEAT ARMOUR UP TO AND INCLUDING T80s AND THE FUTURE SOVIET TANK.

23. THE SMALL ARMS REPLACEMENT PROJECT (SARP) NOW NEARING COMPLETION HAS BEEN IN IMPLEMENTATION FOR SIX YEARS. SARP PROCURED MORE THAN 80,000 C7, C8 AND C9 RIFLES TO SATISFY THE TOTAL FORCE REQUIREMENT. OF THESE, APPROXIMATELY 55,000 ARE TO BE DISTRIBUTED TO THE REGULAR AND RESERVE FORCE. THE REMAINDER WILL BE HELD AS OPERATIONAL AND LOGISTICS STOCKS.

24. THE APRIL 1989 BUDGET, WHICH RESULTED IN CANCELLATION OF ALL BUT THE TACTICAL RADIO PORTION OF THE TCCCS PROJECT, ALSO REDUCED THE PROJECT FUNDING LEVEL. AS MOST OF YOU ARE AWARE, THE ANNOUNCEMENT OF

- 10 -

COMPUTING DEVICES AS PROJECT WINNER WAS MADE IN NOVEMBER 1990. TCCCS IS SCHEDULED TO START FIELDING EQUIPMENT IN THE 1995 TO 1996 TIMEFRAME.

25. OTHER CCIS PROJECTS INCLUDE:

- A. THE LAND FORCE INFORMATION SYSTEM PROJECT WHICH IS TO PROVIDE THE LAND FORCES WITH BOTH AN INFRASTRUCTURE AND TACTICAL INFORMATION SYSTEM. IT WILL PROVIDE THE AUTOMATION FOR FORMATION LEVEL HQS IN GARRISON AND IN THE FIELD, AND THE UNIT LEVEL INTERFACES TO COMMUNICATION DEVICES BEING PROVIDED BY TCCCS;
  
- B. THE FOLLOW-ON TO CURRENT CCIS CAPABILITY AND PROJECTS IS THE TACTICAL COMMAND, CONTROL AND INFORMATION SYSTEM PROJECT, WHICH IS BEING REFERRED TO "IN HOUSE" AS THE SON OF TCCCS. IT IS PLANNED TO START DEFINITION AT THE TURN OF THE CENTURY AND SHOULD REMAIN IN SERVICE UNTIL AT LEAST 2015-2020; AND

C. THE LAND TACTICAL ELECTRONIC WARFARE IMPROVEMENT PROJECT, WHICH WILL PROVIDE AN ACCEPTABLE GENERAL PURPOSE EW CAPABILITY FOR THE LAND FORCES, WAS APPROVED BY THE DEPARTMENT IN APRIL 1990.

26. IN THE FIRE SUPPORT CATEGORY, PROJECTS CONTINUE TO BE REORIENTED AWAY FROM THE HIGH-INTENSITY CONFLICT REQUIREMENT. MOST SIGNIFICANTLY, THE NEED TO CHANGE FROM MEDIUM TO PRIMARILY LIGHT ARTILLERY IS CONFIRMED.

27. THE LIGHT ARTILLERY PROJECT WILL PROVIDE A COMBINATION OF NEW LIGHT GUNS AND UPGRADED C1, 105 MM HOWITZERS TO MEET THE REQUIREMENTS OF BOTH THE REGULAR FORCE AND THE RESERVES.

28. THERE IS A MEDIUM INDIRECT FIRE SUPPORT PROJECT, WHICH WAS ORIGINALLY DEVELOPED TO REPLACE THE M109, BUT IT IS NOW CONCERNED WITH A MUCH LESSER REQUIREMENT. IT IS OUR BELIEF THAT MEDIUM ARTILLERY IS REQUIRED TO PROVIDE THE RANGE AND WEIGHT OF FIRE NECESSARY TO DEFEAT LIGHT ARMOUR AND SOFT SKINNED VEHICLES, MATERIEL TARGETS AND DEFENSIVE POSITIONS AND THUS MUST BE RETAINED IN THE INVENTORY.

29. AVIATION IN THE ARMY PROGRAMME HAS BEEN THE SUBJECT OF CLOSE SCRUTINY IN THE PAST FEW MONTHS. A MAJOR CHANGE IN THE ARMY'S TACTICAL AVIATION REQUIREMENT HAS RESULTED FROM THE DECISION TO PROVIDE THE TACTICAL AVIATION SUPPORT TO FMC WITH A SINGLE FLEET BASED UPON UTH AIRCRAFT. THE UTILITY TACTICAL TRANSPORT HELICOPTER ACQUISITION PROJECT HAS BEEN INCREASED IN SCOPE TO ADDRESS THE FUTURE TOTAL FORCE LIFT REQUIREMENT.

30. CURRENT ACTIVITY IN THE FUNCTIONAL CATEGORY OF LOGISTICS AND TRANSPORTATION IS INVOLVED WITH THE NORTHERN TERRAIN VEHICLE AND HEAVY AND LIGHT TRUCKS.

31. THE NORTHERN TERRAIN VEHICLE PROJECT IS REQUIRED TO PROVIDE TERRITORIAL DEFENCE FORCES WITH THE MOBILITY NECESSARY TO ACCOMPLISH MISSIONS IN REMOTE AND MARGINAL TERRAIN AREAS. THE PROJECT AIMS TO PROCURE THE BV 206 FOR SELECTED INFANTRY BATTLE GROUPS.

32. OUR HEAVY LIFT VEHICLE WHEELED (HLVW) IS NOW IN PRODUCTION. APPROXIMATELY 400 TRUCKS HAVE BEEN DELIVERED FROM A TOTAL BUY OF 1212 VEHICLES. WE HAVE ORDERED EIGHT VARIANTS WHICH INCLUDE THE DISMOUNTABLE

FLAT RACK SYSTEM (DFRS). THE MAJORITY OF THE TRUCKS WILL REMAIN IN CANADA WITH A SMALL NUMBER DEPLOYED TO CFE TO MEET THE NEEDS OF THE LLAD REGIMENT. TRUCKS ARE BEING DELIVERED TO UNITS AS THEY BECOME AVAILABLE.

33. THE LIGHT SUPPORT VEHICLE (WHEELED) PROJECT WILL PROVIDE A REPLACEMENT VEHICLE FOR THE 5/4 TON TRUCK. THE RFP WAS ISSUED TO INDUSTRY THIS FALL AND RESPONSES ARE DUE IN THE MARCH/APRIL 1991 TIMEFRAME.

34. THE NEXT GROUP OF PROJECTS I WISH BRIEFLY TO REVIEW IS PART OF THE TRAINING AND SIMULATION FUNCTIONAL GROUPING. IT HAS BEEN RECOGNIZED THAT DUE TO THE NATURE OF THE DEFENCE PROGRAMME MANAGEMENT SYSTEM AND THE MANY FUNDING CONSTRAINTS OVER PAST YEARS, WE HAVE BEEN GUILTY OF INTRODUCING EQUIPMENT WITHOUT DUE REGARD TO THE NECESSARY TRAINING INFRASTRUCTURE. EQUALLY, WE HAVE COME TO RECOGNIZE THE BENEFITS OF SIMULATION IN THE REDUCTION OF TRAINING COSTS. THIS APPROACH IS RELATIVELY IMMATURE IN THAT IT HAS ONLY BEEN SINCE THE 1987 WHITE PAPER THAT SERIOUS EFFORTS HAVE BEEN MADE TO INCLUDE PROJECTS OF THIS TYPE IN THE DSP. PROJECTS INCLUDE: DIRECT FIRE TARGETRY; WEAPONS EFFECTS SIMULATION; COMMAND AND CONTROL TRAINER; AND AN OMNIBUS TOTAL



FORCE TRAINING AND SIMULATION PROJECT TO CATER FOR INDIVIDUAL TRAINING AT THE UNITS AND ARMOURIES.

35. THE LAND RESERVE MODERNIZATION PROJECT IS AN OMNIBUS PROJECT WHICH WILL PROVIDE CENTRALIZED EQUIPMENT, PERSONNEL AND TRAINING SERVICES TO THE MILITIA. THE PROJECT WILL PREPARE THE GROUND WORK FOR THE AREA TRAINING CENTRES, AND THE ACQUISITION OF SIMULATION AND TRAINING DEVICES AND LIGHT ARMoured VEHICLES FOR THE MILITIA.

36. AS THE FLAGSHIP OF LRMP, THE MILITIA LIGHT ARMoured VEHICLE (MILLAV) PROJECT IS PROCURING A TOTAL OF 221 VEHICLES FOR MILITIA TRAINING AT MILITIA TRAINING AND SUPPORT CENTRES (MTSCs). OF THESE, 199 WILL BE GENERAL MOTORS 8 X 8 BISON VEHICLES; THE REMAINING 22 VEHICLES WILL CONSIST OF 14 M113 FIELD ENGINEER VEHICLES AND 8 TUA VEHICLES. THE PASSENGER COMPARTMENT OF THE BISON HAS BEEN CONFIGURED TO RESEMBLE THAT OF AN M113 AS MUCH AS POSSIBLE, INCLUDING A REAR RAMP. ALTHOUGH THE VEHICLE IS BEING PROCURED TO PERMIT THE MILITIA TO TRAIN, ITS PERFORMANCE SPECIFICATIONS HAVE BEEN STATED IN REALISTIC OPERATIONAL TERMS (IE, UP TO MID-INTENSITY). DELIVERIES COMMENCED IN SUMMER 1990.

- 15 -

37. WE HAVE DEVELOPED A RANGES AND TRAINING AREAS FOR CANADA PROJECT TO PROVIDE THE LAND WEAPONS RANGES AND TRAINING AREA FACILITIES NECESSARY TO TRAIN THE TOTAL FORCE FOR OPERATIONS. THE PROJECT WILL CONSIDER BY PRIORITIZED REQUIREMENTS IDENTIFIED BY THE ARMY STAFF.

#### CONCLUSION

38. IN SUMMARY, THE STRUCTURE AND EQUIPMENT OF THE ARMY IS CHANGING TO REFLECT THE NEW ENVIRONMENT FOR DEFENCE. IN BROAD TERMS, WE MAY BE CHANGING OUR RELATIVE EMPHASIS FROM THE FULLY MECHANIZED CAPABILITIES WE NOW FIELD FOR THE HIGH INTENSITY BATTLEFIELD OF CENTRAL EUROPE TO A LIGHTER AND MORE MOBILE CONFIGURATION WHICH IS SUITABLE FOR TERRITORIAL DEFENCE AND SOME CONTINGENCY OPERATIONS. THIS WILL ALSO INFLUENCE THE NATURE OF OUR EQUIPMENT, BUT OUR TRAINING AND DOCTRINE WILL CONTINUE TO FOCUS ON COMBINED ARMS OPERATIONS.

39. CANADA IS FACING A TRYING FINANCIAL FUTURE, AND IT WOULD NOT BE REALISTIC TO BELIEVE THAT REDUCED DEFENCE SPENDING SHOULD NOT BE A PART OF THE SOLUTION TO THIS PROBLEM. NEVERTHELESS, THE INTERNATIONAL ENVIRONMENT REMAINS UNSTABLE AND UNPREDICTABLE.

AND IT IS CERTAIN THAT THE GOVERNMENT WILL CONTINUE TO PLACE CONSIDERABLE DEMANDS ON ITS ARMY. IF ANYTHING, OUR NATIONAL INTERESTS ARE BECOMING MORE WIDESPREAD AND OUR REACTION TO SUPPORT OR PROTECT THEM MUST BE MORE RESPONSIVE THAN EVER BEFORE. CONSEQUENTLY THE EQUIPMENT AND TRAINING SYSTEMS DEVELOPED AND DESIGNED FOR THE LAND FORCE WILL REFLECT A NEW ORIENTATION TOWARD A LIGHTER, MORE MOBILE FORCE MANNED BY REGULAR AND PART TIME SOLDIERS, BUT THE RESULTING ARMY MUST NONETHELESS PROVIDE THE GOVERNMENT THE ESSENTIAL GENERAL PURPOSE COMBAT CAPABILITY THAT IT NEEDS TO FULFILL OUR TRADITIONAL ROLE. IT SHOULD BE APPARENT THAT WE IN CDDC ARE MOVING TOWARDS THIS GOAL WITH OUR EQUIPMENT PROGRAMME AND DEFENCE REVIEW DELIBERATIONS.

LADIES AND GENTLEMEN, THAT CONCLUDES MY REMARKS. I LOOK FORWARD TO YOUR QUESTIONS.

0597a



**FD CI** FRED DOUCET  
CONSULTING  
INTERNATIONAL

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COVER LETTER/PAGE COUVERTURE - TELECOPY/TELECOPIE

Date: March 8, 1991

TO/À: Mr. Karlheinz Schreiber

FIRM/SOCIÉTÉ:

011-49-8191-7888

FAX:

FROM/DE: J.A. Doucet

WE ARE TRANSMITTING PAGES 7 INCLUDING THIS COVERING PAGE  
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| <input type="checkbox"/>            | Follow by courier |
| <input checked="" type="checkbox"/> | Be filed          |

Message

Dear Karlheinz,

For your information I enclose a copy of an exchange in the Question Period yesterday in the House of Commons.

All the best,

Sincerely,

J.A. Doucet

c.l. Oral Questions)

1450-6

*O.P. - March 7/91*

(After French—Mr. Masse)

(English)

Mr. Ian Waddell (Port Moody—Coquitlam): My question is to the Minister of Justice.

Will the Minister confirm that a consortium of companies, including General Motors of Canada and Diemaco, has recently signed a contract to export light armoured vehicles. The House saw those type of vehicles in the Oka crisis. They have machine guns on top of them. The contract is with Saudi Arabia and it is worth hundreds of millions of dollars.

We should confirm that the contract appears to stand in violation of Canadian law.

Would the Minister tell the House is the government considering an amendment to the Criminal Code of Canada and the Export and Import Act to allow this deal to go through?

1450-7

(c.l. Oral Questions)

Hon. John C. Crosbie (Minister for International

Trade): Mr. Speaker, as I told the House, I believe it was on  
December 20 in answer to a question from the hon. member for  
Kitchener in whose district the firm of Diemaco is located, the  
government is considering such an amendment.

1455 follows

- End of Tape -

1455-1

c.l. Oral Questions)

(Mr. Crosbie)

1455

070391

don

Diemaco is the manufacturer of automatic weapons and as a result of a technical problem in the Criminal Code its business is interfered with. It has about 500 employees I believe in Kitchener and it is necessary if that firm is to continue operating. If it is to continue to supplying automatic weapons to the Canadian Armed Forces it has to be able to enter into contracts with others outside Canada who pass the intense scrutiny and control that is given to this matter by the Department of External Affairs.

So, yes, that is under consideration as it has been for some time and as I explained in the House on December 20.



1458-2

c.1. Oral Questions)

(Mr. Ian Waddell (Fort Moody—Coquitlam): Mr. Speaker, I have a supplemental question for the Prime Minister on this matter. His Secretary of State for External Affairs, Mr. Clark, said the other day, "If there is one priority, one lesson which the world must learn from this war, it is that an unrestricted arms trade in this region, the Middle East, is no longer acceptable and constitutes a threat to the security of all members of the UN". I could also quote his letter to Perez de Cuellar on the matter of arms sales.

Instead, I want to ask the Prime Minister: Is this the time for Canada to be making a record arms sale to the Middle East and indeed, changing our existing gun control and export laws to do

11. Oral Questions

[Hon. John C. Crosbie (Minister for International Trade): ...

Mr. Speaker, there are arms and then there are arms. We are discussing automatic weapons, that is rifles and other small arms of that nature, machine guns and the like which are necessary for armies to have and for police forces to have and civil authorities to have if they are to be in a position to keep order even in their own countries. We are not discussing other offensive or horrendous weapons of war.

The hon. members will look at the report I tabled yesterday on behalf of the Secretary of State for External Affairs, they will see the small amount of arms exports that Canada does have and the strict system of controls there is. I can assure hon. members that the Secretary of State for External Affairs keeps a very close personal eye--





## BEAR HEAD INDUSTRIES LIMITED

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Dr. Fred Doucet  
FDCI  
Suite 200  
440 Laurier Ave. West  
Ottawa, Ont.  
K1R 7X6

April 2, 1991

Dear Fred:

As agreed during our most recent discussions, I write today to review the essential elements with respect to the Thyssen-Bear Head Industries (Thyssen-BHI) project.

From the outset, it has been the intention of the Thyssen-BHI project to establish in North America, an advanced technology, heavy industrial facility for both the domestic and the export market. In choosing to establish in Canada, we first had to reach the conclusion that our products could be successfully exported into the United States. This was soundly demonstrated in the success of Thyssen's Fox NBC vehicle which was selected by the U.S. Army, over an American competitor, last spring. It is our plan to fabricate a share of this 268 vehicle order in Canada, provided we can get the Thyssen-BHI facility in place to meet the 1993 production schedule.

With respect to the Canadian Army's requirement, it was recently confirmed in an Army speech to industry that the priority armoured vehicle program is the Multi Role Combat Vehicle (MRCV). The MRCV operational requirements must support the Army in a spectrum of roles which includes: defence of Sovereignty, collective security, civil responsibilities, and international peace and stability contingency operations-peacekeeping.

The Canadian MRCV performance requirements include air transportability via Hercules C130 aircraft and the ability to engage in mid intensity combat.

Thyssen has closely observed the Canadian Army requirements as the MRCV program was developed, and recently commenced the construction of prototypes for a new armoured vehicle, the TH 495. This vehicle has been designed to meet the requirements of Canada's MRCV program and of other NATO country programs which are similar.

The Gulf war made abundantly clear to the allied forces involved, the need for air transportability of modern armoured and NBC (Nuclear, Biological, Chemical) protected vehicles.

We see the Thyssen TH 495 having a strong market among NATO armies, and this assures the prospects for success with the Thyssen-BHI venture in Canada.

I have attached a few notes with regard to getting the Thyssen-BHI project underway in Canada.

I look forward to seeing you next week.

Best regards,



Karlheinz Schreiber

### What is needed for the Thyssen-Bear Head Industries' Project to go ahead?

The Thyssen-BHI project is intended to comprise the establishment of a diversified advanced technology production facility as a base of North American heavy industrial production, drawing on the array of Thyssen Industries AG technology.

Among the commercial activities will be environmental protection technologies for the treatment of acid rain causing flue gases and the composting of organic components of municipal solid waste. Other commercial areas of activity targeted include industrial automation, and activity in offshore oil exploration and recovery equipment.

The defence production aspect of the Thyssen-BHI venture is intended as a stable high technology manufacturing base upon which the aforementioned diversification will be based.

To get the Thyssen -BHI project started, two key elements are necessary:

1. An order for 250 armoured vehicles from the Canadian Army's MRCV requirement (Total MRCV requirement is believed to be 700+ vehicles)

Thyssen-BHI propose the Thyssen TH 495 armoured vehicle which has been designed in compliance with the Canadian Army's MRCV program as it has developed.

#### TH 495 highlights:

- weight class: 16 metric tonnes
- air transportable: via Hercules C130 aircraft
- protection: armour, basic: 7.62mm AP (armour piercing)  
armour, add-on: against 30mm (AP)  
environment, NBC protected (Nuclear, Biological, Chemical)
- family concept design: variants include - reconnaissance, combat and infantry
- unit price: \$1.4 M (Canadian)  
estimates based on conversion of known German costs to Canadian for baseline vehicle

- logistic costs:

based upon Thyssen experience as prime contractor on a variety of armoured vehicle programs, a factor can be applied to unit cost to estimate the associated costs of tools, spares, technical documentation, training, operation costs and maintenance costs.

For a program of 250 TH 495 for Canadian DND, we would estimate the logistic costs factor at:

1.17 over a 3 year life cycle  
1.30 over a 10 year life cycle

- total program cost:

reflects acquisition costs combined with logistics costs.

Assuming a 250 unit start-up order:

1.4 M unit cost  
X 250 unit start-up order  
\$ 350 M acquisition cost

add + 59.5 M logistic costs over first 3 years

Total program cost \$ 409.5 M over 3 years

or for 10 years

1.4 M unit cost  
X 250 unit start-up order  
\$ 350 M acquisition cost

add + 101 M logistic costs over 10 years

Total program cost \$ 451 M over 10 years

## 2. Land and Infrastructure Establishment

Sufficient land (300 acres) and basic industrial infrastructure and services (including rail spur) is to be provided at a site mutually agreeable to the Government of Canada and the Company.

Infrastructure costs for a "greenfield site" in 2 km proximity to existing roads and services are estimated at \$12.2 M (Dec. 1990)

No establishment grant programs as administered under the Department of Industry Science and Technology are requested.

The estimated capital investment by Thyssen is \$ 61 Million (Dec 1990)

The estimated direct employment is expected to be reached 500 by 1994

Indirect employment has been estimated at 750 to 1000 .

---

### Summary

If this route can be chosen to establish the Thyssen-BHI facility, I believe it will bring significant benefits to Canada through the aforementioned direct and indirect jobs, new technology development in Atlantic Canada's industrial base, and the valuable contribution of exports to the economy.

Furthermore, I believe this very limited request for Government participation in this project should be a refreshing contrast to past demands made by industries who chose the Maritimes as their base of operations.





**FDCI**  
**FRED DOUCET**  
**CONSULTING**  
**INTERNATIONAL**

12 April 1991

Mr. Paul Tellier  
Clerk of the Privy Council and  
Secretary to the Cabinet  
Government of Canada  
332 Langevin Block  
Ottawa, ON

Dear Paul,

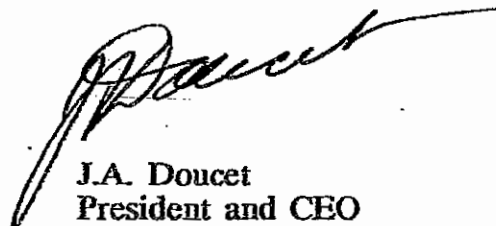
Karlheinz Shreiber and I appreciated the time you provided us yesterday and the leadership you are prepared to give to the Bearhead Industries project.

We sincerely hope we were able to bring some clarity to what has been a very frustrating experience in trying to get this remarkable project kick started.

As an addition to the updated MOU that I left with you yesterday, I now enclose a brief review of the project prepared by Bearhead Industries.

Again our sincere thanks and we eagerly await your call for the next meeting which you felt would be early next week.

Yours sincerely,



J.A. Doucet  
President and CEO

*Karlheinz Shreiber*  
encl.

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## BEAR HEAD INDUSTRIES LIMITED

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### THE CASE

The prospect of establishing in Nova Scotia a diversified advanced technology production facility as a base of North American heavy industrial production, drawing on the array of Thyssen Industries AG technology, has been a six-year mission. As a conclusion is now required by the Company, it is sincerely hoped that the efforts to establish in Canada will be successful.

Among the commercial activities targeted for this facility will be environmental protection technologies for the treatment of acid rain causing flue gases and the composting of organic components of municipal solid waste. Other commercial areas of activity targeted include industrial automation, and activity in offshore oil exploration and recovery equipment.

The defence production aspect of the Thyssen-BHI venture is intended as a stable high technology manufacturing base upon which the aforementioned diversification will be based.

The estimated capital investment by Thyssen is \$ 61 Million (Dec 1990)

The estimated direct employment is expected to reach 500 by 1994

Indirect employment has been estimated at 750 to 1000 .

No establishment grant programs as administered under the Department of Industry Science and Technology are requested.

Infrastructure costs for a "greenfield site" in 2 km proximity to existing roads and services are estimated at \$12.2 M (Dec. 1990)

It is anticipated that 1/3 of this would be contributed by the Province of Nova Scotia, and 2/3 (8 Million 12/90) by the Federal Government through ACOA.

To get the Thyssen -BHI project started, two key elements are necessary:

#### 1. Land and Infrastructure Establishment

Sufficient land (300 acres) and basic industrial infrastructure and services (including rail spur) is to be provided at a site mutually agreeable to the Government of Canada and the Company.

---

April 9, 1991



# BEAR HEAD INDUSTRIES LIMITED

- total program cost: reflects acquisition costs combined with logistics costs.  
Assuming a 250 unit start-up order:

1.4 M unit cost  
X 250 unit start-up order  
\$ 350 M acquisition cost

add + 59.5 M logistic costs over first 3 years

Total program cost \$ 409.5 M over 3 years

or for 10 years 1.4 M unit cost  
X 250 unit start-up order  
\$ 350 M acquisition cost

add + 101 M logistic costs over 10 years

Total program cost \$ 451 M over 10 years

Financial impact to the project will spread over multiple fiscal years. For purposes of demonstration, it has been assumed the project will be engaged now and deliveries to the Canadian MRCV program will commence in FY 1993/94.

FEDERAL EXPENDITURES FY: (1990 Dollars)	1991/92	92/93	93/94	94/95	95/96	96/97 TO 2001	TOTAL:
FEDERAL INFRASTRUCTURE (ASSUMES 30% BORN BY PROVINCE)	8 M						8 M
VEHICLE ACQUISITION COSTS (ASSUMES 250 UNITS DELIVERED OVER 3 YEARS)			42 M	154 M	154 M		350 M
LOGISTIC COSTS (INCLUDES TRAINING, DOCUMENTATION, SPARES, MAINTENANCE, ETC)				15 M	15 M	71 M	101 M
TOTAL:	8 M		42 M	169 M	169 M	71 M	459 M

## OPTIONS:

i) Should it be agreed necessary, the Company could offer bridge-financing in

April 9, 1991



## BEAR HEAD INDUSTRIES LIMITE

association with the Canadian MRCV program.

ii) It is recognized that the Government may wish to engage the contract at this present time but to delay commencement of the delivery schedule of the vehicles to a fiscal year later than that shown. In either case, given a firm contract now, the Company is willing to proceed. It is the Company's intention to proceed with start-up of the facility to achieve production in 1993 based on subcontract work for the Thyssen Henschel/General Dynamics order for the supply of Thyssen Fox NBC vehicles to the US Army.

### Summary

In the late 1950's and early 60's the Western armies, led by the US, introduced a light armoured vehicle, the M113, which eventually became their standard equipment and which today numbers some 90,000 vehicles. The M113 capabilities have now been outstripped in terms of protection and mobility and many armies, notably Canada and its NATO partners, are at varying stages of defining a replacement for the M113. In fact a NATO Committee is currently addressing this topic. The MRCV is the Canadian answer to this need. The production of this particular vehicle in Canada, given its peacekeeping attributes, makes it particularly attractive both for domestic purposes and for export possibilities.

The potential for the successful replacement is considerable and should the MRCV prove to be the most timely and suitable candidate the country with the ability and license to produce it stands to establish an immense export market.

If this route can be chosen to establish the Thyssen-BHI facility, I believe it will bring significant benefits to Canada through the aforementioned direct and indirect jobs, new technology development in Atlantic Canada's industrial base, and the valuable contribution of exports to the economy.

Furthermore, I believe this very limited request for Government participation in this project should be a refreshing contrast to past demands made by industries who chose the Maritimes as their base of operations.

April 9, 1991



## 2 BEAR HEAD INDUSTRIES LIMITED

2. The Department of National Defence has determined a need for a multipurpose armoured vehicle with utility for both peacekeeping and military missions.

An order for 250 armoured vehicles from the Canadian Army's MRCV requirement (approximately 1/3 of the total Canadian MRCV requirement). This is required to "kick-start" the project.

Thyssen-BHI propose the Thyssen TH 495 armoured vehicle which is being designed in parallel with the Canadian Army's MRCV program as it has developed.

### TH 495 highlights:

- weight class: 16 metric tonnes
- air transportable: via Hercules C-130 aircraft
- protection: armour, basic: 7.62mm AP (armour piercing)  
armour, add-on: against 30mm (AP)  
environment, NBC protected (Nuclear, Biological, Chemical)
- family concept design: variants include - reconnaissance, combat and infantry
- unit price: \$1.4 M (Canadian)  
estimates based on conversion of known German costs to Canadian for baseline vehicle
- logistic costs: based upon Thyssen experience as prime contractor on a variety of armoured vehicle programs, a factor can be applied to unit cost to estimate the associated costs of tools, spares, technical documentation, training, operation costs and maintenance costs.  
For a program of 250 TH 495 for Canadian DND, we would estimate the logistic costs factor:  
1.17 over a 3 year life cycle  
1.30 over a 10 year life cycle

April 9, 1991



Mr./M. Tellier  
Mr./M. Shortliffe  
Mr./M. Wright  
Mr./M. Bilodeau  
Mr./M. Rowat  
Ms./Mme Billings

SECRET

April 17, 1991

MEMORANDUM FOR MR. PAUL M. TELLIER

FOI - CIRO IICP - BHP
Original <u>8470-5</u>
Copies _____
Ident. <u>82917</u>

Analysis of the New Thyssen Proposal

On April 12, Mr. J.A. Doucet sent you a new proposal on behalf of Thyssen/Bearhead Industries. The purpose of this note is to give you an assessment of this new proposal.

Background

Thyssen is asking for a firm contract from DND for 250 light armoured vehicles and \$8 million in assistance from ACOA (plus \$4.2 million provincial) to establish a \$61 million manufacturing facility in Nova Scotia (believed to be in Pictou County).

The previous Thyssen proposal was for a \$290 million contract, either 207 of the new TH 495's or 250 of the less expensive existing Fox model. The latter are not well suited to DND's operational needs and the TH 495 exists in prototype form only, a source of concern to DND. Thyssen is now requesting a \$350 million contract for 250 of the TH 495 (Annex I compares the new proposal to the previous one.)

Using DND calculations the new proposal would cost \$875 million, inclusive of operations and maintenance (O&M), using the DND O&M factor of 2.5 (\$350 million times 2.5 -- we have documentation on this factor which DND views as "conservative"). Thyssen calculations include only \$101 million for O&M over 10 years, an implicit factor of about 1.3, for total project costs of \$451 million.

DND also estimates further costs of \$330 million, representing unforecasted O&M and inefficiencies due to a lack of fleet rationalization, raising their estimated total costs of acquiring 250 TH 495's to \$1205 million relative to a budgeted amount of \$290 million, which funding is not sourced. Some of

*NO  
we took it  
out of  
was very  
technical  
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(90)



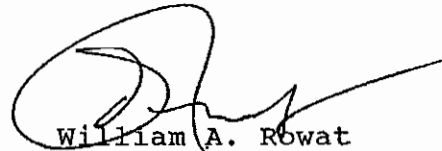
these extra costs come from Thyssen proposing to deliver the vehicles several years earlier than DND needs them. Thyssen has now indicated that it is prepared to be more flexible on the delivery date but has provided no specifics. With a firm DND contract, it would apparently go ahead with construction of the plant so as to fulfil a small U.S. contract it hopes to secure.

Comment

Nothing in the revised proposal alleviates any of our fundamental concerns about this project. It involves DND acquiring a product that has not been demonstrated to meet its requirements; in quantities larger than it requires; at a price higher than it can afford; in a time frame in advance of its needs, and for which a source of funds has not been identified.

One must also consider the regional balance question. Reductions in defence procurement are expected to be announced shortly, affecting Quebec, Ontario and the West. It would be difficult to explain moving forward on this project for Nova Scotia at the same time that plants in these other regions will have to close.

The U.S. is also reducing defence procurement, so the pressure to source its remaining procurements domestically will be heightened. We understand from our Washington Embassy that in this new environment Thyssen has a very low probability of winning many of the contracts it needs to make the Nova Scotia plant financially viable.

  
William A. Rowat

MacGillivray/lc



**Karlheinz Schreiber**

Suite 908, 350 Sparks Street, Ottawa, Ontario  
Telephone: (613) 563-3321 Fax: (613) 563-3321

**PERSONAL AND CONFIDENTIAL  
HIS EYES ONLY!**

---

April 19, 1991

The Right Honourable  
Brian Mulroney  
Prime Minister of Canada  
Langevin Block  
80 Wellington Street  
Ottawa, Ontario  
K1A 0A2

Dear Prime Minister:

As a follow-up to our meeting of last week, I have noted a few items which I feel are important for you to be aware of.

Since you made it very clear in your statements what your principles are, and how much you care about your people and especially about the safety of your Armed Forces who serve them, I am more determined than even before to support you through pursuit of the Thyssen-BHI project.

Unfortunately, to fulfil this commitment to you, I think I have to help you to identify information which may have misled you on the Thyssen project. So far during my experience on this project, I have been frightened to think this may also occur on other initiatives.

Attached, you will find an "Aide Memoire", and comments in response to questions from the Minister of ACOA.

If you will allow me, I would suggest that you keep this all for your personal interest as I intend to table these attachments during my up-coming meetings with your officials.

I think there is no need for me to comment on the continuing meeting we had with Mr. Tellier after your departure, as I know, Fred will do this. Rather, let me lead your attention to items which you were interested in.

In your presence, Mr. Tellier told you that DND could buy the appropriate MRCV for Canadian Forces for a price of \$500,000. This is just nonsense.

Stanley Hartt showed me a report from Paul Tellier, dated August 10, 1990, in which it was stated, "Mr. McKnight is strongly opposed to this project on financial, policy and operational grounds". This cannot be true, for Bill McKnight told me several times, in the presence of Elmer MacKay, that he would love to go for the project but that he unfortunately had insufficient funding in his department.

In the same document, General Motors Diesel Division in London, Ontario is described as successfully competing in the field of armoured vehicles and has obtained an important contract in Saudi Arabia. This is not true.

From information contained in a separate document prepared by ACOA in December 1990, I was asked by Minister MacKay to respond to comments from External Affairs, stating their concern that by directing a major military purchase to a non-US (i.e. German) source, Canada will initiate US trade interests and threaten access to the US defence market.

This comment is misleading, for the entire Thyssen-BHI project was described to the Under Secretary of the US Army and received his endorsement. This meeting took place in the presence of the Minister Counsellor of the Canadian Embassy.

If there are any doubts on your side, on the statements given to you by the Company, and the merits of the proposal, the Company is prepared to submit to an appraisal of these issues by an internationally recognized authority.

Lastly, about the comments of Mr. Fowler who told us from the beginning that we "are not going to get this project" and the equally unbelievable remarks of Lt.Gen Huddleston, I will only remind you of our discussion.

As an independent individual, and your true friend, I can only tell you, that in my opinion, the Thyssen project, realized in Canada, will be the best economic and political tool, I can possibly imagine.

I would appreciate if you could find the time that I could explain all this in greater detail.

Wishing you all the best and with

Warm regards,

  
Karlheinz Schreiber

## AIDE MEMOIRE

1. Q: Is it in fact a stated policy of the Government to use DND Capital program spending to promote regional economic development?

A: Yes, as stated in the White Paper on Defence in June, 1987, and publicly declared Cabinet policy.

2. Q: Is it the intent of the Government to promote exports of products made in Canada, and within this goal promote the development and manufacture of products in Canada which can be successful in export markets?

A: Yes. All parties would agree that increased exports are vital to Canada's overall economic recovery, and future survival as a player in the global market.

3. Q: Is it agreed that the Canada-United States Free Trade Agreement (FTA) and Defence Production Sharing Agreement (DPSA) must be utilized as vital tools of entry to the US market by Canadian products?

A: Yes, otherwise the Mulroney Government's negotiation and implementation of the FTA is ignored.

4. Q: Should the branches of the Federal Government not support initiatives which specifically target the export market covered under the Canada-US Free Trade Agreement?

A: Yes, and the Thyssen BHI project is an example of such an initiative.

5. Q: Regarding the Army's MRCV project, relative to DND's overall program, one can observe that the Air Force is equipped with modern fighter jets, notably the CF 18, while the Navy has begun to receive their new frigates which will be followed by the NSA helicopters and the new minesweeper vessels. However, it appears the Army is left with obsolescent combat vehicles.

With this in mind, are there any significant changes to army equipment from the status described in testimony to the Senate Defence Committee, May 26, 1987 by then Commander of Mobile Command Gen. Jim Fox?

A: No, with respect to combat vehicles for the regular troops, no change has occurred.

6. Q: Did Army soldiers face the threat of injury from 7.62 AP (armour piercing)

ammunition while in their armoured personnel carriers during the "stand-off" with Native Canadians at Oka in 1990?

A: Yes, in fact the Leopard 1 main battle tank was deployed on the final approach to the barricades.

7. Q: Could Canadian soldiers also face threats as common as 7.62 AP ammunition penetrating their current armoured personnel carriers during assignments to UN peacekeeping missions, including the Gulf region?

A: Yes.

8. Q: Are the Canadian Forces presently able to deploy troops into a contaminated zone using vehicles with an integral NBC (Nuclear, Biological, Chemical) protective system?

A: No.

9. Q: Has the Canadian Army placed the Multi Role Combat Vehicle (MRCV) as their top priority in equipment requirements?

A: Yes.

10. Q: Is NATO (Nato Industrial Advisory Group - NIAG) working on a standard requirement for NATO nations along the lines of the MRCV requirements?

A: Yes.

11. Q: In light of the experience of the Gulf crisis, is this MRCV applicable to the future needs of our allies?

A: Yes.

12. Q: Are the parties involved aware that for example the German forces have no vehicle such as the MRCV suitable to their future participation in the planned NATO "rapid reaction forces", and will be seeking a new design?

A: Yes.

13. Q: Given Canada's international reputation as pioneers and leaders in the in the concept of UN peacekeeping, would a Canadian made vehicle not enjoy an ideal trade mark in the maple leaf?

A: Yes.

14. Q: Are the parties involved agreed that departure from the prospect of export potential as a necessary feature of the vehicle which is procured as Canada's MRCV may have serious negative consequences in the cost of operation and maintenance, due to the absence of inter-operability of such a vehicle among Canada's allies.

A: Yes.

15.Q: What are the essential characteristics in a peacekeeping and Multi Role Combat vehicle (MRCV)?

- A:
- 1) air transportable in the Hercules C 130
  - 2) armour protection against a minimum of 7.62 AP ammunition
  - 3) protection from biological and chemical weapons
  - 4) high mobility across a wide range of terrain
  - 5) family concept in design, to include capability for reconnaissance, infantry transport, armoured combat and other variants
  - 6) capacity for increased armour protection through in-field application of "modular add on armour", to meet threat in mid intensity conflict (eg. Gulf crisis)
  - 7) suitable for deployment in internal security role (eg. Oka, 1990)

The Thyssen proposed vehicle (TH 495) is being developed to meet these requirements.

16. Q: Is it agreed that these characteristics also meet the requirements of other armies?

A: Yes, very likely.

17. Q: If this is the case, will this not bring the Thyssen TH 495 vehicle significant export opportunity in these markets?

A: Yes.

18. Q: Is there an "off the shelf" vehicle existing from a western industrial country and selling at a price of \$500,000.00, which meets the Canadian MRCV requirement?

A: No, there is no such vehicle available for that price. Furthermore, to the Company's knowledge, no competitor is able to produce the vehicle needed to meet the Canadian MRCV requirement at the same quality and at a lesser price than has been offered.

19. Q: Is there another successful international manufacturer with an existing or developmental vehicle (which meets MRCV characteristics) who is willing to transfer their technology and the major share of future export production to Canada?

A: Unlikely.

20. Q: Moreover is there such a manufacturer who, in addition to Canadian production of this vehicle, will introduce a diversification of operations in the environmental protection sector and the variety of industrial activity similar to the Thyssen range of technology?

A: No.

If all will agree with these points made above, they will also agree that whichever manufacturer can enter the market first will secure a distinct advantage in this business.

The answers provided here are based upon internal knowledge and advice available to the Company, including our Canadian defence advisor Lt.Gen. Jack Vance (ret'd), who completed his service in the Canadian Forces in 1988 as VCDS.



To explain to those, to whom the MRCV concept is not a daily point of discussion, it is useful to observe the fundamental determinants of vehicle design which will define the elements of the end product:

Cargo door dimensions of the Hercules C 130 aircraft determine limits on a vehicles width and height

Lift capability of the aircraft determine limits on vehicle's transportation weight

Protection requirements dictate the amount of "add-on armour" and thus the operational weight of the vehicle.

Mobility requirements and the specified terrain determines the selection of power pack and wheels or tracks

After consideration of these key elements, the remaining specifications deal with equipment and systems needed to fulfil assigned rolls.

Since major assemblies and component prices are known and available within NATO, and since it is proposed to supply the vehicle on the basis of open audit - agreed profit basis, it should be agreed that there is nothing undisclosed in final costs on the vehicle.



WITH THE COMPLIMENTS OF  
FRED DOUCET  
CONSULTING INTERNATIONAL

88-3691 Albion Road South

Ottawa, Canada

K1T 1P2

Bus. (613) 892-4211 / 857-5511

April 23 1991

The Honourable Marcel Masse  
Minister of National Defence  
101 Colonel By  
Ottawa, Canada  
K1A 0K2

Dear Mr. Masse,

I want to congratulate you on your key appointment as Minister of National Defence.

Finally I believe we have a Minister of Defence who will give more than lip service to our Government's policy of using Defence procurement as an instrument of regional economic expansion. Also we have a Minister of Defence who will not be pushed around by his bureaucrats and who will want to ensure the protection of our young men and women in the conduct of their services to Canada by providing them the tools with which to do their jobs.

There is no doubt that a new world order is emerging. However to presume that all paths from here on in will be peaceful (even on the domestic front) would be the height of folly. Canada must continue to "Stand on Guard" and must have the tools, not second hand stock that even "arrows" can penetrate and put our young men and women's lives in peril.

I am convinced knowing of your skills, determination, and political acumen that you will do a first class job for National Defence and for Canada.

Once again congratulations and every good wish.

Yours sincerely,



~~J. A. Doucet~~

cc. K. Schreiber





# BEAR HEAD INDUSTRIES LIMITE

Suite 908, 350 Sparks Street  
Ottawa, Ont., Canada  
K1R7S8

TELEPHONE (613) 563-3321

TELEFAX (613) 563-7648

Paul Tellier  
Clerk of the Privy Council and  
Secretary to the Cabinet  
Government of Canada  
332 Langevin Block  
80 Wellington St.  
Ottawa, ON  
K1A 0A3

May 7, 1991

PCO - FPRO BCP - BRFP
Original: 3470-5 <i>Reçu</i>
Copies: _____
Ident: 91023

*8-5-91*  
*ITR*

Dear Mr. Tellier:

This letter follows from my meeting of April 10th with the Prime Minister, yourself and Fred Doucet.

*not accurate*

At the conclusion of that meeting, it was understood that you would bring your personal leadership to the file and chair a meeting between Government and company officials as early as possible within one week's time.

*not accurate. Told Doucet would call back after my out trip would be over in a few days. Doucet*

It is now nearing a month since that meeting and I have received no word from you. Our consultant has informed me that, despite his attempts to reach you on three separate occasions, with messages left, no word has come from your office. At 1:45 Monday, May 6, I had my secretary call yours with a view to speaking with you. The secretary indicated that you would be calling back within 15 minutes. It is now a day later and no call has been received, therefore, the reason for this letter.

I recall vividly a statement made by our Prime Minister, during our April 10 meeting about how much he cares about the safety of our soldiers and his determination to ensure that at all times they be provided with appropriate equipment to perform their duties, whether this be domestic, peacekeeping or otherwise. The thrust of our company's initiative in Canada over the last six years has focused on this fundamental need as expressed by the military.

You will recall, along with the others in attendance, how perplexed I was during our



## BEAR HEAD INDUSTRIES LIMITED

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meeting of April 10th, why such a relatively simple proposition, motivated by an expressed real need, should create such compounded confusion. I had hoped that our meeting had resolved past confusion and set us finally on an action path. Since it now appears that inertia has set in again, I have no choice but to review for you once again the elements of this simple and straight-forward proposition.

-----  
The foundation of the proposition, first needs emphasizing:

- a) The proposition is to develop a manufacturing facility in a deprived area of Canada which would produce a technologically advanced multi-purpose military vehicle;
- b) The proposition further includes the production of a diversified array of environmental products and other product with international market mandates;
- c) The proposition also is to transfer technology to a technology starved area of the country.

It was these elements that prompted, Thyssen to react positively to an invitation by the Government of Canada six years ago. From the outset, Thyssen decided that it would proceed in its response only if the following elements would be put in place:

- a) a defined need expressed by Canada's military;
- b) a limited infrastructural assistance program to permit the installation of the manufacturing base; and
- c) a committed order for a relatively small percentage of the total complement of such vehicles on the basis that our offer would be equal to or better, all things considered, than that of any possible competitor.

During its six years the company desired, as it does today, to play by the rules, however shifting these became. Accordingly, we sought and painfully obtained an Understanding of Principle with the Government, which we considered to be a remarkable



## BEAR HEAD INDUSTRIES LIMITED

accomplishment. It contained the background elements identified in this letter. We considered it a major accomplishment in that it contained the signatures of the three Ministers of the Crown most directly involved with the initiative.

It is significant to note that this Understanding in Principle resulted from many meetings with Government officials, Cabinet Ministers, industry partners, etc., and reflected a genuine will on the part of the Government to go forward, based in no small measure on two stated Government policies:

- a) The present Government's determination to use defence procurement as an instrument of regional industrial expansion; and
- b) To welcome foreign investment, providing such investment brought with it new technology, created new and full-time jobs and above all contained the prospect of new export markets.

-----

Throughout this long period I have failed to understand what made this simple issue so complicated, particularly when one takes into account the principal parties involved in this frustrating initiative. These were:

*Not accurate* | The Prime Minister, who made it clear in his speeches that his Government had declared in its Cabinet Policy to use the industrial benefits associated with defence procurement to strengthen regional economies and overcome regional economic disparities. Furthermore, the Prime Minister made his personal position on the subject clear on April 10 during our meeting.

DRIE, through its Minister in 1985, first invited Thyssen to Canada and explained that the Government's highest priority would be to establish industrial jobs in the Cape Breton region to replace those lost in the closing of the heavy water plants. DRIE offered extensive assistance in the form of investment incentives including grants, tax credits, export assistance, promotion of sales to DND, etc.

External Affairs supported the initiatives of DRIE through the Canadian Ambassador to Bonn, meeting with the Chairman of Thyssen AG. to encourage the Thyssen's choice of Canada for our North American base of heavy industrial operations, as a





## BEAR HEAD INDUSTRIES LIMITE

expansion to the 2,000 Thyssen employees already established in Canada. External Affairs further supported the Thyssen initiatives by assigning the Minister Counselor from the Washington embassy to accompany Thyssen executives when the Bear Head Industries concept was first presented to U.S. Pentagon officials. The Minister Counselor very forcefully represented the case of such a Canadian Thyssen facility being eligible for sales to the U.S. Department of Defence under the Canada-U.S. Defence Sharing Agreement, a position welcomed by the Undersecretary of the U.S. Army.

ACOA, since its establishment, has brought their strongest support as an advocate for the establishment of Bear Head Industries in Nova Scotia.

The Province of Nova Scotia has been very much in favour of the project from the outset, having optioned land (through written agreement with the company), for a potential site. The Premier, while the Minister of Industry, has visited the Thyssen companies to personally reinforce the Province's desire to see the project realized.

Nova Scotians hopeful of finding full-time employment in their home province, have responded positively to the prospect of the plant. The company has received over 400 applications since the project first became known publicly in Nova Scotia.

Lavalin - Trenton Works, are very much in favour of the project because it will bring the possibility of technology transfers to Trenton Works, associated with sub-contracts in their facility, and thereby significantly assist in the preservation of that operation.

The Opposition Member of Parliament for Cape Breton - Highlands - Canso has continued to support the project and has written Cabinet Ministers expressing his support. ✓✓

General Motors Diesel Division of London, Ontario is a company which is both a co-operative partner to Thyssen in several sectors and occasionally a competitor on light wheeled armoured vehicles. Their plant is structured like that of an automobile factory, and the only armoured vehicle which they have produced so far is the wheeled 6x6 and 8x8 Mowag, which is built under license. Given this experience, their existing plant is not designed for production of tracked vehicles.



## BEAR HEAD INDUSTRIES LIMITE

DND's need for a new light armoured vehicle was identified in 1987 in conjunction with the Defence Policy White Paper and that need has become more pronounced since. The pressing need for better light armoured vehicles was highlighted by the intolerable situation in the Army, described in May 1987, in public testimony to the Senate Committee on National Defence by Gen. J.A. Fox, then Cmdr. Mobile Command. The established project office for the LAV program described in detail the deficiencies of the current fleet and the need to acquire new vehicles with greater mobility and especially greater protection for the soldiers against the threat of modern weapons.

As I have already noted, on September 27, 1988 the company reached an Understanding in Principle with the Ministers of DND, DRIE, and ACOA for consideration to participate in the Light Armoured Vehicle Procurement Program.

This information indicated an urgent need for a new basic vehicle for the Canadian Army, especially in response to the wide threat of basic machine gun fire armoured piercing (7.62mm AP), which easily penetrates most vehicles in the Canadian LAV fleet.

*not accurate* All parties, with the possible exception of our competitors, seemed in favour of the project.

-----

You will recall that on the occasion of our first meeting in July 1990, I showed you a piece of the aluminum plate from which the M113 armoured vehicle is built, as well as a sample of the small, commonly used armour piercing bullet which made the hole in that plate. This was to make clear the risk which Canadian soldiers faced, even on their patrols during the Oka crisis, where they eventually had to use a Leopard 1 main battle tank to find proper protection against the weapons possessed by the Natives.

Whether we deal with another confrontation like Oka, or Canada's peacekeeping missions, Canada's soldiers have inadequate protection in their current light armoured vehicles to defend against either armour piercing ammunition, or biological and chemical weapons. You will agree that these represent real threats.

From the statements you made during our last meeting, I understand that it is your



mandate to provide objective information and recommendations to the Prime Minister. With this in mind, I think you carry an enormous responsibility, especially when you ask yourself, as you must: to who is going to call on Canadian soldiers to serve in missions of internal security, peacekeeping or similar tasks, and to who will take ultimate responsibility for such orders? It is a difficult question of conscience, given the known equipment deficiencies, about which you know. One need only contemplate one's sons or daughters serving aboard such a vehicle.

-----

Army Requirements and Economic Growth Through Exports

DND has identified the defensive Multi-Role Combat Vehicle (MRCV) needed by Canada. Moreover, this vehicle should be of such technical quality as to meet NATO standard requirements and thus be readily exportable to Canadian accepted markets. Such a combination would ensure the safety of Canada's soldiers while contributing significantly to Canada's economy and resulting high technology jobs.

Indeed Thyssen now has a contract in place with the Government of the U.S. for the manufacturing of similar vehicles, which assembly line is transferable to Canada in full compliance with the Canada-U.S. Free Trade Agreement. At a time when the reverse seems to be occurring, it seems to me that this feature is worthy of considerable attention.

Sensitive to the need to be creative on the question of funding so as not to miss out on this early export opportunity, Thyssen is prepared to lease its vehicles or to provide bridge financing for the project until the Defence Services Program is able to kick in. It is understood, of course, that with this offer would come a directed order for 250 MRCVs to meet the early portion of DND's needs. We acknowledge that this directed order would have to meet all DND's specifications and requirements and would match or better the cost of any other comparable vehicle. In any event, it is our firm intent that costs be established on the basis of "open books" and an agreed profit margin.

In a general consideration of the importance of exports, and the opportunity this project creates for Canada, I think it is useful to consider the annual trade figures (in U.S. dollars) for 1990. Canada, with a population of 25.8 million, had exports of \$131 billion. The Netherlands, by contrast, with a population of 14.7 million had exports of \$134 billion. The United States exported \$394 billion, while importing \$473.4 billion. U.S. Imports from



BEAR HEAD INDUSTRIES LIMITE

Canada were in the range of \$92 billion, while some \$381 billion came from other countries. Clearly, there is immense opportunity for Canada to increase its exports to the United States. Indeed, such disparities must be reversed if the Canada-U.S. Free Trade Agreement is to bear fruit. Our proposal makes an important contribution in that direction.

-----


I have to request that you ensure that the Prime Minister and the relevant Ministers receive correct information regarding this project. I am requesting this because I have discovered statements which at the very least were incorrect and at worst may have been maliciously false. A case in point is a statement which you made to the Prime Minister to the effect that a vehicle which meets the requirement of the MRCV Program was available off the shelf for \$500,000.00. This statement is preposterous, and I trust you have corrected the record.

*I never said this*

With respect to our understanding of the Army's requirement for the MRCV and its priority in regard to protection deficiencies in the existing light armoured vehicle fleet, the company has sought every opportunity to discuss these issues directly with the user. Additionally, since August 1989, we have sought the most qualified Canadian military advice available to the Company, LGen. Jack Vance (Ret). His concern, shared by me and indeed the Prime Minister for the future of Canada's Army was one of the main reasons that he agreed to become the senior military advisor for this initiative.

On April 10th we sought and got a commitment to an early meeting with the hope of progressing on this initiative. I seek no less now. Indeed, if it is not convened before noon Friday, May 11, I will be returning to Germany having awaited an answer for one month.

Sincerely,

  
Karlheinz Schreiber  
Chairman



Interview with K. Schreiber on Nov. 11/98

With respect to Paul Tellier, I had to laugh when I heard what you said about my meeting with him in your book. I can tell you that I haven't read your book but plan to do so around Christmas. The idea of him throwing me out of anywhere was just ridiculous. I would have thrown him out the window. He wouldn't have the guts to throw me out.

Anyway, there was this meeting. I was there with Doucet. Mulroney attended the first part of the meeting and then left. So it was just the three of us. Me, Tellier, and Fred Doucet. I heard about what Mulroney had already said in Cabinet, namely, that we are

going to do something for Nova Scotia. This is on the record. You can see the documents for yourself. Anyway, before he left Mulroney says at this meeting "I want this thing to happen". Then he leaves. Tellier then comes out with all of these strange statements. These really weird remarks about the power of the beauracracy. I said to him, "Paul, this is a strange situation, all of these people who got their jobs from the Liberals, opposing the present government's wish to have something done on this project". I said a lot of these people are now licking Tory asses. I went on and said that these people are horrible opportunists. That they were miserable creatures. Anyway, we leave the meeting and I thought that it was really strange the way Tellier had made these remarks which were seemingly contradictory to what Mulroney had said when he said he wanted something for the people of Nova Scotia. And I can tell you that this would have been great for Nova Scotia. It would have created thousands and thousands of jobs.

Anyway, after we leave the meeting and we walk down the stairs, Doucet starts running towards the washroom. I thought he was having a heart attack. He had already one. I also thought that it was possible that he had to barf. Anyway, I followed him into the washroom and there he is pissing and laughing himself nearly to death. He says to me that he had never seen a man with such an innocent face saying such horrible things to Tellier. He then told me that Tellier was one of these ass lickers who had been originally appointed by the Liberals. If you think that I put any importance on Tellier whatsoever, you have got it totally wrong. I can tell you though, that throughout the entire piece, all of these politicians said that they were for the project, that they believed in it. They betrayed me and Thyssen for \$14 million.



We could have got a great thing going. A peace keeping machine designed for NATO and the Commonwealth. I think the Americans would even have agreed to buy some since Canada was always involved with peacekeeping missions. The Canadians could have made something out of it. Cape Breton was 70 kilometers from the Hamburg shipping line.

Joe Clark tried to kill the project from day one. That was his interest because it was the interest of GM and in the interest of the Province of Ontario. I do not believe what Barbara MacDougall says that the Jewish community was opposed. I think that is simply an excuse dreamed up after the fact that justify what they had done. And what they had done was to support GM Diesel Division. I can show you correspondence in which the Jewish community actually supported the deal. Indeed Franz Joseph Strauss, he was the one who arranged the first weapons delivery to the Israelis to defend themselves in the War of Independence.



# FDCI FRED DOUCET CONSULTING INTERNATIONAL

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COVER LETTER/PAGE COUVERTURE - TELECOPY/TELECOPIE

Date: May 9, 1991 TO/À: Mr. Karlheinz Shreiber

FIRM/SOCIÉTÉ: Bearhead Industries

FAX: 563-7648 FROM/DE: J.A. Doucet

WE ARE TRANSMITTING PAGES 2 INCLUDING THIS COVERING PAGE  
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Message

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**INTERNATIONAL**

1991 / 5 / 9 4 PM

May 9 1991

BY COURIER

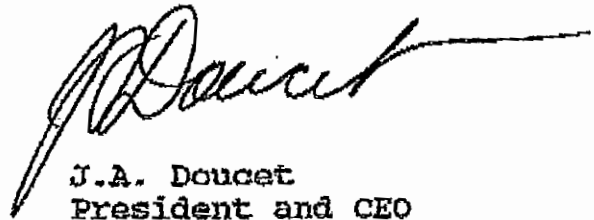
Mr. Paul Tellier  
Clerk of the Privy Council  
and Secretary to the Cabinet  
Privy Council Office  
Langevin Block  
80 Wellington Street  
Ottawa, Canada  
K1A 0A3

Dear Paul,

Further to our meeting of yesterday I have debriefed myself to my client as I had indicated to you I would.

We look forward to the meeting which you agreed to arrange but not chair to review our proposal with the key Ministers of ISTC, Defence, ACOA, Finance, and DND at the table. It is our fervent hope this meeting can be arranged in a timely fashion in the hope that with progress the U.S. export opportunity which this project provides will not be missed.

Yours sincerely,



J.A. Doucet  
President and CEO

c.c.: Karlheinz Schreiber

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CLERK OF THE PRIVY COUNCIL AND  
SECRETARY TO THE CABINET



GREFFIER DU CONSEIL PRIVÉ ET  
SECRETÉAIRE DU CABINET

May 17, 1991

Mr. Karlheinz Schreiber  
Chairman  
Thyssen Bear Head Industries Ltd.  
350 Sparks Street  
Suite 908  
Ottawa, Ontario  
K1R 7S8

Dear Mr. Schreiber,

I acknowledge your letter of May 7th.

There are many statements in your letter which are either inaccurate, untrue or with which I do not agree. I do not think any useful purpose would be served at this point in getting involved in a lengthy exchange of correspondence. However, I do want to confirm with you that senior officials from the Department of National Defence will arrange a meeting, at your mutual convenience, the purpose of which will be to review your proposal and formally reply to it. I understand that you feel that you have never received a formal reply.

I sincerely hope that this meeting will clarify, to your entire satisfaction, any confusion that may still exist.

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'P. Tellier'.

Paul M. Tellier



KARLHEINZ SCHREIBER

8912 KAUFERING · RAIFFEISENSTRASSE 27 · TELEFON (08191) 7884 · TELEFAX (08191) 7888

Mr. Fred Doucet  
Ottawa

Fax no. 001-613-782-2428

July 1st, 1991


Dear Fred:

Following are copies of a letter from Alexander Haig and my answer to him. Bavaria's Prime Minister Max Streibl tries to look after Bavaria's interests like his predecessor, Franz Josef Strauss did.

Also, I send you a copy of a letter Jürgen Massmann addressed to me. You can see that we are running out of time. Please inform our friend confidentially about the increasing speed in connection with the project on the US side and give him my best regards.

Looking forward to seeing you Wednesday July 3rd,

Yours sincerely,



Karlheinz Schreiber

P.S. Please do not forget that I am asking for a short private meeting with our friend.





WORLDWIDE ASSOCIATES, INC.

ALEXANDER M. HAIG, JR.  
PRESIDENT

SHERWOOD D. GOLDBERG  
DIRECTOR

June 28, 1991

Mr. Karlheinz Schreiber  
Geschäftsführer  
Bayerische Bitumen-Chemie  
GMBH  
Raiffelsenstrasse 27  
8912 Kaufering  
Federal Republic of Germany

Dear Karlheinz:

I had a wonderful visit with Minister President Streibl here in Washington. He is scheduled to see General Scowcroft and the President this morning.

Hope to hear from you soon on the project we discussed.

Best wishes.

Sincerely,

KARLHEINZ SCHREIBER

8912 KAUFERING · RAIFFEISENSTRASSE 27 · TELEFON (08191) 7884 · TELEFAX (08191) 7888

Mr. Alexander M. Haig jun.  
President  
Worldwide Associates Inc.

Washington, DC. 2005

Fax no. 001-202-833-5296

July 1st, 1991

Dear Alexander:

Thank you very much for your fax dated June 28th, 1991. It is good to hear that you had a wonderful meeting with Ministerpräsident Streibl. In fact, I am not much surprised considering how popular you are in Bavaria - because of your friendship with the late Franz Josef Strauss and your always helping hand when safety and interests of Germany were concerned.


I very much enjoyed our Munich meeting and ask you to give my and my wife's best personal regards to Mrs. Haig and Mr. Goldberg.

Wednesday, July 3rd, I will fly to Ottawa and on Friday I will meet with some Ministers of the Canadian Government. Prime Minister Brian Mulroney arranged this meeting to discuss and decide about the Canadian participation in the overall project. I will inform you after this meeting and discuss our further proceedings concerning this project.

You can reach me in Ottawa via Thyssen Bear Head Industries Ltd., tel. no. 613-563-3321, fax no. 613-563-7648.

Thank you for your cooperation and looking forward to a future team work,

Yours sincerely,



Karlheinz Schreiber



**FDCI**  
FRED DOLCET  
CONSULTING  
INTERNATIONAL

19 April 1992

Mr. Karlheinz Schreiber  
Deter Druker Seap  
Raifferser Str. 27  
8912 Kaufering  
West Germany  
Fax # 0114981917888

Dear Karlheinz,

Today is Easter. Why I'm at work in my office I'll never quite understand - but here I am.

On behalf of my family and me I want to wish you, Barbel and your family a very happy and peaceful Easter season.

Needless to say I have given the matter of the G.M. sole source contract considerable pondering and I've now finished my "due diligence". There is little doubt, if any, that Fowler at the end had his way with much help from de Chastelaine and also with some "whimpy" army generals who could have been much more daring. However what's done is done.

In my view the prospect of the MRCV reappearing are nil in the short haul (2 to 3 years) and it's guess work after that. As tough as it breaks my heart to tell you this I must advise that we should abandon all further efforts at this time with DND.

The last option left is the purchase of G.M. (Diesel) Indeed I have been a strong advocate of that prospect for some time but never as much as now. While the price will be higher, the asset (order book) is much improved. (From a personal point of view Karlheinz, this would be a real coup and Fowler's proverbials would pain forever!)

Otherwise I see no other option but to set up shop in the U.S. or Mexico.

The North American Free Trade Agreement will not proceed until after the U.S. elections but it will proceed after that. In any event it would be preferable politically to land a site before the NAFTA is signed than after since the conditions will be more accommodating before than after.

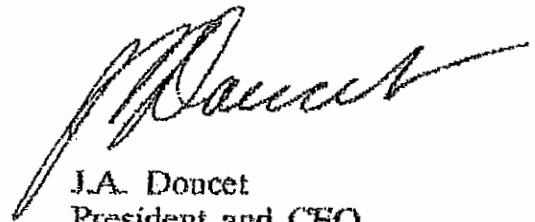
Either way you choose to go we can be helpful in view of our key associations in the U.S. and the advisory role we have played with Mexico.

I look forward to hearing from you and seeing you.

As you know André Scott has told me he will arrange a meeting for you with Minister Masse if you wish it.

Every good wish.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "J.A. Doucet".

J.A. Doucet  
President and CEO

JAD/lc





THYSSEN BHI

Suite 908, 360 Sparks Street  
Ottawa, Ont., Canada  
K1R 7S8

TELEPHONE (613) 563-3321

TELEFAX (613) 563-7648

May 13, 1992

Hon. Marcel Masse  
Minister of National Defence  
Confederation Bldg. #209  
House of Commons  
Ottawa, Ontario  
K1A 0A6

Dear M. Masse:

Following last week's meetings with the Prime Minister, the Hon. Elmer MacKay and with you, we proceeded as discussed. Due to the tragic disaster in Nova Scotia, Elmer has not been able to keep you informed of events since. Therefore, I will fill in for him to bring you up to date.

As we informed you, our next steps were to meet with officials of the Province of Québec and with some of your Army Generals.

With respect to our discussions with the Province of Québec, we have found a very enthusiastic reception in meetings with the Premier's staff and officials from his Department of Industry, Commerce and Technology. On behalf of Premier Bourassa, they have expressed their support for our proposal and are now actively assessing potential sites in the Montreal area for our consideration.

*see  
CBS  
Moult  
by name*

We also met with four of your Senior Army Generals who share the view of the global nature of the requirement wherein allies will need vehicles of the type identified in your recently suspended MRCV program. The discussions with them underlined your views of the growing importance of future peacekeeping, as written in your April Statement of Canada's Defence Policy, 1992.

*Should  
be at  
mtg 2/6*

Thyssen Henschel is now proceeding with one of first prototypes of a new family of light armoured vehicles. These initial prototypes are based on the TH 495 design which was



THYSSEN BHI

2

originally conceived in response to the requirements of various NATO allies, including recognition of the essential Canadian MRCV requirement as advised to industry through the German Defence Attaché on April 1991 and confirmed by you in your letter to the German MOD February 10, 1992.

→ To successfully complete development and to allow Thyssen and Canada to participate in the anticipated large export and co-production potential, we are extremely anxious to incorporate acknowledged Canadian peacekeeping expertise through advice from Canadian Forces operational and technical experts.

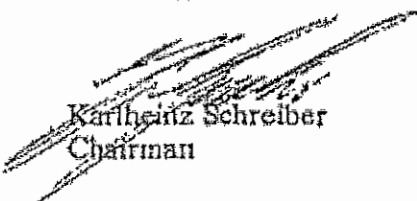
Therefore the action I am proposing will require a development contract with DND. This will permit the fabrication of eight prototypes, five in a new facility in Montreal. These latter vehicles will be furnished to DND for evaluation.

The cost of the entire contract will amount to \$132 million (CY) spread over three years. It is recognized that these funds will have to be found from other sources beyond current DND allotments and that DND's participation will be reimbursed. To avoid any misunderstanding, I wish to point out very clearly that the project under discussion has nothing to do with future vehicle procurement for the Canadian Forces. / ESTC

You must understand that I cannot proceed as agreed with the Prime Minister to organize the necessary funding, nor can a draft contract be proposed until you and I have reached agreement through a Memorandum of Understanding.

I look forward to meeting with you at your earliest convenience, as agreed last week, to discuss the next necessary steps to bring this project to fruition.

Sincerely,

  
Karlheinz Schreiber  
Chairman

cc: Rt.Hon. Brian Mulroney  
Hon. Elmer MacKay





**FDCI** FRED DOUCET  
CONSULTING  
INTERNATIONAL

Suite 320, 440 Laurier Ave. West/Ouest  
Ottawa, Ontario, Canada K1R 7X6  
Phone: (613) 782-2336  
Telefax: (613) 782-2428

COVER LETTER/PAGE COUVERTURE - TELECOPY/TELECOPIE

DATE: August 27, 1992 TO/A: Mr. Scheebee

FIRM/SOCIÉTÉ:

FAX: 011.49.8191.7888 FROM/DE: J. A. Doucet

WE ARE TRANSMITTING PAGES  
NOUS VOUS TRANSMETTONS PAGES

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If any pages are missing, incomplete or illegible, please contact the below mentioned person.  
Si vous ne recevez pas la totalité des pages ou si l'une d'elles s'avère illisible ou incomplète, veuillez  
communiquer avec la personne mentionnée ci-dessous:

Sent by: Kim Beveridge

Original to:

- |                                     |                   |
|-------------------------------------|-------------------|
| <input type="checkbox"/>            | Follow by mail    |
| <input type="checkbox"/>            | Follow by courier |
| <input checked="" type="checkbox"/> | To be filed       |

MESSAGE

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FDCI MEMORANDUM

August 27 1992

TO: KARLHEINZ SCHREIBER  
FAX# 011-49-8191-7888

FROM: J.A. DOUCET

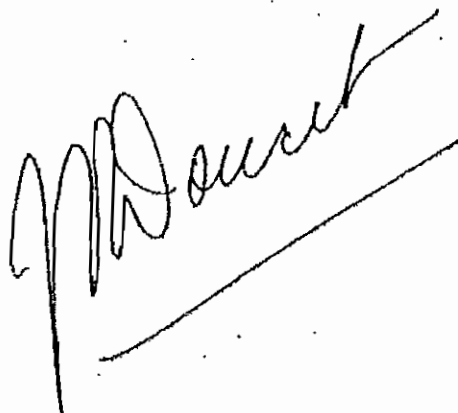
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Meeting between Corbeil and Bouchard yesterday was 10 on 10.  
Neither of them let me down.

Tomorrow, in Montreal, meetings between Corbeil's bureaucrats and  
Bouchard's bureaucrats meet to progress the Corbeil/Bouchard  
meeting of yesterday.

Great stuff.

Stay tuned.

A handwritten signature in cursive script, appearing to read 'J.A. Doucet', is written over a horizontal line. The signature is slanted upwards to the right.



## THYSSEN PROJECT IN CANADA

### Proposal

Thyssen BHI has offered to commence activity in Canada through an initial R&D prototype activity for the TH 495 Multi Purpose Base Armoured Vehicle (MBAV) series of vehicles.

Upon securing support of the Canadian Government for the complete R&D phase, Thyssen will establish a Canadian prototype development facility followed by the placement of the world production mandate for the TH 495 MBAV at its Canadian facility for the full range of vehicle variants which are developed with Canadian prototype development support. The resulting export sales and advanced technology jobs will be of significant benefit to Canada.

### Market

The target market for the TH 495 is international exports to NATO and NATO friendly countries where there is a pending demand of some 15,000 vehicles in the MBAV category. A NATO study on the MBAV concept and requirement which is due for release this autumn, confirms the company's approach to the critical area of vehicle design requirements. The Thyssen TH 495 meets or exceeds the preferred NATO MBAV design in every important category, and is the only vehicle existing in NATO countries to do so.

### Employment

Direct employment associated with MBAV production							
Year	1	2	3	4	5	6	7
Phase 1 Prototype R&D	50	50	50				
Phase 2 MBAV Production			80	180	310	470	585
Total:	50	50	130	180	310	470	585

### Additional Doubling of Employment through Diversification

After commencement of production in MBAV, a diversification will commence in the field of Industrial products from the vast range of Thyssen held technologies. The objective of the diversification phase is to achieve an equal level of non-defence activities in this Canadian facility which will translate into a further doubling of the above MBAV employment projection.

### Canadian Situation

There is no Canadian company with a competitive technological capability to develop an original vehicle design, as has been done with the Thyssen TH 495. The only company of significance in the field of armoured vehicles is GM Diesel Division (GMDD) of London, Ontario, and they are not original vehicle developers, but rather a licensed builder of the Swiss Mowag vehicle. It would not be reasonable to expect GMDD to be able to acquire a world product mandate for a vehicle capable of competing successfully internationally in the MBAV category.

26 August 1993



To: RN Sturgeon@ADM MAT@ADM MAT PEARKES  
P Lagueux@ADM SUP@ADM SUP Pearkes  
Cc:  
cc:  
From: TM Williams@DGSPA@ADM SUP Pearkes  
Subject: THYSSEN!!  
Date: Monday, August 30, 1993 17:03:03 EDT  
Attach:  
Certify: N  
Forwarded by:

---

1. John Banigan at ISC had tried to get hold of you both this p.m. and was unsuccessful, so called me instead to give me a quick debrief of a meeting between the Thyssen people (Fred Doucet, et al) and Ministers Corbett and Charest.
2. They emphasized "the significant benefits for the east end of Montreal" and quoted a NATO study that nobody in Ottawa has seen talking about a requirement for 15,000 vehicles with the possibility of some 100,000 replacement vehicles in the future.
3. Banigan advised that apparently they were very vague in the discussions as to what they actually wanted from the Canadian government but it appears to be that we would test a vehicle and provide them with some \$60M in financial support.
4. They advised the Ministers that they would not be giving the government a business plan as they had been requested on several occasions to do. Their rationale was that the government is so leaky in terms of its ability to guard confidential information that they feared that any such business plan would automatically find its way into the hands of the government's favourite son company, GMDD. They apparently stated bluntly that the bureaucrats favour GMDD and have an anti-German bias.
5. The Ministers were told (apparently by Doucet) that they should not/not talk to the bureaucrats (apparently the names Sturgeon and Banigan were specifically mentioned as bureaucrats to avoid). The Ministers and our Minister should talk to LGen Reay and a MGen Hutton(?) (John Banigan was unsure about this name) as they, the Ministers, would get an objective set of responses from the military.
6. Banigan advised that a number of Quebec issues appear to be heating up with the run-up to the election and that we should be alert to the fact that Thyssen may raise its ugly head once again in the very near future. Banigan also advised that he will keep us fully informed if and when anything happens.







# SUPERText

**RCMP/GRC "A" DIVISION A  
Commercial Crime  
Délits commerciaux**

**Project/projet A102  
File/dossier: 95A517**

## EXHIBIT INFORMATION

Date Seized: 2001-06-27

Seized By: S/Sgt. ALEXANDER

Exhibit No.: 95-27

Item No.: 222

Sub Location No.: 7

Location: Industry Canada, 236 Queen St., Ottawa

**COMMENTS:** These documents were handed over to us by Kurt THEORET of Industry Canada. They are original files and were held by him since we first indicated an interest in them. He had previously turned over photocopies of these files to us. Upon his retirement, he handed over these files to us.

These documents are from a file labelled: 5063-B15 Vol 15  
Section 06  
Companies, Corporations, Firms  
Bear Head Industries Ltd.

5063-B15  
↑

STATUS OF

BEAR HEAD INDUSTRIES (A DIVISION OF THYSSEN INDUSTRIE AG)

ISSUE

The company continues to press ministers to assist in establishing a facility dedicated to the manufacture of military vehicles in Montreal East.

BACKGROUND

The company proposes to establish in Montreal East a facility dedicated to the manufacture of military vehicles. An Interdepartmental committee recommended that the project be cancelled. FORD-Q continued to pursue the project with the company. The discussions included a potential total federal and provincial package of up to \$60 million. FORD-Q then was asked to obtain additional information from Thyssen on the market place for the Thyssen vehicle; Canadian in-vehicle content; and other pertinent company plans. To date, FORD-Q has advised it has not received a response from Thyssen.

KEY FACTORS

ISTC led an interdepartmental working group, charged by PCO, which provided an assessment of BHI/Thyssen's market projections. The findings of this study were negative and unequivocal.

CURRENT STATUS

Ministers Charest and Corbeil met August 26, 1993, with Messrs K. Schreiber, President and Legal Counsel F. Ducet on the company's proposal. We understand that Thyssen is not prepared to provide additional information. As a result of the meeting the following actions are underway:

- a. DND was contacted to determine the nature of commitments made by the former Minister of National Defence, M. Masse, to test and certify the Thyssen vehicle;
- b. NATO's plans for peace keeping vehicles and specifications are being re-visited; and
- c. in conjunction with External Affairs, global market statistics as applicable to the Thyssen vehicle are being re-examined.

We shall provide briefings on our findings and the status of the project, as appropriate.

Contact: Helmut Zankl, Marine & Land Defence Systems, 954-3789  
Dick Krajewski, Director, Marine & Land Defence Systems, 954-3388  
September 2, 1993

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# SUPERText



## RCMP "A" DIVISION COMMERCIAL CRIME

File: A102  
95A-517

### EXHIBIT INFORMATION

DATE OBTAINED: 96-11-06  
 Obtained By: C.P. Paul Sullivan  
 Exhibit No.: 96-34  
 Item No.: 13  
 Location: \_\_\_\_\_

### DOCUMENT CATEGORIZATION

Document Type: \_\_\_\_\_

Original: Yes \_\_\_\_\_ No

COMMENTS Documents from Industry  
Canada filed on Sea Head Project  
(pages 1 to 51)

Clones: 3-5-6-8-11-17-23-24-29-30-  
36-38-39-45-48



Government of Canada

Gouvernement du Canada

MEMORANDUM

NOTE DE SERVICE

To File

TO  
A

Helmut Zankl

Sr Proj Manager  
Marine & Land Def Systems

FROM  
DE

SECURITY - CLASSIFICATION - DE SÉCURITÉ
CONFIDENTIAL
OUR FILE - N / RÉFÉRENCE
5063-B15 [C]
YOUR FILE - V / RÉFÉRENCE
DATE September 9, 1993

SUBJECT Thyssen visit August 26, 1993  
OBJET

Present: Ministers Charest and Corbeil

K H Schreiber, President, Bear Head Industries  
F Ducet, Legal Counsel, Bear Head Industries

Purpose:

To solicit support for the company's proposal to locate in Montreal East a facility dedicated to the manufacture of military vehicles.

Summary of Discussions:

- ⊙ Thyssen will not provide a business plan. Thyssen adamant that this information would be made known to DDGM.
- ⊙ DND, (Lt Col Ray & Maj Hutton) it seems, has indicated a preference for Thyssen vehicle.
- ⊙ Thyssen - General Dynamics venture on track and doing well.
- ⊙ Former Minister of National Defence, M. Masse, has agreed to test, certify and assist marketing the Thyssen vehicle.
- ⊙ Thyssen requires immediate decision. Early announcement. Proceed with joint Gov/Comp press release.
- ⊙ Civil Servants not to be involved. Ministers make decision in total absence of Business plan and civil service input.

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CONFIDENTIAL

- 2 -

- ⊙ Thyssen vehicle chosen vehicle by NATO member countries for peace keeping role.
- ⊙ NATO countries have immediate requirement for 2,000 units.
- ⊙ Nato countries have overall requirement for 15,000 units.
- ⊙ World wide replacement of existing inventories are 100,000 units plus.
- ⊙ Thyssen recognizes money problems/shortages. Some leadway on \$60 million government(s) assistance package.
- ⊙ Initially test, certify, and marketing assistance. Subsequently, commence manufacture in Montreal East.

Observations:

- ⊙ Company aggressively pursuing Quebec Ministers
- ⊙ No Business plan. Do not involve civil servants.
- ⊙ DND to commence testing, certification, and assist with marketing Thyssen vehicle.

Attach: Relevant DND/NATO background material.

1. BEAR HEAD INDUSTRIES (A DIVISION OF THYSSEN INDUSTRIE AG)

Further to Minister Charest's and Corbeil's meeting August 26, 1993, with Messrs K. Schreiber, President and Legal Counsel F. Ducet on the company's proposal to locate a manufacturing facility for military vehicles in Montreal East, we contacted DND to ascertain the nature of commitments made by the former Minister of National Defence, M. Masse, to test, certify and assist Thyssen with marketing the company's vehicle.

DND informs us that no commitments were made. However, DND has indicated that should Thyssen wish to proceed, DND would consider testing the Thyssen vehicle on a cost recovery basis. DND has reaffirmed that they would neither certify nor participate in marketing the Thyssen vehicle.

NOT USUALLY DONE

EXTERNAL  
With respect to NATO plans for a peace keeping vehicle, DND informs us that although NATO member countries have discussed possible requirements for approximately 12,000 units, this is in no way binding. Also, there are no guarantees that the Thyssen vehicle would be chosen nor is it known when procurement would commence.

Appended is a copy of DND's Ministerial briefing.

Departmental contact: Helmut Zankl, 954-3789  
Dick Krajewski, 954-3388

September 8, 1993

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5065-1018  
↑

COMPANY/PROJECT NAME: BEAR HEAD INDUSTRIES (THYSSEN)

LOCATION: Montreal East, Quebec

ISSUE:

Thyssen continues to solicit support from ministers for the company's proposal to locate in Montreal East a facility dedicated to the manufacture of military vehicles.

BACKGROUND:

The company proposes to establish a facility dedicated to the manufacture of military vehicles in Montreal East. An Interdepartmental committee recommended that the company's request not be supported principally because the market projections were not substantiated, DND had no requirement for the vehicle and Canada already has a competitive vehicle manufacturer in DDGM.

Ministers Charest and Corbeil met with Messrs. K.H. Schreiber and F. Doucet to discuss the company's proposal, August 26, 1993. Principally, Thyssen alleges that the former Minister of National Defence, M. Masse, agreed to have DND test, certify, and assist in marketing the Thyssen vehicle.

KEY FACTORS:

DND informs us that no commitments were made. However, should Thyssen wish to proceed, DND would consider testing the vehicle on a fully cost recovery basis. Furthermore, DND would not consider either, certifying nor marketing the Thyssen vehicle because certification is not usually done by the department and marketing falls under the jurisdiction of EAITC.

Regarding NATO plans for a peace keeping vehicle, DND informs us that although NATO member countries have discussed possible requirements for approximately 2,000 units immediately and 12,000 units in the long-term, this is in no way binding. Also, there are no guarantees that the Thyssen vehicle would be chosen, nor is it known when procurement would commence for such vehicles.

CURRENT STATUS:

We understand that B. Carter, is meeting with company officials September 9, 1993. No further news at this time.

PRESS LINE:

Thyssen Industries proposal is being given further review.

Contact: Helmut Zankl, 954-3789  
Dick Krajewski, 954-3388

September 9, 1993



THE GOVERNMENT BUSINESS CONSULTING GROUP INC.

HALIFAX • OTTAWA • NEW YORK



① Fax to Mike Williams (on)  
cc Rich Krupinski

Bhd  
23/9

22 September 1993

② TODAY  
mtg. at 12:30 p.m.  
with Bruce,  
Dick + Helmut  
re. this docu.  
23/9/93  
LH

Mr. Bruce L. Deacon  
Director General  
Space, Marine and Defence Branch  
Industry and Science Canada  
235 Queen Street  
6th Floor East  
Ottawa, Ontario  
K1A 0H5

5063 BIS  
↑ ↑

Dear Bruce,

I enclose herewith an authorized statement of confirmation with regard to clarifications and/or commitments made during our September 17th, 1993 meeting at your offices. If you have any questions about any aspect please let me know.

I await your call on a possible process meeting to progress your "decision tree" for either of September 28 or 29 and a proposed plenary substantive meeting for all day October 4, 1993.

Thanks for your attention to this matter.

Yours sincerely,

J.A. Doucet  
Chief Executive Officer

encl.  
JAD/fc

OTT/SDC/CCS  
22208209.

SUITE 320 440 LAURIER AVE WEST  
OTTAWA ONTARIO CANADA K1P 6E1  
TELEPHONE 782-2236 FAX 782-2237

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**Summary of Commitments Affirmed and Clarified by Thyssen During Discussions  
at Meeting with ISC, DND and External Affairs on September 17, 1993**

**1. Definition of TH 495 for Production in Canada**

It was confirmed that this would include all variants derived from the TH 495 baseline vehicle(s).

**2. Reasons for Canadian Production Facility**

Canada chosen by corporation after extensive study of alternatives in order to capitalize on North American, Commonwealth, Francophonie, and other international connections and in recognition of the perception of Canada as an experienced and respected UN peacekeeper

**3. Meaning of World Product Mandate**

TH 495 final production will wherever possible take place in Canada with maximum feasible Canadian content, unless the customer's negotiated condition of sale dictates otherwise. In exceptional situations where Canadian final assembly cannot be achieved, then maximized Canadian content in components, etc. will remain the Company priority. The decision process for all such critical issues on the TH-495 program will be controlled by management of the Canadian company.

**4. Thyssen Action should a Foreign Sale be made Prior to Completion of ACV Development and Test**

If an agreement for funding of the ACV prototype program is concluded, then production will be placed in Canada regardless of ACV prototype status.

**5. Marketing Policy and Procedures**

Marketing will be coordinated within Thyssen with BHI having proponency in marketing the TH 495 family. The Thyssen group international network would then operate in support of BHI production.

  
Greg Alford

Summary ISC Meeting 1/2  
September 17, 1993

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6. Explanation of Prototype Workshop and Production Plant Concept

It was explained that these were separate facilities with different functions in both scope and scale. They did not have to be co-located although this could be desirable in view of administrative and other overheads. Both the workshop and production facility could be located in existing facilities, which would be selected with the input of Government.

7. Attached are the slides which were presented in the meeting by Thyssen BHI

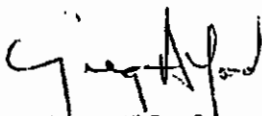
Future Actions

Bruce Deacon, Department of Industry Science and Technology, Director General Marine and Land Defence Branch) stated that Government would provide in one working week a "decision tree" relevant to this proposal and map-out the appropriate steps. He also would advise what additional data and documentation would be required of Thyssen.

DND would be tasked with assessing the trials aspects and would deal with BHI on the subject at an early date.

BHI were offered any additional required information on other relevant data.

BHI extended any additional information required as well as standing invitation to host Government delegation(s) to Kassel whenever needed.

  
Greg Alford

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Summary ISC Meeting 2/2  
September 17, 1993

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## THYSSEN BHI PROPOSAL

September 1993

Design and Development of TH-495 ACV variant leading  
to production of a fully operational prototype

Cooperation between the Company and the Government of Canada

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**Company:** Employ Canadian Engineers in Prototype Design, Development and Test Phase;

Carry out ACV prototype program, as well as send existing ICV and AIFV to Canada for testing and development completion

Establish Canadian Workshop for Test Phase

Market TH-495 MBAV family internationally utilizing strength of Thyssen Group, co-production and strategic partnerships

Commit TH-495 Production to Canada

Transfer technology and production know-how

continued.....

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Company: ( cont'd )

Source other products from Canadian facility

Develop additional Canadian supplier content  
to TH-495 and other vehicles

Diversification into non-defence technology of  
Thyssen Group

500+ permanent direct jobs within first 5 years

No request for preliminary financial commitment  
to production facility until future application  
under programs available at that time

company responsible for product liability

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Government:

Canadian Forces requested to:

draw from experience as a general purpose army and a leader in Int'l peacekeeper to advise on essential and desirable characteristics for MBAV's

Test and evaluate ACV prototype and already existing AIFV and ICV prototypes providing input for possible changes

( test criteria to be agreed )

Government Economic Development Departments and Agencies:

R&D funding for the development, build and test of TH-495 ACV prototype, and testing of existing ICV and AIFV prototypes

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**MINUTES**

**MEETING, OCTOBER 4, 1993, OTTAWA**

**THYSSEN BHI  
and  
CANADIAN GOVERNMENT DEPARTMENTS**

=====

**1. Introductory Remarks, Bruce Deacon**

Mr. Deacon welcomed the participants and indicated that the objectives of the meeting were to develop a better understanding of Thyssen BHI's proposal.

**1.1 Participants**

See listing of participants, Attachment #1.

**2. Minutes of the last (September 17, 1993) Meeting**

Mr. Massmann suggested to include in Minute 4.h. that Thyssen BHI would also be prepared to produce the armour in Canada; and in Minute 4.j. that the ACV prototype could be done in Canada. The Minutes were approved with the suggested amendments.

**3. Discussions, Draft "ROAD MAP"**

- a. Mr. Krajewski tabled the Draft "ROAD MAP" describing the steps on how to proceed with the analysis of the Thyssen BHI proposal. Much discussion ensued and it became clear that the two tracks (T&E and Marketing) of the ROAD MAP could proceed independently but that cross-references were helpful.
- b. The consensus was to refine the ROAD MAP (PHASE VII) to indicate that DND and the Interdepartmental Team could proceed independently as outlined in Phases I to VII of the ROAD MAP. (See Attachment #2)

**4. Marketing Presentation, Thyssen BHI**

- a. Mr. Massmann gave the group an overview of NATO's Multi Base Armoured Vehicle (MBVA); referenced the aging M113 fleet and replacement markets; and, noted that up to 19,000 light armoured vehicles may be required for NATO, commencing in the year 2005.
- b. He then briefed the group on Thyssen's efforts and marketing thrust on obtaining some of this business. Specifically,

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he made reference to NATO countries; the industrialized nations; the Middle and Far East markets; and, he cited a few success stories as applicable to Thyssen joint ventures with US and European companies. The joint ventures positioned Thyssen/BHI to favourably accessing global markets.

- c. Mr. Massmann's presentation was concluded on the premise that the Interdepartmental Team would require more details and documentation to complement the company's presentations to date. ISC is to draft and forward to Thyssen the type of marketing information necessary to assist the government team in understanding the company's market projections and strategies.

5. Test and Evaluation of Prototypes, DND

- a. Mr. Massmann briefed the group and he noted that the TH495 prototypes were designed to specifically meet military requirements. Testing as such would not require DND to reaffirm that the vehicle met its technical specifications. Instead, the vehicle tests would be designed to detect operational and ergonomic shortcomings so that they could be incorporated in future vehicle designs and vehicle upgrades.
- b. Mr. Williams briefed the group on some of the internal (DND) steps necessary prior to entering into the testing programs for the two Thyssen TH495 prototypes. In concluding, he noted that DND will draft a list of questions which would enable Thyssen to respond to DND and fully describe the criteria for testing the two Thyssen prototypes.

6. Next Steps, Follow-up Actions

Mr. Deacon summed up the meeting as follows:

- a. The scope and details related to testing of the two existing Thyssen (ICV and AIFV variants) prototypes were to be discussed between DND and Thyssen BHI officials in the near future; and
- b. ISC was to develop, document and forward to Thyssen BHI the type of marketing information necessary which would enable the government team to assess the company's marketing plan.

October 25, 1993

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**ATTACHMENT #1**

**LISTING OF PARTICIPANTS  
MEETING, OCTOBER 4, 1993, OTTAWA**

**THYSSEN BHI  
and  
CANADIAN GOVERNMENT DEPARTMENTS**

=====

**Thyssen BHI:**

**Messrs:** Jorgen Massmann, President  
Greg Alford, Senior Vice President  
Ian Reid, Director Defence Marketing  
Fred Doucet, Consultant  
J. E. Vance, Consultant

**External Affairs:**

**Mr.** Ken Murata, Trade Commissioner, Sectoral  
Liaison Secretariat

**National Defence:**

**Ms.** Cynthia Cannizzo, Section Head, Industrial  
Development Marine and Land  
**Mr.** Mike Williams, Director General, Supply  
Policy and Administration  
**Captain** John Dunn, Legal Services

**FORD-Q:**

**Mr.** Ray Auger, Director, Industrial and Regional  
Benefits

**Industry and Science Canada:**

**Messrs.** Bruce Deacon, Director General, Space, Marine  
and Defence  
Dick Krajewski, Director, Marine and Land  
Defence Systems  
Helmut Zankl, Sr Proj Manager, Marine and  
Land Defence Systems

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**ROAD MAP  
THYSSEN BHI PROPOSAL ANALYSIS**

**COMPANY & GOVERNMENT STEPS ON HOW TO PROCEED**

DND	INTERDEPARTMENTAL
<p><u>PHASE I</u></p> <ul style="list-style-type: none"> <li>• DND internally meet</li>   <li>• Thyssen BHI draft preliminary test parameters and guidelines for testing Thyssen BHI TH 495 (ICV and AIFV tracked variants) vehicles</li>   <li>• Company forward test proposal(s) to DND</li> </ul> <p>=====</p> <p><u>PHASE II</u></p> <ul style="list-style-type: none"> <li>• DND analyze Thyssen BHI draft test parameters and specifications</li>   <li>• Clear draft with the government stakeholders and obtain legal counsel input</li> </ul> <p>=====</p> <p><u>PHASE III</u></p> <ul style="list-style-type: none"> <li>• Company and Government officials meet to discuss each party's test parameters and technical test specifications</li> </ul>	<p><u>PHASE I</u></p> <ul style="list-style-type: none"> <li>• ISC meet with various interdepartmental stakeholders to establish the type of information needed on the marketing plan for the TH 495 family of tracked vehicles</li>   <li>• ISC prepare draft document on the information needed which will comprise a marketing plan for the TH 495 family of tracked vehicles</li>   <li>• Clear draft with the government stakeholders concerned and forward final docket to Thyssen BHI</li> </ul> <p>=====</p> <p><u>PHASE II</u></p> <ul style="list-style-type: none"> <li>• Company respond to government request for marketing information</li>   <li>• ISC and government stakeholders analyze company marketing plan</li>   <li>• Government draft response to the company's marketing plan</li> </ul> <p>=====</p> <p><u>PHASE III</u></p> <ul style="list-style-type: none"> <li>• Company and Government officials meet to discuss the results of the government analysis of the marketing plan</li> </ul>

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**ROAD MAP  
THYSSEN BHI PROPOSAL ANALYSIS**

**COMPANY & GOVERNMENT STEPS ON HOW TO PROCEED**

<b>DND</b>	<b>INTERDEPARTMENTAL</b>
<p>Company and government officials agree whether to proceed</p> <hr/> <p><b><u>PHASE IV</u></b></p> <ul style="list-style-type: none"> <li>• Finalize test parameters and technical test specifications</li> <li>• DND and GSC prepare draft contract and document the test contractual terms and conditions</li> <li>• DND operating departments and Treasury Board allocate PY's and budget</li> <li>• Clear draft with the governmental stakeholders, obtain legal counsel input and finalize docket. Forward package to Thyssen BHI</li> </ul> <hr/> <p><b><u>PHASE V</u></b></p> <ul style="list-style-type: none"> <li>• Thyssen BHI responds to DND contractual terms and conditions for testing the two TH 495 (ICV and AIFV variant) vehicles</li> </ul>	<p>Company and government officials agree whether to proceed</p> <hr/> <p><b><u>PHASE IV</u></b></p> <ul style="list-style-type: none"> <li>• Finalize and document marketing plan</li> <li>• ISC draft document describing the type of business plan information needed to analyze prototyping and pre-production of the TH 495 ACV tracked variant in Canada.</li> <li>• (Information such as in-projects Canadian content, financial projections, corporate and management strategic objectives, and other as related to the above noted proposal)</li> <li>• Clear draft with the government stakeholders and finalize docket</li> <li>• Forward package to Thyssen BHI</li> </ul> <hr/> <p><b><u>PHASE V</u></b></p> <ul style="list-style-type: none"> <li>• Thyssen BHI responds to government request for information on prototyping and pre-production of the TH 495 ACV variant in Canada</li> </ul>

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**ROAD MAP  
THYSSEN BHI PROPOSAL ANALYSIS**

**COMPANY & GOVERNMENT STEPS ON HOW TO PROCEED**

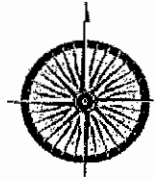
DND	INTERDEPARTMENTAL
<ul style="list-style-type: none"> <li>• DND evaluate company's response and clears its findings with all of the DND stakeholders concerned</li> </ul> <p>Company and government officials agree whether to proceed and test the top TH 495 ACV and ATV variants vehicles</p> <p>JULY 1994</p> <hr/> <p><b>PHASE VI</b></p> <ul style="list-style-type: none"> <li>• Commence testing</li> </ul> <p>Fall of 1994</p> <hr/> <p><b>PHASE VII</b></p> <ul style="list-style-type: none"> <li>• DND document test results and provide findings to the government stakeholders and Thyssen BHI</li> </ul>	<ul style="list-style-type: none"> <li>• Government evaluates company's response, clear the information with all of the stakeholders concerned</li> <li>• ISC prepares government consolidated response to Thyssen BHI's business plan on prototyping and the pre-production of the TH 495 ACV tracked variant in Canada</li> </ul> <hr/> <p><b>PHASE VI</b></p> <p>Thyssen BHI adjusts and finalizes business plan</p> <hr/> <p><b>PHASE VII</b></p> <p>Company and government officials review project and agree whether to proceed with TH 495 ACV tracked variant in Canada.</p>
<p>Note: DND and the Interdepartmental steps as shown in Phases I to VII may not be undertaken in harmony and may proceed independently of each other.</p>	

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THE GOVERNMENT BUSINESS CONSULTING GROUP INC.  
HALIFAX • OTTAWA • NEW YORK



14 October 1993

Mr. Bruce Deacon  
Director General  
Space, Marine and Defence Branch  
Industry and Science Canada  
6th Floor East  
235 Queen Street  
Ottawa, Ontario  
K1A 0H5

*Deich R.*  
*- verify + advise if any problems.*  
*BJD 12/10*

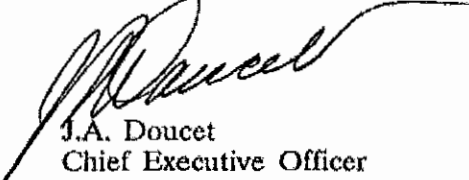
Dear Bruce,

Consistent with the pattern established, I enclose herewith a copy of our meeting notes for the October 4th, 1993, meeting.

I look forward to seeing you at our next meeting on Friday October 15th, 1993, at 11:00 a.m.

Best regards,

Yours sincerely,

  
J.A. Doucet  
Chief Executive Officer

encl.  
c.c.: Jürgen Massman  
Greg Alford

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SUITE 320, 440 LAURIER AVE. WEST  
OTTAWA, ONTARIO, CANADA K1R 7X6  
TEL (613) 782-2336 FAX (613) 782-2428

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**SUMMARY OF DISCUSSION POINTS AT MEETING BETWEEN THYSSEN  
AND ISC, DND AND EXTERNAL AFFAIRS (DEA) ON OCTOBER 4, 1993**

**REVIEW OF PREVIOUS MINUTES**

During review of the minutes of 17 Sept. 93 meeting, the following clarifications and amendments were proposed to the summary of the Company's responses:

h. Add "The armour technology to be used is Thyssen owned. Therefore no German Government clearance is required for domestic or export sales".

j. Amend to read "...ACV prototype could be done in Canada". This change is made to reflect cost considerations. (It will be more expensive to conduct work in Canada unless the Government is willing to support additional costs.)

**MARKETING**

In advance of the Thyssen marketing presentation, Mr. Bruce Deacon acknowledged the existence of earlier information provided by the Company and suggested that, as data and markets change, this should be ignored in order to avoid confusion, and that only the new data about to be presented would be considered.

Mr. Jürgen Massmann then presented a current overview of the TH 495 market prospects. The vehicle's design concept and development status placed it in a unique position to capture a significant share of new markets created by both peacekeeping and replacement needs. The perceived World market was then examined on a country-by-country basis.

**EUROPE AND NATO**

Norway:

- Thyssen Henschel will carry out a trial in Norway of the TH 495 in March 1994. Mobility in snow will be emphasised as other contenders have not done well.
- The previous NAMC's acquisition program has been postponed by one year. The winter trial of 1991/92 will be continued in January 1994.

ISC Meeting 1/9  
October 4, 1993

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- If TH March 1994 trials are successful there is a possibility that THK will re-enter the circle of competitors. TH is trialing the 6 road-wheel version with a KUKA/Oerlikon turret/gun combination.

- TH is a late entry for the requirement but still retains a chance for consideration.

- It was confirmed that Norway has no domestic manufacturer and would work with offsets.

- Had TH been able to start development earlier against the original CF requirement (LAV replacement), then the Company's situation would now be much more favourable.

Switzerland:

- MICV: as evaluations and test during the last two years did not meet expectations, a new GSR will be established. TH 495 will be a strong contender.

- Program has been delayed to 2000 +

- TH will enter with the KUKA turret originally designed against the Swiss Army requirement

- Due to lengthy postponement TH has not as yet sought a Swiss partner for project

- Swiss fighter aircraft replacement controversy has contributed to delay.

Germany:

- Two programs are being followed in Germany, the already announced GTK program and the emerging IFV replacement program to replace the Marder I.

IFV program:

- It is expected that feed back of latest information from U.N. missions indicates even larger requirements for replacement IFVs.

- Definition of new IFV commences end of October in Munster. TH 495 is the main contender and the Company has been invited to be present with hardware

- This program is 2-4 years away.

ISC Meeting 2/9

October 4, 1993

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**GTK program:**

- GTK is a separately defined program which may go wheeled or tracked. TH expects both. The minimum quantity predicted is 800, maximum 2000. TH forecast assumes the minimum quantity.

- GTK is similar to the NATO MBAV concept in that both are intended to address M113 replacement. The GTK program has preceded the conclusion of the MBAV concept study and while the GTK missions are generally included in the MBAV concept it must be noted that the full scope of the MBAV concept addresses a greater scope and variety of missions than GTK.

- In response to questions on whether it was likely that Germany would accept any degree of foreign manufacture on domestic programs, the aspect of the "two-way-street" was stressed and the example of possible NL participation in a current Bundeswehr light reconnaissance program cited. German industry requires access to foreign programs and this means reciprocity.

**USA:**

- The US Army has identified a need to bridge a capability gap between the M113 and the Bradley MICV. This vehicle must be superior to M113 but air-portable in C130 aircraft for employment with their new AGS. TH has therefore been invited to make a presentation. After performing suitability studies, the US would intend to proceed by procuring a small number (5-10) vehicles for test. This could occur in 1994.

- Discussion of US interest raised question of whether this would lead to standardization in NATO and beyond. Of more significance in the Company's view, was that sale to key markets would encourage wider sales and create a "de-facto" degree of standardization.

- An additional point made on the subject was that US requirements for NDI (Non-developmental item) such as AGS program can create a type of standardization of a different kind. The TH Condor is in service in a number of countries including 450 in Malaysia. Condor is now being offered as an NDI contender in the upcoming US Army ASV (Armoured Security Vehicle) project.

In discussing other Markets, Mr. Massmann stated that TH was principally targeting the Middle and Far East. In the Middle East the main markets were the Gulf Cooperation

ISC Meeting 3/9

October 4, 1993

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Council (GCC) and Saudi Arabia. In the Far East they were Malaysia and Indonesia with other possibilities in Thailand and Singapore.

**MIDDLE EAST**

GCC (Kuwait, Bahrain, U.A.E., Qatar, Oman):

- The planning of a mutual rapid deployment force is in progress.
- We have been given a market potential totalling 600 units for possible joint procurement of a modern AIFV.
- In addition, the five Gulf states Kuwait, U.A.E., Bahrain, Qatar and Oman are discussing an agreement to strengthen the area ground and air defense. A solution ADATS/TH 495 was proposed from our side. ADATS was tested already during several trials in the Gulf.
- A total figure of up to 100 units ADATS/TH 495 seems to be realistic.

Saudi Arabia:

- There are three (3) purchasing authorities
  - Ministry of Defence and Aviation (MODA)
  - National Guard and
  - Ministry of Interior
- Due to momentary tight budgets and the purchase of several different new systems at the same time, temporary postponements can be expected.
- Saudis are looking for a second generation vehicle
- In a study carried out for and on behalf of his HRH Major General Prinz Rurki bin Nasar, Director Operations RSAF, the TH 495 was found to be the vehicle fitting exactly into the Saudi requirement for the second generation vehicle.
- It has furthermore been approved that this vehicle is the ideal platform for weapon stations such as ADATS

ISC Meeting 4/9  
October 4, 1993

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## FAR EAST

### Indonesia:

- Program for a well protected IFV is under consideration. Parameters are to be established together with THK experts.

### Malaysia:

- Two regiments will be equipped with 150 AIFV tracked vehicles. Program starts early in the 7th Malaysian plan commencing 1 January, 1995.
- An earlier, more urgent, request may occur for a quantity of AIFV for use by Malaysian troops in former Yugoslavia.
- TH 495 is strong contender, THK has gained an excellent reputation during the last ten years in supporting their 450 vehicle sale of wheeled vehicles.
- THK gained more reputation by giving their utmost support for the deployment of these vehicles for UN missions in various parts of the world.

### Singapore:

- R&D work on an indigenous Singapore IFV in the TH 495 class was undertaken. The Singapore Chief of Army has visited THK together with experts (Mechanized Infantry). This was followed by an order for TH spec. Armour steel.
- Latest development: International tender for 200 IFV expected by mid 1994.
- TH 495 will be a contender.

## ADDITIONAL PROSPECTS

### Turkey:

- Present AIFV licensed production is reportedly in trouble due to poor quality control. If this program is seriously delayed or suspended then the Army must quickly seek other alternatives.

### Hungary:

- Latest discussions in MOD revealed that the entire armoured tracked fleet within

ISC Meeting 5/9  
October 4, 1993

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the armed forces need to be replaced by Western equipment.

- With rapidly evolving political and diplomatic changes this country could become an acceptable customer in the foreseeable future. This would provide TH with a good export opportunity.

Venezuela:

- Intends refurbishment or possibly an early replacement of some 70 AMX 13 type vehicles

Mexico:

- TH has previously sold a quantity of HWK II APCs. This is an older vehicle which approximates a steel-hulled M 113. It is anticipated that they will be upgraded or replaced post 1997.

ISC Meeting 6/9

October 4, 1993

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## CONCLUSION

In concluding his Market survey, Mr. Massmann re-affirmed that TH 495 development preceded the NIAG MNAV study whose requirement so closely matches. The vehicle has about a 2-4 year lead on the competition which should prove very beneficial for market penetration, and important key customer sales. Large funds are being proposed for future MNAV development. TH 495 provides a NDI solution which translates into an important competitive advantage, since NDI is the cost-effective way of the future and is proving to be an essential market demanded characteristic.

### Pre 2000

Additionally it was explained that THK has identified and positioned itself competitively in an important market for the TH 495 occurring before the year 2000. This is composed mainly of non-NATO countries which are traditional recipients of exports from NATO countries (Canada included) and where THK has established market relations.

### Post 2000

The NATO MNAV market study deals with a post 2000 market and describes a state of the art equipment requirement to fulfil that market. The TH 495 compliance to the NATO MNAV concept is therefore confirmation of the TH495 capacity to offer a technologically advanced and competitive system to a future market. Additionally both the Company and the NATO study forecast an important market outside NATO post 2000. In this market period, the TH 495 will carry a competitive advantage from earlier sales in the pre 2000 market, qualifying it as a proven system and further achieving a price advantage from early market entry.

In response Mr. Deacon acknowledged the overall market described by Thyssen and the confirmatory relationship of the NIAG study. He also agreed that dynamics were the key to market strategy.

## TESTING

There was considerable general discussion on the various approaches which could be taken in addressing a DND trial of the first 2 prototype vehicles. DND representatives provided their initial views, and mentioned some of the parameters which would likely be proposed. Testing could be a lengthy activity and problems were perceived in employment doctrine for the vehicles, in firing weapons of various calibers, legal difficulties of manufacturers tests, limits of technical testing, etc. It was agreed that;

the testing of the 2 prototypes would be un-coupled from R&D and ACV

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October 4, 1993

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development, and, an early meeting would take place between DND and the Company to establish test parameters.

It was further agreed that a total test package might not be necessary. DND did advise that they would not normally accept performance claims on trust but would be inclined to prove them. DND further indicated their preference that CF should perform a comprehensive total test to avoid piecemeal result.

In the absence of an approved UN or CF Peacekeeping doctrine, it was stated that the appropriate CF doctrine for mid-intensity conflict would appear suitable. The Company agreed to accept current Canadian Army doctrine. It was stated that a trial reference vehicle would not be used. The Company agreed to provide the trials personnel with familiarisation training on the equipment.

#### SUMMARY

Mr. Deacon in his summary remarks covered the following points:

- acknowledged the market survey presented and its relation to NIAG study
- recognized that there was a Company Market strategy in place and that probabilities of success were being addressed.
  
- requested that the Company be prepared to additionally provide more detailed and sensitive information focusing on their intended method of achieving sales in certain critical "make or break" markets. This would provide the kind of information needed to justify Government financial support.
  
- reminded the Company of the possibility of Government to Government contracting using CCC.
  
- Additionally reminded the Company of marketing benefit by use of Government financial liability through CCC sales  
(To which Mr. Massmann remarked that Government to Government marketing and financial assistance had not been considered as a factor in existing Company assessments. In some situations they might well increase the market prospects.)
  
- Advised that the Company could expect first response from ISC at end of next

ISC Meeting 8/9  
October 4, 1993  
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week (week of Oct. 12). [Mr. Massmann offered to attend a further meeting on Oct. 15, his offer was accepted]

- Offered to facilitate a free flow of information, and invited any recommendations to change the "decision tree".
- Stated that he would advise the Company of any serious hold-ups in Government staffing channels when they occurred.

In summary, Mr. Massmann reminded the meeting of the Company's position in the following areas:

- Canada had been selected because of its North American and Commonwealth ties and its excellent peacekeeping reputation
- Previous Canadian requirements such as the LAV and MRCV projects and input of Army staff has assisted in earlier TH 495 development.
- Location of the production facility would be determined with Canadian Government input.

#### WAY AHEAD

In assessing the way ahead, Mr. Deacon stated that the aim between now and mid-November was to exchange information (as discussed), to bring departmental views together, and to develop internal briefing documents for submission to the political level. Because of on-going political events, and the importance of following established procedures, it would be unrealistic to expect any cabinet committee level decision before mid to end of next January. Effective and positive analysis would in the meanwhile produce increasing bureaucratic support. It was his policy to deal with problems one at a time as they arise, and to maintain the information flow.

In reply, Mr. Massmann thanked the Government representation for their attendance and assistance and advised that anybody who needed and wished to visit Thyssen Henschel in Kassel would be welcome. Direct local contact is available through the BHI Ottawa office where questions can be directly answered or transmitted to Germany for response.

ISC Meeting 9/9

October 4, 1993

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**MINUTES**  
**MEETING OF OCTOBER 15, 1993, OTTAWA**  
**THYSSEN BHI**  
**and**  
**CANADIAN GOVERNMENT DEPARTMENTS**

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**1. Presentation, Thyssen BHI**

Mr. Massmann, gave a presentation on Thyssen BHI; its family of tracked vehicles, their potential markets and estimated sales, and provided related slides (Attachment #2), some of which would be translated from the German to the English language. A brief (10 minutes) video on the 495 vehicle was also shown.

**2. Marketing Analysis - R.A. Krajewski**

Mr. Krajewski presented Thyssen with a one page draft version of a proposed marketing analysis methodology (Attachment #3) for the TH 495 project. Mr. Krajewski spoke to the items listed and explained that BHI's marketing as well as the yet to be received Canadian content and financial plans, would be used to conduct an economic cost/benefit analysis. Copies of the draft marketing questionnaire were under development and it was suggested that a final version would be sent to Thyssen approximately October 26, 1993, after interdepartmental agreement had been achieved on the content of the questionnaire. A meeting between Thyssen and the government team was tentatively scheduled for November 1, 1993, to discuss marketing aspects.

**3. DND List of Information Required - Cynthia Cannizzo**

Dr. Cannizzo presented Thyssen with a draft list of information required by DND that Thyssen will have to address prior to the testing of the two existing Thyssen (ICV and AIFV variants) prototypes (Attachment #4). Dr. Cannizzo confirmed that she would be sending a formal letter with the official list by approximately Tuesday, October 19, 1993. A meeting between DND officials and Thyssen/BHI officials was tentatively scheduled for October 28, 1993.

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**4. Other Issues**

- a) The issue of the ability of Canada to support a defence industrial base with two or more vehicle manufacturers was raised by Dr. Cannizzo. After considerable discussion it was suggested that this issue required a comprehensive marketing analysis, as a first step. In addition, it was suggested that many other factors would enter into decision-making on this subject.
  
- b) During discussions regarding inputs to the marketing, financial and economic cost/benefit analysis, the issue of projected Canadian content was addressed. Mr. Krajewski explained the importance of this issue and encouraged Thyssen to give serious thought to the subject. Thyssen agreed that this issue would have to be discussed in greater detail in the future.

**5. Next Steps, Follow-up Actions**

- 1) DND to finalize questionnaire and covering letter during week of October 18-22, 1993.
  
- 2) ISC to distribute draft marketing questionnaire to Government Team for comment by Wednesday, October 27, 1993.
  
- 3) ISC to send final version of marketing questionnaire to Thyssen by October 28, 1993.
  
- 4) Meeting between DND officials and Thyssen/BHI officials tentatively scheduled for October 28, 1993.
  
- 5) Meeting between Government Team and Thyssen/BHI officials tentatively scheduled for the 1st, 5th, or 8th of November, 1993 (likely November 5, 1993).

November 3, 1993

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**ATTACHMENT #1**

**LISTING OF PARTICIPANTS  
MEETING OF OCTOBER 15, 1993, OTTAWA**

**THYSSEN BHI  
and  
CANADIAN GOVERNMENT DEPARTMENTS**

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**Thyssen BHI:**

**Messrs:** Jurgen Massmann, President  
Greg Alford, Senior Vice President  
Ian Reid, Director Defence Marketing  
Fred Doucet, Consultant  
Jack Vance, Consultant

**External Affairs:**

**Mr.** Ken Murata, Trade Commissioner, Sectoral Liaison  
Secretariat

**National Defence:**

**Dr.** Cynthia Cannizzo, Section Head, Industrial Development  
Marine and Land  
**Mr.** York Friesen, Industrial Department Land Officer

**Industry and Science Canada:**

**Mr.** Dick Krajewski, Director, Marine and Land Defence Systems  
**Ms.** Annie Desgagné, Project Officer, Marine and Land Defence  
Systems

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Government of Canada

Gouvernement du Canada

MEMORANDUM

NOTE DE SERVICE

TO  
A

Cynthia Cannizzo, Section Head  
Industrial Development, Marine & Land  
DND  
Ken Murata, Trade Commissioner  
Sector Liaison Secretariat, EAITC

FROM  
DE

R.A. Krajewski  
Director  
Marine & Land Defence Systems  
Industry & Science Canada

SECURITY - CLASSIFICATION - DE SÉCURITÉ <i>Enhanced</i>
OUR FILE - N / RÉFÉRENCE
YOUR FILE - V / RÉFÉRENCE
DATE October 28, 1993

SUBJECT  
OBJET Marketing Questionnaire - Thyssen/BHI

Please find attached for your edits, copy of marketing questionnaire to be sent to Thyssen/BHI. I would appreciate receiving your comments by Friday afternoon, October 29, 1993, to enable me to send the questionnaire to Thyssen, close of business, the same day. Please call me to discuss minor changes.

*Dick K*  
\_\_\_\_\_  
R.A. Krajewski

Attachment

cc. Helmut Zankl

*BB-8-27*

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NOTES TO FILE

ISC MARKETING MEETING WITH THYSSEN

DATE: Friday November 5, 1993  
LOCATION: ISC (Sparks St. & Queen St.)

ATTENDEES:

THYSSEN - Jürgen Massmann, President THYSSEN BHI  
Greg Alford, Sr Vice President, Thyssen BHI  
Ian Reid, Director-Defense Marketing, Thyssen BHI  
Jack Vance, Consultant, ?  
Fred Doucet, GCI

DND - Cindy Cannizzo, Section Head, Land and Marine  
York Friesen, DDIR 5-4

EAITC - Ken Muarta

ISC - Dick Krajewski, Director, Marine & Land Defence  
Systems Directorate  
Helmut Zankal

AGENDA: Review of Current Marketing Information (e.g., market  
demand, sales profile)  
Identify Additional Marketing Information Required  
Follow up schedule

=====

General

ISC called the meeting to discuss the Marketing Analysis  
Methodology prepared by ISC and sent to Thyssen the previous  
week.

T&E

T&E would be assessed for NATO operation suitability and  
would be based on Canadian requirements.

The program may proceed without DND T&E, however Thyssen  
strongly recommends vehicular T&E as it creates a marketing tool  
proving to international clients that the vehicle has met  
operational requirements as assessed by the Canadian Forces. The  
first priority remains obtaining government assistance with R&D  
costs.

DND is expecting significant cutbacks (possibly up to 40%)  
in the near future, which may eliminate DND's testing team and at  
least would reduce the availability of resources.

## Marketing

- Canadian Market:** Thyssen feels Canadian sales are not critical to the success of the program
- Importance of T&E:** Vehicle competition based on many criteria of which a third party T&E is only one. Although Thyssen may be competitively disadvantaged without DND T&E, they feel the vehicle could still compete on its own benefits.
- Launch Customers:** Malaysia, Middle America (one), Gulf Cooperation Council.
- Timing:** Although, the exact initiation of production has not been determined, the earliest time will be 1995 and the latest 1997 depending on the timing and size of the initial order.  
Profile of the entire market is critical.
- Prices:** Since prices vary greatly depending on vehicle model, accessories, terms of sale, and delivery date a price range is the best that can be provided.
- Export Prices:** Present customer profile includes only NATO and current recipients of military equipment.
- Sales Financing:** Thyssen Henschel will cover the costs of sales financing.
- Promotion:** Trade shows, exhibitions and direct sales force.
- Cdn Government Involvement:** Sales forecast not based on Cdn govt but if available thyssen would use.
- Suppliers:** Thyssen is examining where Canadian companies could supply. Thus far responses have been positive and Canadian firms seem very competitive.
- Diversification:** Split between defence and civilian (50/50).





# **SUPERText**

**RCMP/GRC "A" DIVISION A  
Commercial Crime  
Délits commerciaux**

**Project/projet A102  
File/dossier: 95A517**

## **EXHIBIT INFORMATION**

Date Seized: 2001-06-27

Seized By: S/Sgt. ALEXANDER

Exhibit No.: 95-27

Item No.: 222

Sub Location No.: 8

Location: Industry Canada, 236 Queen St., Ottawa

**COMMENTS:** These documents were handed over to us by Kurt THEORET of Industry Canada. They are original files and were held by him since we first indicated an interest in them. He had previously turned over photocopies of these files to us. Upon his retirement, he handed over these files to us.

These documents are from a file labelled: 5063-B15 Vol 16  
Section 06  
Companies, Corporations, Firms  
Bear Head Industries Ltd.



Suite 908, 350 Sparks Street Ottawa, Ontario, Canada K1R 7S8  
Telephone: (613) 563-3321 Telefax: (613) 563-7648

December 14, 1993

Mr. Dick Krajewski  
Director  
Marine & Land Defence, Systems Directorate  
Room 607 A East  
235 Queen Street  
Ottawa, Ont.  
K1A 0H5

5063 B15  
A →

Dear Mr. Krajewski:

The accompanying document is a market analysis for the TH 495 Multi Purpose Base Armoured Vehicle (MBAV). Methodology of this market analysis is consistent with that which was proposed from Industry Canada, November 1993, as per attached.

This document replaces previous versions and I believe, you will find it to be complete in all of the areas of discussion to date. As you are aware, it does contain a quantity of information which requires confidential handling.

As for the identification of the range of price for the TH 495, I propose that this be discussed in detail during the up-coming meeting scheduled for December 14th. For purposes of the accompanying document, comparative references are provided which give a competitive context for price, to the extent that it can be anticipated and that it is determinant to final market outcome.

Thank you for your comments to date during the preparations of this analysis, and please do not hesitate to contact me if you need any further expansion on the materials herein.

Sincerely,

*Greg Alford*  
Greg Alford  
Sr. Vice President

OTT/SDC/CCS  
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THYSSEN BHI  
MARKET ANALYSIS  
COPY #3 TO KEN MURATA  
COPY #4 TO CYNTHIA  
CANNIZZO  
JANUARY 17, 94

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**DRAFT  
EBAUCHE**

**MARKETING ANALYSIS  
METHODOLOGY  
THYSSEN BHI  
NOVEMBER 1993**

*November 2, 1993*

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**MARKETING ANALYSIS METHODOLOGY  
THYSSEN BHI  
NOVEMBER 1993**

**DRAFT  
ÉBAUCHE**

**OBJECTIVE:**

- Estimate:
- Total market demand
  - BHI market share (# of units and dollars)
  - Timing (annual) of sales and production

**STRATEGIC CONTEXT FOR THE MARKETING FORECASTS: (1)**

In the marketing strategy for the Family of the Canadian made TH-495 Vehicles, what are the overall assumptions and pre-requisites (applicable to the population of customers) supporting your forecasts related to:

- Testing and evaluation of prototypes;
- Cost of vehicle (plant, labour, materials) as a percentage of total vehicle value;
- Marketing management (planning / sales force);
- Who is (are) the production launch customer(s);
- Timing for commencement of production in Canada;
- Follow-on priority customers;
- Sales support mechanisms:
  - expected price of vehicle,
  - export permits,
  - sales financing,
  - sales promotion methodology,
  - Canadian Government involvement,
- Terms of trade (down payment, progress payments, barter);
- Choice of suppliers (initially);
- Canadian supplier development (long term);
- Diversification plans;
- Project financing (magnitude of company and government participation in: start-up; initial production; full production);
- Other (please specify).

OTT/SBC/CCS

22200045

Note (1): It will be assumed that all work described herein will be done by BHI, in Canada, unless otherwise indicated.

ADH  
EBAUCHE**PROTECTED***Marketing Analysis Methodology - THYSSEN / BHI**November 3, 1993***1. ESTIMATE THE TOTAL MARKET DEMAND FOR LIGHT ARMoured (WHEELED AND TRACKED) VEHICLES:**

Identify each of the clients and their procurement programs; and for each program specify:

- Customer name and location;
- Name of the procurement program;
- Role(s) for and type of vehicle sought (tracked / wheeled / both);
- Quantity of vehicles to be purchased;
- What are their operating and integrated logistics support requirements for vehicle sought (training, logistics support, spares, repair and overhaul);
- Profile of vehicle deliveries (per year);
- BHI level of involvement (prime / sub-contractor);
- Phases of program and current approval status;
- State the probability of completion of program (give rationale for probability assigned).

**2. ESTIMATE THE MARKET SHARE (SALES) FOR THE CANADIAN MADE TH-495 LIGHT ARMoured (TRACKED) VEHICLES:**

Identify and specify for each customer:

- Existing armoured vehicles (wheeled and tracked) in their inventory (product type(s) and manufacturer(s));
- Competitors for identified requirement;
- Customer assessment parameters (i.e. cost / price / technology / delivery / policy factors (offsets, local agents, country of origin, etc.) / growth potential / versatility / etc.);
- Assess competitiveness of the Canadian made TH-495 versus each competitor (including customer's inventory) against each assessment parameter;
- Resultant advantages and disadvantages of BHI product;
- Proposed marketing strategy to exploit this opportunity;
- Support required from the Canadian Government;
- State the probability of sale of the Canadian made TH-495 and rationale for probability chosen;
- Estimated sales of the Canadian made TH-495 (# of units and dollars) per year for this customer.

OTT/SDC/CCS

22208066



# MESSAGE FOR

M RHS  
WHILE YOU WERE OUT

M Fred Doucet's office  
OF \_\_\_\_\_

PHONE NO. \_\_\_\_\_

TELEPHONED	<input type="checkbox"/>	RETURNED YOUR CALL	<input type="checkbox"/>
CALLED TO SEE YOU	<input type="checkbox"/>	PLEASE CALL	<input type="checkbox"/>
WANTS TO SEE YOU	<input type="checkbox"/>	WILL CALL AGAIN	<input type="checkbox"/>

MESSAGE: Brian Mulroney  
47 Forden Cresc.  
Westmount, Montreal

Tel: 514-369-8111

DATE 14.12.93 TIME \_\_\_\_\_

RECEIVED BY \_\_\_\_\_

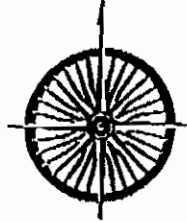
L26-88916  
RECYCLED PAPER



GRAND & TOY



THE GOVERNMENT BUSINESS CONSULTING GROUP INC.  
HALIFAX • OTTAWA • NEW YORK



5 Dec 10 1994

TO/À: Francine Colin

COMPANY/SOCIÉTÉ: \_\_\_\_\_

FROM/DE: Fred Doucet DATE: December 5, 1994

INCLUDING THIS PAGE/INCLUANT CETTE PAGE: 8 PAGES

ORIGINAL/ORIGINALE: 514-286-5474

MESSAGE: Dear Francine:

Could you kindly put this into Mr. Mulroney's file for our  
New York meeting. Thanks.

SHOULD THERE BE ANY PROBLEMS WITH THIS TRANSMISSION, PLEASE CONTACT/  
POUR TOUT PROBLÈME DE TRANSMISSION, VEUILLEZ COMMUNIQUER AVEC

SUITE 320, 440 LAURIER AVE. WEST  
OTTAWA, ONTARIO, CANADA K1R 7X6  
TEL (613) 782-2336 FAX (613) 782-2428



**MEMO**

**TO: Fred Doucet**

**FROM: Greg Alford**

**TEL: 613-563-3321**

**FAX: 613-563-7648**

**DATE: December 1, 1994**

**SUBJECT: Defence White Paper Release and Letter**

**PAGES: 6**

---

**Defence White Paper released today, 3 key pages attached:**

**Also attached is letter to Minister of Defence for signature by J. Massmann.**

**Please call Greg Alford if any changes to the letter are necessary.**



immediately to identify options and plans to put into service new affordable replacement helicopters by the end of the decade.

The Special Joint Committee on Canada's Defence Policy found that submarines can conduct underwater and surface surveillance of large portions of Canada's maritime areas of responsibility, require relatively small crews, can be operated for roughly a third of the cost of a modern frigate, and work well with other elements of the Canadian Forces. It also recommended that, if it should prove possible in the current environment of military downsizing around the world to acquire three to six modern diesel-electric submarines on a basis that was demonstrably cost-effective (i.e., that could be managed within the existing capital budget), then the Government should seriously consider such an initiative. The United Kingdom is seeking to sell four recently constructed conventional submarines of the *Upholder*-class, preferably to a NATO partner. The Government intends to explore this option.

To maintain sufficient capability to sealift troops, equipment and supplies for multilateral operations, the support ship *HMC(S) Provider* (initially slated to be paid off in 1996) will be retained in service, and plans for the eventual replacement of the existing fleet will be considered. Starting in 1995, the navy will receive the first of 12 modern Maritime Coastal Defence Vessels (to be crewed primarily by reservists), intended to provide a coastal defence and mine countermeasure capability that has been lacking.

#### Operational Land Forces

The importance of the Canadian Forces' mission to support an allied land campaign in Central Europe has diminished, allowing the withdrawal of our forces from Europe. Multi-purpose combat capabilities are now maintained to carry out a wide variety of domestic and international operations.

Canada's land forces will be adequately equipped to carry out their new array of tasks. The materiel of the three brigade groups will be improved. Current plans call for the acquisition of a variety of modern equipment essential to the maintenance of a multi-purpose combat-capability.

There exists, for example, a recognized operational deficiency in the armoured personnel-carrier fleet. Its mobility, protection and defensive firepower must be brought into line with the modern requirements of environments likely to be encountered in today's UN and other multilateral missions. The Canadian Forces will, therefore, acquire new armoured personnel carriers for delivery, commencing in 1997. Modernization of part of the present inventory will add other suitably armoured personnel carriers to the fleet. The relatively new *Bison* APCs will be retained in service.

The fleet of *Cougar* armoured training vehicles that are part of the army's close-combat, direct-fire capability in peace and stability operations will eventually have to be replaced.

re. what requires Strategy.

## CONCLUSION

Several years after the fall of the Berlin Wall and the collapse of the Soviet empire, Canada finds itself in a world fundamentally transformed, characterized by considerable turbulence and uncertainty. Similarly, at home, Canadians now live and work in a society of more limited resources and new challenges, where many of the old rules and certainties have lost their validity. In these circumstances, ensuring Canada's security and defining an appropriate role for our armed forces is more than ever a challenge for all Canadians.

With this White Paper, the Government has fulfilled its obligation to provide Canadians with an effective, realistic and affordable defence policy. From the outset, our objective was not to discard sound practices in favour of simplistic solutions. Rather, the Government was committed to reviewing carefully every aspect of Canada's defence policy so that it could make reasoned judgements on how best to ensure the nation's security and well-being. At the heart of our approach were extensive and far-reaching public consultations, lasting for most of 1994. The Government believes the defence policy enunciated in this White Paper reflects a Canadian consensus.

The White Paper affirms the need to maintain multi-purpose, combat-capable sea, land and air forces that will protect Canadians and project their interests and values abroad. It also concludes that to maximize the contributions of our armed forces, their traditional roles — protecting Canada, cooperating with the United States in the defence of North America, and participating in peacekeeping and other multilateral operations elsewhere in the world — should evolve in a way that is consistent with today's strategic and fiscal realities.

The Canadian Forces will maintain core capabilities to protect the country's territory and approaches, and to further national objectives. Given that the direct military threat to the continent is greatly diminished at present, Canada will reduce the level of resources devoted to traditional missions in North America. It will, however, remain actively engaged in the United Nations, NATO, and the Conference on Security and Cooperation in Europe. It will become more actively involved in security issues in Latin America and the Asia-Pacific region.

To achieve these goals, the Regular and Reserve Forces will both be reduced and refocused, the command and control system will be reorganized, and affordable equipment will be purchased so our troops have the means to carry out their missions. The Department of National Defence and the Canadian Forces will operate more efficiently, making optimum use of infrastructure and equipment, and ensuring full value is derived from the skills, experience



and professionalism of Canada's armed forces and civilian defence employees. The Government will also work towards harmonizing industrial and defence policies to maintain essential defence industrial capabilities.

This policy recognizes that the defence budget will be under continuing pressure as the Government strives to bring the deficit under control. More reductions can and will be accommodated, including the military reductions outlined in this Paper and cuts in the Department's civilian workforce arising from a number of additional facilities closures and consolidations. Further savings will be achieved through the elimination, reduction or delay of major acquisition projects currently included in the capital program. Only a few major re-equipment programs remain affordable, and these will directly support the new defence priorities identified in the White Paper. Taken together, these measures will have substantial implications for the Department and the Forces, their members and employees, as well as for local communities and the private sector across Canada.

This White Paper provides Canada's men and women in uniform and their civilian colleagues the direction they require to carry out their duties on behalf of the nation, whether the world of the future is a peaceful and stable one, or is plagued by increasing violence within and among states. Indeed, whatever the future brings, the new defence policy will enable Canada to respond and adjust as necessary to deal with the range of challenges to our security that could arise, now and into the next century.

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Suite 908, 350 Sparks Street, Ottawa, Ontario, Canada K1R 7S8  
Telephone: (613) 583-3321 Telefax: (613) 583-7648

December 1, 1994

Hon. David Collette  
Minister of National Defence  
MGen George Pearkes Building,  
101 Colonel By Dr.,  
Ottawa Ontario  
K1A 0K2

Dear Minister:

As you are aware, Thyssen BHI, a division Thyssen Industrie AG has been established in Canada for seven years, and seriously interested in bidding on the requirements of the Canadian Armed Forces in the field of armoured vehicles. It was our understanding that when a procurement program came up, we would have a chance to bid. In fact, we received formal written commitment that we would be given the opportunity to bid against possible Canadian requirements through a letter from the Minister of Defence dated on January 25, 1990, and an Understanding in Principle from the Ministers of Defence, DRIE and ACOA dated September 27, 1988.

Accordingly, we followed with great interest the proceedings of the Special Joint Committee on Defence Policy and noted that their report included a recommendation for the priority acquisition of new armoured personnel carriers (APCs). We now note that this deficiency is identified in your 1994 Defence White Paper which declares in part the intention to "acquire new armoured personnel carriers for delivery commencing in 1997"

We therefore write to express our keen interest in responding to this APC replacement initiative. In the area of operational requirements we have maintained contact over recent years with the user side of DND to ensure that we had the best possible understanding of the performance characteristics envisaged for a new armoured vehicle. We matched these with criteria found in the international market to guide us in design of our new vehicle, the TH495.

The TH 495 family of tracked vehicles is designed to meet the operational requirements of multi-purpose forces that include in their mission the need to perform peacekeeping and /or rapid reaction assignments. It also closely matches the NATO MNAV study for future light armoured vehicles.

Among the many key performance characteristics I would highlight TH495's ability to



THYSSEN BHI

2

provide high armour protection without compromise to payload and mobility. Equally important is the growth potential of TH495 offered through its modular design with features such as a digital bus system, a commercial engine with up-rateable power output, modular armour, etc. With the significant financial outlay that a new APC project will represent, it is logical that the vehicle Canada selects should be expected to be able to offer these features in order to give the best value.

TH 495 is an "off the shelf" product as defined by DND to the Canadian Defence Preparedness Association, and we can confirm it could be available off Canadian production in 1997. TH 495 is a privately funded development, the prototypes of which have been operating in Company trials for several thousand kilometres. An APC configured TH 495 has been delivered last week to Malaysia for customer trials. Additionally, we have confirmed that a very significant export market will exist for TH 495 over the next 15 - 20 years.

Earlier this month the prospect of TH 495 as the vehicle system for a multilateral cooperative program was realized through joint activities in Germany and Britain. Specific bilateral talks were initiated by the German Army after their recent decision to include a tracked vehicle as a portion of their acquisition plan under the GTK project. In the interest of finding common ground with additional potential cooperative program partners, I understand that German and British officials have invited the Canadian Army to consider participation in the proposed cooperative program which is based on TH 495. As a tracked vehicle the TH 495 possesses an inherent off-road mobility superior to any equivalent wheeled vehicle. This capability maintains the Army's required general purpose capacity. [The GTK project also includes plans for a wheeled vehicle acquisition under a separate bilateral Franco/German project.]

We see this interest in Multilateral Cooperation as very consistent with our objectives as an industrial developer of the TH 495. As an independent development, we have been able to minimize the risk in design by using an assembly of the most advanced but proven components. This optimizes design while meeting the broadest possible market and lowering the cost of the production vehicle. It is the Company's preference to manufacture TH 495 in Canada with high Canadian content through partnerships with Canadian companies and concurrent industrial benefits. We would also intend to manufacture in Canada for export which would create significant new jobs, both at our facility as well as among Canadian sub-contractors. On this point, it is important to note that the export market for TH 495 is distinctly different from that which can be reached by General Motors.

Based on our previous contacts with your department, including recent discussions with the Senior ADM Materiel, we have been assured that the APC procurement will be based on the Army's operational requirements and will be met by an open bidding



THYSSEN BHI

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THYSSEN BHI

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process in which we will be able to participate. I trust that this remains your intent as I am concerned by a recent press report and other indications that the matter may be managed differently. Now that your APC replacement requirement is specifically confirmed in the White Paper, I would welcome your early assurance in regard to your tendering process.

Sincerely,

Jürgen Maschmann  
President





**SCHEDULE FOR THE RIGHT HONOURABLE BRIAN MULRONEY**  
**DECEMBER 8, 1994**

**EVENT:** Meeting with Mr. Karlheinz Schreiber

**GROUND TRANSPORTATION:**

Professional Limo Service - New York  
Contact: Maria (718) 932-0101

**Thursday, December 8, 1994:**

**06:45AM** An Agent from the RCMP will pick you up at the residence and proceed to the airport

**07:40AM** **MBM** and Mr. A. Doucet depart Montreal/Dorval Airport - Delta 1185 - Seat 3-C-D

**09:00AM** **MBM** arrives New York/La Guardia  
Sal will pick you up at the airport and proceed to the hotel

**11:00AM** Meeting with Karlheinz Schreiber  
Le Pier Hotel  
61st Street and Fifth Avenue  
New York, NY  
tel: (212) 838-8000

**03:45PM** Sal will pick you up at the hotel and proceed to the airport

**04:58PM** **MBM** and Mr. A. Doucet depart New York/La Guardia Airport AC-751- Seat 2-E-C

**06:14PM** **MBM** and Mr. A. Doucet arrive Montreal/Dorval Airport  
An Agent from the RCMP will pick you up at the airport and proceed to the residence

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AVIS DE CONFIDENTIALITÉ.

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For missing or illegible pages please call fax operator at (514) 847-4737 or send a telex to 05-25302.

NOMBRE DE PAGES INCLUANT CELLE-CI  
NUMBER OF PAGES INCLUDING COVER LETTER

2

**OGILVY  
RENAULT**

S.E.N.C.

AVOCATS  
BARRISTERS & SOLICITORS

1981 avenue McGill College  
Montréal (Québec) Canada H3A 3C1  
Tel: (514) 847-4747.

Numéro de télécopieur/Fax No: (514) 286-1230 (personel)

1 décembre 1994

EXPÉDITEUR/FROM:

Francine Collins  
Adjointe du très honorable Brian Mulroney  
Assistant to the Right Honorable Brian Mulroney

DESTINATAIRE(S) / TO: ↓

MIKE	PROFESSIONAL LIMO SERVICE	NEW YORK	(718) 278-3413
------	------------------------------	----------	----------------

MESSAGE: ↓

Dear Mike:

The Right Honourable Brian Mulroney will be in New York on December 8, 1994. Please find his schedule attached hereto. Would you please ask Sal to take care of Mr. Mulroney during his stay in New York?

I would appreciate if you could confirm to me that you have received this fax as well as the fax I have sent to you yesterday.

Many thanks for your assistance in this matter.

Yours sincerely,

Francine Collins

Encl.,



NO. TPS R133500165 TVQ 1011408725

FACTURE : 07 DEC 1994  
DOSSIER : 30VILY  
CLIENT : C702  
AGENT : MARIETTE

CANSULT COMMUNICATIONS INC  
A/S MME RACHELLE CYR  
4700 DE LA SAVANE SUITE 214A  
MONTREAL QUEBEC  
H4P 1T7

MULRONEY/B RIGHT HONORABLE

---ITINERAIRE---

DE	A	TRANSPORT	VOL/CL	DATE	DEP	ARR	ET
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SANS ESCALE

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transporteur et compagnie aérienne  
contre un montant de 1902\$ de plus  
réservant le droit de modifier sans préavis

STAGE 350000 de plus  
des conditions de transport  
de l'aller et retour  
transporteur et compagnie aérienne  
contre un montant de 1902\$ de plus  
réservant le droit de modifier sans préavis

NUMEROS DE BILLET:

MULRONEY/B, RIGHT HONORABLE 6234861076

TAXE TRANSPORT CERTAINAD 200.00  
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TAXE QST CAD 40.20

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transporteur et compagnie aérienne  
contre un montant de 1902\$ de plus  
réservant le droit de modifier sans préavis

VIA (INCL TVQ)

(INCL TVQ)



**Mulroney asks Schreiber to clear the Airbus air: Former PM wants businessman to release bank records; [National Edition]**

*Philip Mathias. National Post. Don Mills, Ont.: Aug 20, 1999. pg. A.3*

**Abstract (Summary)**

Mr. [Karlheinz Schreiber]'s bank records are the missing piece of an RCMP investigation into allegations that he paid a \$5-million bribe to Mr. [Brian Mulroney], allegedly to ensure Air Canada bought \$1.8-billion worth of Airbus aircraft in 1988. Mr. Schreiber was alleged to be acting as a lobbyist for Airbus.

The Schreiber bank accounts will be released to Canada if both the Federal Court and the Bundesgericht rule against Mr. Schreiber. If either rules in Mr. Schreiber's favour, the Airbus affair will likely come to an end.

Black & White Photo: (Brian) Mulroney ; Black & White Photo: (Karlheinz) Schreiber ;

**Full Text (830 words)**

(Copyright National Post 1999)

Brian Mulroney, the former prime minister, has stepped up efforts to persuade Karlheinz Schreiber -- the man at the centre of the Airbus affair -- to release his confidential Swiss bank accounts to the Canadian government so the matter can finally be put to rest.

Mr. Schreiber's bank records are the missing piece of an RCMP investigation into allegations that he paid a \$5-million bribe to Mr. Mulroney, allegedly to ensure Air Canada bought \$1.8-billion worth of Airbus aircraft in 1988. Mr. Schreiber was alleged to be acting as a lobbyist for Airbus.

"Nothing would make Mr. Mulroney happier than to have these documents opened up so that his innocence would be clear forever," Luc Lavoie, Mr. Mulroney's spokesman, said yesterday.

This week, Mr. Mulroney telephoned his former chief of staff, Fred Doucet, from South Africa, where the former prime minister is vacationing with his family, and asked him to organize another approach to Mr. Schreiber.

Mr. Doucet persuaded a former cabinet minister in Mr. Mulroney's government, a man who knew Mr. Schreiber, to telephone him on Mr. Mulroney's behalf and ask that the documents be released.

Over the last three years, Mr. Mulroney has interceded with Mr. Schreiber several times, both directly in telephone calls, and through intermediaries.

But Mr. Schreiber has always been unreceptive. "I don't want to release the documents," he told the National Post, "because the whole procedure by the Canadian government is illegal, and I want to see them in court to prove this."

The RCMP investigation has been proceeding on and off since the Air Canada purchase of the Airbus aircraft 10 years ago.

In 1995, the probe gained momentum when a disgruntled former employee of Mr. Schreiber's alleged that Mr. Schreiber had told him he was going to bribe Mr. Mulroney.

The informant added that he did not know if a bribe had actually been paid, but supplied details of the bank account that supposedly received the money. His allegation was later proven false.

In 1995, the Canadian government sent a letter to the Swiss government asking for copies of Mr. Schreiber's own bank documents.

The Swiss only release such information when there's evidence of a crime. A Swiss police official advised the Canadian government how to word the letter so that it would seem to pass this stringent Swiss requirement.

The letter used very strong language, saying Mr. Mulroney has engaged in "criminal activity" to "defraud the Canadian government."

Mr. Mulroney launched a lawsuit for libel. In January, 1997, the Canadian government apologized, paid \$2-million of his legal fees, and declared the bribery allegation was "sans fondement" (without foundation).

But the letter of request to Swiss authorities was not withdrawn, and Mr. Schreiber began several legal actions to prevent his bank accounts being made public through the letter.

He first obtained a court order stopping the Canadian request from going forward in Switzerland, but that freeze order has since expired. This year, he asked the Federal Court in Vancouver to order the Canadian government to withdraw the letter of request.

"All we have asked the court to do is force the Canadian government to tell the Swiss government the truth," said Robert Hladun, Mr. Schreiber's Edmonton-based lawyer.

The court's ruling is expected in September. Meanwhile, in June, after the court-ordered freeze expired, the Canadian government reactivated the letter of request.

The Swiss attorney-general, Carla del Ponte, ordered the Schreiber bank documents released to Canada. She explained that she accepted the letter of request as if it was literally true.

The Swiss do not normally look behind a letter of request, lawyers explain. If there's a problem with a letter, Swiss policy is that the requesting country deals with the problem.

Mr. Schreiber countered with an appeal to the Supreme Court of Switzerland, called the Bundesgericht, to countermand Ms. del Ponte's order.

The basis of the Schreiber appeal is that Switzerland has no right to honour the letter of request, because it does not conform with Swiss requirements. The Swiss court has yet to deliver a ruling.

The Schreiber bank accounts will be released to Canada if both the Federal Court and the Bundesgericht rule against Mr. Schreiber. If either rules in Mr. Schreiber's favour, the Airbus affair will likely come to an end.

According to some estimates, Mr. Schreiber has spent about \$2- million in legal fees to prevent his bank documents from being released.

But Mr. Hladun says Mr. Schreiber has nothing to hide. "He's a man of integrity," he added, "and he values his privacy. It's a matter of principle."

Others doubt that anybody would spend so much money just to establish a point of principle.

Mr. Lavoie confirmed that Mr. Mulroney has asked Mr. Schreiber to release the bank accounts, but denies Mr. Mulroney is applying any pressure. "He doesn't want to infringe on anybody's right to go to court seeking justice," Mr. Lavoie said.

**[Illustration]**

Black & White Photo: (Brian) Mulroney ; Black & White Photo: (Karlheinz) Schreiber ;

**Indexing (document details)**

**People:** Mulroney, Brian, Schreiber, Karlheinz, Lavoie, Luc  
**Author(s):** Philip Mathias  
**Document types:** Business  
**Section:** News  
**Publication title:** National Post. Don Mills, Ont.: Aug 20, 1999. pg. A.3  
**Source type:** Newspaper  
**ProQuest document ID:** 250862221  
**Text Word Count** 830







## THE MYSTERIOUS DEAL-MAKER

FIFTH ESTATE

Broadcast Date: Wednesday, October 20, 1999

Time: 21:00:00

End Time: 22:00:00

Network: CBC-TV

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MACINTYRE: that's a gift.

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

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

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

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

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

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

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

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

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

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

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

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

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

"personally informed by Mr. Karlheinz **Schreiber** that (**Schreiber**) had been employed as an agent for the Airbus company" and that "he brokered 34 Airbuses to Canada."

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

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

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

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

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

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

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

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

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

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

A Swiss court has since ruled that the codes "can, with little imagination and through more than coincidence, be tied" to **Schreiber's** alleged partners in the Saudi deal. And if that wasn't enough, travel records confirm trips by the two Thyssen executives to Zurich at the time money was being

withdrawn from the sub-accounts that bore their code names. By May this year, the two Thyssen managers had been charged with receiving kickbacks from **Schreiber**. Holger Pfahls, the former bureaucrat, evaded arrest and is now a fugitive.

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

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

MACINTYRE: He was afraid, he was getting nervous.

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

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

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

MACINTYRE: When we come back...

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

COMMERCIAL BREAK

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

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

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

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

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

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

MACINTYRE: There is, in fact, a pretty clear trail for some of the Airbus money, and it comes mostly from **Schreiber**'s own records, records which show that each time a new Airbus jet hit the Tarmac in

Canada, the money flow would begin all over again, a money trail that could add up to nearly \$20 million. And it went like this:

Remember that new Airbus that arrived on November 23, 1990? Airbus's Paris bank then sent \$393,000 in commissions to an account in Liechtenstein in the name of a **Schreiber** shell company called IAL. Thirteen days later, the shell company wired the money to Zurich, Switzerland, to **Schreiber's** US dollar account. Where all that money went from there was a mystery until German authorities raided the **Schreiber** compound in Kaufering, just outside Munich, in 1995. Here at 27 Reifeisenstrasse they discovered a 1991 day-timer and in it there were some important clues. On one page, in small handwriting, he did some careful math, math which divvied up the airbus commissions. January 19, 1991, **Schreiber** added up three Airbus payments, including that November delivery, totaling nearly a million dollars. Here's how he split it: half for CAN, meaning Canadians; a quarter for himself; one-eighth to "Maxwell"; one-eighth to "Stewardess." And bank records confirm the day-timer entries. German authorities have identified "Stewardess" as Stewart Iddles, the former vice-president of Airbus.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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Idnumber: 199910200006

Length: 4525 words

Guest: ERWIN ZEITER, former business partner of Karlheinz **Schreiber**; NEWS STOCK FOOTAGE; PAT MACADAM, former associate of Brian Mulroney; COLONEL MICHEL DRAPEAU, Department of National Defense; HARVEY CASHORE, fifth **estate** producer; KARLHEINZ **SCHREIBER**, German businessman; REINHARD NEMETZ, chief state attorney, Bavaria, Germany; HANS LEYENDEKER, investigative journalist, Cologne; PROF. ERICH SAMSON, **Schreiber**'s German defense lawyer; BROCK SQUIRE, real **estate** agent; FRANK MOORES, former Nova Scotia premier now with Government Consultants International; LUC LAVOIE, Brian Mulroney's public spokesman; ELMER MACKAY, former Mulroney cabinet minister;

Tone: Negative **■**

Audience Reach: 656,000 **■**

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Thursday, Oct.28/99

Memo to File

Having watched last night (Oct. 28/99) the fifth estate program on the CBC dealing with K.S., I decided to write down my recollection of an event that took place on Dec. 8, 1994. On that date,(Dec. 8/94) I traveled to New York to meet up with MBM for the purpose of attending a lunch at the invitation of K.S. on the occasion of Elmer MacKay's recent wedding. Elmer and his wife along with Barbell and others were in a attendance. It was understood that ahead of the lunch K.S. wanted MBM to provide a report to him on his ongoing assignment of oversight internationally on behalf of K.S.'s corporate interests. At approximately 11:00 a.m., MBM and I proceeded to K.S.'s room and for approximately 1 ½ hrs. the two of them discussed various aspects about MBM's assignment as well as a number of matters where MBM saw opportunities in the international arena. K.S. provided some materials to MBM about some projects he was pursuing. At the end of the discussions K.S. handed over an envelope indicating that a payment for services and expenses were included. I was present throughout the discussion period. At the end of the 1 ½ hrs (approx) we all went down to the restaurant together to join the other guests at the Elmer MacKay luncheon. Lunch lasted for about 1 ½ hrs and MBM and I left together.

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Dec. 26/99 2-5 p.m.

Luc Lavoie

"we" think he's a lying bastard.

- I spoke with him and his apology rang shallow.
- I'm going to have him discovered. I want to know who he means by "we".
- Kaplan's book is flawed in several key pages particularly in the very first pages.
- When airbus case broke the first call I got was from Lalonde. He said to me the two people who know most about this story is you and me. And we each know that Mulrone had absolutely nothing to do with the sale of airbus to A.C.
- Elmer used to hate Lalond's guts. Now he likes him a lot.
  
- People are going to be very surprised about the individual we're going to discover. When I'm finished we will know that Rock, Gray, Chretien, knew about what the RCMP were doing.
  
- When we discover Proust we're going to ask her whether she had sex with a member of the German Prosecution team before or after she wrote her letter.
  
- Ironically, this extradition hearing is going to resolve the whole issue for Brian because when we get the German prosecutor in for discovery we will have him reveal what they have found from the thorough examination of the accounts in Swiss and German banks. They will have to admit that in all those accounts there is not a single reference to Brian. They can't have it both ways – if they wish too use that evidence to extradite me that means they wish to have those accounts taken seriously – if they do then that fully exonerates Brian.
  
- Barbell and I have become very good friends of the Greenspans. He has invited us for New Year's Eve. (along with a group of lawyers, judges, industry captains, etc.)
  
- Brian should know who his best friend is. It is not the many he thinks they are. It is you. He should have made you a Senator instead of the many so called friends who did not serve him well and would do nothing for him today, like Cogger, Meighen, Atkins, Carney, Kelly,
  
- I cannot understand why Brian did not tell me along the way why he wouldn't support the Nova Scotia project. If he had told me he couldn't do it for whatever reason I would have accepted it. He never told me – so I kept pushing it. However, I'm over that now.
  
- Brian is a great guy. I wish we could have done that Thyssen project – he would now have a great client on the international scale.
  
- I have decided to increase the amount of damage in my claims against the CBC and the 5<sup>th</sup> Estate. I have also launched a new suit against each of them based on the last broadcast.

Dec 26/99  
3-5 P.M.

→ Luc Lavoie

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bastard.

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his apology says "I'm sorry"
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in several key pages particularly  
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about this story is you & me.  
And we each know that Mulhoney  
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it. It is all of Arthur's & A.C.

- Elmer used to hate Sabando's guts. Now he likes him a lot.

- People are going to be very surprised about the ~~the~~ individuals we're going to discover. When I'm finished we will know that Rock, Gray, Christian, know about what the RCMP were doing.

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they have found from the thorough examination of the accounts in Swiss & German banks. They will have to admit that in all of those accounts there is not a single reference to Brian. They can't have it both ways - if they wish to use that evidence to extradite me that means they wish to have those accounts <sup>then</sup> seriously - if they do then that fully exonerates Brian.

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Brian should know who his  
best friend is. It is not the  
many he thinks they are. It  
is you. He should have made  
you a Senator instead of the  
many so-called friends who  
did not serve him well and  
would do nothing for him today.  
like Coggan, Neufuss, Albino,  
Carney, Kelly,

I cannot understand why  
Brian didn't tell me along the  
way why he wouldn't support  
the Nova Scotia project. If he had  
told me he couldn't do it for  
whatever reason I would have  
accepted it. He never told me - so  
I kept pushing. However I'm over that now.

Brian is a <sup>5</sup> great guy. I wish we could have done that Thyssen project - he would now have a great client on the international scale.

I have decided to increase the amount of damage in my claims against the CBC and the 5<sup>th</sup> Estate. I have also launched a new suit against each of them based on the last broadcast.



Jan. 11/00

4:30 Royal York, Toronto K.S. and J.A.D. room 5-271

1. Party Justice Linden and wife. She is a good friend of Mila.

Al Warner and wife

They like Mulroney and they don't believe for one second that he ever did anything wrong.

2. Luc

- I gave him letter. I commented the setting that provoked Luc and how out of context the quote was. I told him how irate you were about Luc's statement regardless of provocation and that you had called him in S.A. and given him hell. Then I probed what good would be served by proceeding with a suit. K.S. said, well he did me a lot of harm in Germany - my friends from there are asking me why a spokesperson for BM would call me a liar. No amount of apology on his part will satisfy them. He must pay for his lack of professionalism. BM should not get into this. He should tell him "Look you hurt K.S. and you hurt me, so solve your problem - in any event Fred, you know these guys are accustomed to shooting with their lips and getting away with it - this time he won't, he'll have to learn a lesson and the only way he can is to pay for his misdeed. Then I'll be able to tell my friends - it's settled. Tell BM he should not get into this. In any event, because you've asked I will bring this letter to Eddie. How will I know what Eddie's response is to this proposed apology? Have his layers call Eddie.

3. Now on our friend B.M. I was quite taken by your concern at our house regarding an apparent statement that Brian made. Since you had invited me to tell B.M. everything, I did. And Brian quite frankly could not understand where you would be of that impression. Subsequently however, he went to the text of his discoveries and found a section where you may have misunderstood what he said and the context of the line of questioning. I have brought you that section and I'm prepared to get you the entire transcript if you'd like it. Fred, I fully understand now and I can see how Brian would have been concerned when you reported to him. O.K. Fred this fully clears that up. I now understand. So there's no problem here anymore.

Now K.S. let us imagine that what you had in mind when you called me to set up the Mirabel meeting etc. regarding M.B.'s consultancy internationally comes out during your discoveries. May I presume you will disclose the same as I understood the consultancy to be. The occasion of Elmer's luncheon party was to propose to M.B. that you would want him to keep an a watching brief world wide over a three year horizon and to report periodically on possible opportunities for your companies and that for that service you were prepared to pay a fee and expenses. Let me stop you there Fred. Brian and I had discussed this before particularly in the context of place keeping programs and also dealing with the reunified Germany. So, OK, K.S. so you had a mandate which was acceptable to M.B. Yes, that's right. Now if you are asked under oath about the post 1993 period is this what you're going to say. We'll Fred, I can't perjure myself so I guess if asked that's what I would say. What about the financial arrangements? Well it could have been an advance or a loan - I don't really fully recall but I guess it is only relevant in the

context of my taxes so let's wait a while since I won't be discovered for a long time and I believe (as does Eddy) that I will never be discovered. Look Fred Brian is my friend. I will do nothing that will hurt him -- you tell him. We can come back to this matter later but we agree on the mandate I gave him and he accepted. O.K. Fred, there is nothing like the truth do you agree? Absolutely.

4. K.S. what the hell's happening in Germany? All hell is breaking loose. You see Fred the Bavarian Premier wants to be Chancellor. I will see to it he doesn't get it. I owe this to Strauss. Also Straubele is an ass. He wants to make life difficult for Kohl and the Treasurer of the Party (Lady) Strauble has ambitions -- he will never materialize them. The Treasurer is my friend, Kohl is my friend. They will be OK.

What about all this talk to the media? Well Fred I'll tell you, I'm picking my spots. In Canada I do nothing except with Eddie's approval. But in Germany I'm doing my own thing but of course I discuss everything with Eddie. My friends out there are happy that after five years of silence when Pelossi and company did all the talking and hurt me badly that finally I'm now talking. K.S. I need to walk you through the pitfalls. (And I did) Well Fred I think you're wrong but I appreciate that you care enough to tell me what you thing.

5. Timing. We have suggested dates. We expect now the discoveries will start in Feb. Prost, her Boss, then Thompson, then Rock. Then a long list including Chretien. On my own initiatives -- we're going to let these discoveries scare them like hell and maybe my initiatives will go pretty fast without my having to be discovered. That's what Eddie thinks.

6. You know Fred, the official prosecution materials were lost for a week when they arrived in Canada. We think they were intercepted by the RCMP. When they were found the seal was broken and a part was missing. They don't know we have the missing part (we were able to obtain it) and it is that part that will fully lay to rest the Airbus case. Because all the accounts one in there and there is no reference directly or indirectly to M.B. After this comes out there is no basis to continue the investigation on Airbus. I tell you again, Fred, ironically this extradition hearing will serve to kill Airbus in Canada with the combination of the document and the discovery in particular of Prost and Pelossi.

My conclusions:

- He is hurting for money
- He is getting paid for his interviews (he let slip that he had made \$40,000 in one interview)
- He also mentioned taking a call from Time magazine.
- He fervently believes he will never be extradited. (Eddie is absolutely certain)
- He will only settle for some money from Luc

Jan 11/00 4:30 Royal York, Toronto.

K.S. & J.A.D. room 5-271

1, Party. Justice Linden & wife. She a good friend  
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### My conclusions:

- He is hunting for money
- He is getting paid for his interviews (he let slip that he had made \$40,000 in one interview)
- He also mentioned taking a call from Time Magazine.
- He firmly believes he will never be extradited. (Roddie is absolutely certain)
- He will only settle for some money from Luc ~~at some~~



## MANDATE

To provide a watching brief to develop economic opportunities for our companies,

including travelling abroad to meet with government and private sector leaders to assist in opening new markets for our products and to report regularly to us in this regard. In this context, priority should be given to opportunities relating to Canadian based manufacturing of peace keeping and/ or peace making military equipment in view of Canada's prominence in this area.

The mandate will be for a period of three years. The fee to cover services and expenses is set at \_\_\_\_\_ for the period.

Feb 4/00

93/94  
94/95  
95/96

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A                      B                      C

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\* Bayerische or whatever other company's name  
Bayerische Bitumen Chemie Chemie  
Kautering

\* Bituman Calgary

- ① The mandate is accurate
- ② The two companies were Bayerische and Bituman Calgary and any other company that may be appropriate
- ③ The amount paid over the 3 years was \$250,000.

F.D.C.I.

R.M.

JL

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- (A)
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F D C I.

B.M.

Mandate Oct 22 / 07 - call to David

Date of meeting

Feb 4/00

93/94  
94/95  
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no #  
KS  
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KS depend  
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Aug 27/00

Summary of Events

Background

To the best of my recollections I have known Karlheinz Schreiber (K.S.) since 1988 when I met him in Ottawa at a G.C.I. party. He was introduced to me by Frank Moores as I recall.

During the period 1990, 1991, 1992, my consulting company (F.D.C.I.) had an ongoing arrangement with a K.S. company (Bitucan) to provide assistance with a project (Bearhead project). This relationship is a matter of public record and, since it involved in part government lobbying, was duly registered with the federal government Lobby Registry. This project was ultimately unsuccessful since the Federal Government turned it down.

Events Post 1992

1. As best as I can recall in late summer of 1993 K.S. called me to discuss with me whether I could arrange a meeting between himself and Brian Mulroney (B.M.) to discuss the prospects of a consulting assignment involving international representations and watching brief for corporate opportunities involving companies in which K.S. had an interest.
2. Following my discussions with B.M. a meeting was arranged in late summer/early Fall of 1993 between K.S. and B.M. to be held at the Mirabel Airport.
3. Subsequent to the Mirabel meeting B.M. informed me that he and K.S. had concluded an arrangement for an initial period of three years whereby B.M. through his consulting company would provide a watching brief and, if and where appropriate, make inquiries or representations in the international arena regarding corporate opportunities that could be of interest to K.S. It was also confirmed that B.M. would provide reports as appropriate.
4. I am aware that a meeting was held in Montreal in early 1994 between K.S. and B.M. pursuant to the above consultancy. (I do not recall if I had arranged this meeting but I recall B.M.'s report on it to me.)
5. I recall setting up a meeting in Dec/94 in New York, at the request of K.S., between K.S. and B.M. on the occasion of a luncheon on Dec 8/94 to celebrate the recent wedding of Elmer MacKay. I was personally present at that meeting in the Hotel Room occupied by K.S. This meeting was attended by K.S., B.M. and myself. At this meeting which lasted approximately one hour, B.M. and K.S. discussed various matters of the on-going consultancy in the international arena. K.S. provided various materials to B.M. At the end of the meeting we went to the hotel dining room and joined the group assembled for the luncheon event which lasted approximately 1 ½ hrs.

6. On Thursday Oct 27/99 I watched the Fifth Estate program on the CBC dealing with K.S. and matters relating to the airbus story and other aspects involving K.S. and others who had past associations with him. The following day (Oct 28/99) I wrote myself a memo to file regarding the meeting at which I was present in New York (as noted in 5. above).

The Fifth Estate program left me believing that events were unfurling, by way of speculations, that would probably lead to more wrongly construed conclusions about the Airbus matters and, in particular, references to B.M. and he felt the same way as I did.

7. On December 26/99, having learned from Elmer MacKay that K.S. was in Ottawa over the Xmas season and that he and his wife would probably appreciate a call or a visit in view of the recent events involving K.S. and his arrest in Toronto. (I had not seen or spoken to K.S. since the New York as best I can recall (Dec 94) I decided to give him a call and to invite him and his wife to our Ottawa home on Dec 26/99. I have kept a record of our discussions of that afternoon over a couple of hours. During this period he told me among many things that he expected that as part of his extradition hearings that I and B.M. would have to be discovered. Since K.S. urged me to review our discussions with B.M. I subsequently did. K.S. invited me to keep posted and to visit with him when next in Toronto and that he would do likewise when next in Ottawa.

8. On Jan 11/00 at approximately 4:30 p.m. we (K.S. and I ) met at the Royal York in my room. I have kept notes of that meeting. At that meeting, among many other matters about which K.S. spoke, he told me,, in answer to my specific question about what he proposed to say at his discoveries regarding the consultancy with B.M. that he agreed that the nature of the consultancy was to keep a watching brief world wide on possible opportunities for his (K.S.) companies; that B.M. was to report periodically on such opportunities; and that for those services a fee was being paid as well as to cover expenses. With respect to the fee K.S. stated that he could not be certain whether he would be treating these disbursements as "an advance" or a "loan" since that was only relevant to him in the context of his taxes. I did not probe any deeper into that particular matter.

9. I reported to B.M. on my discussions with K.S. (with K.S.'s knowledge and approval) and I suggested to B.M. that I meet again with K.S. to present in writing what he had told me the mandate for the consultancy was with B.M. and the term and fees. I met again with K.S. in my office in Ottawa on Feb 4/00 and I presented a written statement on the mandate consistent with what he (K.S.) had represented it to be. I left open the identification of the companies from which the mandate would emanate and the fees to cover services and expenses. With his own (K.S.) handwriting my notes show his identifying those companies and when I asked him what the fee was he told me that the fee for services and expenses had been set at \$250,000 for the period 93/94; 94/95; 95/96.

Furthermore, he (K.S.) asked me if B.M. would be interested in renewing the terms for a new contract to assist him in the strategic selling of a new spaghetti machine. I indicated to K.S. that I would bring this to B.M.'s attention. He told me that he thought B.M. could

be of great assistance to him internationally in this corporate endeavor and he told me how much he regretted that the Airbus allegations had been casual to the interruption of their (KS and BM) consultancy agreement.





## PETER McKAY

### FIFTH ESTATE

Broadcast Date: Wednesday, January 17, 2001

Time: 20:00:00

End Time: 21:00:00

Network: CBC-TV

VOICE-OVER ANNOUNCER: And now, Linden MacIntyre.

LINDEN MACINTYRE: Welcome back. Think ahead, way ahead. Think of the House of Commons a couple of years from now. That Liberal sitting in the prime minister's chair--Jean Chretien? Maybe. Or Paul Martin, or one of the other usual suspects. But across the way, who's that leading the united right in opposition? Lately, even Stockwell Day's allies are saying he could well be gone by then. Joe Clark says it won't be him, so who? Well, a lot of smart people think that the right man just might be a sharp, young Tory MP from Nova Scotia named Peter McKay. He's got politics in his blood, brains in his head, and a lot of down-home charm. In fact, the biggest obstacle to the rise of Peter McKay could be Peter McKay himself.

Somebody once described rugby as a thug's game played by gentlemen. Peter McKay thinks politics should be more like rugby. He's a thirty-five-year-old MP from Nova Scotia, and a lot of wise old politicians think that he just might be on to something. Tory Senator Norman Atkins:

NORMAN ATKINS (Tory senator): He's bright, he has quick responses. He has a, I think, the political touch that...some people talk about the potential royal jelly.

LINDEN MACINTYRE: Nova Scotia has produced a lot of famous politicians, including several prime ministers a few near misses. Peter McKay's roots run deep in Nova Scotia politics, and Pictou County, where the McKay's made a lot of money in lumbering.

PETER McKAY (Nova Scotia MP): My granddad was born and died in the same room in this little house. My father would be the fourth generation to be on this farm, and I hope to be the fifth.

LINDEN MACINTYRE: On this visit home, a symbolic gesture: planting some acorns from Quebec, where perhaps significantly, he's been learning French lately.

PETER McKAY: I'm going to plant those acorns that I took from Sir Wilfrid Laurier's tree outside the Quebec legislature out here.

LINDEN MACINTYRE: He isn't the first McKay to raise a high profile in national politics.

PETER McKAY: We've, over the years, acquired a lot of land and looked after our forests.

LINDEN MACINTYRE: His father is Elmer McKay, featured on the fifth **estate** more than twenty-five years ago when he was an aggressive parliamentary critic of the justice system.

ELMER McKAY: I've just been told that there's a live recording device hidden in one of the chairs in my office, and that it's fully operative.

UNIDENTIFIED: Do you believe that this bug could have been planted either by the government or by the police?

ELMER McKAY: The bug could have been planted by anyone as far as that goes.

LINDEN MACINTYRE: While his father was fighting bugs in Ottawa, Peter and his three siblings were growing up in what, from the outside, seemed to be idyllic circumstances.

PETER McKAY: Of course, going to school, you can see we'd always come over and have apple fights in the orchard. And there was a brook, it was a ready-made place for a kid to grow up. That's the school, yeah. It's hard to believe. It's like something out of Little House on the Prairie. I just caught the tail end of the one-room schoolhouse generation. I used to think of it as this huge, big place. But it was about thirty kids—I had one other kid in my grade, Beverly York. She used to copy off me.

LINDEN MACINTYRE: But there was a darker side to it all. Elmer was a mostly absentee parent, caught up in political intrigues, dumping one party leader, helping usher in a new one.

NEWS CLIP: Brian Mulroney arrived in central Nova with Elmer McKay, the MP who gave up his seat for the new Conservative leader.

LINDEN MACINTYRE: Elmer McKay soon had his seat back, and a seat in the Mulroney cabinet, along with the man they helped get rid of, Joe Clark. But politics had helped turn his family's bucolic world inside out.

(to Peter McKay) Your folks went their separate ways. Your father was in Ottawa all the time. How much of that is part of your make-up?

PETER McKAY: That was, without a doubt, a very, very difficult time. I mean, I was eight years old, I had brothers and sisters. My mother, God bless her, did amazing things in raising a family: went back to school, took a very demanding job.

LINDEN MACINTYRE: His mother raised the children, but her eldest son seemed to be determined to follow in his father's footsteps. He even spent a year at Carleton University in Ottawa to be nearer to his dad, at least physically. The emotional distance remained, however, and he finished his education in Nova Scotia.

PETER McKAY: You know, I think every kid grows up wanting their parents' approval, and you now, my dad was in the thick of it at that time.

LINDEN MACINTYRE: After law school, he returned to Pictou County to work as a Crown prosecutor, where he started forming his own views on justice.

PETER McKAY: I saw things that I felt needed to be changed in law. I'd been doing a lot of work with the Young Offenders Act.

LINDEN MACINTYRE: In 1997, then-Tory leader Jean Charest invited the young lawyer to become a law-maker.

PETER McKAY: This wasn't some pre-determined path that I was on, and my father never openly or actively encouraged me to do this. In fact, I think he was surprised.

UNIDENTIFIED: Peter McKay, one thousand and eight...[CHEERS]

LINDEN MACINTYRE: February '97, his nomination against three other candidates would be his toughest fight. He won the seat in the June election that year by more than 5,000 votes, and he took to Parliament as if he'd been born for the job.

PETER McKAY: The absolute loss of any remaining shred of credibility that government and Parliament might have in this country is on the chopping block.

LINDEN MACINTYRE: Charest appointed him Tory house leader, and like his father before him, he became a justice critic. Unlike Elmer, he's emerged as a hardline advocate of law and order.

(to Peter McKay) You mentioned the Young Offenders Act. Did I read right that you want to put ten-year-olds on trial and put them in jail?

PETER MCKAY: No, you didn't read that right. But there are occasions when we should have that discretion to treat a young person seriously when they commit a serious crime.

LINDEN MACINTYRE: But how responsible, really, is the ten-year-old kid who maybe doesn't even know his way home from school yet?

PETER MCKAY: Well, ask the victim. You're just as dead if you're killed by a ten-year-old or a fourteen-year-old.

LINDEN MACINTYRE: What about the death penalty?

PETER MCKAY: Well, everybody has their own personal view on that. My own is that if the evidence is there, and if it's ironclad, then I believe that there are crimes that warrant the ultimate punishment.

LINDEN MACINTYRE: He'd been in Ottawa less than a year when Jean Charest left to lead the Quebec Liberals. Charest thought he should seek the party's leadership; he quickly declined.

(to Peter McKay) Have you got any regrets now that maybe you didn't bite the hook at that particular time?

PETER MCKAY: No regrets. As one fellow said to me back home, you're a little wet behind the ears for that, son. And I think that was....

LINDEN MACINTYRE: That wouldn't be Elmer McKay, would it?

PETER MCKAY: Well, it could have been. It was sage advice. I think there's always a danger of getting in the ring too early.

LINDEN MACINTYRE: Or, as Elmer learned, getting in the ring at all. In 1993, he retired back to Pictou County.

ELMER MCKAY: I'm very proud of Peter being in politics. He never gave me any indication that he wanted to get involved in this amazing profession which Bismarck called the only one for which no formal training is required.

LINDEN MACINTYRE: One of your strengths is that you have history, you have a political tradition—the McKay name goes back into the Mulroney administration. But yet the Mulroney era is still suffering from images of scandal and controversy. Will that raise a perception problem?

PETER MCKAY: I would say compared to the current administration, it's no more scandalous. But let's put into a perspective. I was in high school when Mr. Mulroney was the prime minister.

LINDEN MACINTYRE: But the scandals of the Mulroney days still resonate, few more persistently than the Airbus aircraft deal, and the man at the centre of it. Karl Heinz-Schreiber, a wanted man in Germany, counts among his most loyal friends Elmer McKay.

ELMER MCKAY: I've known him for some time, and I find him to be a good friend. That's as far as it goes, and I don't desert my friends.



LINDEN MACINTYRE: It seemed to me that he really stuck his neck out in going to bat for Karl Heinz-Schreiber, at some potential cost for the next generation of McKay politicians.

PETER MCKAY: My father is a very loyal person, which again is a quality that I think is admirable, particularly in public life. And it's not when you're experiencing high times that you gauge the quality of your friends. It's when things are tough.

LINDEN MACINTYRE: When we come back, getting personal with Peter.

MIKE MICIO (Peter McKay's best friend): He's perfect. Just when it came to dating, girls he wasn't perfect with, that's all. When he had a good girl, he kind of...but he had an agenda, so the girls were second.


#### COMMERCIAL BREAK


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Idnumber: 200101170009

Length: 1608 words

Guest: NORMAN ATKINS, Tory senator; PETER MCKAY, Nova Scotia MP; ELMER MCKAY, Peter's father; NEWS CLIP; MIKE MICIO [sp?], Peter McKay's best friend; CHANTAL HEBERT, political columnist, Toronto Star; JOE CLARK, clip

Tone: Neutral 

Audience Reach: 656,000 

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## CHOPPERS, PLOTS AND COLD HARD CASH

FIFTH ESTATE

Broadcast Date: Wednesday, March 14, 2001

Time: 20:00:00 ET

End Time: 21:00:00 ET

Network: CBC-TV

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

LINDEN MACINTYRE (the fifth estate): Rumours of shadowy businessmen secretly financing a change in the Tory leadership were not uncommon back in the eighties. The revelation that right-wing Bavarian interests were involved in the political reorientation of the Canadian Tory Party add a disturbing new wrinkle in an old story. It's only emerging now because Karlheinz Schreiber's international wheeling and dealing has caused a lot of grief for a lot of important people back in Germany, including the former German chancellor, Helmut Kohl. Bonn, Germany in 1991: Helmut Kohl and Brian Mulroney, ten years later, have reasons to regret they ever heard the name Karlheinz Schreiber. But they once thought highly enough of him to give him access to important state dinners like this one. Today Germany is transfixed by political scandal, a crisis precipitated when Schreiber admitted handing a briefcase full of cash to the treasurer of Kohl's political party, the Conservative Christian Democrats, the CDU. Then more revelations that right-wing parties in Germany routinely received illegal contributions. There have been resignations, criminal charges, even suicide. The internationally respected Helmut Kohl has left politics, his reputation shattered by allegations of bribery. There are four separate parliamentary inquiries, and more than a dozen criminal probes, charges of bribery and tax evasion and secret money trails, trails that often either begin or end in Canada. Parliamentarian Frank Hoffman.

FRANK HOFFMAN (German parliamentarian--translated): Canada plays a central role in our investigation. We are mostly interested in the money flow from Canada to Germany; but I do not exclude the reverse--that money flowed from Germany into Canada.

MACINTYRE: German prosecutors and parliamentarians are poring over thick binders packed with documents. Karlheinz Schreiber has already been charged with bribery and tax fraud involving millions of dollars, and, from Toronto, is fighting German legal efforts to bring him home to face trial.

HOFFMAN: When people like Karlheinz Schreiber spend money so that the government acts in a certain way, then democracy is undermined. Then people like Karlheinz Schreiber and their money determine public policy, and no longer the people. And that is not tolerable in a democracy.

MACINTYRE: One of Schreiber's German lawyers is Yanolef Leisner [sp?]. They rejected German charges that he evaded taxes, they insist he never kept the money the Germans want to tax, he was just a conduit who funnelled money to informed decision-makers, which is legal in his native Germany.

YANOLEF LEISNER (lawyer for Karlheinz Schreiber): Mr. Schreiber's position in the tax case is the was a middle man who acted on behalf of decision-makers who received money from German companies who are interested in different investments in, for example, Canada or wherever.

MACINTYRE: And that is a fairly conventional process in European business, that people like Mr. Schreiber facilitate between companies that want to sell and the buyers who want to buy.

LEISNER: You can't call it conventional, but it's necessary for those people who receive the money, because they want to stay unknown.

MACINTYRE: The decision-makers.

LEISNER: The decision-makers.

MACINTYRE: And when you use the phrase "decision-makers," are we talking about Canadian decision-makers?

LEISNER: In the certain MBB deal we were talking about, we are talking about Canadian decision-makers, yeah.

MACINTYRE: Decision-makers is a broad category. It could include civil servants or politicians or anyone in government. For now, **Schreiber** wants to keep the authorities guessing on both sides of the Atlantic. [speaking to Mr. Leisner] In German there's a wonderful phrase: "?".

LEISNER: Yeah.

MACINTYRE: Give me the translation.

LEISNER: The translation is "lubrication money."

MACINTYRE: Lubrication money. Makes the wheels of business...

LEISNER: Yeah.

MACINTYRE: Can you explain, as you know, from Mr. **Schreiber's** point of view, just what his role was in the MBB deal?

LEISNER: Mr. **Schreiber's** main role was to protect the recipients of the lubrication money.

MACINTYRE: People who brought the "?".

---

LEISNER: That's correct.

MACINTYRE: Explain how he provided that protection.

LEISNER: Mr. **Schreiber** protected them by making every payment anonymous.

MACINTYRE: Deep in the belly of the German finance ministry in Berlin, a huge and impenetrable vault protects that anonymity for now. Thousands of boxes, tens of thousands of documents carefully stored in vaults like this, will eventually yield answers to important questions that ordinary Germans are asking about the integrity of their political institutions. Ironically, these same boxes could provide answers to similar and equally significant questions about the Canadian system, questions that Canadians haven't even begun to ask. But when they do begin to ask the questions, this is where they'll want to start. [speaking to ] A number of important politicians in Germany have come to grief; you've been a part of the downfall, I mean, things you've said, business you've done. How worried are Canadian politicians who may think that they may encounter the same fate?

**SCHREIBER**: I bribe nobody ever in Canada.

MACINTYRE: But you were generous.

**SCHREIBER**: Yes, I was always generous. If you want me to disclose to whom I gave donations, it would become a book like a Bible.

MACINTYRE: You've given a lot of money to a lot of people.

**SCHREIBER:** Sure.

**MACINTYRE:** Why are so many people afraid of being identified?

**SCHREIBER:** Because they see the—I can only guess—they see the mess today, and then they think, OK, when I got a donation from him, I may be in the same mess.

**MACINTYRE:** It's been almost twenty years since the Canadian Coast Guard went shopping for twelve new helicopters. For seven years the RCMP have been investigating the deal. A German political scandal has overtaken the Canadian probe—but maybe not for long, a worrying prospect for those Canadians who have so far been sheltered by the silence of Karlheinz **Schreiber**. We'll be keeping an eye on this story as it unfolds. Stay with us. The fifth **estate** will be right back.

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Idnumber: 200103140009

Length: 981 words

Guest: FRANK HOFFMAN, German parliamentarian; YANOLEF LEISNER, lawyer for Karlheinz **Schreiber**; KARLHEINZ **SCHREIBER**, German businessman

Tone: Negative

Audience Reach: 656,000

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KARLHEINZ SCHREIBER

7 BITTERN COURT, ROCKCLIFFE PARK  
OTTAWA, CANADA K1L 8K9

TELEPHONE 613 748 7330  
FACSIMILE 613 748 9697  
schreiberbertel@aol.com

The Right Hon. Brian Mulroney, P.C., LL.D.  
47 Forden Crescent

Westmount, Quebec  
H3Y 2Y5

Ottawa, January 29, 2007

Dear Brian,

I refer to my letter January 19, 2006 concerning the decision of The Hon. Vic Toews, P.C. M.P. then the Minister of Justice and Attorney General of Canada to support his predecessor The Hon. Irwin Cotler by denying the "Airbus" vendetta against you and your friends and the existence of the "Political Justice Scandal".

**This case is much worth and much more dangerous than the Maher Arar case.**

Imagine, a Liberal Minister of Justice initiates a political vendetta against a retired Conservative Prime Minister, his friends and the Conservative Party with the involvement of the officials of the Department of Justice, the RCMP, confidential informants and complainants, undercover agents from foreign agencies, journalists and foreign informants with criminal records.

Officials from the Department of Justice and the RCMP participate in an international political conspiracy, traveling during 12 years on taxpayer's money all over the world even violating the sovereignty of foreign countries. No confirmation concerning their allegations of fraud and bribe was found.

A victim of the vendetta files a lawsuit against the Minister of Justice and the Attorney General of Canada.

The vendetta caused an extradition case against the victim. The officials from the Department of Justice and the RCMP are trying to conceal the vendetta and the abuse of power and committed crimes through extradition or detention.

I always thought that events like this belong to the political behavior in countries with totalitarian Governments.

Since February 2006 Canada has a Conservative Government. The victim informed the Prime Minister, the Minister of Justice, the Minister of Foreign Affairs, the Minister of Public Safety and others, including you, about the ongoing vendetta.

On December 1, 2006 the Conservative Minister of Justice confirmed his predecessor's decision to extradite the victim to Germany required through Extradition - Treaty obligations. Every Minister involved and you know that this is a huge lie.

#### THE CANADIAN - GERMAN EXTRADITION TREATY

#### ARTICLE V: EXTRADITION OF NATIONALS

**(1) NEITHER OF THE CONTRACTING PARTIES SHALL BE BOUND TO EXTRADITE ITS OWN NATIONALS .**

Germany will never extradite one of its Nationals to Canada. The German Constitution, Article 16 (2) will not allow the extradition of its Nationals.

Dear Brian, can you please tell me why the Conservative Minister of Justice wants the Canadian National Karlheinz Schreiber, the victim, out of the country and help to conceal the biggest "Political Justice Scandal" in Canadian history contrary to the normal political interest of the Conservative Government.

I do not believe that the Hon. Vic Toews, then the Minister of Justice and Attorney General of Canada, made this decision on his own. What is the political interest of the Conservative Government and the Prime Minister in this case and what are the benefits? Is there a serious concern about the possible result of an inquiry?

Unfortunately, you did not respond to my letter as requested and it appears to me that you have no desire to bring any support to my request for a public inquiry which could bring the insanity to an end.

All my personal problems began with Stevie Camerons book "ON THE TAKE" and Allan Rock's political witch-hunt with the RCMP against you.

Since 1996 I am fighting to bring the truth to light through my lawsuit against the Attorney General of Canada. I never received any support from you despite the fact that I provided support at your request since the late 70s.



From 1985 until 1993 I had confidence in you and your statements concerning the Thyssen Bear Head project. You always told me to hang on and that the Thyssen project would go ahead as promised when the company was asked to come to Canada and provide jobs to the people in Nova Scotia.

During the year 2001 I could read in Stevie Cameron's book "The last Amigo" on page 260 that Norman Spector told RCMP officers : Prime Minister Brian Mulroney killed the Thyssen project in 1990 or 1991. Paul Tellier and Bob Fowler were looking after the business interests of General Motors London Ontario.

This was some time after Thyssen Bear Head Industries signed agreements concerning the projects with the Federal Government and the Provincial Government of Nova Scotia and Thyssen had paid substantial amounts of Dollars to GCI Frank Moores related to the achievements.

You never told Elmer Mackay or me that you killed the project and I went on working on it to fulfill your promises to bring jobs to the people in Nova Scotia.

During the summer of 1993 when you were looking for financial help, I was there again. When we met on June 23, 1993 at Harrington Lake, you told me that you believe that Kim Campbell will win the next election. You also told me that you would work in your office in Montreal and that the Bear Head project should be moved to the Province of Quebec, where you could be of great help to me. We agreed to work together and I arranged for some funds for you.

Kim Campbell did not win the election, but we met from time to time.

At the beginning of November 1995 I informed you about the letter of request from the Canadian Department of Justice (the IAG) to the Swiss Department of Justice.

Some days later your wife Mila was extremely concerned about you and told me that you are considering committing suicide. I was shocked and spoke to you for quite a while and you may recall that I told Mila to buy a little lead pipe to cure the disease.

I did not understand what your problem was since the Airbus story was a hoax as I told Bob Fife from the Sun. When I look back and consider what all you have done in the meantime I have the suspicion that there must be something else of great concern to you.

When we met in Zurich, Switzerland on February 2, 1998 at the Hotel Savoy, I left with the impression that you were in good shape.

On October 17, 1999 you asked for an affidavit or assurance from me which confirms that you never received any kind of compensation from me.

At the beginning of October 1999 to my great surprise I learnt that your spokesman Luc Lavoie told Harvey Cashore: "*Karlheinz Schreiber is the biggest fucking liar the world has ever seen. That is what we believe!*"

Believing the story, I got from you through a friend, I filed a lawsuit against the CBC which I had to drop when I got to know the truth and listening to the tapes. The fee: \$ 50,000.

During the Christmas Holydays 1999 I visited Fred Doucet at his home and told him that he should tell you that I would not commit perjury if I would have to testify and that I cannot understand why you don't simply tell the truth. A few days later, when I met with Fred again, he asked me to sign certain agreements concerning our business relationship. I refused to do so.

On January 24, 2000 Mila sent a letter to Baerbel and wrote: "the truth is certainly the best weapon!" She was right. If you would have taken her advice, you might have avoided a lot of trouble for you.

Until now you have to recognize that the Vendetta is not going away by itself.

During the summer of 2006, you again asked for a certain letter from me to be able to support my case, which I have sent to you on July 20, 2006 for your meeting on July 30, 2006.

When I look at the news during the last week and the activities from last year within the Department of Justice, concerning your settlement with the Government, I have a certain idea why your meeting was very important.

To assure that we have the same understanding about my case:

#### The Decision to Surrender

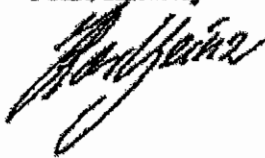
The judicial phase of the extradition process is a determination only that the evidence is sufficient to warrant that the person be extradited. The ultimate decision with respect to whether the person will, in fact, be surrendered to the extradition partner is that of the Minister of Justice.

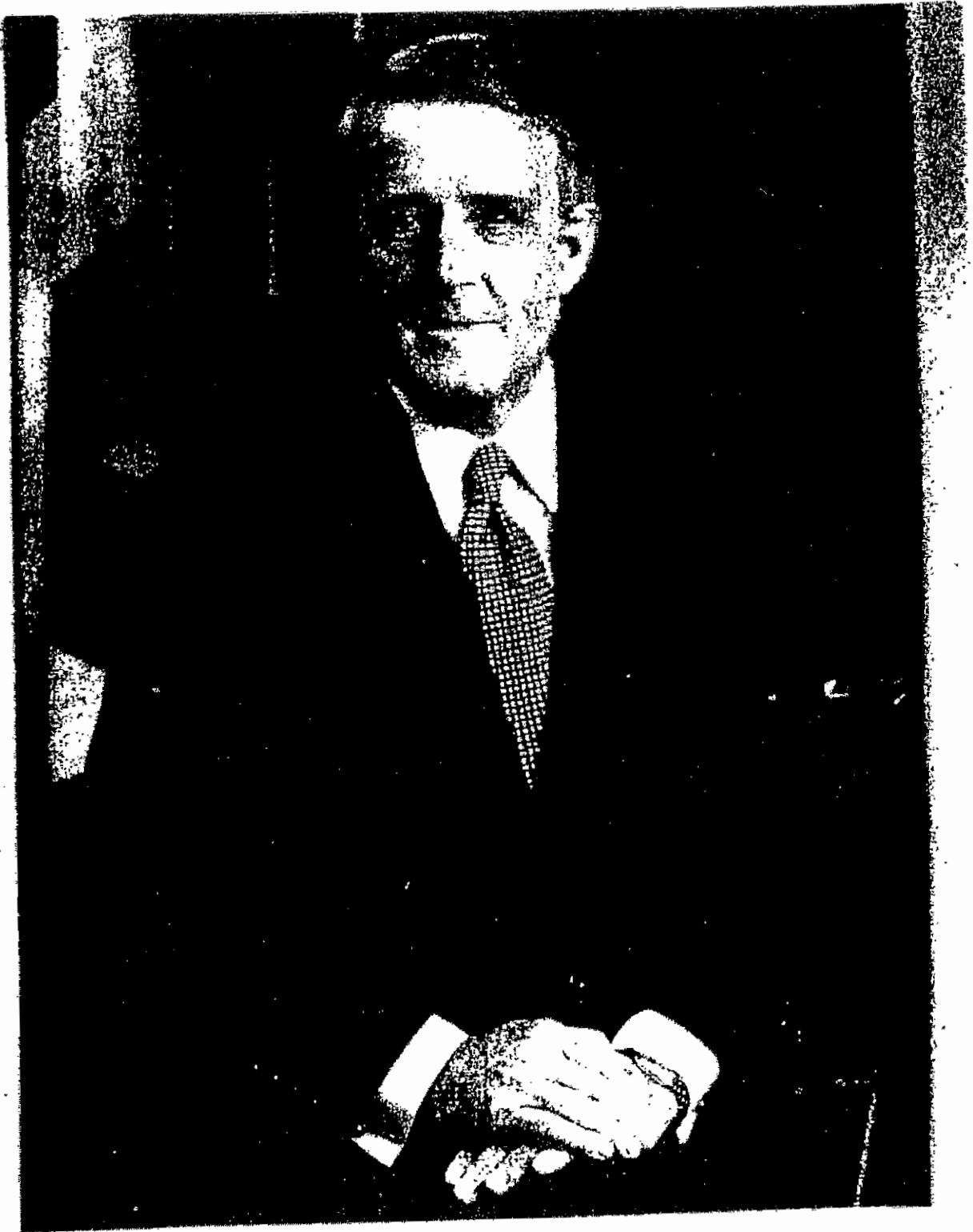
When you look at my extradition case you have to agree with me that Baerbel's and my life is in the hands of the Minister of Justice and the Prime Minister or the IAG, who can arbitrarily decide since they have no obligation to extradite me to Germany.

Since the Minister of Justice decided on my surrender he must have a special reason to do so. What is the reason, becomes the most interesting question.

Dear Brian, I would like to ask you what the reason might be in your opinion, besides this I think it is in your and my best interests that you show up and help me now and bring this insanity to an end. If I am forced to leave Canada this will not end the matter.

Yours sincerely

A handwritten signature in cursive script, appearing to read "David Jones", written in black ink.



for my friend, Karl Heinz  
with gratitude and best personal regards  
Gunter Huber



KARLHEINZ SCHREIBER

7 BITTERN COURT, ROCKCLIFFE PARK  
OTTAWA, CANADA K1L 8K9

TELEPHONE 613 748 7330  
FACSIMILE 613 748 9697  
schreiberbarbel@aol.com

The Right Hon. Brian Mulroney, P.C., LL .D.  
47 Forden Crescent

Per Fax 1 514 369 9393

Westmount, Quebec  
H3Y 2Y5

Ottawa, April 14, 2007

**Subject: Return of \$ 300.000,00 cash payments.**

Dear Brian,

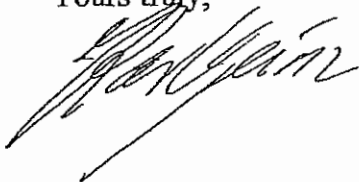
On March 20, 2007 your lawyer Kenneth Prehogan sent a letter to my Lawyer Richard Anka Q.C.

He wrote: "*Mr. Mulroney denies that he owes any money to Mr. Schreiber.*"

I have a different understanding and I recommend that you will ask your friend Fred Doucet helping you to refresh your memory concerning the money and what it was for.

He will be a witness anyway.

Yours truly,





KARLHEINZ SCHREIBER

7 BITTERN COURT, ROCKCLIFFE PARK  
OTTAWA, CANADA K1L 8K9

TELEPHONE 613 748 7330  
FACSIMILE 613 748 9697  
schreiberbarbel@aol.com

The Right Hon. Brian Mulroney, P.C., LL.D.  
47 Forden Crescent

Westmount, Québec  
H3Y 2Y5

Ottawa, May 8, 2007

Dear Brian,

The conspiracy and cover-up action of Prime Minister Stephen Harper, Brian Mulroney, Robert Douglas Nicholson, the Attorney General of Canada and the IAG of the Department of Justice are responsible for the Proceedings at the Ontario Court of Appeal concerning my extradition case.

Please find attached the copy of the letter April 3, 2007 from my Lawyer Robert Hladun Q.C. to The Hon. Robert D Nicholson, Minister of Justice and Attorney General of Canada and the copy of the letter April 27, 2007 from the International Legal Assistance Group of the Department of Justice.

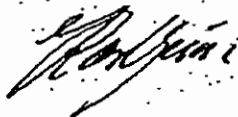
The Minister missed his chance to bring back Fundamental Justice to the Department of Justice and stop the improper and illegal extradition case against me.

The time has come that you bring the whole battle with me to a peaceful and satisfying end. This is my last warning.

I am prepared to disclose:  
that you received payments from GCI, Frank Moores, Fred Doucet, Gary Ouellet,  
that I was asked by Fred Doucet to transfer funds to your Lawyer in Geneva, (Airbus)  
what the reason was for your trip to Zuerich in 1998,  
that you asked me through my lawyers to commit perjury to protect you,  
that you supported fraud related to the Thyssen project  
and more.

It is in your hands what is going to happen. My patience comes to an end.

Yours truly,





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100, 10187 - 104 Street, Inquiries@hldun.com  
Edmonton Alberta  
T5J 0Z9

Our File 15737.1

Your File

April 3, 2007

Via Fax: (613)992-7910

The Honourable Robert Douglas Nicholson  
Minister of Justice and Attorney General of Canada  
284 Wellington Street  
Ottawa, ON K1A 0H8

Dear Sir:

Re: Karlheinz Schreiber and the Government of Canada

I represent Karlheinz Schreiber with respect to an action he commenced in the Alberta Court of Queens Bench in October, 1997 as a result of the Letter of Request that was sent to Switzerland in September of 1995. Mr. Schreiber has been the subject of extradition proceedings since the fall of 1999 and Edward Greaspan, Q.C. has represented his interests in that regard. On May 4, 2007, the Ontario Court of Appeal will hear an appeal relating to the surrender decision made by the Honourable Vic Towes on the 6<sup>th</sup> of December, 2006.

I recently received and reviewed a number of Crown documents in relation to the Alberta lawsuit. I have also reviewed certain newspaper articles and correspondence relating to the position the Swiss Minister of Justice has taken about the banking documents they seized then forwarded to Germany, and in which they have advised the Augsburg Prosecutors they cannot use as the documents were obtained on the basis of improper and misleading information provided by the German authorities. Incidentally, this same evidence is being relied on by the German authorities and proffered to the Canadian authorities as a basis for the extradition of Mr. Schreiber.

There is no question but that Mr. Schreiber's proceedings have taken a significant period of time. On the other hand, the fundamental principles of our justice system demand that issues of importance to Canadian citizens be dealt with in a fair, proper and reasonable manner. The purpose of my letter is to petition you to reconsider your decision to surrender Mr. Schreiber to Germany. I ask for your reconsideration as there is no question but that the cumulative effect of the matters I will outline hereunder has not been considered by any Court. The cumulative effect of the many things that have transpired over the course of the investigation is such that the principles of fundamental justice would be violated if Mr. Schreiber is returned to Germany before there has been a proper consideration of this matter, particularly a complete review of the actions of the RCMP.

Honourable Robert Douglas Nicholson

April 3, 2007

2

Therefore, I ask for your indulgence in reviewing Mr. Schreiber's position in the context of the following:

- a) the abuse of process and abuse of Mr. Schreiber's rights as gleaned from a review of RCMP actions in their investigations of Airbus and in relation to Eurocopter Canada;
- b) the misleading statement of Commissioner Murray that he did not know anything about the Letter of Request when it was he who in fact instructed an investigation into the matter when he was provided with briefing notes about the ongoing investigation;
- c) that an official letter from the Swiss Justice authorities to the German authorities withdrawing documents sent to Germany and the implication of the Germans not providing correct information to the Canadian authorities at the time they sought the assistance of the Canadian authorities and Courts;
- d) the fact that many of the charges against Mr. Schreiber are time barred in Germany and Lex Schreiber will operate retrospectively;
- e) the implications on the right to a fair trial in light of the comments made by the spokesperson for the Augsburg Court and by the Chief Prosecutor of Augsburg;
- f) that the charges against Mr. Schreiber stem as a result of political developments and issues in Germany; and
- g) that a Canadian citizen ought to be given the benefit of the legal safeguards provided in the *Charter of Rights and Freedoms* before being surrendered to a foreign government.

Mr. Schreiber's case is not the usual MLAT case in that he became the subject of the Letter of Request, a party to a lawsuit against the Attorney General, and the subject of Extradition proceedings that have been conducted by members of the IAG. It is my understanding that the IAG also provides advice to the Minister of Justice in relation to your review and decision relating to surrender. The overall impression of a reasonable person, fully informed of the circumstances of the case could be none other than that there is an apprehension of bias. The apprehension is not in relation to any one individual but more so to the office of the Minister of Justice and to the duties members of the IAG must perform. The apprehension of bias arises in the context of the appearance of the conflicts of interest in the peculiar circumstances of Mr. Schreiber's case.

The RCMP have not conducted themselves in a honorable manner in relation to this matter from the inception of the investigation in January, 1995 to the conclusion of the investigation in April, 2003. The most egregious action occurred when the RCMP, in concert with a "foreign agency", arranged to have a foreign spy ingratiate himself to Mr. Schreiber with the express purpose of entrapping Mr. Schreiber into committing a criminal act. The spy was thus instructed by the RCMP on their own accord after the RCMP had obtained the materials relating to the Letter of Request and during the time Mr. Schreiber was subject to extradition proceedings.

April 3, 2007

Honourable Robert Douglas Nicholson

The statements made by the Augsburg Court spokesperson and the Augsburg chief prosecutor relative to awaiting Mr. Schreiber's surrender, convey no other meaning than that Mr. Schreiber is not considered innocent and that he is not going to receive a fair and impartial trial. The comments are suggestive of the political atmosphere Mr. Schreiber faces in Augsburg. How can the Canadian government justify sending a Canadian citizen to a jurisdiction that will not adhere to the principles of fundamental justice and that appears to have prejudged Mr. Schreiber? The political nature of the actions against Mr. Schreiber is brought home with the passage of "Lex Schreiber" in the summer of 2005 whereby the Germans will extend the limitation periods relating to the charges facing Mr. Schreiber. The *Extradition Act* obliges you to consider limitation periods in making your surrender decision. How can Canada, where laws do not apply retrospectively, send a citizen of Canada to a country that has passed legislation to ensure Mr. Schreiber will be prosecuted, despite the fact that many of the charges are now time barred?


The Courts and the Minister of Justice have stated that the surrender decision is at the "extreme end of the continuum of administrative decision making" and it has been said that the decision the Minister must make is a "political one". The Swiss Minister of Justice has informed the Augsburg Prosecutors that they are not at liberty to use the documents that the Swiss officials seized. The Swiss have taken that position as they are of the view that the German authorities misled them at the time the initial request for the seizure of documents was made. The letter from the Swiss and the media commentary relating to the same are available for your review. The documents referred to are precisely the documents that were relied upon by the Honourable Mr. Justice Watt when he made his committal decision. If the documents are tainted (as the Swiss have indicated to the Germans), then there can be no other conclusion but that the committal order was made on the basis of tainted evidence. How can the government of Canada justify surrendering one of its citizens on the basis of tainted/improper evidence? It is respectfully submitted that to surrender Mr. Schreiber would be contrary to the *Charter of Rights and Freedoms*, contrary to the tenets of fundamental justice and would bring the administration of justice into disrepute.

There is no statutory nor legal obligation for Canada to extradite Mr. Schreiber to Germany; in fact, Germany would not extradite one of its citizens to Canada.

Please reconsider your decision in light of the above information and rescind the decision to surrender Mr. Schreiber to the German authorities.

Yours truly,

HLADUN & COMPANY

  
ROBERT W. HLADUN, Q.C.  
RWH/ms

Department of Justice  
Canada

Ministère de la Justice  
Canada

International Assistance Group  
Litigation Branch (Criminal Law Division)  
284 Wellington Street, PMB-2303  
Ottawa, Ontario K1A 0H8

Telephone: 613-948-3000  
Facsimile: 613-957-4412

April 27, 2007

BY FACSIMILE: 780-424-8934

Robert W. Hladun, Q.C.  
Hladun & Company  
Barristers and Solicitors  
100, 10187 - 104 Street  
Edmonton, Alberta T5J 0Z9

Dear Mr. Hladun:

Re: *Karlheinz SCHREIBER*

Your letter, dated April 3, 2007, to the Minister of Justice has been referred to our office for response. I note that you are asking Minister Nicholson to reconsider the order of former Minister of Justice, Irwin Cotler, surrendering Mr. Schreiber to Germany.

The matters which you raise in your letter were previously advanced by both Mr. Schreiber and his extradition lawyer, Mr. Edward Greenspan, at the ministerial phase of the extradition process. Some of these issues have already been disposed of in the Court of Appeal for Ontario and through the denial of Mr. Schreiber's leave application in the Supreme Court of Canada. For ease of reference, I attach copies of the decisions of the Court of Appeal for Ontario and the Supreme Court of Canada in this matter.

I further note that Mr. Schreiber has a pending application in the Court of Appeal for Ontario for judicial review of a decision made by former Minister Toews not to interfere with Minister Cotler's surrender order on the grounds of certain statements made by the German authorities, which you also refer to in your letter. Finally, I understand that you have made an application in the Federal Court of Canada asking that the surrender order be set aside.

As such, the matters which you now raise with Minister Nicholson have either already been judicially determined or are still pending in the Canadian courts. Moreover, and as stated in previous letters to you, dated December 7, 13 and 21, 2006, Mr. Schreiber is represented by Mr. Greenspan in his extradition matter.

30-Apr-07

16:06

From: Hladun & Company

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T-039

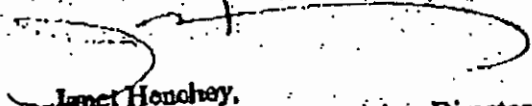
P.003/003

F-311

- 2 -

Please do not hesitate to contact me at 613-948-3003 if I may be of any further assistance.

Yours truly,

  
Janet Henchey,  
General Counsel and Associate Director  
International Assistance Group

Attachments



Court File No. 07-CV-329949PD3

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

**B E T W E E N:**

**KARLHEINZ SCHREIBER**

Plaintiff

- and -

**BRIAN MULRONEY**

Defendant

**AFFIDAVIT OF KARLHEINZ SCHREIBER**

**I, KARLHEINZ SCHREIBER, of the City of Toronto and of Ottawa in the Province of Ontario, MAKE OATH AND SAY:**

1. I am the plaintiff in the above noted matter and have personal knowledge of the matters set out in this Affidavit, except to the extent such matters are based upon information and belief, in which case I have stated the source of my information and believe such matters to be true.
2. The first contact I had with Mr. Mulroney was in the early 1980's after I became a landed immigrant in Canada, which was on September 2, 1978. It was Mr. Frank Moores who introduced me to Mr. Mulroney.
3. I had several meetings with Mr. Mulroney at the Ritz Carleton hotel in Montreal all taking place before Mr. Mulroney became the leader of the Progressive Conservative party in 1983.

2

Page 2

4. Needless to say during my many meetings with Mr. Mulroney in the early 1980's neither the cash payments made by me to Mr. Mulroney nor the agreement (the "Agreement") made between Mr. Mulroney and I, as referred to in the statement of claim, were discussed, or even contemplated at that time.
5. The Agreement giving rise to this action was not entered into until some 10 years after my first dealings with Mr. Mulroney.
6. My first official meeting with Mr. Mulroney was in late 1983 (when Mr. Mulroney had become the Leader of the Conservative Party and was the Leader of the Opposition) when I introduced Mr. Max Strauss to Mr. Mulroney.
7. Having received very encouraging assistance from the Government of Canada in Ottawa and the Government of the Province of Nova Scotia in Halifax to bring a significant manufacturing plant to Cape Breton and in order to establish a corporate presence in Canada for Thyssen Industrie Aktiengesellschaft, one of the largest industrial concerns in Europe, Bear Head Industries Limited ("Bear Head Industries") was incorporated on November 6, 1985 with an office in Ottawa. Attached hereto as Exhibit "1" is a copy of my Bear Head Industries business card and a Province of Ontario, Ministry of Consumer and Business Services, corporate profile report for Bear Head Industries.
8. Finally, after considerable efforts, we managed to secure an agreement with the Province of Nova Scotia and an "Understanding in Principle" with the Government of Canada, which was signed September, 27, 1988 and which confirmed that the Government of Canada was interested in expanding the industrial development of Cape Breton and that Bear Head Industries was prepared to establish a heavy industry manufacturing facility for the production of light armoured defence products; to create at least 500 full time jobs and to commit an initial capital investment of \$58 Million and the transfer of significant



3

Page 3

manufacturing know how by its parent company Thyssen Industrie Aktiengesellschaft (the "Bear Head Project").

9. The Understanding in Principle was signed by three Ministers of the Government of Canada and by me as Chairman of Bear Head Industries on September 27, 1988, a copy of which is attached hereto as Exhibit "2".
10. A year later I received a letter dated September 18, 1989 from Mr. Mulroney who by then had been Prime Minister of Canada for over 5 years, in which Mr. Mulroney confirmed not only that we had met on previous occasions, that we had been writing letters to one another, but also that he had sent a telegram to me back in 1982 when I received my Canadian citizenship, which telegram I received on or about February 3, 1982, a copy of which letter is attached hereto as Exhibit "3".
11. On one occasion Mr. Mulroney, The Honourable Elmer MacKay, at that time Minister of Public Works and Minister for the Atlantic Canada Opportunities Agency Act, and I met for a breakfast meeting at 24 Sussex Drive, Ottawa, Ontario.
12. On April 10, 1991, at a meeting arranged by Mr. Fred Doucet at the request of Mr. Mulroney, I had the pleasure of meeting Mr. Mulroney, Mr. Doucet and Mr. Paul Tellier, who at the time was the Clerk of the Privy Council, and who was also involved with the Bear Head Project.
13. Then on June 13, 1991 I met Mr. Mulroney in Bonn, Germany at a luncheon hosted by the Government of Germany in honor of Canada's role and in particular Mr. Mulroney's efforts in bringing about the reunification of Germany on October 3, 1990 and also at a reception that same evening hosted by the Government of Canada.

14. Almost a year later on May 22, 1992 I wrote another letter to Mr. Mulroney, a copy of which letter is attached hereto as Exhibit "4", which confirmed our ongoing efforts and certain meetings towards making the Bear Head Project a success and that at that time it was still my understanding that the Government of Canada was supportive of locating production facilities for light armoured vehicles in Nova Scotia and possibly even certain parts in Quebec.
15. On June 23, 1993 Mr. Doucet, at the request of Mr. Mulroney, arranged a meeting between me and Mr. Mulroney which took place on June 23, 1993, at Harrington Lake, the official summer residence of the Prime Minister (the "Harrington Lake Meeting"). It was at this meeting that Mr. Mulroney and I entered into the Agreement. On June 23, 1993 Mr. Mulroney was still in office as Prime Minister of Canada and consequently resided at 24 Sussex Drive, Ottawa, Ontario.
16. One of the terms of the Agreement which Mr. Mulroney and I agreed to on June 23, 1993 was that Mr. Mulroney would perform certain services on my behalf. Mr. Mulroney undertook to support my efforts in obtaining approval of the establishment of a production facility for light armoured vehicles by Bear Head Industries Limited, and we discussed that if matters got difficult in the Province of Nova Scotia, then Mr. Mulroney would assist in moving parts of the project to the Province of Quebec (the "Bear Head Quebec Project").
17. At the Harrington Lake Meeting Mr. Mulroney told me that in his opinion The Honorable Kim Campbell, would win a majority government in the next election, which would enable him (Mr. Mulroney) to accomplish much on my behalf.

5

Page 5

18. During our meeting Mr. Mulroney, as a token of his appreciation of our friendship that had developed over the years, proudly promised that he would send to me a copy of his official picture which would be placed in the House of Commons. Shortly after the Harrington Lake Meeting I received, as promised by Mr. Mulroney, the picture with Mr. Mulroney's hand written note: "For my friend, Karlheinz with gratitude and best personal regards" and which he signed "Brian Mulroney". A copy of said picture is attached hereto as Exhibit "5".
19. I then proceeded to make arrangements for certain cash funds to be paid to Mr. Mulroney as an advance for his services as had been agreed by us during the Harrington Lake Meeting.
20. I gave the first cash payment in the amount of \$100,000 to Mr. Mulroney on or about August 27, 1993 when I met Mr. Mulroney at the Mirabel Airport on my way from Ottawa to Germany.
21. I delivered a second cash payment, also in the amount of \$100,000, to Mr. Mulroney on or about December 18, 1993 when I met Mr. Mulroney at the Queen Elizabeth Hotel in Montreal.
22. Mr. Mulroney honored me again on the occasion of my sixtieth birthday when he sent to me a letter dated March 25<sup>th</sup>, 1994 in which he expressed his very good wishes and best personal regards, a copy of which letter is attached hereto as Exhibit "6".
23. And finally some 18 months after the Harrington Lake Meeting I met with Mr. Mulroney on December 8, 1994 in New York at the Pierre Hotel and delivered to Mr. Mulroney a third cash payment also in the amount of \$100,000.
24. I made this third payment, even though, at the time that I made this third payment, it was clear that it was practically impossible for Mr. Mulroney to become involved in the Bear

Head Quebec Project (after Mr. Mulroney announced his retirement, The Honourable Kim Campbell, then Leader of the Conservative Party, became the Prime Minister of Canada and called an election in October 1993 but lost and The Right Honourable Jean Chrétien became Prime Minister on October 25, 1993) because Mr. Mulroney and I agreed that Mr. Mulroney would continue to be available to assist me in my other business endeavours.

25. In his testimony before the District Court of Montreal on April 17, 1996 Mr. Mulroney confirmed that he had not just had numerous meetings with me going back as early as the 1980's, including meetings in his office in Ottawa, but also that we had ongoing business dealings. Attached hereto as Exhibit "7" is a copy of parts of the transcript of the testimony of Mr. Mulroney (see Questions 192, 228, 241, 425 and 432).
26. In spite of all the difficulties that Mr. Mulroney and I encountered in 1995 and 1996 I did not lose confidence in Mr. Mulroney and was relieved when I received a letter from the Government of Canada dated January 9, 1997 signed by The Honourable Allan Rock, then Minister of Justice & Attorney General of Canada and Mr. Philip Murray, Commissioner, RCMP which contained a "full apology" and acknowledged that "some of the language contained in the Request of Assistance indicates, wrongly, that the RCMP had reached conclusions that you had engaged in criminal activity", a copy of which letter is attached hereto as Exhibit "8".
27. Then at the request of Mr. Mulroney I agreed to meet him on or about February 2, 1998 at the Hotel Savoy in Zürich, Switzerland (the "Savoy Meeting"). During the Savoy Meeting Mr. Mulroney and I discussed Mr. Mulroney's personal concerns regarding evidence of any payments made to him. I informed Mr. Mulroney about statements made by Mr. Frank Moores and Mr. Gary Ouellet regarding The Government Business Consulting Group Incorporated ("GCI") business affairs and the earlier request made by Mr. Fred Doucet to transfer funds from GCI to Mr. Mulroney's lawyer in Geneva related to the Airbus deal. The Ontario corporate profile report for GCI is attached as Exhibit "9".

7

Page 7

28. During the Savoy Meeting Mr. Mulroney and I also discussed how we could move forward with various business matters in the future which included Mr. Mulroney's support of the business activities of Spaghetissimo North America Inc. ("Spaghetissimo") and the potential for Archer Daniels Midland Company to get involved in this new business venture. The Ontario corporate profile report for Spaghetissimo North America Inc. is attached as Exhibit "10".
29. Several months before the Savoy Meeting my lawyer Mr. Robert Hladun, Q.C. to the best of his recollection had received a telephone message (the "Tremblay Message") to call Mr. Gerald Tremblay, a lawyer acting for Mr. Mulroney, on October 17, 1997 regarding a letter Mr. Tremblay wanted to send to the CBC in connection with the Airbus Affair.
30. Two years after the Tremblay Message (almost 20 months after the Savoy Meeting), Mr. Hladun to the best of his recollection received two calls from Mr. Mulroney on October 17, 1999 during which Mr. Mulroney repeated to Mr. Hladun a similar request as made on prior occasions all to the effect that I provide in an affidavit assurances that "at no time did Brian Mulroney solicit or receive compensation of any kind from Schreiber".
31. On January 10, 2000 Mr. Edward Greenspan, Q.C., my lawyer representing me in my extradition case, requested that Mr. Hladun confirm his recollection of the above mentioned calls in connection with this request from Mr. Mulroney. A copy of Mr. Hladun's responding letter to Mr. Greenspan's inquiry dated January 26, 2000 is attached hereto as Exhibit "11".
32. Following our a meeting during Christmas 1999 with the family of Mr. Doucet during which I told Mr. Doucet that I would not commit perjury I met again with Mr. Doucet at his request in early 2000 in Ottawa. At that meeting, Mr. Doucet presented to me a draft

document that Mr. Mulroney requested I sign in order to confirm the terms of our Agreement. A draft of said document is attached hereto as Exhibit "12".

33. On May 23, 2000 I met Mr. Mulroney at a black tie dinner function at the Royal York Hotel, Toronto (the "Royal York Meeting") hosted by the Canadian Council for International Business and asked Mr. Mulroney for a private meeting to discuss our business relations and Mr. Mulroney agreed that we should meet and promised to arrange a meeting after his return from Florida.
34. Not only did Mr. Mulroney and I have many meetings with one another, exchanged correspondence and telephone calls with one another, and attended fund raising dinners together, starting as early as 1985 and continuing until the Royal York Meeting, but as already mentioned we also had considerable dealings with one another through intermediaries before and after the Royal York Meeting.
35. Reto's Restaurant Systems International Inc. ("Reto's") was incorporated on June 26, 2001 with its head office in Toronto and another office in Ottawa. Reto's continued the business activities of Spaghettissimo and in late 2002 we were working on the opening of the first pasta franchise store under the trade mark "Reto and The Machine Bistro Bar" in Toronto. Attached hereto as Exhibit "13" is a copy of my Reto's business card and an Ontario corporate profile report for Reto's.
36. At this time I approached Mr. Mulroney to assist in obtaining private or government commitments towards the expansion of the Reto pasta manufacturing process and Reto pasta franchises (the "Reto Pasta Business") in Ontario and across Canada.
37. In a letter dated July 19, 2004 addressed to Mr. William Kaplan, author of two books about Mr. Mulroney, Mr. Pat MacAdam confirmed that after reviewing his correspondence and emails he found that I had "hired Mulroney to sell Bearhead armoured vehicles to

9

Page 9

China"... and that "Schreiber also engaged Mulroneym to explore the sale of pasta machines...". A copy of this letter is attached hereto as Exhibit "14".

38. At the special request of Mr. Mulroneym I wrote a letter to him on July 20, 2006 suggesting to Mr. Mulroneym that the public rhetoric regarding the sale of Airbus planes by Airbus Industries G.I.E. (the "Airbus Affair") and the conspiracy against me personally amounted to the largest political scandal in the history of Canada, and that Mr. Mulroneym and I must expose the people behind the scandal around the Airbus Affair, a copy of which letter is attached hereto as Exhibit "15".
39. I wrote the July 20, 2006 letter at the request of Mr. Mulroneym because he told me that he was going to meet with The Right Honourable Stephen Harper, the current Prime Minister of Canada, by the end of July, 2006 at Harrington Lake, and that he (Mr. Mulroneym) was going to show to Mr. Harper a copy of Exhibit 15 to show that he and I were on good terms.
40. There was no apparent follow up by Mr. Mulroneym to my July 20, 2006 letter and therefore I wrote a letter on January 29, 2007 advising Mr. Mulroneym that I was still counting on his support to engage the Government of Canada to commence a public inquiry into the Airbus Affair and how the Airbus Affair triggered my extradition case, a copy of which letter is attached hereto as Exhibit "16".
41. Finally, on February 20, 2007, having realized that Mr. Mulroneym no longer intended to fulfill his part of the Agreement (Mr. Mulroneym had denied to meet with Mr. MacKay and Mr. Michael Cochrane to discuss the Reto Pasta Business and in particular the pasta obesity fighting program for children, which is described in the George Brown College Reto Pasta Demonstration Project (the "Reto Pasta Demonstration Project"), a copy of which is attached hereto as Exhibit "17"), I sent a letter to Mr. Mulroneym dated February 20, 2007

demanding the repayment of the cash payments totaling \$300,000 plus interest, a copy of which letter is attached hereto as Exhibit "18".

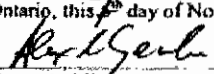
42. Since Mr. Mulroneym did not respond I instructed my lawyer Mr. Richard Anka, Q.C. to send a demand letter for the recovery of the moneys owing to me in the amount of \$300,000 plus interest. A copy of Mr. Anka's letter dated March 14, 2007 is attached hereto as Exhibit "19".
43. The reply to this letter was written on March 20, 2007 by Mr. Kenneth Prehogan of Weir Foulds LLP, who confirmed that he represented Mr. Mulroneym and the he had received a copy of Mr. Anka's letter and that Mr. Mulroneym denied "that he owes any money to me" and that his firm had "instructions to accept service" of Mr. Anka's initiating process on Mr. Mulroneym's behalf, a copy of which letter is attached hereto as Exhibit "20".
44. Since Mr. Mulroneym never provided the services as promised, nor did he return the \$300,000.00 and even though our Agreement contemplated that Mr. Mulroneym provide certain services relating to the Bear Head Quebec Project and when it became clear that the Bear Head Quebec Project could not succeed Mr. Mulroneym did not return the \$300,000.00 plus interest, but instead we agreed that Mr. Mulroneym would perform other services in Ontario and elsewhere all relating to companies and persons doing business and residing in Ontario, I instructed Mr. Anka to commence an action in Ontario.
45. Not only was the Agreement formed by two Ontario residents but I believe that the Agreement was breached by Mr. Mulroneym in Ontario. Furthermore, I have suffered damages in Ontario as a result of Mulroneym's failure to repay me.
46. The statement of claim was issued on March 22, 2007 and Mr. Anka sent a letter to Mr. Prehogan on March 22, 2007 enclosing two copies of the statement of claim as issued and filed with the court requesting that Mr. Prehogan endorse acceptance of service on the back




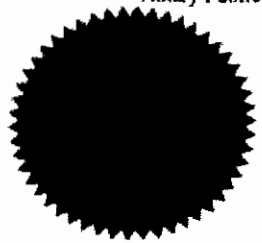
page and return one original to Mr. Anka at his earliest convenience, a copy of which letter is attached hereto as Exhibit "21".

47. On March 26, 2007 Mr. Prehogan wrote a letter to Mr. Anka wherein he acknowledged receipt of the statement of claim, however Mr. Prehogan declined to accept service. Instead Mr. Prehogan confirmed that he will assist in arranging for personal service on Mr. Mulroney in Quebec, a copy of which letter is attached as Exhibit "22".
48. As a courtesy to Mr. Mulroney I sent a personal reminder letter on April 14, 2007 to Mr. Mulroney, a copy of which letter is attached hereto as Exhibit "23".
49. Nevertheless, not only had Mr. Prehogan resiled from his earlier agreement to accept service on behalf of Mr. Mulroney, but then once Mr. Mulroney was personally served on April 20, 2007 with the statement of claim, as amended, Mr. Prehogan filed a notice of motion to dismiss this action for lack of jurisdiction returnable on July 17, 2007 which he never set down for a hearing for reasons I have never clearly understood. It is my honest belief that Mr. Mulroney and his legal team have been engaged in delaying tactics in this action in the hope that I would be extradited to Germany and less able to pursue my action with any measure of dispatch or diligence.
50. I am informed by counsel, and believe, that the statute of limitations in the Province of Quebec is three (3) years. Depending on when a court finds my cause of action against Mr. Mulroney to have arisen, this has the potential to deprive me of my cause of action, if I am compelled to bring this action in the Province of Quebec instead of Ontario.

51. I swear this affidavit in relation to a Motion brought by Mr. Mulroney for an order dismissing this action for lack of jurisdiction and for no other or improper purpose.

SWORN before me at the City )  
of Toronto, in the Province of )  
Ontario, this 4<sup>th</sup> day of November, 2007 )  
 )  
Notary Public

  
Karl Heinz Schreiber







Monday » April  
20 » 2009

## Mulroney's ultimate righthand man, Fred Doucet, plays key role in story

**NORMA GREENAWAY**

CanWest News Service

*Friday, December 07, 2007*

Fred Doucet was so close to Brian Mulroney when he was prime minister that officemates used to joke "he sleeps at the foot of Mulroney's bed."

When Doucet married in 1987, the reception was held at 24 Sussex Drive, the prime minister's official residence.

As Mulroney's former chief of staff and a senior policy adviser, Doucet handled everything from his boss's personal affairs to the organization of a string of international summits. Their bond was forged during their university days at St. Francis Xavier in Antigonish, N.S., where they shared interests in the debating club, student politics and the campus newspaper.

Doucet formally joined Mulroney's staff in 1984 after he became Progressive Conservative leader.

The Cape Breton native was hardly a household name during the Mulroney reign from 1984 to 1993. But he was, and still is, a big name in political Ottawa, all the more so since he keeps resurfacing in the unfolding Schreiber-Mulroney drama being played out before the Commons ethics committee. Karlheinz Schreiber said it was Doucet who told him Mulroney was in "desperate need" of cash as he prepared to step down as prime minister in the summer of 1993.

Yesterday, Schreiber testified Doucet asked him in late 1992 or early 1993 to take funds from an Ottawa lobby firm that worked on the Airbus sale, and send them to Mulroney's lawyer in Switzerland. Doucet, now a registered lobbyist in Ottawa, denied the charge within hours of Schreiber's testimony.

Doucet's statement also said he is prepared to "co-operate fully" with the committee.

Still, Schreiber's latest allegation, plus his accounts of Doucet's alleged role in arranging meetings between him and Mulroney during the 1990s, has some MPs anxious to get him before the ethics committee as quickly as possible.

Mulroney, who is expected to testify as early as Dec. 13, has been unabashed over the years in his praise for Doucet, the second of six sons born to a fisherman from the Cape Breton village of Grand Étang.

"You know," Mulroney mused to the Toronto Star in 1987, "if I asked Fred to move a building across the street one inch to the left by morning, Fred would do it, no question."

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## How one file set off Schreiber's string of mystery payments

Mulroney's Atlantic minister speaks out on proposed arms plant

-  Article
-  Comments 

GREG MCARTHUR  
FROM FRIDAY'S GLOBE AND MAIL  
MARCH 14, 2008 AT 2:46 AM EDT


It was Lowell Murray's first day on the job and his boss – Prime Minister Brian Mulroney – had one task in particular he asked the senator to tackle.

The two men were flying somewhere over Eastern Canada in the government's Challenger jet, bound for an afternoon news conference in St. John's.

It was June 6, 1987, the day Mr. Mulroney announced the creation of the Atlantic Canada Opportunities Agency and Mr. Murray's appointment as its inaugural minister. At some point during the three-hour flight, Mr. Mulroney reached over and handed a single file folder to Mr. Murray.

"Here's something you want to have a look at," Mr. Murray recalled Mr. Mulroney saying.

### Internet Links

- **Audio Slideshow:** Reporter Greg McArthur takes you through the paper trail 



Inside there was a single letter – a proposal for a light-armoured vehicle factory that Thyssen Industrie AG, a German arms manufacturer, wanted to build in Cape Breton.

It's been more than 20 years since that flight, and until now it has not been understood how this factory became such a priority for the Mulroney government. Speaking for the first time publicly about the proposed factory, Mr. Murray, a Progressive Conservative senator, played down the significance of that handoff. "I didn't attach any greater importance to it," he said.

However, when Mr. Mulroney gave Mr. Murray that file, it set in motion a chain of events that resulted in some of the former prime minister's friends and political allies getting paid hundreds of thousands of dollars by German-Canadian lobbyist Karlheinz Schreiber.

There's no evidence to suggest Mr. Mulroney knew his associates stood to profit from the Thyssen file he handed Mr. Murray in 1987. What is clear is that after receiving that assignment, Mr. Murray spent the next 15 months trying to make the factory, known as Bear Head Industries, a reality, and he helped persuade three ministers to sign an "understanding in principle" to support the project.

Those signatures prompted \$2-million to take a circuitous route from Thyssen's headquarters in Germany to shell companies in Liechtenstein, on to Mr. Schreiber's Swiss bank accounts, until a portion of that money made its way into Canadian pockets. The factory was never built.

Mr. Murray, who still serves as one of three Progressive Conservatives in the Senate, says he was shocked to discover through recent news reports who was paid as a result of that document being signed 21 years ago. He also expressed bewilderment that Thyssen would pay so much for a document that, he says, didn't force the government to do much of anything.

"Incredulous. That's all I can say. Absolutely incredulous. But of course I don't know what [the money] was for," Mr. Murray said, later adding, "I'd like to know."

In his interviews with *The Globe*, Mr. Murray said the recipients of those commissions – only two are still alive – should publicly explain what work they performed for the money.

"It's important at a minimum because it's become a public issue. It's out there."

Mr. Murray insists that his intentions were pure; he wanted to make the agency a success and bring a potential 500 manufacturing jobs to an economically depressed area of Cape Breton, he said.

Others who were close to Mr. Mulroney also saw an opportunity. And documents originally obtained by CBC's *the fifth estate* – including Mr. Schreiber's Swiss banking records show just how much money there was to spread around.

### Pushing the proposal

Ten days after receiving the Thyssen file from the Prime Minister, Mr. Murray's phone rang.

On the other end of the line was Fred Doucet, Mr. Mulroney's former chief of staff and long-time friend, Mr. Murray said. The senator says he made a note of the conversation in his agenda book. Mr. Doucet, who had recently left the Prime Minister's Office to become Canada's ambassador of international summits, congratulated Mr. Murray on his new post and encouraged the senator to get moving on his first assignment, Mr. Murray said.

"[He] also told me that the Thyssen thing was important," Mr. Murray said. "The idea was that it would be of great political advantage, that it was extremely important, that the Prime Minister thought it was important."

"I didn't consider that untoward. [Mr. Doucet] had been a political assistant in the PMO and he came from Cape Breton and he was interested in the political fortunes of the party."

The very same day, Mr. Murray says he received a call from Mr. Doucet's brother, the lobbyist, Gerry Doucet. Gerry Doucet was one of the partners of Government Consultants International, the firm made up of prominent Tories such as Frank Moores, the late former Newfoundland premier, and Conservative organizer Gary Ouellet, who has also died. The firm represented Mr. Schreiber and Bear Head Industries and Gerry Doucet called to make sure the senator was

"moving the project forward," Mr. Murray said.

In the latter half of 1987, Mr. Murray would go on to have more than a dozen conversations with the Doucet brothers – three with Fred and 10 with Gerry – about the proposed factory, Mr. Murray said. The senator also recalled Fred Doucet urging Mr. Murray to promote the project with Perrin Beatty, who at that time was defence minister.

(When contacted by The Globe, Fred Doucet declined to comment on any of his conversations with Mr. Murray. Gerry Doucet did not return messages.)

Across the Atlantic, Karlheinz Schreiber and his accountant Giorgio Pelossi were plotting to ensure that lots of money would be available if the federal government made its support for the factory more official.

A series of 1987 letters between Mr. Pelossi and Thyssen show that the arms manufacturer gave Mr. Schreiber \$1.9-million to support his lobbying efforts, and the company agreed to give him another \$2-million if he delivered a "letter of intent" from the Canadian government.

On Christmas Eve, 1987, Mr. Pelossi sent Thyssen the good news – such a letter was just around the corner.

"On the part of the responsible government offices, we have been assured that this letter of intent will be granted to you at the beginning of next year," Mr. Pelossi wrote.

#### **Back to the drawing board**

It took a little longer. On Aug. 30, 1988, Mr. Murray spoke with Fred Doucet again, and again, Mr. Murray says, the former PMO staffer was calling about the proposed factory – but this time in a different capacity.

Mr. Doucet had left the government just weeks earlier and became a lobbyist. Mr. Murray says Mr. Doucet called to let him know he was now representing the Bear Head project. He would go on to speak with Mr. Doucet three more times in September about the project, Mr. Murray said. With hindsight, it was a good time to be associated with the project. A windfall was on the horizon.

A federal election was imminent, and Mr. Murray said he wanted something in writing to make sure the proposal wasn't left behind when all the campaigning was over – especially if there was a change in government. His agency started to pursue a "letter of comfort," Mr. Murray said.

The only problem was, the defence department was firmly against the idea – and had already rebuffed Mr. Schreiber's proposal on numerous occasions. The only way Mr. Beatty was going to sign anything, the former defence minister told The Globe in an interview, was if "there was no obligation to choose" the Thyssen vehicles.

Mr. Murray went back to the drawing board.

"So we then started drafting and redrafting and drafting and redrafting," the senator said. "Originally we thought agreement in principle and this thing was lawyered and lawyered and lawyered again. And the Department of Justice, I think it was, probably came up with 'understanding in principle' to make the commitment even less serious on the part of the government," Mr. Murray said.

Finally, on Sept. 27, 1988 – just days before Mr. Mulroney called a federal election – the ministers signed the document. Thyssen issued a press release and the Nova Scotia media ran with stories about a potential 500 jobs for Cape Breton.

But back in Ottawa, at least one high-ranking defence official was still in the dark, saying it was the only occasion he could recall not being informed about his minister, Mr. Beatty, signing such an agreement.

"It wasn't processed in normal channels," said the official. "We were not interested in this deal because we just didn't have the money or the priority... and that position was taken quite consistently."

"I frankly, to this day, don't know what the [understanding] in principle was supposed to achieve."

#### **Invoices roll in**

After the document was signed, one of the first invoices to arrive for Mr. Schreiber was from Fred Doucet, whose new company was Fred Doucet Consulting International.

It was dated Nov. 2, 1988, which was less than three months after Mr. Doucet left his government job and about a month after the document was signed. His invoice was for \$90,000.

Other invoices started rolling in. The law firm of Gerry Doucet, Mr. Doucet's brother, also billed for \$90,000. Gary Ouellet's consulting company billed for a further \$90,000. Frank Moores sent his \$90,000 invoice and his lobby firm, Government Consultants International, issued an invoice for \$250,000.

All of the invoices used similar language to describe the work that was performed: "professional services," "services rendered" and "consulting services."

And sure enough, over a period of 20 days, money started winding its way from Germany back to the lobbyists. Thyssen sent \$2-million to one of Mr. Schreiber's Liechtenstein shell companies. That was transferred to another shell company, which in turn sent \$1-million to one of Mr. Schreiber's Swiss bank accounts. Then, \$610,000 was transferred out of the Swiss bank account – codenamed "Frankfurt" – the same day Fred Doucet invoiced Mr. Schreiber.

After the money made its way through another Liechtenstein company, Mr. Schreiber paid all of the parties – a total of \$610,000 – on Nov. 15, 1988, from one of his Calgary companies, Bitucan.

(Neither of the former ministers interviewed for this story – Mr. Murray and Mr. Beatty – said they had any knowledge of the commissions that were set to flow as a result of that document being signed. Mr. Beatty said he never received "any pressure" to sign the document.)

Mr. Murray said he couldn't recall speaking about the factory with Mr. Ouellet, and he said he has a vague recollection of meeting with Mr. Moores, but said he couldn't remember the exact date.

Fred Doucet's only public comments about his role with the Bear Head project came in February when he testified before the House of Commons ethics committee. In his sworn testimony, the former Mulroney staffer was asked when he started working for Mr. Schreiber. His answer – "I believe I got on the payroll in February



of '90" – was 14 months after he issued his \$90,000 invoice to Mr. Schreiber. When the contradiction was exposed in the media, Mr. Doucet's lawyer sent a letter to the committee apologizing and explaining that his client was "mistaken" – but neglected to explain how Mr. Doucet came to make that mistake.

Questions about what Mr. Mulroney knew about the commission deal, and why he selected the Thyssen file as the only file to hand Mr. Murray during his first day on the job remain unanswered.

The public relations firm handling inquiries for the former prime minister declined to comment.

In December, Mr. Mulroney testified before the House of Commons ethics committee that he was "supportive of the project" but was never asked about the money that was funnelled back to Canada as a result of that document.

#### TIMELINE

##### Behind the Bear Head project

**Feb. 23, 1982:** A 42-year-old Brian Mulroney sends a Telex to German businessman Karlheinz Schreiber, congratulating him on becoming a Canadian citizen.

**January, 1983:** Progressive Conservative Leader Joe Clark announces a leadership race after receiving only 66.9 per cent support from delegates at a Winnipeg convention. Mr. Schreiber later reveals that he paid to fly anti-Clark delegates to the convention.

**Sept. 4, 1984:** Brian Mulroney, who replaced Mr. Clark as Progressive Conservative party leader, becomes Canada's 18th prime minister.

**June 6, 1987:** During a flight to St. John's to announce the creation of the Atlantic Canada Opportunities Agency, Prime Minister Brian Mulroney hands his new minister, Senator Lowell Murray, a single file folder, Mr. Murray says. Inside is a proposal from Thyssen Industrie AG, a German arms manufacturer, to build a light-armoured vehicle factory in Cape Breton known as Bear Head Industries, Mr. Murray says. There's no evidence to suggest that Mr. Mulroney knew his associates stood to profit from the Thyssen file he handed Mr. Murray.

**June 15, 1987:** Mr. Murray says he receives a phone call from Fred Doucet, the ambassador of summits and Mr. Mulroney's friend. Mr. Doucet tells Mr. Murray the Prime Minister considers the project "important," Mr. Murray says. The same day, Mr. Murray gets a phone call from Mr. Doucet's brother, Gerry Doucet, a lobbyist with Government Consultants International, the firm representing Bear Head, Mr. Murray says.

**Nov. 26, 1987:** In a letter, Thyssen informs Karlheinz Schreiber that the German-Canadian middleman is entitled to millions of dollars in success fees if he can deliver a "letter of intent" from the federal government for the proposed factory.

**Dec. 24, 1987:** Mr. Schreiber's accountant informs Thyssen that a letter is on the way.

**July 13, 1988:** Mr. Murray says he starts drafting a "letter of comfort" to solidify the government's support for the project.

**Aug. 30, 1988:** Mr. Murray gets a phone call from Fred Doucet, who informs the senator that he's now working as a lobbyist and representing Mr. Schreiber and the Bear Head project.

**Sept. 27, 1988:** Three of Mr. Mulroney's ministers sign an "understanding in principle" with Bear Head Industries.

**Oct. 25, 1988:** Thyssen sends \$2-million to the Liechtenstein bank account of Mr. Schreiber's shell company, half of which later flows into Mr. Schreiber's Swiss bank accounts.

**Nov. 15, 1988:** Mr. Schreiber's Alberta company, Bitucan Holdings, issues \$90,000 cheques to Fred Doucet's consulting company, Frank Moores, Gerry Doucet's law firm and Gary Ouellet's consulting company – as well as a \$250,000 cheque to Government Consultants International.

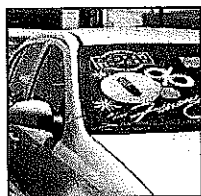
**1993-1994:** Mr. Mulroney accepts at least \$225,000 in cash from Mr. Schreiber in hotels in Montreal and New York.

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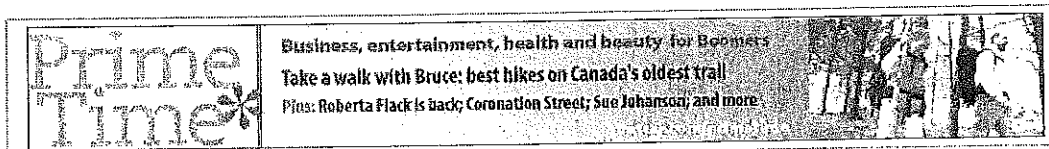
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Monday, March 16, 2009

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**Mulroney's top adviser an 'intensely loyal man' who learned from PM**  
*[FIN Edition]*

Toronto Star - Toronto, Ont.  
 Author: Val Sears Toronto Star  
 Date: Feb 13, 1987  
 Start Page: A.8  
 Section: NEWS  
 Text Word Count: 651

**Document Text**

OTTAWA - Fred Doucet, the top aide in Prime Minister Brian Mulroney's office, is the son of a humble Nova Scotia fishing family who got his university education at Mulroney's side and his political education at his feet.

The 46-year-old chief of staff is, along with principal secretary Bernard Roy, Mulroney's closest adviser - the man who handles his relations with Washington and has helped his boss to every summit since the shamrock days at Quebec city.

On the way, however, Doucet has managed to make almost as many enemies as friends. His temperament and inexperience have led to clashes with old pros such as campaign director Norman Atkins and the transition team leader Finlay MacDonald.

**PM's confidant**

But his value to Mulroney is unquestioned. He has instant access to the Prime Minister, stays in the background, and is the trusted confidant and would-be fixer.

"You know," Mulroney says, "if I asked Fred to move a building across the street one inch to the left by morning, Fred would do it, no questions."

And Doucet told interviewer Charlotte Gray recently: "My reward is to know I serve."

Doucet is the second son of six boys born to an inshore fisherman from the Cape Breton fishing village of Grand Etang. Although one year behind Mulroney at St. Francis Xavier University, he was part of the gang that surrounded him in the debating society, the student paper and campus politics.

For a time after graduation, Doucet worked for the Geological Survey of Canada. But he shortly returned to Laval University at Quebec city to begin a doctorate in educational administration.

**Close ties**

Both Mulroney and Doucet stayed in touch. In 1978, when Doucet was development director at St. Francis Xavier, he asked Mulroney, then president of the Iron Ore Co., for his help in a university fundraising drive.

Together they raised \$11 million, \$4 million above the target, and Mulroney developed an admiration for Doucet's ability as an administrator.

Doucet helped in both of Mulroney's leadership campaigns, acting as campaign manager for the Maritimes in the successful 1983 bid.

It was in this period that Doucet became chief executive officer of East Coast Energy Ltd. of Halifax, a company in which Mulroney was later to invest.

When Mulroney took over in Ottawa, he asked Doucet to join him as chief of staff, even though he had questionable business links and little political experience.

Doucet's brother, Gerald, a Halifax lawyer and a cabinet minister in the Nova Scotia government for seven years, says that although Fred was a Progressive Conservative at university, "I don't think he has any ideology."

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Gerald Doucet says his brother has little big-city sophistication and this led to clashes with the Tory machines in Montreal and Toronto.

"That comes with the territory for anyone who comes from modest roots . . . he finds himself close to the national leader and that brings rivalries, even jealousy," Gerald says.

"But Fred is intensely loyal to Mulroney . . . They seem to know each other's thinking just by body language."

Doucet recently was married for the first time with the wedding reception in the Prime Minister's residence at 24 Sussex Drive.

He spent a few days in hospital last week after working himself to exhaustion on the Prime Minister's recent trip to Italy and Africa.

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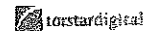
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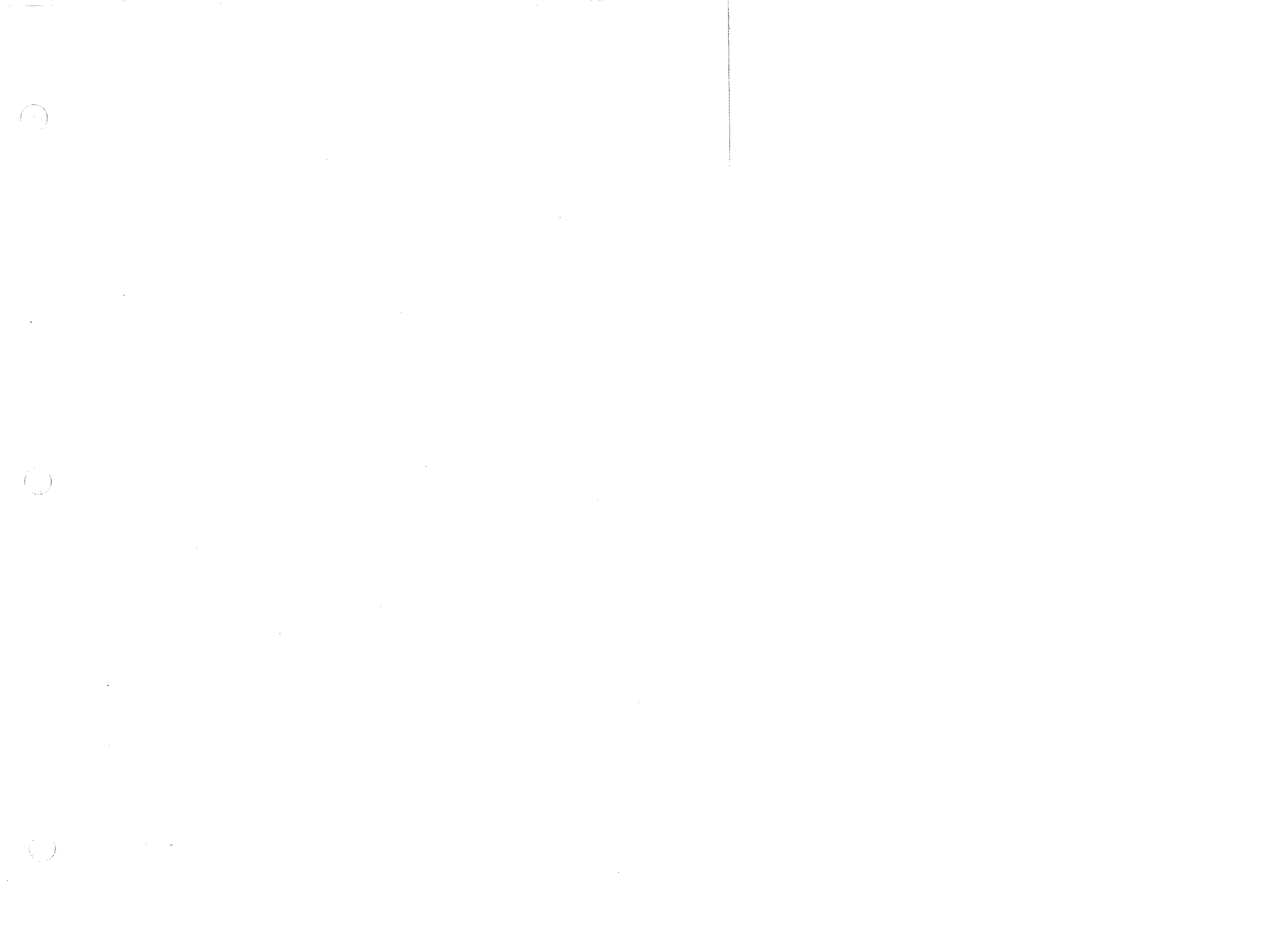
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## The Midtown Book

### THE METROPOLITAN CLUB

1 EAST 60TH STREET

Developer: The Metropolitan Club

Architect: McKim, Mead & White; Ogden Codman Jr. (east wing)

Erected: 1893; 1912 (east wing)



By **Carter B. Horsley**

The city's grandest palazzo, the Metropolitan Club, shown above, was organized by J. P. Morgan in protest against not being admitted to some of the city's other exclusive private men's clubs.

He showed them.

This is Stanford White's most sumptuous and lavish work in Manhattan. Its supremely elegant white marble exterior with its strong accents and regal demeanor is but a hint of its very lavish and spectacular interiors. Charles McKim's University Club further down the avenue at 54th Street actually has more impressive interiors, but a decidedly more somber less extravagant air about it. As Morgan was wont to say, if you have to ask the price, forget

about it. This club, whose cornice projects 6 feet from the building's walls, flaunts its stuff in the grandest traditions of merchant princes only interested in the very best *piece de resistance*.

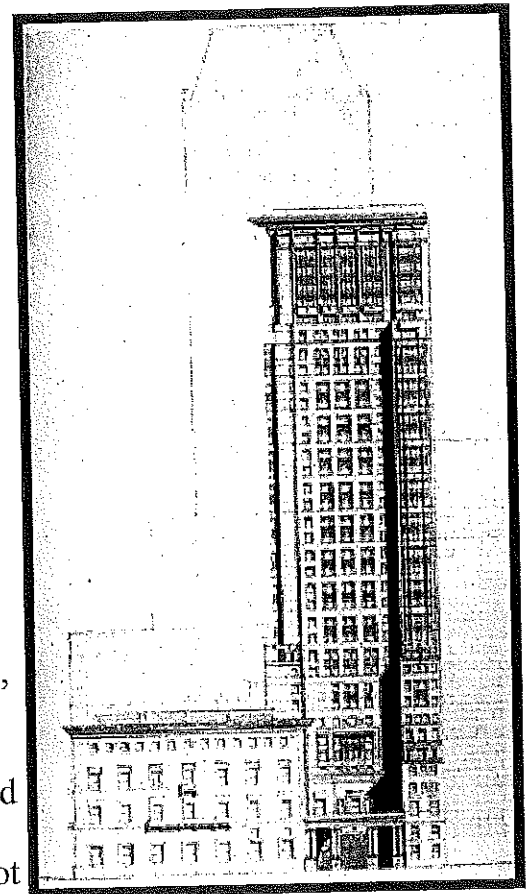
The building's entrance is remarkable.

It is approached through a very wide, tall and elaborate gate that opens onto a large curved courtyard framed by the rear and the east by a two-story wing and on the west by the four-story main clubhouse. The asymmetrical composition was somewhat balanced by Ogden Codman Jr.'s 6-story addition at No. 3 that was designed for bachelor quarters. In the late 1960's, a small room with very tall ceilings and a fireplace could be rented for the night for about \$25 by members. The club subsequently leased this east wing to the Canadian Club and in 1993 it was leased to the American Academy in Rome, which had been also designed by McKim, Mead & White.

In 1987, the club agreed to lease its undeveloped air rights to Park Tower Realty, headed by George Klein, who commissioned James Stewart Polshek and Partners to design a 37-story luxury apartment tower to rise above the courtyard and the east wing. The plan, shown at the right, set off a major preservation controversy that ended with the city's Landmarks Preservation Commission declining to issue a certificate of appropriateness for the plan.

The commission's decision was deplorable, a complete capitulation to the anti-development forces that had outshouted virtually all voices of reason, or at least architectural awareness, in the city.

The Municipal Art Society and other civic groups conceded that the design was "handsome" and admirable, but argued it would compromise the Upper East Side Historic District of which it was a part. Many civic activists claimed that the principle was that the area could not tolerate more density, but since the proposal only called for a total of 51 apartments, their argument was not intellectually convincing. Furthermore, the more important context was not the Upper East Side Historic District, but the Plaza District, the city's premier cosmopolitan showcase!



When members of the architectural and development community learned of Klein's plan to use the club's air rights, most were horrified as the club was one of the rare genuine landmarks of true architectural distinction among the city's large inventory of officially designated "landmarks" and it was hard to conceive how such a large project could not

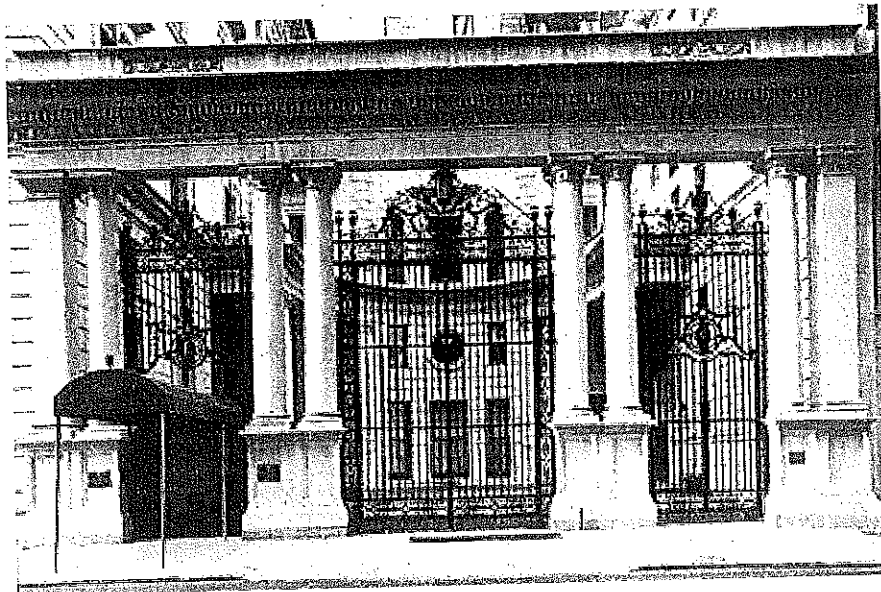


severely violate the architectural integrity of the club and its great courtyard.

Polshek, however, dumbfounded everybody by performing the magical feat of violating neither the courtyard nor the club's great interior spaces. He designed a limestone tower that was very compatible with the club's exteriors but also strikingly sophisticated and a strong statement of contemporary styling.

The projecting window treatment on the proposed tower's Fifth Avenue side was as classically modern as Lever House, but it had a large cornice to echo the club's and its top had multi-story columns to thematically repeat those used in the club's great entrance gate. Moreover, the protrusions and recesses of the tower's plan created a rich visual interest that stopped short of overwhelming both the club and the adjacent Pierre Hotel (see [The City Review article](#)) that already loomed over the club. Furthermore, Polshek stopped his tower at a height significantly below the great mansard roof of the Pierre and positioned his tower considerably back of the Pierre tower's west front. Indeed, the Polshek tower covered over most of the Pierre's blank walls on its south facade where the hotel's elevator bank was located. Polshek's siting did not interrupt the park and midtown views from the Pierre's west corner apartments and hardly impinged at all over the main clubhouse.

Viewed from the west, however, the Polshek tower was flush with the Pierre and therefore added a degree of bulkiness to that hotel's rather slender shaft. Ideally, some space between the two towers would have retained more of the Pierre's soaring élan, but that was not possible without building in the courtyard, shown below, or cantilevering over it, neither a very acceptable solution.



Polshek's solution, in retrospect, was quite similar to Cesar Pelli's marvelous addition of a skyscraper tower to Carnegie Hall that raised no hackles among preservationists whose record of consistency since the belated creation of the city's Landmarks Preservation Commission in 1965 has been abysmal.



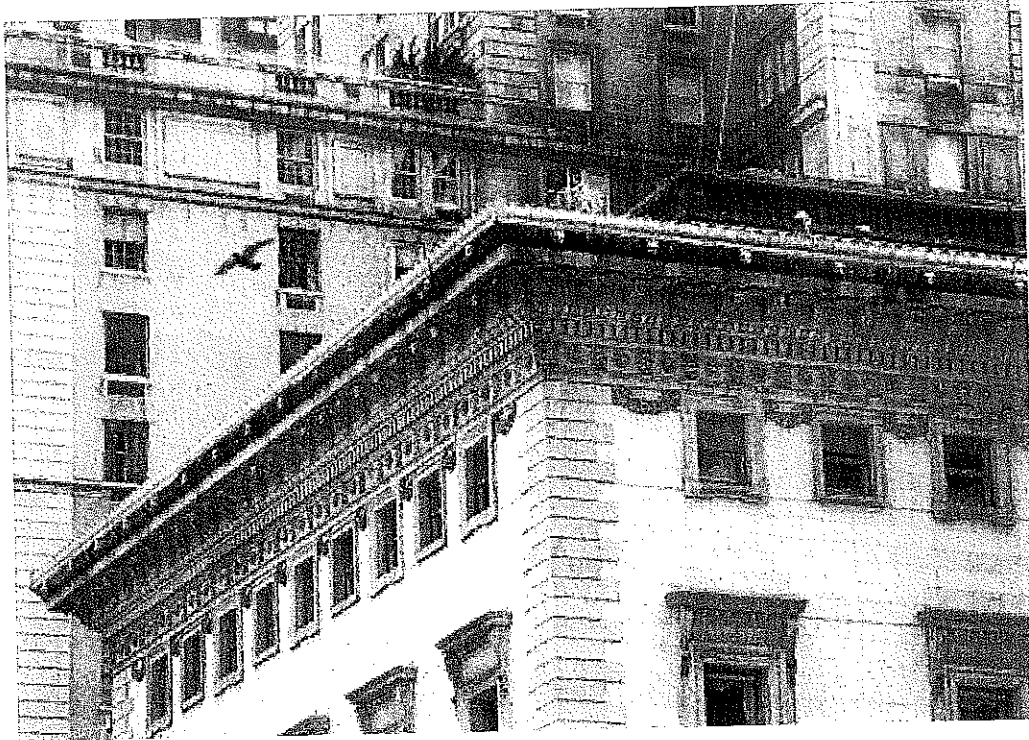
The Klein/Polshek design was brilliant and should have been built.

The main feature of the Metropolitan Club's interior is its great central hall with a grand staircase on its north side facing a massive fireplace on its south side. At the second level, the hall was ringed on its west, south and east sides by a handsome broad arcade leading to a variety of gaming and meeting rooms and a much smaller staircase leading to the third floor dining room overlooking Fifth Avenue.

The main central hall is exceptionally bright because of its polished white marble walls.

A large attractive bar room occupies most of the first floor's south end overlooking the sidestreet while the entire Fifth Avenue frontage on this floor is occupied by a spectacularly ornate reading room that often is converted to a dining room for special banquets and balls.

Unlike some clubs, the Metropolitan has no special athletic facilities. It just is wonderfully palatial, which is as healthy a tonic as exists.



*New dining room and lounge are in setback roof addition added in 2007*

In 2007, the club opened a setback roof-top addition that included a lounge, a skylit dining room on a raised level and a terrace. The new rooms were modern in style but very sumptuous and are a very significant addition to the club.

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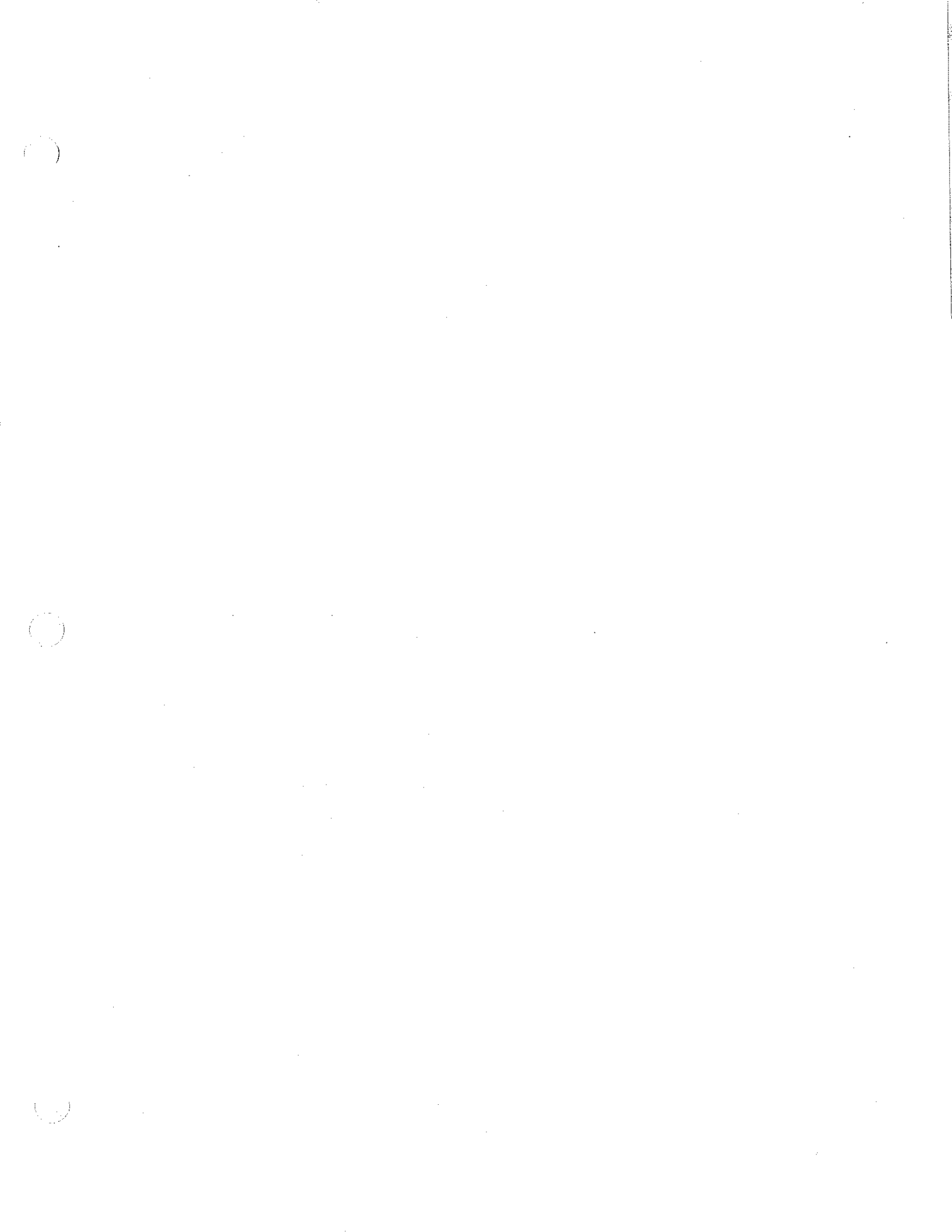
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**FDCI**  
**FRED DOUCET**  
**CONSULTING**  
**INTERNATIONAL**

24 March 1992

Mr. Karlheinz Schreiber,  
Raifferser Str.27  
8912 Kaufering  
West Germany  
Fax #011-49-8191-7888

Dear Karlheinz,


I do not want to bother you with the matter of the Birds but since you insisted when we last spoke that I raise this matter with you by March 15, I decided to drop you a note on it.

As I recall you felt that by now I would have heard from F.M. and that if not I should let you know. I have not heard from him.

I hope Switzerland was restful for you and that you are now in fighting shape. I also hope that all the "reconditioning" will stop shy of imposing new parental duties on Barbel and yourself!

Every good wish,

Yours sincerely,

  
J.A. Doucet  
President and CEO

SUITE 200 - 40 LAURIER AVENUE WEST  
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August 27 1993

M E M O R A N D U M

TO: Karlheinz Schreiber  
FROM: Fred Doucet

Dear Karlheinz,

Mr. Biko has confirmed that 34 Airbus have been purchased and delivered to Air Canada according to the enclosed schedule.

I sincerely hope that this evidence, many times stated before, is emphatically and categorically relayed to F.M.

I hope you and Barbell had a good trip back and I hope to speak with you soon.

Every good wish.

Yours sincerely,

J.A. Doucet  
Chief Executive Officer

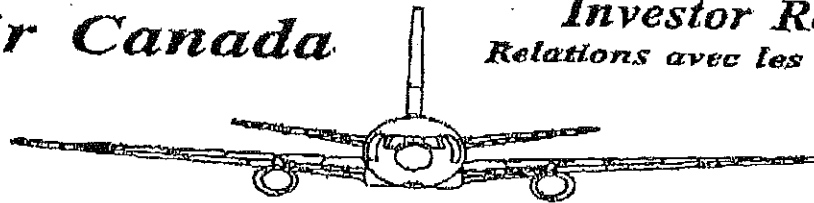
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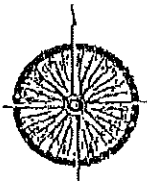
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AIRBUS A320 DELIVERIES:  
1990 - 7  
1991 - 12  
1992 - 12  
1993 - 3  
TOTAL 34





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April 28, 1994

Mr. Karlheinz Schreiber  
Bearhead Industries Ltd.  
908-350 Sparks Street  
Ottawa, Ontario  
K1R 7S8  
Fax: 011-49-8191-7888

Dear Karlheinz,

I have now been able to carry out (once again) my assignment to find out accurately how many A320s were bought and fully paid by Air Canada directly from the Airbus Company.

The answer today is the same provided to me the last time I sought this information. The answer is 34 and this number is two more than what was originally contracted.

Now I can tell you the rest of the story which I believe is the cause of the confusion. And here it is: Air Canada, after it bought, fully paid, and took delivery of the 34 A320s directly from Airbus, did an internal arrangement which was quite smart. They sold seven of the A320s (over the last three years - 91, 92, 93) to a leasing company at a price higher than the price they had negotiated with Airbus (because of the large order) and agreed to lease them back from the leasing company, thereby realizing a significant profit on their books.

For our purpose, Karlheinz, we now have what we need and it is accurate beyond any doubt.

.../2

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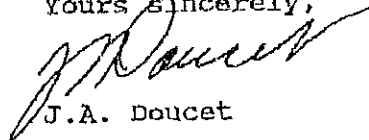
-2-

I truly hope this removes the confusion. In fact it's even better than I had hoped because the total sale was 34, not 32, as we have on our pieces of paper from last summer.

For me, settling this matter is so very important for reasons I will tell you about in person.

Thanks very much.

Yours sincerely,



J.A. Doucet

P.S. I did not ask anything about the recent order for the large Airbus by Air Canada.

JAD/bh