

Documents au soutien du témoignage de l'hon. Marc Lalonde

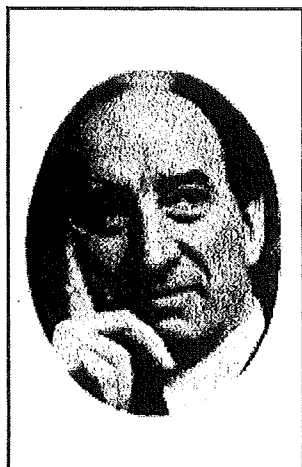
L'HONORABLE MARC LALONDE

INDEX

TAB	Document
1	Fiche Parlementaire – Expérience fédérale de L'hon. Marc LALONDE / Parliamentary File – Federal Experience of The Hon. Marc LALONDE
2	February 1, 1994 letter from Greg Alford to Marc Lalonde (LAL00071)
3	Undated notes by Marc Lalonde re: Thyssen (LAL00002)
4	February 11, 1994 fax from Karlheinz Schreiber to Marc Lalonde (LAL00003)
5	Undated notes by Marc Lalonde re: Thyssen (LAL00004)
6	June 13, 1994 fax from Greg Alford to Karlheinz Schreiber, Klaus Sonneck, Marc Lalonde and Jack Vance re: Minutes of Meeting with Industry Canada Department June 3, 1994 (LAL00006)
7	July 19, 1994 fax from Greg Alford to Jürgen Massmann (cc: Karlheinz Schreiber, Marc Lalonde, Jack Vance and Ian Reid) re: Industry Canada (LAL00007)
8	September 23, 1994 letter from Marc Lalonde to André Ouellet re: Thyssen (LAL00010)
9	October 11, 1994 summary of meeting between Thyssen BHI and IC (LAL)
10	December 1, 1994 memo from Greg Alford to Jürgen Massmann, Karlheinz Schreiber, Jack Vance and Marc Lalonde re: Defence White Paper Release and Letter (LAL00015)
11	December 1, 1994 unsigned letter from Jürgen Massmann to The Hon. David Collenette (LAL00017)
12	December 7, 1994 memorandum from Marc Lalonde to Greg Alford (LAL00018)
13	Mémoire de Marc Lalonde à l'hon. André Ouellet daté du 13 décembre 1994 re: Thyssen BHI – Véhicules pour les Forces armées (LAL00020)
14	December 13, 1994 memorandum from Marc Lalonde to Jean Pelletier re: Thyssen BHI – Armed Forces Vehicles (AGC00956)
15	December 16, 1994 fax from Greg Alford to Marc Lalonde re: Final letters to the Ministers (LAL00024)
16	December 19, 1994 fax from Greg Alford to Marc Lalonde (LAL00025)
17	Undated notes by Marc Lalonde re: Thyssen (LAL00026)
18	February 9, 1995 fax from Greg Alford to Marc Lalonde re: Considerations for Thyssen TH495 Proposal (LAL00042)
19	February 10, 1995 letter from Randall McCauley (Senior Advisor at the Office of the Minister of National Defence) to Jürgen Massmann (LAL00044)
20	February 16, 1995 letter from Greg Alford to Marc Lalonde re: Interim report on procurement strategy reports (LAL00046)

TAB	Document
21	March 14, 1995 fax from Marc Lalonde to the Hon. John Manley re: Thyssen BHI TH495 Proposal (AGC00274)
22	April 10, 1995 fax from Greg Alford to Marc Lalonde re: Tracked LAV Market Forecast Summary (LAL00059)
23	July 10, 1995 letter from Greg Alford to Jürgen Massmann and Karlheinz Schreiber (cc: Marc Lalonde) re: APC project scheduled for Cabinet approval - Week of 17.07.95 (LAL00077)
24	July 13, 1995 fax from Marc Lalonde to Greg Alford re: Letter to Jean Chrétien on the APC procurement dated July 13, 1995 (French and English translation) (LAL00080, LAL00081 and LAL00098)
25	August 16, 1995 fax from Ian Reid to Jürgen Massmann and Karlheinz Schreiber re: Minister of National Defence: APC Procurement, News Release and Talking Points for the Honourable David Collenette at a Press Conference concerning the Acquisition of New Military Equipment (LAL00084)
26	Lettre de Jean Chrétien à Marc Lalonde datée du 1^{er} Septembre 1995 (LAL00083)
27	September 26, 1995 letter from Marc Lalonde to Jürgen Massmann re: Exchange with The Right Honourable Jean Chrétien (AGC00129)
28	September 26, 1995 letter from Marc Lalonde to The Right Honourable Jean Chrétien (translation of original letter as referenced at tab 28 of the index) (LAL00086)
29	September 27, 1995 fax from Marc Lalonde to Gudrun Cloutier (Thyssen BHI) re: Letter to The Right Honourable Jean Chrétien dated September 26, 1995 (original version) (LAL00086)
30	Marc Lalonde's invoices from Stikeman Elliott (LAL00103 – LAL00107 and LAL00110-LAL00114)

LALONDE, L'hon. Marc, C.P., O.C., C.R., LL.L., M.A.



© Chambre des communes 1980

Date de naissance (aaaa.mm.jj) : 1929.07.26

Lieu de naissance : Île Perrot, Québec, Canada

Profession : Auteur, avocat

Affiliation politique :

- Parti libéral du Canada (1972.10.30 -)

Expérience politique fédérale

Années de service : 4327 Jours (11 années, 10 mois, 5 jours)

CHAMBRE DES COMMUNES

Circonscription	Date de l'élection (aaaa.mm.jj)	Résultat
Outremont, Québec	1980.02.18	Élu
Outremont, Québec	1979.05.22	Élu
Outremont, Québec	1974.07.08	Élu
Outremont, Québec	1972.10.30	Élu

CAUCUS

Parti	Mandat (aaaa.mm.jj)
Parti libéral du Canada	1973.01.04 - 1984.07.09

FONCTIONS À TITRE DE PARLEMENTAIRE

Ministre

Portefeuille	Mandat (aaaa.mm.jj)
Ministre des Finances	1984.06.30 - 1984.09.16
Ministre des Finances	1982.09.10 - 1984.06.29
Ministre de l'Énergie, des Mines et des Ressources	1980.03.03 - 1982.09.09
Ministre de la Justice et procureur général du Canada	1978.11.24 - 1979.06.03
Ministre délégué à la Situation de la femme	1974.08.08 - 1979.06.03
Ministre du Sport amateur	1972.11.27 - 1976.09.14
Ministre de la Santé et du Bien-être social	1972.11.27 - 1977.09.15

Ministre/ Secrétaire d'État

Portefeuille	Mandat (aaaa.mm.jj)

Ministre d'État (Relations fédérales-provinciales)

1977.09.16 - 1978.11.23

COMITÉS - CHAMBRE DES COMMUNES

Membre

Comité	Session
Comité permanent de la santé, du bien-être et des affaires sociales	31e légis., 1ère session (1979.10.09 - 1979.12.14)
Comité permanent des ressources nationales et des travaux publics	31e légis., 1ère session (1979.10.09 - 1979.12.14)

©Droit d'auteur sur les photographies. La Chambre des communes détient le droit d'auteur sur les photographies officielles des députés, dont celles apparaissant dans des montages photographiques. Ces images peuvent être reproduites à des fins non commerciales seulement, sur réception d'une permission écrite, en indiquant comme source la Chambre des communes.

LALONDE, The Hon. Marc, P.C., O.C., Q.C., LL.L., M.A.



© House of Commons 1980

Date of Birth (yyyy.mm.dd): 1929.07.26
 Place of Birth: Île Perrot, Quebec, Canada
 Occupation: Author, lawyer
 Political Affiliation:
 ■ Liberal Party of Canada
 (1972.10.30 -)

Federal Political Experience

Years of Service: 4327 Days (11 years, 10 months, 5 days)

HOUSE OF COMMONS

Constituency	Date of Election (yyyy.mm.dd)	Result
Outremont, Quebec	1980.02.18	Elected
Outremont, Quebec	1979.05.22	Elected
Outremont, Quebec	1974.07.08	Elected
Outremont, Quebec	1972.10.30	Elected

CAUCUS

Party	Term (yyyy.mm.dd)
Liberal Party of Canada	1973.01.04 - 1984.07.09

PARLIAMENTARY FUNCTIONS

Minister

Portfolio	Term (yyyy.mm.dd)
Minister of Finance	1984.06.30 - 1984.09.16
Minister of Finance	1982.09.10 - 1984.06.29
Minister of Energy, Mines and Resources	1980.03.03 - 1982.09.09
Minister of Justice and Attorney General of Canada	1978.11.24 - 1979.06.03
Minister responsible for the Status of Women	1974.08.08 - 1979.06.03
Minister of Amateur Sport	1972.11.27 - 1976.09.14
Minister of National Health and Welfare	1972.11.27 - 1977.09.15

Minister / Secretary of State

Portfolio	Term (yyyy.mm.dd)
-----------	-------------------

Minister of State (Federal-Provincial Relations)

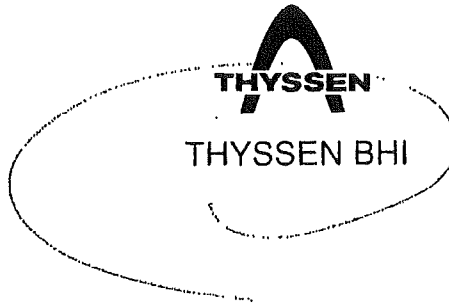
1977.09.16 - 1978.11.23

COMMITTEES - HOUSE OF COMMONS

Member

Committee	Session
Standing Committee on Health, Welfare and Social Affairs	31st Parl., 1st Session (1979.10.09 - 1979.12.14)
Standing Committee on National Resources and Public Works	31st Parl., 1st Session (1979.10.09 - 1979.12.14)

©Members photographs. The House of Commons holds the copyright on official photographs of Members, including those reproduced in composite photographs. Reproduction of the images is for non-commercial use only and images must be credited as House of Commons, following receipt of written permission.



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

February 1, 1994

The Honourable Marc Lalonde
Stikeman, Elliott
Suite 3900
1155 Dorchester Blvd. West
Montreal, Quebec
H3B 3V2

Dear Marc:

Please find enclosed a copy of the complete market analysis which was presented to Industry Canada on the 14th of December 1993. While we have discussed much of the content of this document in our meetings to date, I provide this complete copy for your files.

According to the agreed process with Industry Canada, they will now verify our market forecasts through their own sources and those of Foreign Affairs and DND, and depending on the outcome of their enquiries, they will determine if they can offer R+D support to our project and if so, how much.

For our part, we have used very conservative forecasting methodology and are confident that Industry Canada's sources will find our market assessments to be reasonable.

In respect to timing, we are requesting meetings with Industry Canada by February 17, to discuss the areas of response which they will have received by then.

I will keep you informed as the situation develops further.

Sincerely,

A handwritten signature in black ink, appearing to read 'Greg Alford', is written over a horizontal line.

Greg Alford

Del. KHS

Thyssen

14.

Can. Generals got full briefing in Thyssen -

K.H Will dine with a group of generals Dec/14.

next program = upgrading of leopard I.

hand outdied machine - nothing for peace keeping

[Min. would have said: you will get only s. i. for peace keeping.]

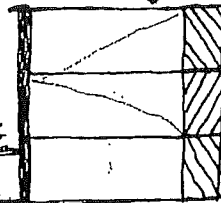
Minimum figure for this particular project: \$95.

- Manley has already got a brief from his officials.

- Ouellet, MacLaren, Dupuis, & MacEachen are members of Atlantic Bridge
(Canada-U.S. Germany Foundation) --

Collenette.

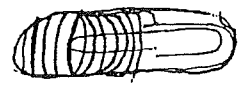
- We want export business for Canada
- DND. needed to test machine
- not asking to buy machine.



Unique opportunity for Canada - vs. Sweden -- (Proximity to U.S. + participation of General Dynamics when selling in U.S. - Thyssen already makes Fox vehicle with G.D. used in Gulf Ocean) -

Jurgen Massmann. + Greg Alfred.

Bruce Deaton, - ~~DoD~~ (Industry).
Michael Williams (DND).



- R+D is v priority + not testing by D.N.D.
- DND testing alone is not good enough - and is not essential to deal.

- Why bring in govt.

- M**
- (1) - govt. participation is good.
 - (2) Financial burden on Thyssen ~~is about~~ ^{about 70-100 mm.} _{to be contributed} (170mm. D.M. for trial program)
 - (3) - capability for air defence (decision) and gen. carrying.

Target: Jan 15/94 - to answer questions.

Fowler - as a problem in D.N.D. - fought this project constantly.
[Generals aware of this trend to face buying + priority for govt.]

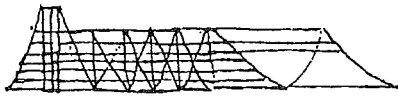
S.M. has a problem with the requirements.
[S.M. had to subcontract in U.K. some funds deliveries.]

C. of staff from Navy
Army chief visited Thyssen and is very favourable to project.

Positive information on market for the officials.
[Recommendation going to 3 ministers to get direction - industry, D.N.D. + a 3rd (Int'l Trade or Ex. Aff.)]
[Info from Thyssen to be in by ~~late~~ early Dec.]

K.H. S. - to be in Ottawa week of 13 Dec.
Meetings with ministers during that week.

arrange with } Manley.
- Collette
- McLaren.
- Ouellet.



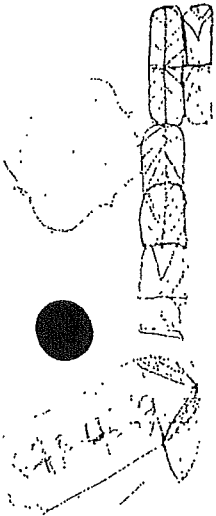
Schreiber - Greg Alford + Jack Vance - (retired general / former ^{head} of staff D.N.D.)
 - Cancellation of Helicopters -

- Peace-keeping + leadership role
- Germany has Technology -
 - Werra - See - General NATO + German authorities
 - new vehicle that fits in a Hercules.
 - fast reaction force.
 - Protection against ABC weapons + reinforced steel.

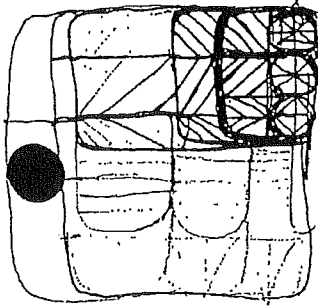


Multi-role combat force.

- Fowler rd. tried to gear work to G.M.
- Thyssen has developed + paid for development of vehicle.
- Standardization has the
- Proof has to be made that there is an export market for this.
 - NATO figures = minimum 15,000 vehicles = \$30 b. ^{maintenance} inst. incl. spare parts
 - (Teaming with General Dynamics - for U.S.) ^{rest of world} _{at least \$400 b.}
- may mean 65,000 jobs for 10 years -
- Canada + Germany =
- meeting with Mc Maachen + Wulke in Dresden 2 weeks ago.
- If you want to make big deals, you have to get the top ministers involved.



Designed quietly with Canadian generals -



- \$1 b. order sent to G.M. - but G.M. fooling around about it.
- Deal only done to keep Ont. quiet because of helicopter deal.
- Testing now taking place with Can. defence +

Thyssen

Pl. KHS

14.

Can. Generals got full briefing in Thyssen -

K.H. Will dine with a group of generals Dec/14.

next program = upgrading of leopard I.

hand outdred machine - nothing for peace keeping

[Min. would have said: you will get only s. 2: for peace keeping.]

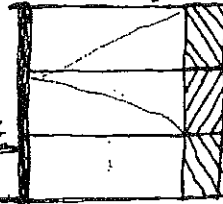
Minimum figure for this particular project: \$95.

- Manley has already got a brief fig. from his officials.

- Ouellet, MacLellan, Dupuis, & MacEachen are members of Atlantic Bridge
{ (Canada-U.S. Germany Foundation) --

Collenette.

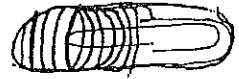
- We want export business for Canada
- DND. needed to test machine
- not asking to buy machine.



Unique opportunity for Canada - vs. Sweden - Proximity to U.S. +
participation of General Dynamics when selling in U.S. - Thyssen
already makes a Fox vehicle with G.D. (used in Gulf Ocean) -

Jurgen Massmann. + Guy Alfred.

Bruce Deaton - ~~Director~~ (Industry).
Michael Williams (DND).



- R+D. is a priority + not testing by D.N.D.
- DND testing alone is not good enough - and is not essential to a deal.

- Why bring in a govt.

- N**
- (1) - govt. participation is good.
 - (2) Financial burden on Thyssen ~~is about~~ (about 100mm DM.)
 - (3) - compatibility for air defence (decision) and gen. carrying.

about 70-100 mm.
to be counterable
(170 mm. DM: for total program)

Target: Jan 15/94 - to answer questions.

Fowler - as a problem in D.N.D. - fought this project constantly.
[Generals aware of their trend to face keeping + priority for a govt.]

S.M. has a problem with the requirements.
[S.M. had to subcontract in U.K. some basic electronics.]

C. of staff from Navy

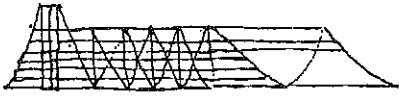
Army chief visited Thyssen and is very favourable to project.

Positive information on market for the officials.

Recommendation going to 3 ministers to get direction -
Industry, D.N.D. + a 3rd (Int'l Trade or Ex Aff.)
[Exp from Thyssen to be in by ~~late~~ early Dec.]

K. H. S. - to be in Ottawa week of 13 Dec.
Meetings with ministers during that week.

arrange with } Manley.
- Collette
- McLaren.
- Jewell.



Schriber -

Greg Alford + Jack Vance - (for ^{retired general} ~~ministry~~ ^{staff} D.N.D.)
 - Cancellation of Helicopters -

- Peace-keeping + leadership role

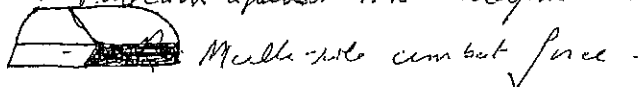
- Germany has Technology -

- Werra - See General NATO + German authorities

- New vehicle that fits in a Hercules.

- Fast reaction force.

- Protection against ABC weapons + reinforced shield.



- Multi-role combat force -

- Fowler rd. tried to gear work to G.M. -

- Thyssen has developed + failed for development of vehicle.

- Standardization has the

- Prof Prof has to be made that there is an export market for this.

NATO figures = minimum 11,000 vehicles = \$30b. ^{maintenance} ^{incl. spare parts} ^{rest of world} ^{at least \$400b.}

(Teaming with General Dynamics - for U.S.)

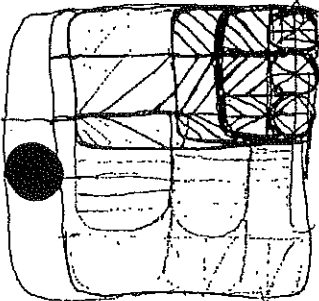
- may mean 65,000 jobs for 10 years -

Canada + Germany =

- meeting with Mc Maachen + Weiler in Dresden 2 weeks ago.

- If you want to make big deals, you have to get the top ministers involved -

Designed quietly with Canadian generals -



\$1b order sent to G.M. - but G.M. looking around about it.

- Deal only done to keep Ont. quiet because of helicopter deal.

Generals

- Testing now taking place with Canadian defence +

THYSSEN

THYSSEN BHI

Suite 908, 350 Sparks Street
Ottawa, Ont., Canada
K1R 7S8

TELEPHONE (613) 563-3321

TELEFAX (613) 563-7648

TELEFAX

TO: Hon. Marc Lalonde
Stikeman, Elliott

FAX NO:

FR A10 .32

FROM: Karlheinz Schreiber

PAGES: 2

(including cover page)

DATE: 11 Feb. 94

MESSAGE:

Please find attached a letter of Minister André Ouellet which Mr. Schreiber asked me to pass on to you for your information.

Regards,

S. Ouellet

Minister of Foreign Affairs



Canada

Ministre des Affaires étrangères

February 1, 1994

Mr. Karlheinz Schreiber
Chairman
Thyssen BHI
Suite 908
350 Sparks Street
Ottawa, Ontario
K1R 7S8

Dear Mr. Schreiber,

Thank you for your letter dated December 23, 1993, concerning the Thyssen BHI project for Canada. As you are aware, your proposal to build the TH 495 in Canada is being reviewed by a federal interdepartmental team, lead by Industry Canada. I understand that this review is being conducted in a detailed fashion and that your company representatives have been most cooperative in providing the information necessary for the analysis.

I can assure you that my officials and those of my colleague, the Honourable Roy MacLaren, the Minister for International Trade, will continue to work with Industry Canada in the analysis of your proposal.

Thank you for your good wishes and I also wish you the very best for 1994.

Yours sincerely,

A handwritten signature in cursive script that reads "André Ouellet".

André Ouellet

cc: The Honourable Roy MacLaren, P.C., M.P.
The Honourable John Manley, P.C., M.P.

(-4)

- Thyssen -

①
r. (613) 234-8090
at. 769-0806

Gordon Rae meeting

Commander of Army - (St-Hubert)

- Replacement of M-113 + Peace mission. - Replacement: TH-495
(1st year of Pearson Adm.)
- Germany - France - U.K. make study for Nato, (M.P.A.V.)
for standard vehicles (multi-purpose armored vehicle).
- Germany, France are trying to join together for a new M.P.A.V.
- Recently, Canada asked Germany, U.K. (+ France?) whether they could join?
- Such a vehicle not available before beginning of next century - 2004-5
- For export reasons, France want to be no. 1 in M.P.A.V. - want lead position
- Germans are unhappy with this eventuality - D.M. defence very efficient.
- Germans need equipment before 2000 - in order to join U.N. mission.
- French want to go for wheels only (rather than wheels and tracks).
- Canada knows this equipment cannot do the job.

- Collect the reaction -

= Army (S. Rae) very interested in getting a new vehicle.

(TH-495). Rae is in process of asking for a replacement vehicle.

= Wants to have equipment from 1996 and on.

Advantage: - Canada can influence design - for Canada needs.

- Can get money as a priority now.

If it goes ahead with Germany - 2 cos. in NATO could ~~put~~
lead NATO into procurement (Canada-Germ. instead of France-Germ.)

Rae meets German colleague (Gen. ~~Burg~~) in May.

Procurement strategy is determined by other people in D.M.

① - Can we afford to have 2 producers of armored vehicle?

② - Proposing to join German. French program as a junior partner

- Some of these oppose entry of a 2nd producer. (Karlsson J.M.)

In any event, J.M. would have to build new facilities because they are fully busy now until 2000 - Are doing research on M.P.A.V. -

- Possibility for J.M. to do many other things incl. wheel vehicles.
- Recommendation to speak to director of procurement
- Rae - needs approval by Decharlelain, Fowler, + Minister.
 - needs help to get that approval.
 - need to change the philosophy of procurement directorate.
- Waste of \$450 mm. to upgrade + fix-up current equipment.
- Real money would have to be start being paid.
- the project could cost \$200 mm / year for 100 vehicles / year.
 - total need 1700 vehicles over period of 11 years.
 - First phase requirement 400-600 vehicle until 2000.
 - on a budget of \$126.

study

- getting reports on our export possibilities
 - see probabilities slightly < and timing a little later.
 - No sense of urgency - unbearably slow.
 - can't keep D.G. (Bruce Deconvos) involved - Shows up in ministerial meetings
 - Harry Swaine. - D.M.
 - John Barnyard attended meeting with Minister
- Meeting 20th in morning.

Gillnette.

- not sure whether they should have a 2nd producer.
- visited J.M. + realized they are producing very under
- licence from Swiss.
- Realizes impracticality of putting \$ on 30 year old vehicle

Opposition led by Fowler up to now.

Meeting with Fowler after meeting ~~with~~ between De Chastelain +
[Roe on issue]

R. M. Fowler.

(1) P&M P. - Massie - Ingstrup. - Centre de gestion.

- contrat initial - renouvelé.

- DND. 8000 contrats militaires min 11 f. c. (20000 sans argent)

- Reconnue 2 mai

Lt. Finnie - Paul Adley

Centre - Amiral Paul Bennett.

Si contrat système réglant un bon sent de com/col - Centre de gestion

(2) Thyssen.

T.H. 495 -

Replacement M-113 -

M. P. A. V.

L Gen (retd)

Jack Vance

three BHI (613) 563-3321

62 home (613) 478-5034



MEMO

TO: Karlheinz Schreiber
Klaus Sonneck
Marc Lalonde ✓
Jack Vance

FROM: Greg Alford

TEL: 613-563-3321

FAX: 613-563-7648 M 212 28

DATE: June 13, 1994

SUBJECT: Minutes of Meeting with Industry Canada Department June 3, 1994

PAGES: 16

Please find attached the minutes of our June 3 meetings in Ottawa with the Industry Department and National Defence.

In follow-up contacts since that meeting, I am finding a more positive view and desire to bring the Government numbers somewhat higher than as it was originally portrait. That may reflect a direction by Mr. Deacon to include more of the Company's approach than was earlier accepted by the Government analysts.

We will continue to monitor this, if there are any changes in the Government view and forecast.

PROTECTEDSUMMARY OF DISCUSSION POINTS AT MEETING BETWEEN
THYSSEN AND INDUSTRY CANADA (IC)

on June 3, 1994

General

The purpose of the meeting was to discuss the findings of the inter-departmental review of the Thyssen BHI export market project on TH 495, to assess immediate action required to produce final data, and to discuss the way ahead including the potential for government support.

Conduct

The agenda for the meeting is attached. In attendance were:

Industry Canada
Bruce Deacon
Dick Krajewski
Baj Hafez

Thyssen BHI
Jürgen Massmann
Greg Alford
Ian Reid

Introduction

Bruce Deacon invited Thyssen to make observations on the responsive data produced by his staff. He stated that later in the meeting he would provide an update on the Government situation and was prepared to discuss the way ahead.

BHI Comment

Jürgen Massmann conducted the BHI review through presentation of comparative charts (attached) which summarized the respective positions on market potential, drawing attention to those areas of general agreement, and points where there appeared to be disagreement, or misunderstanding, due to differences in either approach or in input data employed.

It was agreed that two aspects were clear. Firstly that the gross market figures were remarkably close, and secondly that this represented an export market for the TH 495 type vehicle.

Not surprisingly there was a significant variance between market share projections ("probability-of-win" on specific projects), with the Company's estimates appearing more positive than those reported by Government. [This was considered natural as the TH 495

PROTECTED

was a new vehicle unknown to reporting officers, who were also unaware of the progress of the Company's marketing activities.]

Comment made on specific briefing slides was at follows:

Slide A - Specified NATO

- Remarks: General agreement between Company and Government on gross market
- Difference on probability to win is understandable given Government perspective, but important point is Government does agree that TH 495 does have potential market.
 - Government comment on US market is not reasonable in Company's view. "Buy US" bias has been addressed successfully in recent sale of NBCRS Fox to US Army.
 - Important to realize that Company targets niche market in US not major, high profile projects, ie. 26,000 M 113 replacement.
 - Mentioned "Battle lab" program at TRADOC, and its potential to lead into niche requirements
 - Having Fox in service puts Thyssen in better position for follow-on and "off shoot" business

Slide B - Unspecified NATO

This slide demonstrates the Company's approach to this market, citing the fact that it is a reasonable and conservative approach to estimate a 20% net market win in contrast to the 30% forecast in the Specified NATO market. Though the Company did not make specific forecast for each nation, Mr. Massmann highlighted a few potential markets:

Italy could be approached through Otto Melara, already a partner with Thyssen in providing the turret for the six road wheel prototype TH 495.

Netherlands an established user of Thyssen vehicles with TPZ1 (Fox), is presently using AIFV (M 113 variants), which in future will likely be replaced.

PROTECTED

UK though they have established producers, this does not rule out teaming for market participation. They have made it very clear that they will procure a tracked solution and for that reason are not comfortable with VBM/GTK.

Dick Krajewski/Baj Hafez indicated that they had made no inclusion of any Canadian market in their approach to forecasting the Non Specified NATO market.

Slide C - Specified Non NATO

It was noted that Government and Company total gross market forecast are very close, and again on the probability to win, Government forecast is lower but nonetheless agrees with TH 495 having a potential market.

Slide D - Unspecified Non-NATO

The Government had been unable to identify a residual market. The Company maintains that an additional M 113 replacement market exist, as well as countries (eg. Malaysia) which were not M 113 users. Slide D shows some 22,000 M 113 in use in this market, and discussions on this point seemed to amend the original Government view, and brought the suggestion that the new remarks by the Company would be considered in their further analysis.

Malaysia

Massmann provided some information on this market and the status of the specific program which we are pursuing. His remarks were highly confidential and market sensitive, and were not to be recorded but reflected the rationale why the Company now sees the probability of this market occurring to be approaching a 1.0 and rate our present probability to win at 0.9 on a program that we now estimate will be some 450 units in its first phase.

The detail on Malaysia further revealed that the Company targeted program is one of three in the Malaysian market the other programs are: a wheeled vehicle project, and a medium battle tank.

In closing, Mr. Massmann added that TH has supplied 450 Condor 4x4 wheeled vehicles to Malaysia, and this program and its associated activity has provided a competitive advantage in positioning for the new market now developing.

Government Comment

On conclusion of discussion of the slides, Mr. Deacon remarked that the exercise so far has had the very important result of confirming that the total gross market forecasts by

PROTECTED

4

the Company and Government are similar and though there is a difference in the probability for TH 495 wins, this Government survey nonetheless still confirms that TH 495 does in fact have a market.

Mr. Deacon recalled that from the outset of the exercise, it was not expected that Government forecast could be the same as the Company, and suggested that the differences so far are understandable.

Discussion

Mr. Massmann offered the comment that the Company understands that Government view cannot be as accurate as the Company since the Government participants, though perhaps expert in the topic, have had no opportunity to actually see the TH 495 or to drive it, therefore their perspective in assessing the competitive design advantages against alternatives which they may already know is difficult. Such a situation is encountered by any new product being introduced to the market, and the complexity of defence vehicles only magnifies this.

Mr. Deacon suggested that in light of these discussions, the Government would now endeavour to consolidate its forecast of the possible market and generate some forecast market "curves" based on some basic assumptions. Those curves will be provided to the Company as the Government position. In its projections, Government will attempt to account for the non-specified non NATO market which the Company predicts, indicating that though Government has not yet embraced the Company's total forecast, the discussions today have adequately demonstrated that it is reasonable to assume some market will exist.

Among the curves which the Government will produce, they will include some scenario forecasts based upon certain assumptions.

1. Government Forecast Net Market, assuming sale to Malaysia. (This will have the direct result of total win of 450 units in Malaysia, plus the increase on probabilities to win in other markets.)
2. Government Forecast Net Market, assuming sale to Canada. (This will have direct result of total win of Canadian requirements, plus possibly a higher increase on probabilities to win in other markets.)

Mr. Deacon then went on to explain the Government's present situation as regards financial assistance to any approved project. The availability of money for new ventures is very limited with some easement likely in the fall. Higher than expected interest rates have impacted unfavourably on deficit reduction, and rates have just increased again. The Québec problem also adds to uncertainty. The Government operates on a 3 year fiscal frame work. DIPP (Defence Industry Productivity Program) contributions are

PROTECTED

usually for projects in the range of \$100,000 to \$5 Million and sometimes \$10 Millions spread over 1 to 2 years. DIPP contributions in the \$15 Million + range are considered extraordinary and would require specific contribution from Federal Reserves. The Company should observe public discussion of the current Federal financial situation to assess the full implications of this.

Massmann explained the nature of R&D work for TH 495 prototype development will lead to funding requirement over 3 years, ie.

1st year	15%
2nd year	25%
3rd year	60%

Furthermore the Company would cooperate with the Federal Government to make a schedule on funding that best fits Government resources and timing.

Future Action

Mr. Deacon then stated that the next logical step would be for the Company to produce a business plan. Agreed realistic market projections were a prerequisite for this plan. He assumed that the Company could accept a median (aggregate) number based on previously presented figures. He believed that Government staff and the Company could mutually adjust the figures to acceptable range for planning purposes. An inter-departmental consensus on these figures would then be sought prior to proceeding with the plan. Mr. Deacon indicated his intention to consult with his counterparts in the departments of National Defence, Foreign Affairs and the three regional development authorities FORDQ/Quebec, ACOA/Atlantic, WED/West on the agreement of markets existing and TH 495 having potential to win in that market. Additionally, he intends to seek consensus from interested departments and obtain their input on the way ahead.

If the Company wished some degree of assurance before embarking on a business plan, he was prepared to sponsor a presentation with key players in concerned government agencies at an early stage. There were attendant dangers to adopting this course but also advantages

Mr. Massmann stated that pre-commitment would be acceptable to Thyssen.

Mr. Deacon then stated that he would advise the Company on the results of his preliminary consultations on the week of the 13 of June.

The Company stated its desire to preserve a neutral position with respect to location, to permit consideration of all relevant factors until such time commitments must be made.

THYSSEN/BHI / INDUSTRY CANADA MEETING

June 3, 1994

11:30 a.m. - 3rd Floor East Lobby Boardroom

PROPOSED AGENDA

1. Company observations on preliminary market data received to date
2. Company observations on methods to develop a common understanding of market potential
3. General discussion on government support for defence industries
4. Next steps

A: Specified NATO Market

Within NATO fourteen (14) countries are equipped with M 113 variants and similar vehicles. Four (4) specific NATO Nations were covered by the BHI Study.

Country	Quantity in service No	Forecast gross market		Forecast net market	
		% ¹	No	% ²	No
Germany	3000	80	2400	40	963
Norway	112	143	160	0	0
Turkey	2850	42	1190	12	143
USA	26000	5	1210	6	73
Total	31962	16	4960	24	1179
Remove US M113	(26000)	5	(1210)		(73)
Total	5962	63	3750	29	1106

BHI Forecast gross market (excluding US)

3750 vehicles

BHI Forecast net market (excluding US)

1106 vehicles

¹Forecast gross market/ Quantity in service

²Forecast net market/ Forecast gross market

B: Unspecified NATO Market

Within NATO fourteen (14) countries are equipped with M 113 variants and similar vehicles. Ten (10) NATO Nations were forecast on a combined basis by the BHI Study.

Country	Quantity in service No	Forecast gross market		Forecast net market	
		% ³	No	% ⁴	No
Belgium	736				
Canada	938				
Denmark	643				
France	1000				
Greece	1096				
Italy	1600				
Netherland	1326				
Portugal	276				
Spain	1213				
UK	2000				
Total	10828	76	8280	20	1656

BHI Forecast gross market **8,280 vehicles**

BHI Forecast net market **1,656 vehicles**

³Forecast gross market/ Quantity in service

⁴Forecast net market/ forecast gross market

C: Specified Non NATO Market

Outside NATO thirty-nine (39) countries are equipped with M 113 variants and similar vehicles. Nine (9) specific Non NATO Nations were covered by the BHI Study.

Country	Quantity in service No	Forecast gross market		Forecast net market	
		% ⁵	No	% ⁶	No
Switzerland	1350	111	1500	15	225
Venezuela	112	45	50	16	8
GCC	1000	60	600	30	180
Saudi Arabia	2100	57	1200	33	390
Indonesia	700	94	660	30	198
Malaysia	200	75	150	54	81
Thailand	1740	63	1100	30	330
Singapore	770	26	200	18	36
Hungary	0	0	300	30	90
Total	7972	72	5760	27	1538

BHI Forecast gross market 5,760 vehicles

BHI Forecast net market 1,538 vehicles

⁵Forecast gross market/ Quantity in service

⁶Forecast net market/ forecast gross market

D: Unspecified Non NATO Market

Outside NATO thirty-nine (39) countries are equipped with M 113 variants and similar vehicles. Thirty (30) Non NATO Nations were not examined by the BHI Study.

Country	Quantity in service No	Forecast gross market		Forecast net market	
		% ⁷	No	% ⁸	No
Iran	520				
India	600				
Israel	4000				
Jordan	1400				
Lebanon	1285				
Lybia	575				
Morocco	455				
Sudan	40				
Tunesia	120				
Yemen	76				
Australia	700				
Cambodia	30				
South Korea	900				
Laos	25				
New Zealand	78				
Pakistan	1100				
Philippines	480				

cont'd....

⁷Forecast gross market/ Quantity in service

⁸Forecast net market/ forecast gross market

cont'd Table D:

Country	Quantity in service No	Forecast gross market		Forecast net market	
		No	%	No	%
Taiwan	1100				
Vietnam	2300				
Argentina	550				
Bolivia	40				
Brazil	775				
Chile	130				
Colombia	160				
Ecuador	120				
Guatemala	10				
Peru	300				
Uruguay	15				
Egypt	2650				
Others	1500				
Total	22034	75	16526	20	3305
Malaysia ⁹	0		2000	20	400
Total	22034		18526	20	3705

BHI Forecast gross market 18,526 vehicles

BHI Forecast net market 3,705 vehicles

⁹35 bataillions, total requirement 3080 vehicles; ratio tracked/wheeled 2:1

E: Summary

Market	No. of Countries	Gross Market BHI forecast	Net market BHI forecast
Specified NATO Market ¹⁰	4	3,750	1,106
Unspecified NATO Market	10	8,280	1,656
Total NATO Market	14	12,030	2,762
Specified Non NATO market ¹¹	9	5,760	1,538
Unspecified Non NATO market	30	18,526	3,705
Total Non NATO Market	39	24,286	5,243
Total	53	36,316	8,005

Vehicle potential NATO countries : 2,762 vehicles

Vehicle potential Non NATO countries : 5,243 vehicles

Total Vehicle Potential : 8,005 vehicles

¹⁰excluding US

¹¹including Thailand 1100 vehicles



MEMO

TO: Jürgen Massmann**FROM:** Greg Alford**TEL:** 613-563-3321**FAX:** 613-563-7648**DATE:** June 7, 1994**SUBJECT:** Internal notes**PAGES:**

The following additional point was recorded in our notes from the June 3rd. meeting with the Government. However, it is my recommendation that we not include this in our minutes which we will share with the Government. It would be a highly sensitive subject for DND, given that it extends the argument for using the Defence budget for regional and industrial development. DND expects this argument from the Industry department but would be uncomfortable seeing it coming directly from us.

GA

Additional Note from June 3 Meeting with Government

On the topic of industrial benefit value of the BHI project in Canada, Mr. Massmann suggested the total cost to Government in R&D contributions and expenditure for vehicles is anticipated to be less than the cost to Government of the same number of jobs created by other means of Government investment, (using the standard Government estimate for cost per job created).

Mr. Massmann explained that a preliminary estimate suggests that in such a calculation, with all factors considered, end cost to Government for new vehicles for the Army would be negligible and possibly zero (0).

MEETING REPORT
DND - THYSSEN BHI
June 3, 1994

Attending for DND

Pierre Lagueux ADM Supply,
Col. Jim Stewart Director General, Industry Relations

Attending for THYSSEN BHI

Jürgen Massmann
Greg Alford

Mr. Massmann expressed appreciation for the meeting and for the participation of DND in the interdepartmental committee reviewing the BHI market forecast. He then provided an introduction to the Thyssen Group.

Mr. Massmann recapped the highlights of the preceding meeting with Industry Canada and the general points of agreement that a gross market exists, the size of which is generally agreed, and the view that TH 495 definitely has a probability to win part of that market; though the Government forecast is lower than that of the Company as was expected for understandable reasons.

Mr. Massmann raised the topic of VBM/GTK and the information from the German side that no participation was offered to Canada for the design phase. Col. Stewart replied that Canadian participants in recent meetings "found the situation as they expected", realizing before hand that there was little chance to participate in design, but nonetheless wishing to enter the discussions to determine what potential might exist.

Mr. Massmann mentioned the German side's continuing discussions on track vs. wheels which may eventually give rise to a new multi-lateral program for a tracked solution among Germany, UK, and Canada. Mr. Lagueux and Stewart acknowledged the German position was reported as not yet settled.

On the topic of M 113, Mr. Lagueux acknowledged the vehicle's advanced age, and the inevitability of at least some part of it being replaced. Further, he agreed with Mr. Massmann that M 113 are presently operating in specific roles that can only be fulfilled by tracked vehicles, and therefore it is a logical extension that its replacement market will necessarily be tracked.

Mr. Lagueux mentioned the intention of DND to sell off or close the Land Engineering Test Establishment (LETE) and asked if that might upset the Company requirement for

testing. Mr. Massmann clarified that testing by DND would be nice to have, but it is not the primary requirement and it is not essential.

The meeting lasted 1¼ hours (double its scheduled length) and was cordial. Mr. Massmann extended invitations to Mr. Lagueux and Mr. Stewart, or any of their colleagues to visit TH in Kassel.

Eurosatory was mentioned and Mr. Stewart offered to provide the names of DND officials attending and extend a request that they visit the TH 495 exhibit.



THYSSEN BHI

MEMO

TO: Jürgen Massmann
cc: Karlheinz Schreiber, Marc Lalonde, Jack Vance, Ian Reid

FROM: Greg Alford

TEL: 613-563-3321
FAX: 613-563-7648

DATE: July 19, 1994

SUBJECT: Industry Canada

PAGES: 4

Attached are two slides which Industry Canada has prepared for their internal discussions on our project.

Scenario 1 shows the Government's position as last discussed in June, with no market forecast for Unspecified Non-NATO, due to their inability to independently verify our forecast.

Scenario 2 shows the alternative Government position where they have said that the Company has made reasonable arguments that the Unspecified Non-NATO market does in fact exist and is of importance, therefore, in the absence of specific Government sourced verification, they make the assumption that it will exist in similar ratio as the Government was able to verify for the Unspecified NATO market.

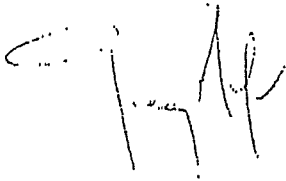
This results in the Government agreement on gross market rising to 80% (29,770 units) of the BHI forecast and net unit sales rising to 25% (2,053 units) of the BHI forecast.

The large difference in forecast sales is further explained by the inability of Government officials to assess competitive potential on the same level as the Company, this was acknowledged by Industry Canada at the outset of the exercise.

Also note that neither the Company nor the Government include any Canadian orders, and Industry Canada has acknowledged that when a first order is won, this will have a positive influence on their forecast "probability to win" in export markets.

These slides are part of Industry Canada's internal briefings to other departments as well as to their own senior level officials. However, to date they advise that their discussions are continuing with no conclusion reached yet.

Regards,

A handwritten signature in black ink, appearing to be 'M. H. P.' or similar, written in a cursive style.

CONFIDENTIAL
CONFIDENTIAL

-4-

07/20/1994 09:52 THYSSEN BHI

6135637648 00704015 P.03/04

TRACKED LAV MARKET FORECAST SUMMARY*SCENARIO 2

<u>MARKET SEGMENT</u>	<u>BHI FORECAST 1996-2015</u>		<u>GOVT FORECAST 1996-2020</u>		<u>GOVT AS % OF BHI</u>			
	<u>GROSS</u>	<u>UNIT SALES</u>	<u>% OF TOT</u>	<u>GROSS</u>	<u>UNIT SALES</u>	<u>% OF TOT</u>	<u>GROSS</u>	<u>UNIT SALES</u>
1. SPEC. NATO	3960	1131	14	4700	515	25	119	46
2. UNSPEC. NATO	8280	1656	20	5800	270	13	70	16
3. SPEC. NON-NATO	6660	1845	22	6320	676	33	95	37
SUBTOTAL	18900	4632	56	16820	1461	71	89	32
4. UNSPEC. NON-NATO (5)	1350C	3700	44	12950	592	29	70	16
TOTAL	37400	8332	100	29770	2053	100	80	25

NOTES

* BASED ON THE LATEST ITERATION ON TRACKED LAV MARKETS PRESENTED BY BHI-THYSSEN JUNE 15, 1994

1 GERMANY, NORWAY AND TURKEY (USA REMOVED)

2 BELGIUM, DENMARK, FRANCE, GREECE, ITALY, NETHERLANDS, PORTUGAL, SPAIN AND UK (CANADA NOT INCLUDED)

3 SWITZERLAND, VENEZUELA, GCC, SAUDI ARABIA, INDONESIA, MALAYSIA, THAILAND, SINGAPORE AND HUNGARY

4 CONSISTS OF 30 OTHER COUNTRIES (ORIGINALLY M113 REPLACEMENT MARKET) NOT ANALYSED IN THE SAME METHODOLOGY

5 GOVERNMENT FORECAST MAXIMUM SALES OF 592 UNITS BY APPLYING GOVT. RESULTS IN UNSPECIFIED NATO (SEGMENT # 2) TO THIS SEGMENT.

07/15/94

STIKEMAN, ELLIOTT
Montréal
MEMORANDUM

DATE: Le 23 septembre 1994 CONFIDENTIEL
À/TO: André Ouellet
DE/FROM: Marc Lalonde
RE: Thyssen

DOSSIER N°/FILE No.: 17780-003

Mon cher André,

Tu trouveras sous pli les procès-verbaux de deux réunions importantes tenues le 20 septembre à Ottawa. Je crois que leur contenu est particulièrement significatif quant à la stratégie à suivre, pour amener ce projet au Québec dans un avenir prochain.

Pourrais-tu désigner un représentant pour suivre ce dossier en ton nom et communiquer avec Greg Alford chez Thyssen à Ottawa:

Tel: 613-563-3321
Fax: 613-563-7648

Ton représentant devrait contacter Greg et celui-ci se fera un plaisir de lui donner toute l'information nécessaire.

Il semble y avoir deux tendances contradictoires chez les fonctionnaires dans ce dossier et il est d'autant plus important que cela soit suivi de près au niveau politique.

Je serai en Europe jusqu'au 17 octobre mais mon adjointe, Michelle Pâquet, peut me rejoindre en tout temps, si tu as besoin de m'atteindre.

Amitiés.

Meeting Between Thyssen BHI and IC

October 11, 1994, 13.30h

Summary of Discussion

Attendance

IC Bruce Deacon
 Dick Krajewski
 Baj Hafez

Thyssen BHI Greg Alford
 Ian Reid

KPMG Marc Brûlé

General

This meeting was scheduled as a direct follow-up to the meeting held in Ottawa on Sept. 20, 1994, which was attended by Mr. Massmann. A specific aim was to reach agreement or accommodation on the Market projections based on Company and IC analysis.

Discussion

Mr. Deacon made the following points in his opening remarks:

- There was now a increasing political will to look at the Thyssen proposition
- Before the Government could determine its degree of support and financial investment, a Company business plan would be required.
- In advance of the business plan, certain sequential actions were required, they were:
 - an agreed market basis
 - confirmation of the political will to proceed with the Thyssen project
 - a summary of the Company's proposal/position, to include essential information such as company's commercial outline intent and government support sought (further discussed below).
 - a coordinated Government position of what support would or could be

available (subject to positive analysis of the full business plan). These are likely to include:

- a. Repayable contributions with recovery commencing after 6 years in the form of royalty payments on sales
- b. Direct assistance through testing, use of government labs and other facilities,
- c. possible government procurement to include the normal IB (Industrial Benefits) package,
- d. tax incentives

The discussion then turned to the resolution of outstanding differences on Market Data.

Market Data

After a comparison of the Company and IC projections (as summarized on the IC charts titled scenario 1 and 2) and an explanation of the significant areas of contention, Mr. Deacon made the following observation:

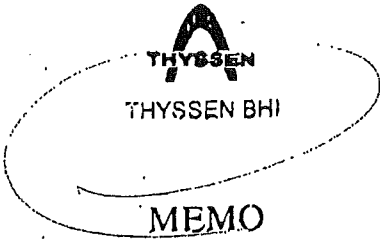
- based on the preceding logic, it was not correct for IC to project a zero market share in the "unspecified non-NATO" portion of the summary (line 4, scenario 1). The mathematical ratios used in arriving at the market share in the same serial in scenario 2 should also be reviewed. For example, he took the point that using the same "possibility of win" ratio as in the "unspecified NATO" serial did not appear to take into account that the majority of NATO nations have domestic armoured vehicle manufacturers, which is not the case in the majority of NON-NATO customers.
- What should be aimed for at the lowest end was a defensible conservative base. "Better to be low and viable (sustainable in discussion), than high and questionable" when the company projections could be the basis of commercial forecast (eg. incorporation in a business plan), the Government figures would form their basis for risk calculation.
- It appeared that there was a close similarity in the gross market figures on serials 1-3. We should therefore re-examine serial 4 to reach a level of common agreement. The Company agreed to re-examine their estimate in this area and meet with the Government as soon as possible..
- where nations had been deliberately omitted by the company (eg. Iraq on political

grounds, US and Canada due to sensitivity) this should be stated. He appreciated the Company's position in regard to Canada, but would welcome our re-examining the potential US market, regardless of the current official US DOD position. In any event deliberate omissions should be recorded in footnotes.

- Ultimately the market share projections would be subjective "judgement calls" but that would be a logical outcome. The reasoning should be as clear as possible for such projections. The company should not be inhibited from using their own figures.

After further discussion, Mr. Deacon proposed future actions as follows:

- a. BHI should re-examine (or re-substantiate) the Serial 4 "unspecific NON-NATO" gross market of 18,500 units
- b. IC should re-assess their rationale for their comparable figures in (a)
- c. IC should re-examine their unit sales projections for (a).
- d. BHI should endeavour to re-examine and reflect potential US market, and it should consider the appropriateness of including all markets (US, Middle East, Canada) in its "gross" market for units. If necessary from sources independent of DOD.
- e. BHI should furnish a summary of development status and costs to date and anticipated interim investment in R&D.
- f. BHI should be aware that due to the duration of their activity, there were a number of "facts and figures" concerning investment costs, jobs created etc, dating from the earliest initiatives through ACOA. It would be very helpful if these financial and other figures could be re-visited by the company and up-dated to IC so that the department and others could be sure that they were considering current and correct data. The Company agreed to undertake this.
- g. All the above actions should be taken as soon as possible to permit project staffing to proceed.



TO: Messrs: Jürgen Massmann
Karlheinz Schreiber
Jack Vance
Marc Lalonde

*for meeting
Ottawa
14 dec*

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 *HMCS 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.

what acquisition 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.



THYSSEN BHI

Suite 908, 350 Sparks Street, Ottawa, Ontario, Canada K1R 7S8
Telephone: (613) 563-3321 Telefax: (613) 563-7848

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 (APC's). 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

3

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 Massmann
President

(A)

STIKEMAN, ELLIOTT
Montréal
MEMORANDUM

DATE: December 7, 1994
À/TO: Greg Alford
DE/FROM: Marc Lalonde
RE:

DOSSIER N°/FILE No.: 17780-003

Tuesday night, I attended the MSO concert on the occasion of the 50th anniversary of ICAO.

I happened to be sitting next to Bob Fowler and I took the opportunity to congratulate him for the White Paper and discuss the intent behind their statements on army vehicles.

He stated that they were considering retrofitting some 900 M113 vehicles as well as some others (e.g. Cougars).

They are also considering buying at the same time some 500 to 700 new light armoured vehicles. Two factors will be primary in their decision : cost/efficiency and speed. They have not decided yet between track and wheels but he pointed out that their existing equipment is already on wheels and that they have been quite satisfied with its performance both in Somalia and in Bosnia. He seems to have a clear preference for that kind of equipment. He also mentioned that there already exists in Canada experience in building such vehicles on wheels.

I believe we should bear that information in mind in the preparation of our meeting with Mr. Ouellet. We must have clear arguments indicating that our vehicle meets the two primary factors they have in mind and why they should opt for track rather than wheels. You may wish in the meantime to try and find out what is the view of the army brass on this last issue.

Best regards.

STIKEMAN, ELLIOTT
Montréal
MEMORANDUM

DATE: Le 13 décembre 1994
À/TO: l'hon. André Ouellet
DE/FROM: Marc Lalonde
RE: THYSSEN BHI
Véhicules pour les Forces armées
DOSSIER N°/FILE No.: 17780-003

Nos clients, Thyssen BHI, ont reçu une information fiable, à l'effet que le ministère de la Défense annoncerait cette semaine que le Gouvernement s'équiperait de véhicules à armement léger, sans soumission, par une commande directe auprès de GM.

Inutile de dire que la possibilité d'une telle décision inquiète nos clients au plus haut point.

Depuis plusieurs années, Thyssen a entretenu des discussions avec le ministère de l'Industrie, en vue de démontrer pour le Canada les avantages considérables que représenterait l'établissement ici d'une usine pour la construction des véhicules TH 495. Ces discussions visaient en particulier à établir le niveau élevé des exportations de ce produit qui pourraient être faites à partir du Canada. Thyssen a remis à ce ministère, depuis de nombreux mois, ses propres estimations quant au marché extérieur disponible. Après des mois de tergiversations, le ministère concluait, lors de conversation tenues le 11 octobre et le 3 novembre, que ses propres analyses démontraient l'existence d'un marché extérieur pour le TH 495, qui pouvait être pénétré à partir du Canada. Le ministère concluait, en outre, que le marché pour le TH 495 était complémentaire à celui visé par le véhicule produit par GM. En fait, nos clients sont convaincus que le marché extérieur pour leur produit représente plusieurs milliards de dollars et ils ont produit des évaluations précises à ce sujet.

Concurremment, nos clients poursuivaient des discussions avec les autorités du ministère de la Défense, concernant le renouvellement éventuel de leur équipement. Un intérêt marqué était exprimé au niveau des autorités supérieures des Forces armées, mais celles-ci indiquaient qu'il leur était impossible d'en dire davantage tant que l'étude du comité de la Chambre des Communes n'était pas terminée et que le Livre blanc du ministère ne serait pas

déposé. Or, ces deux événements sont survenus durant les dernières semaines et la priorité est accordée au renouvellement des véhicules des Forces armées.

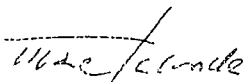
Au cours d'une conversation antérieure avec le sous-ministre de la Défense, celui-ci nous a déjà exprimé le point de vue qu'il n'existait au Canada de place que pour un seul producteur. Nous avons été étonnés d'une telle affirmation qui, à notre avis, n'est pas du tout conforme aux faits et, en tout cas, nous comprenons mal que, si le ministère est d'un tel avis, il s'arroge le droit de déterminer qui sera ce producteur «privilegié», plutôt que de laisser jouer la concurrence.

Vous comprendrez donc la très grande inquiétude de nos clients devant l'information qu'ils viennent de recevoir concernant une décision imminente en faveur d'un approvisionnement à source unique, sans soumission publique. Il s'agit là d'une pratique que le présent gouvernement a condamnée avec la plus grande vigueur, alors qu'il constituait l'Opposition et que le gouvernement antérieur y recourait. En outre, une telle décision serait extrêmement mal perçue par les milieux d'affaires et les autorités gouvernementales allemandes et contribuerait à ternir la réputation du Canada comme partenaire commercial en Europe. Enfin, il nous paraîtrait incompréhensible que le gouvernement canadien décide d'ignorer ainsi la possibilité d'un marché nouveau d'exportation qui se développera de toute façon, mais à partir d'ailleurs qu'au Canada.

Nous espérons, en conséquence, que le gouvernement voudra bien suivre la procédure normale en rapport avec un projet aussi important et aussi coûteux. Nous pouvons dire que, jusqu'à maintenant, nos clients n'ont pu obtenir aucune discussion soutenue et en profondeur avec les autorités du ministère de la Défense au sujet de ce projet.

Pour plus ample information, je vous fais parvenir copie d'une lettre que le président de Thyssen BHI, M. Hans Jürgen Massmann, faisait parvenir récemment au ministre de la Défense, sur ce sujet. Il n'a reçu aucune réponse à ce jour.

Nos clients et moi-même sommes à votre disposition, en tout moment, pour discussion ultérieure à ce sujet, si vous le désirez.



Marc Lalonde

P.J.

STIKEMAN, ELLIOTT
Montreal
MEMORANDUM

TRANSLATED
BY D'FAIT
22 DEC 94.

DATE: December 13, 1994
TO: Jean Pelletier
FROM: Marc Lalonde
RE: **THYSSEN BHI**
Armed Forces Vehicles
FILE: 17780-003

Our clients, Thyssen BHI, have received reliable information that the Department of National Defence plans to announce this week the Government's intention to equip itself with light armed vehicles, without a bidding process, by ordering direct from GM.

Needless to say, the possibility of such a decision being made is a great concern to our clients.

For a number of years now, Thyssen has been talking with Industry Canada in an attempt to show the considerable advantages to Canada of establishing a plant here to build TH 495 vehicles. One of the main purposes of these discussions has been to show the high level of exports of this product that could be made from Canada. For a number of months, Thyssen was submitting to Industry Canada its own estimates on the size of the potential external market. After months of wavering, the Department concluded from its own analyses, in conversations on October 11 and November 3, that there was in fact a foreign market for the TH495, which could be penetrated from Canada. The Department also found that the market for the TH 495 was complementary to the market being contemplated for the GM-produced vehicle. In fact, our clients are convinced that the foreign market for their product represents several billion dollars, and they have produced specific evaluations to this effect.

Our clients were concurrently carrying on discussions with National Defence concerning the eventual renewal of its equipment. Senior Canadian Forces staff showed a marked interest in this, but indicated that they could say no more until the House of Commons committee had finished its study, and the Department's White Paper had been tabled. These

events have both occurred in recent weeks, and priority is being given to renewing the Canadian Forces vehicles.

During a previous conversation with the Deputy Minister of Defence, he expressed the view that there was room in Canada for only one producer. We were amazed at this affirmation which, in our opinion, did not coincide with the facts at all; in any case, if this is the [Deputy Minister's] opinion, how can he arrogate to himself the right to say who this privileged producer should be, rather than letting the competitive process work?

You can appreciate the consternation felt by our clients with the information they have just received concerning an imminent decision in favour of a single-source supply, with no public bidding. This is a practice which the present government roundly condemned when it was the Opposition. Moreover, such a decision would be extremely poorly thought of by the German authorities, and would tarnish Canada's reputation as a trading partner in Europe. Finally, we find it incomprehensible that the Canadian Government would decide to ignore the possibility of a new export market that will develop in any case, but from somewhere other than Canada.

We therefore hope that the Government will follow the normal procedure in so important and so costly a project. So far, our clients have been unable to engage in any substantial conversation with DND over this project.

For further information, I enclose a copy of a letter recently sent by Mr. Hans Jurgen Massmann, the President of Thyssen BHI, to the Defence Minister on this subject. To date he is still awaiting a reply.

I and my clients are available at any time for further discussion concerning this matter.

Yours truly [signed]

12/16/1994 15:44 THYSSEN BHI

6135637648 10704015 P.01

THYSSEN

THYSSEN BHI

Suite 908, 350 Sparks Street
Ottawa, Ont., Canada
K1R 7S8

TELEPHONE (613) 563-3321

TELEFAX (613) 563-7648

TELEFAX

TO: Marc Lalonde

FAX NO:

FROM: Greg Alford

PAGES: 5
(including cover page)

DATE: Dec. 16, 94

MESSAGE:

Attached are the final letters as we have sent them to the Ministers (Ouellet, Collenette, Dingwall, MacLaren, Manley, and Martin).



THYSSEN BHI

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

December 14, 1994

Hon. André Ouellet
Minister of Foreign Affairs
Lester B. Pearson Bldg.
125 Sussex Drive
Ottawa, Ont.
K1A 0G2

Dear Minister:

On December 1, 1994 the Minister of National Defence tabled the Defence White paper in the House of Commons. One of the key recommendations of the White Paper was that the federal Government procure Armoured Personnel Carriers (APCs) before 1997. It is with regard to this proposed procurement that I am writing to you.

Thyssen has a long and substantial history in Canada. Since coming to Canada over a quarter century ago, Thyssen has expanded in a variety of industrial areas and currently employs over 2,800 people in a variety of commercial operations across the country with the largest concentrations in Kitchener, Orangeville, Mississauga, Scarborough, Toronto, and Winnipeg. These businesses contribute not only to the Canadian economy, but also to the communities in which they are located.

Thyssen also has a well-established reputation for its manufacturing capability in the areas of armoured vehicles, in both wheeled and tracked configurations. When Thyssen first received encouragement from the Government of Canada to further expand its existing investment in Canada, this was a natural field to select. Consistent with Government policy as well as Thyssen's desire to forge closer links with other technically advanced Canadian firms, Thyssen offered to negotiate participation with other Canadian companies up to 49%.

In addition, Thyssen has remained sensitive to government priorities in terms of regional economic development policies. Moreover, the creation of a tracked vehicle manufacturing capacity will compliment the existing wheeled vehicle production capability in Canada.

Thyssen has received repeated assurances from the federal government over the years that it would be allowed to bid on an APC requirement, including a letter from National Defence dated January 25, 1990; and an Understanding in Principle with National Defence, the then-Department of Regional Industrial Expansion and the Atlantic Canada Opportunities Agency dated September 27, 1988.

Thyssen remains interested in bidding on the APC requirement stated in the White Paper on Defence. Our international market study which we presented in December 1993 to a Government committee lead by Industry Canada demonstrates that even by the most conservative estimate, there is certainly a world market for tracked armoured vehicles in the Thyssen's TH 495 category, and Thyssen's likely share of the world market for tracked APCs is sufficient to sustain a Canadian operation. Moreover, preliminary discussions with the German Army indicate that they may be willing to consider a joint program with Canada and Britain. This would be entirely consistent with the recent Report of the Special Joint Committee on Canada's Foreign Policy, which recommended a more multilateral approach to trade and foreign relations.



THYSSEN BHI

2

My purpose in writing to you is to seek your support for a competitive bidding process leading to the selection of a prime contractor to deliver APCs to the Department of National Defence. I feel that this would not only allow DND to consider all alternatives fully (both wheeled and tracked) from a combat capability standpoint, but also to realize the greatest economic and industrial benefits for Canada. If the Thyssen TH 495 is selected for Canada's APC requirements, our industrial benefits package will include manufacture of the vehicle in Canada for both the domestic and export market. The export market which we project for TH 495 is in a range approaching \$10 Billion over the next 15 to 20 years.

We are certain that the TH 495 can be cost competitive in a bidding situation. A recent NATO study for Multi Purpose Base Armoured Vehicles (MBAV) confirmed that the acquisition costs for a modern tracked vehicle will be lower than a wheeled vehicle with the same mission capabilities. Additionally, that study concluded that neither of the two wheeled vehicle concepts defined were able to meet all the target mission requirements, the required performance characteristics were only achievable by the tracked concept.

TH 495 closely matches the tracked vehicle concept defined in the NATO MBAV study and meets all of the target mission requirements. The NATO MBAV study is a valuable independent work by which we judge the complete suitability of TH 495 to meet new APC requirements. We hope this will be considered in the Canadian requirements because a vehicle which meets the NATO MBAV target so completely as does the TH 495 will offer significant benefit in potential for international joint procurement programs.

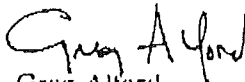
To these important characteristics of superior capability and competitive cost, we also have added a designed-in growth potential. This is a very significant feature when considering the longer-term utility of the vehicle and its adaptability for the tasks it may be required to perform. In this respect the value of the considerable procurement investment is far better protected than is the case with equipments which lack this capacity.

With respect to availability by 1997, our TH 495 is now fully developed in its APC prototype meeting the definition of "Off the Shelf" equipment, and capable of entering production for delivery in 1997.

I trust that the above brief summary will assist you in understanding our position in regard to the APC replacement project, and our desire to compete from Canadian manufacture.

In the interim, if you have any questions regarding the Thyssen Group of Companies and operations in Canada or solutions which we may be able to provide to Canada's APC requirement, please contact me at your convenience.

Yours sincerely,


Greg Alford
Sr. Vice President



THYSSEN BHI

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

December 14, 1994

Hon. David Collenette
Minister of National Defence
MGen G.R. Pearkes Bldg.
101 Col. By Drive
Ottawa, Ont.
K1A 0K2

Dear Minister:

Further to the letter sent Friday, December 2nd by Jürgen Massmann, President of Thyssen BHI. I would like to expand on a few points which may be relevant to your considerations in developing a procurement strategy for the acquisition of Armoured Personnel Carriers (APCs) as announced in the Defence White Paper released December 1st.

Thyssen has a long and substantial history in Canada. Since coming to Canada over a quarter century ago, Thyssen has expanded in a variety of industrial areas and currently employs over 2,800 people in a variety of commercial operations across the country with the largest concentrations in Kitchener, Orangeville, Mississauga, Scarborough, Toronto, and Winnipeg. These businesses contribute not only to the Canadian economy, but also to the communities in which they are located.

Thyssen also has a well-established reputation for its manufacturing capability in the areas of armoured vehicles, in both wheeled and tracked configurations. When Thyssen first received encouragement from the Government of Canada to further expand its existing investment in Canada, this was a natural field to select. Consistent with Government policy as well as Thyssen's desire to forge closer links with other technically advanced Canadian firms, Thyssen offered to negotiate participation with other Canadian companies up to 49%.

In addition, Thyssen has remained sensitive to government priorities in terms of regional economic development policies. Moreover, the creation of a tracked vehicle manufacturing capacity will compliment the existing wheeled vehicle production capability in Canada.

My purpose in writing to you is to seek your support for a competitive bidding process leading to the selection of a prime contractor to deliver APCs to the Department of National Defence. I feel that this would not only allow DND to consider all alternatives fully (both wheeled and tracked) from a combat capability standpoint, but also to realize the greatest economic and industrial benefits for Canada. If the Thyssen TH 495 is selected for Canada's APC requirements, our industrial benefits package will include manufacture of the vehicle in Canada for both the domestic and export market. The export market which we project for TH 495 is in a range approaching \$10 Billion over the next 15 to 20 years.



THYSSEN BHI

2

We are certain that the TH 495 can be cost competitive in a bidding situation. A recent NATO study for Multi Purpose Base Armoured Vehicles (MBAV) confirmed that the acquisition costs for a modern tracked vehicle will be lower than a wheeled vehicle with the same mission capabilities. Additionally, that study concluded that neither of the two wheeled vehicle concepts defined were able to meet all the target mission requirements, the required performance characteristics were only achievable by the tracked concept.

TH 495 closely matches the tracked vehicle concept defined in the NATO MBAV study and meets all of the target mission requirements. The NATO MBAV study is a valuable independent work by which we judge the complete suitability of TH 495 to meet new APC requirements. We hope this will be considered in the Canadian requirements because a vehicle which meets the NATO MBAV target so completely as does the TH 495 will offer significant benefit in potential for international joint procurement programs.

To these important characteristics of superior capability and competitive cost, we also have added a designed-in growth potential. This is a very significant feature when considering the longer-term utility of the vehicle and its adaptability for the tasks it may be required to perform. In this respect the value of the considerable procurement investment is far better protected than is the case with equipments which lack this capacity.

With respect to availability by 1997, our TH 495 is now fully developed in its APC prototype meeting the definition of "Off the Shelf" equipment, and capable of entering production for delivery in 1997.

I would also appreciate your views on the procurement strategy to be employed in the selection of a new APC, particularly with regard to partnering arrangements and preferred locations from a regional benefits point of view.

I look forward to hearing your views on this subject. In the interim, if you have any questions regarding the Thyssen Group of Companies and operations in Canada or solutions which we may be able to provide to Canada's APC requirement, please contact me at your convenience.

Yours sincerely,

Greg Alford
Sr. Vice President

TOTAL P.05



THYSSEN BHI

Suite 908, 350 Sparks Street
Ottawa, Ont., Canada
K1R 7S8

TELEPHONE (613) 563-3321

TELEFAX (613) 563-7048

TELEFAX

TO: MARC LALONDE
CC J. MASSMANN
K. SCHREIBER

FAX NO:

FROM: GREG ALFORD

PAGES:
(including cover page)

DATE: 19. D. 1994

7 pages
Total

MESSAGE:

2 page LETTER + 4 page attachment follows.

6135637648 10704015 P.01/07

12/19/1994 17:41 THYSSEN BHI





THYSSEN BHI

Suite 908, 360 Sparks Street, Ottawa, Ontario, Canada K1R 7S8
Telephone: (613) 563-3321 Telefax: (613) 563-7648

December 16, 1994

M. Marc Lalonde
Stikeman, Elliott
Suite 3900
1155 Dorchester Blvd. West
Montreal, P.Q.
H3B 3V2

Dear Marc:

Thank you for the copy of your letter of December 13, 1994 to Hon. André Ouellet. We have provided an English translation of that to Messrs. Schreiber and Massmann today.

In subsequent discussions, they have asked me to pass on the following points for your reference:

1. NATO MNAV Study

As we hear that options for the APC program now includes a sole-sourced buy of GM's wheeled vehicles (the licensed technology of MOWAG/Switzerland), and possibly upgraded M 113 tracked vehicles, it is worthwhile to note the independent considerations of NATO which judged these solutions impractical.

In the NATO study for a new Multi Purpose Base Armoured Vehicle (MNAV) the NATO Working Group of Experts (WGE), which included Canadian representation, referred to the risk in upgrades as follows:

"Current Situation. Within the Alliance there are a multiplicity of light armoured vehicles (LAV) (M-113, VAB, PT2, FV432, etc.) in service. Some are capable of upgrades which will make them usable beyond 2010. There is a risk, however, that the cost of upgrades will be increasingly expensive and, in any event, will prove ineffective in the face of newer technology. Others will reach the end of their useful lives by 2000, necessitating their removal. Existing fleets generally offer limited protection, mobility, firepower and protection and are not truly suitable for the post - 2000 battlefield even in relatively benign situations." [page 4 of NATO MNAV ONST]

8135637648 10704015 P.02/07

12/19/1994 17:41 THYSSEN BHI



THYSSEN BHI

2

From that situation the NATO WGE then set out their target requirements to which a NATO Industrial Advisory Group (NIAG) produced a set of possible concepts fulfilling these targets. Of the three concepts described, concept 1 is a tracked design, meeting all of the target requirements and offering the lowest acquisition costs. TH 495 matches that concept and fulfils all of the NATO MNAV requirements.

We believe this not only speaks well to the suitability of TH 495 to be considered a contender in the Canadian APC requirement, but it also strongly endorses the export market projected for TH 495. (Attached are excerpts from NATO MNAV study and a magazine article reporting on same.)

2. Industry Canada

As we review the situation, we cannot overlook the fact that in September this year, it appeared the Minister of Industry was soliciting agreement from his colleagues to dismiss the Thyssen proposal based on three points of criticism:

- i. "TH 495 will have no international market;
- ii. TH 495 will compete directly with GM; and
- iii. there is no Canadian requirement for armoured personnel vehicles (APCs) in the foreseeable future".

This communication attributed to the Industry Minister was clearly in contradiction to our department level discussions with Industry Canada which agreed on markets and the clear differentiation of export markets for the tracked TH 495 from the from the markets available to the wheeled GM vehicle. The third point, suggesting no Canadian requirements, was questionable since everyone following the defence policy review anticipated there would be a priority placed on procurement of new APCs for the Army. In fact, Mr. Rompkey, deputy chair of the House/Senate Committee on Defence made a public statement in July stating "new APCs for the Army were an agreed priority recommendation of the committee". This was confirmed in the committee's report Oct. 31, 1994, then included in the Government's White Paper on Defence December 1, 1994.

The actions by Industry Canada seem to have been designed to dismiss the Thyssen proposal before the White Paper, perhaps so we would not make awkward requests for a chance to be included in a fair competitive selection process for the APC project.

Regards,

Greg Alford

INTRODUCTION

1.1 General. The NATO Multi-Purpose Base Armoured Vehicle (MBAV) which is intended for the period post-2000 will be a low cost light armoured tactical vehicle. It will be a fundamental vehicle which will provide the characteristics of protection, mobility, capacity and firepower. The base vehicle will be capable of metamorphosis which will yield required variants (armoured personnel carrier, command post vehicle, artillery observation vehicle, etc). A fuller list of possible variants, derived from the MND for MBAV, is attached for information at Annex A. The characteristics will be provided to the extent necessary appropriate to the role of the variant. While it is not intended that the MBAV be primarily a direct combat vehicle, it must be capable of participating in combat operations in conjunction with other arms. In addition, MBAV must be capable of withstanding incidental indirect fire while moving about the combat zone.

1.2 Current Situation. Within the Alliance there are a multiplicity of light armoured vehicles (LAV) (M-113, VAB, PT2, FV432, etc.) in service. Some are capable of upgrades which will make them usable beyond 2010. There is a risk, however, that the cost of upgrades will be increasingly expensive and, in any event, will prove ineffective in the face of newer technology. Others will reach the end of their useful lives by 2000, necessitating their removal. Existing fleets generally offer limited protection, mobility, firepower and protection and are not truly suitable for the post-2000 battlefield even in relatively benign situations.

1.3 Commanders' Requirements. NATO commanders require a MBAV with a high degree of standardization and accompanying interoperability of basic components and supply. Ideally, MBAV should be a single universally accepted vehicle family which would ease acquisition, training, supply, repair and sustainment. Given national priorities, timetables, requirements, etc., commanders require that, as a minimum, MBAV will have standard parts utilized to the greatest extent possible, and that rearming should be possible, refuelling feasible and repair available at any consolidated NATO re-supply or repair depot. Notwithstanding the foregoing, the differences between each nation's MBAV should be minimal.

1.4 General Requirement. MBAV will be required to:

- a. Quickly move troops and/or materiel about the combat zone while out of direct contact with the enemy but subject to the possibility of accurate, lethal, indirect fire or ambush;
- b. In co-operation with other arms, transport troops into an attack thus becoming subject to enemy direct fire including anti-tank;
- c. Provide appropriate protection for the MBAV crew, personnel and cargo from direct, indirect, air delivered and NBC weapons and any resulting residual hazards existing on the battlefield;

Over the years, NATO has actively promoted collaboration and standardization of various weapons systems, with some success in the ammunition, aircraft and missile areas. However all attempts at collaboration on armoured fighting vehicles (AFVs) have failed, from the Franco-German AMX30/Leopard 1, through the US/German MBT 70 in the mid 1960s, to the UK/German FMBT project in the mid 1970s. It will be interesting, therefore, to note the progress of the Multi-purpose Base Armoured Vehicle (MBAV — see *IIIR* 10/1992, p.971) study now being conducted by the NATO Industrial Advisory Group (NIAG), which is due to report at the end of this year. Will much smaller defense budgets throughout NATO finally force countries to co-operate on this vehicle, thereby producing the first truly common AFV?

Even before the collapse of the Warsaw Pact and the unforeseen civil war in the former Yugoslavia, it was recognized that replacement of the most commonly used AFVs (epitomized by the M113) would become a necessity before the end of the century. Many of these vehicles were designed in the 1960s, and there are over 150,000 worldwide, costing ever more to maintain and becoming uneconomic to update. The roles for which these vehicles were designed have changed considerably, but a relatively large number would still be needed by NATO armies and production costs could be kept down assuming there were to be the necessary level of co-operation.

There are currently five different armoured vehicles operating in Bosnia — from the British Warrior to the French VAB — attempting to carry out a role for which they are not ideally suited. Such small numbers of different vehicles, each requiring their own logistic support, leads to severe operational problems. How much easier it would be if all the vehicles used the same basic chassis.

Design requirement

Hence, the Outline Staff Target (ONST) for a Multi-purpose Base Armoured Vehicle was put to NIAG in 1991. The vehicle required is a light armoured tactical vehicle able to be used in a variety of roles (see Figure 1) and able to accept any number of add-on or plug-in packages. It must, of course, be low-cost, use the latest technologies, require little maintenance and be transportable in the C-130 Hercules aircraft — not surprisingly, a true "ATTAM" ("all things to all men") requirement.

To meet it, an extremely versatile design would be needed, probably weighing between 20-30t, able to carry around 10 men in the personnel-carrier role, and probably a 105-120mm gun in the anti-tank kinetic energy (KE) role. The NIAG Subgroup 41 (SG41), which had its first meeting in May 1992, found itself presented with a formidable task.

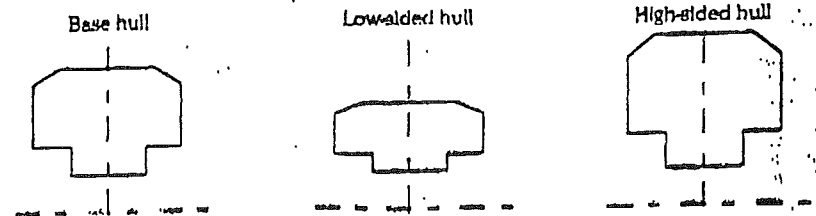
* The author is a defense consultant and former Resinist Director at Vickers Defence Systems, UK.

MBAV

NATO's best chance for a truly co-operative vehicle program?

by J.H. Brewer*

Figure 1



Roles:

BASE HULL

1. APC
2. Radar carrier
3. NHC reconnaissance
4. Artillery observation
5. Repair/recovery
6. Combat engineer vehicle
7. Anti-tank missile platform
8. Weapon carrier
9. Anti-tank KE missile (LOSAT)

LOW-SIDED HULL

1. Anti-armour (gun)
2. Mortar
3. Reconnaissance
4. Scattering/mine laying

HIGH-SIDED HULL

1. Ambulance
2. Command post
3. Communication
4. Electronic warfare
5. Logistics carrier

Three different hull configurations would be required for the 18 different roles envisaged for MBAV

Three study teams were set up, each with its own chairman and rapporteur, to cover platform, payload, and systems. These teams were to examine the latest technologies, define the overall vehicle concept, examine the trade-offs and risks involved, and attempt to arrive at a common base vehicle. In particular the system team was charged with forecasting the number of vehicles likely to be required, and to explain how the NATO procedures might be adapted to assist in the procurement process. The design process was dominated by the need to incorporate the many roles into the concept, while ensuring the resulting vehicle could still fit inside a C-130 Hercules. Many suspension systems were examined for both wheeled and tracked concepts, including hydrogas, rubber and similar materials, and even electric springing to incorporate active actuation.

The same applied to the power train. Future multi-compound diesels, gas turbines and electric traction were considered, but the specified production date meant that the final concepts would have to use current or near-term diesel engines and transmissions of the current epicyclic type. Electric traction had been closely studied in 1988-1989 by the

earlier SG25 and examined once again as part of the MBAV study, since there are obvious advantages in being able to do away with drive axles and differentials in the wheeled concepts, though such advantages are not so obvious for the tracked concepts. However, it is unlikely the technology will be mature enough to meet a production date early in the next century.

Unfortunately, it also seems highly unlikely that engines and transmissions will be developed specially for MBAV, since funds will not be available and the chance of proving reliability in this timescale would be low and costs high. This has led to all concepts having to be based upon powertrains which are larger than would be the case if sufficient time and development funds were available.

In the protection studies, many armour systems were examined within the security constraints. It is likely that steel and aluminium hulls will be proposed, depending on the concept, and all will be able to accept appliqué armours to meet the stringent protection requirements of the various roles. It is expected that the add-on armour would be removed for transportation. Composites for the hull structure have also been considered

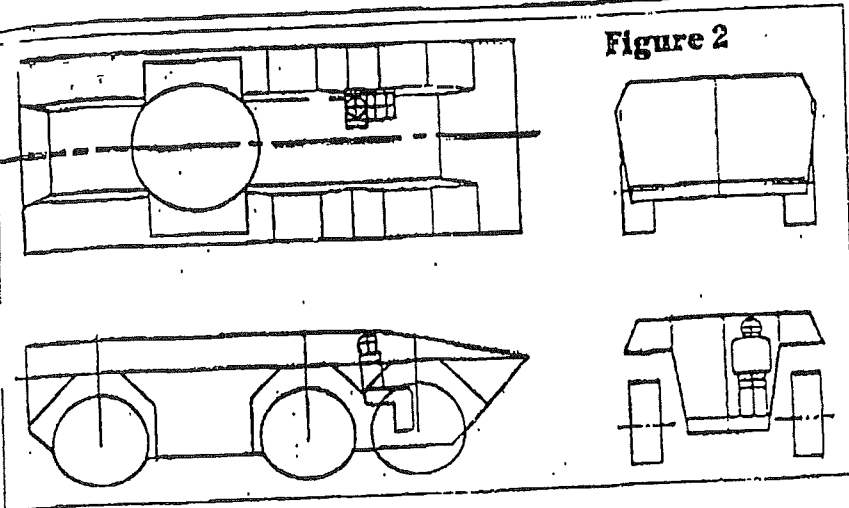


Figure 2

Six-wheeled concept of MBAV with a combat-loaded weight of 23t.

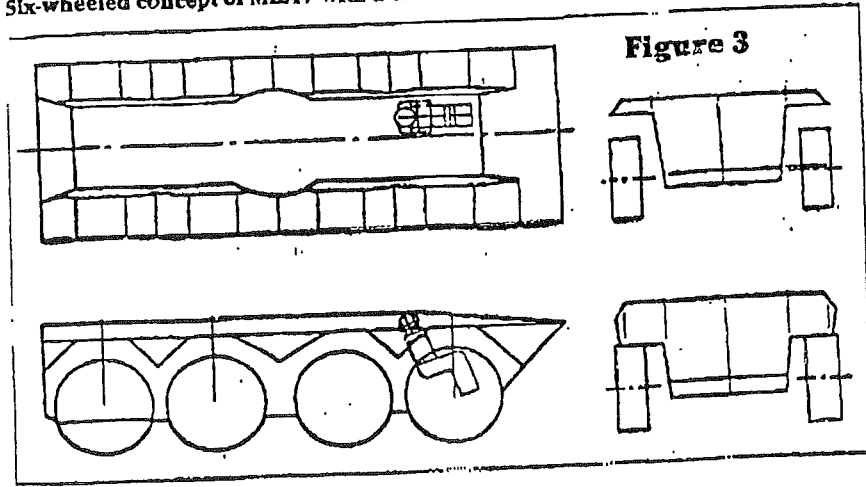
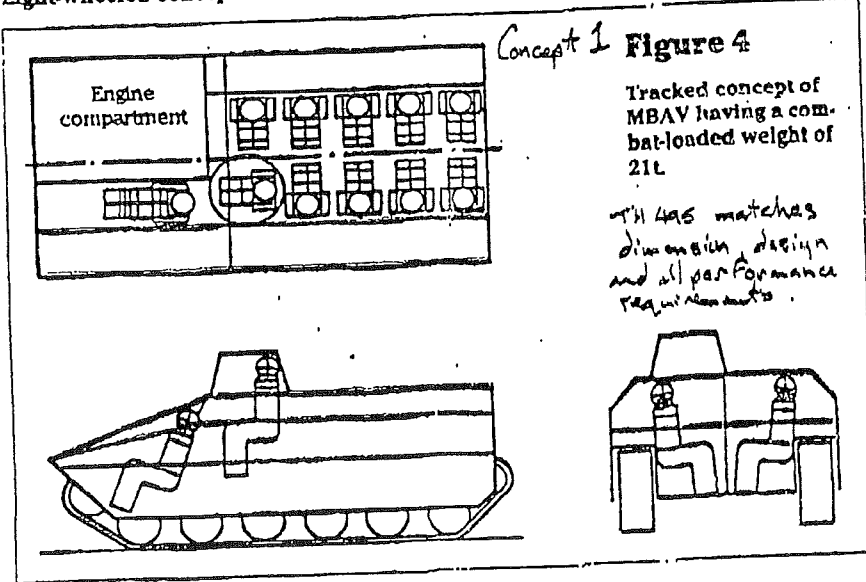


Figure 3

Eight-wheeled concept of MBAV having a combat-loaded weight of 23t.



Concept 1 Figure 4

Tracked concept of MBAV having a combat-loaded weight of 21t.

This 4x6 matches dimensions design and all performance requirements.

which is fortunate since every spare cubic centimetre of space in the MBAV will be crammed with electronics. There is no doubt that MBAV will carry far superior firepower and surveillance systems compared with current vehicles.

Wheels or tracks?

Another area generating a great deal of work was a computer-based systematic trade-off study, used to select the best concepts. This covered such variables as prime cost, long-term cost of ownership, logistic support, reparability, maintainability and so forth, as well as the concepts' ability to meet all the various roles. This analysis highlighted the differences between wheeled and tracked solutions, showing that the tracked vehicle will always have more internal volume than a wheeled vehicle for the same external dimensions. The protagonists of the wheeled concept began to examine skid-steering and front-and-rear steering in order to reduce the volume needed to turn the vehicle. But even with the skid-steered solution, the large wheels needed for good cross-country mobility also need large suspension-travel so using valuable hull volume. There is no argument that the tracked vehicle will always be superior to the wheeled vehicle under extreme cross-country conditions, but is that what is needed for future peacekeeping and smaller conflicts? Wheeled vehicles have proved considerably cheaper to operate and maintain, and will perform most of the tasks that are now more likely to occur. Until a new material emerges to enable the track to last as long as the modern run-flat tyre, the wheeled AFV will always be cheaper to operate, even though it will not be that much cheaper to produce.

From all the discussion and analysis it seems highly likely that both a wheeled and a tracked solution will be suggested as base vehicles. It will certainly be easier to agree and produce a basic chassis than attempting to standardize on, say, the anti-tank guided missile variant. Perhaps then a complete missile module could be designed and produced by one country which could then be made available to other alliance members, thereby maintaining standardization.

SO1 will produce a comprehensive report which will then be commented upon by government experts. In the cases of the 1985-1986 SO18 and 1988-1989 SO25 studies (both concerning future MBTs), no follow-on actions were taken once these had been completed. At that time a co-operative tank was self-evidently not required by NATO or by any of its armies, as manifested for example by the survival of both Challenger 2 and Leclerc as national programs. This, to date, has always been the problem. Whilst it was obvious even then that a common tank could have saved money in the long run, their respective national solutions were obviously not so expensive that the UK and France could not afford to go their separate ways. National pride is also involved, but

but were ruled out presumably due to risk and timescale.

Weapon systems and electronics were studied to suit each role; this sector probably

being the most important and difficult part of the study. In general, weapons and electronics have tended to improve in performance without an increase in weight or volume.

6135637648 10704015 P.06/07

12/19/1994 17:44 THYSSEN BHI

n as
obvi-
way
the
ages
pts;
ll be
late

like-
be
nds
rov-
low
pts
itch
rent
le.
our
rity
lni-
the
an
ec
is
be
for
ed

until the cost of unilateral development and production becomes prohibitive, as has happened in the aircraft and missile fields, co-operation will not begin.

The MNAV study is being carried out by experts from industry and there is no doubt the report could provide the basis of a comprehensive specification for this type of vehicle. Since industry has thereby already been made well aware of what is required, there is every reason to believe agreements could be made between interested companies to enable international consortia to be formed

for the design, development and production of the MNAV, as soon as several countries have shown a willingness to fund the project.

Note that standardization would be an automatic outcome, since the consortia would be working in conformity with the MNAV specification, and the chosen team would have to agree the design of the powertrain, sighting systems, armour and weapon system, and all other components with its subcontractors. Further, it would probably be constrained by governments to guarantee areas of work or production to the countries

involved. In fact, a good example of such a standardization effect has been the Tomado collaborative aircraft production program, in which the workshare and costs are determined by the production numbers required, and investment made, by each country in the consortia.

However, under normal NATO procedures, it would take at least until 2007 before MNAV saw the light of day. Meanwhile, both Germany and France have been pursuing studies with a view to procuring an MNAV-type vehicle by 2003, the French with their VBM and the Germans with the GTK program. The UK has let three contracts for a feasibility study for TRACER, which is intended to produce reconnaissance and utility vehicles to replace the old Scorpion and FV430 families of vehicles. All three countries are hoping to get into production by 2003-2005. So far, the US has not made clear its policy, even though it has been actively involved in the MNAV study and has both Future Scout Vehicle and Light Contingency Vehicle requirements outstanding.

So, will the European or NATO countries at last co-operate on an armoured vehicle? The time would appear to be right, with three countries actually looking at what is needed to replace the most common AFVs in service. Certainly industry is willing and able to form international companies which could bid to produce MNAV by 2003, if a specification could be agreed between interested countries early in 1994.

NIAG: concord between competitors

The NATO Industrial Advisory Group (NIAG) is a standing group within the NATO organization which consists of senior representatives from the major defense companies of the alliance nations.

Its main task is to advise NATO of the capabilities, capacity and views of the defense industry on a wide variety of subjects, from future technologies to advice on the contraction of the industrial base. NIAG is able to set up partly funded subgroups to study in more detail subjects which are of particular interest at that time. Previous subgroups have covered frigates, aircraft, helicopters, missiles, communications and armoured vehicles as well as studies on economic matters affecting the defense industry. Such groups operate as an agreed work program for about two years and are then disbanded.

Early groups tended to be large, but in recent years numbers have been about 40-60 people, with the ability to call on specialists as required. Each group chooses a chairman and a deputy chairman, along with a secretary or rapporteur. The latter really has the hardest job, bringing the report together in reasonable English which is not the native language of most of the members of the group. An organization and structure to suit the subject to be studied, and the number of meetings required, are agreed with NATO.

There have been two subgroups on AFVs since 1985, SG18 and SG25, before the current SG41 was set up in 1992 to carry out a pre-feasibility study on MNAV. Bearing in mind that most of the companies involved are competitors, it is surprising how much cooperation is achieved, and how a balanced mix of expertise is brought to bear regardless of nationality.

* This is now under formal consideration by Germany and UK as focus of a future joint production program. Germany has extended invitation to Canada to join this in hope of creating a tri-lateral joint project. Canadian acceptance was not available until after the White Paper on Defence, and is still awaited.

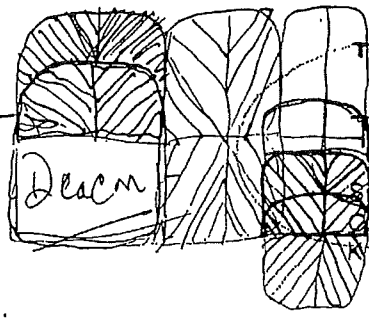
Thyssen

22/12/94

- Meeting Amb. of Germany with Fowler
- Fowler says that could not guarantee ~~to~~ open competition
- Thyssen is expensive and it is track-system
- present - Dr. Kolder - A.D.M. communications
- Gen. Fisher - A.D.M. materiel
- Amb. expressed concern about lack of competition -

Our information is that the Army is calling for both -
although some feel that wheel would be enough.

CONFIDENTIAL



THYSSEN BHI
Suite 908, 350 Sparks Street
Ottawa, Ont., Canada
K1R 7S8

11.15h

!Tc.

Queen St.

TELEFAX (613) 563-7648

TELEPHONE (613) 563-3321

23i Yuko

Carro Bank

TELEFAX

TO: MARC LALONDE
c/o Westin Hotel.

FAX NO:
234 5396

FROM: GREG ALFORD

PAGES:
(including cover page)

DATE: 9.02.95

MESSAGE:

Attached is the draft note
to support the meeting on
FRIDAY AT 14:30 Hrs.

WE CAN REVISE THIS ON FRIDAY
MORNING IF NEEDED.

THANKS

10 February 1995

CONSIDERATIONS FOR THYSSEN TH495 PROPOSAL

Background:

Further to letters of December 2 and December 14, 1994 to the Hon. David Collenette, Minister of National Defence from Thyssen BHI, the Company continues to have a keen interest to participate in the supply of APCs to the Canadian Army.

The following proposal argues for the fair consideration of the Thyssen BHI proposal as at least being part of the APC solution. Not only does the Thyssen offer meet the technical requirements of the Army, it also offers valuable industrial benefits to Canada in association both with the domestic and the international markets.

Thyssen has followed the Army requirement for APCs as it developed over the past several years and has observed basic elements which are important considerations in making a procurement decision.

Canadian Armoured Vehicle Fleet and Recent Purchases:

The Army operates a mixed fleet of light armoured vehicles, some tracked, some wheeled. Each type of vehicle has its merits and can be deployed where it is best suited. Due to the advanced age of the Canadian APC fleet, many of the vehicles are older than their drivers, and their capabilities, especially for protection and mobility are severely lacking.

The tracked M113 vehicle presently suffers severe short-comings in its armour protection. Although it has superior cross country mobility potential due to its tracks, it now has a power shortage caused by a small engine and a heavy load increased by the weight of supplemental armour, making it strain to climb hills. Many M113 variants, such as TOW Under Armour (TUA), or ADATS, are seriously underpowered. Though efforts have been made to upgrade armour there are still very serious injuries caused by land mines.

The wheeled vehicles of the Canadian Army include both 6 wheel and 8 wheel light armoured vehicles built in Canada under license from Mowag of Switzerland, by the Diesel Division of General Motors operating in London, Ontario. The 8 wheel version, known as the Bison has delivered good service when applied to appropriate situations. The Bison armour protection originally was only equivalent to M113 but has since been improved with supplemental armour. The Bison wheeled vehicle does not have as good off-road mobility as a tracked vehicle, but the tracked vehicles in the fleet can be deployed where off-road or soft ground movement is required. Such is the case today in Croatia and Bosnia.

Thyssen Approach:

Thyssen, as a builder of both wheeled and tracked APC's appreciates the Canadian Army mix of wheeled and tracked vehicles because it exists for good and essential technical reasons. In that regard, Thyssen would also expect GM to continue to play a central role in supplying wheeled vehicles as and when required, and has therefore directed its efforts toward supplying tracked vehicles for the Canadian Army. It is quite reasonable that the Government will only support the establishment of additional armoured vehicle production capability in Canada if it is clearly complementary to that which already exists at GM. With that in mind, Thyssen is confident that the proposal based on the tracked TH495 will, on fair evaluation, gain the Government's full support.

This leads one to ask whether it is the intention of the Army to buy new tracked or new wheeled vehicles. Thyssen observes that in 1989 the Army acquired 200 Bison 8 wheeled vehicles, and then an additional 200+ LAV Recce 8 wheeled vehicles were ordered in 1992 with delivery now pending. This means that there will soon be over 400 new wheeled vehicles in the APC fleet and it would therefore seem logical to shift priority toward the acquisition of modern tracked vehicles so as to update that portion of the fleet, thereby providing the protection, mobility, vehicle growth potential and overall operational versatility, particularly important in peacekeeping missions.

Tracks vs Wheels in Peacekeeping

A recent press article, discussing NATO contingency plans for withdrawing UNPROFOR from Bosnia in the face of armed interference, points out the particular difficulties which would be faced by those elements which are roadbound and unable to avoid defiles, or by-pass road blocks, demolitions, etc. sited to impede their withdrawal. Unless adequate cross country mobility was available, especially under winter conditions, it was concluded that the operation might be too hazardous to attempt, as troops would require extraction by air and their wheeled equipment would have to be abandoned.

In his presentation to an international audience in London on 4 November 1994, on the subject of "Light Armour in UN Humanitarian and Peacekeeping Operations" BGen Hayes (Chief of Staff UNPROFOR April to October 1993) stated in part: "a wheeled vehicle will have far less off-route mobility than a tracked one, and it will also be less agile on the many poor routes that criss-cross the country. For this reason, I would support tracked over wheeled vehicles every time" and elsewhere "the other disadvantage of a wheeled vehicle is that your tires can be shot out and the vehicle disabled as a result. In Mostar in July 93, the Spanish lost 70 tires in 2 days when their movement into the city was not welcomed."

The attached article from Vanguard Magazine deals with this issue of APC requirements in some careful detail. The opinions offered are based on comments by the Canadian Forces peacekeepers on assignment in Croatia and Bosnia. Please note the section of the article subtitled "Hard Skinned Vehicles" pages 24 - 26 which ends with the statement: "the army needs a well-armoured, fast tracked vehicle with reasonable fire support - even for peacekeeping".

Canada / Thyssen Partnership

Thyssen has concentrated major effort on the development of a new generation tracked APC known as the TH495, targeted as a replacement to the old M113 which in its prime during the 1960's and 70's achieved the status of the largest unit production of any tracked APC in the world, selling more than 80,000 units. It is the M113 replacement market at which the TH495 is targeted in Canada and internationally.

In supplying that market Thyssen, if selected for all, or part, of the Canadian APC project will place the world product mandate for TH495 at a Canadian production facility. Aside from the obvious Canadian industrial benefit associated with the Canadian Army order, Thyssen projects a world market over the next 15 years approaching \$10 Billion in Canadian value added.

Is M113 Upgrade Cost Effective ?

The critics of the Thyssen TH 495 option, when comparing it to an upgrade of the old M113 will say it is more costly, but that is not necessarily the case since there is a significant cost of upgrading the M113 which can approach that of a new vehicle. Also to be considered are the limitations in armour protection and service life expectancy associated with rebuilding a chassis which is already 30+ years old and the virtual absence of growth potential in the final vehicle.

Technical equipment arguments aside, there is only limited industrial benefit associated with the domestic market for M113 upgrades and no meaningful export potential.

Thyssen Proposal, a Net Gain to Canada

In comparing ^(of) the Thyssen offer to GM's capability, the question immediately comes to mind that perhaps GM can build tracked vehicles too. Technically, GM could probably build tracks but that would represent a totally new product and business for them. First, they would need another plant since their existing wheeled facility is understood to have full order books past the year 2000. Then GM would need to acquire a license for a suitable design which is price competitive, off-the-shelf and complying with all the technical requirements. One must then ask what international market rights would be available for such a technology, assuming the original designer intended to serve the world market? The potential for GM to also become a tracked vehicle builder is likely to be difficult and at best, less export potential than is offered by Thyssen. Moreover, Thyssen will source major components and subsystems from GM as well as from other Canadian producers.

Conclusion

The Thyssen offer addresses the technical equipment requirement of the Army with protection, all terrain mobility and growth potential in a new generation tracked APC which is "off-the-shelf" equipment that will protect and serve CF troops in every aspect of their peacekeeping role. Furthermore, it offers extremely high industrial benefits to Canada through its export potential. It will provide jobs and exports and will do so at no loss to GM's already established export activity for wheeled armoured vehicles. The tracked TH495 APC, built in Canada will be a net gain to Canada's international defence capabilities and exports in defence products.

no figures in v plan for dividing v market ?

02/09/1995 21:12 THYSSEN BHI

02/09/1995 21:12 THYSSEN BHI

KS

M. Lalonde

Office of the Minister
of National Defence



Cabinet du ministre
de la Défense nationale

Ottawa, Canada K1A 0K2

FEB 10 1995

Mr. Jürgen Massmann
President
Thyssen BHI
Suite 908
350 Sparks Street
Ottawa, Ontario
K1R 7S8

Dear Mr. Massmann:

On behalf of the Minister of National Defence, I wish to thank you for your letter of December 2nd, 1994, and Mr. Greg Alford's letters of December 14th and 23rd, 1994, concerning the Thyssen BHI vehicle, the TH 495, and for your interest in bidding on the Canadian Forces requirement for an Armoured Personnel Carrier (APC).

The Special Joint Committee on Canada's Defence Policy recommended the purchase of new APCs for the Army and this recommendation was made part of the 1994 Defence White Paper. The White Paper also stresses the need to stringently control the cost and the technical risk in major procurements; the best way to do so is by buying off-the-shelf, proven technology.

To explore potential solutions for the APC project, the Army surveyed the capabilities of a large number of tracked and wheeled vehicles, including the TH 495. We were impressed with the potential of the TH 495 and appreciate the efforts of your staff to keep us informed on its capabilities.

The concerns you outlined in your letter are appreciated, as is your interest in this matter, and you may be assured that any decision regarding APCs will be made by taking all appropriate factors into consideration.

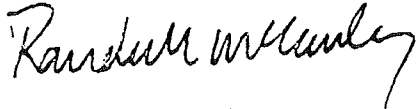
.../2

Canada

- 2 -

Once again, thank you for writing and for your interest in the Department of National Defence.

Yours sincerely,



Randall McCauley
Senior Advisor

TOTAL P.03



THYSSEN BHI

Suite 908, 350 Sparks Street, Ottawa, Ontario, Canada K1H 7S8
Telephone: (613) 563-3321 Telefax: (613) 563-7648

To Marc Lalonde
Stikeman Elliot

From: Greg Alford

Date: 16.02.95

Dear Marc:

I hope your trip went well.

1. I have prepared the attached report as an interim record of discussion. (3 pages)
I hope it captures the key points accurately, please notify me if there are errors or omissions.
2. The Industry Department has not shown any sign of activity with respect to our request for the letter acknowledging the market for TH495.
3. Juergen Massmann is planning to return to Canada for 27 and 28 Feb.
4. Attached is a report of our presentation to the Project Management Office for the APC project. (2 pages)

Best regards,

6 PAGES



THYSSEN BHI

To : J. Massmann
K Schrelber

From: G. Alford

Date: 13.02.95

DRAFT Report of Marc Lalonde to Thyssen after Discussion with Minister of National Defence (MND) on February 10, 1995

NOTE - this report is interim as it has not yet been reviewed by M. Lalonde

- No decision on the APC project should be taken before summertime
- APC project will not be announced in the budget

The large share of work going to Quebec on the helicopter orders seems to be what MND is concerned about and therefore reluctant to see the APC contract also go to Quebec.

BHI Comment: In 1992 - when Canadian DND cancelled the MRCV project and substituted the sole sourced \$800 M order for LAV Recce, the apparent politics behind this was to balance a \$1 B sole sourced order for light utility helicopters being placed in Quebec to Bell Textron at Mirabel.

Regarding Thyssen Proposal

Marc Lalonde described highlights of attached Thyssen proposal which suggests buying tracks from Thyssen and wheels from GM. MND indicated, he had not heard of such an alternative. M. Lalonde mentioned Thyssen market projection of TH 495 from Canada - and the Industry Canada delay in acknowledging their estimate of that same market.

MND mentioned, he had been informed by his colleagues (this would be Hon. John Manley, Minister of Industry) that TH 495 has no market.

M. Lalonde referred to the representation made by German Ambassador Sulimma, expressing concern for the lack of transparency in the APC project.

M. Lalonde explained that Thyssen would like to "sit with officials of DND and exchange good solid information, without commitment". After that Thyssen could put forward a more refined proposal that addresses any specific issues that exist on the DND side.

The attached document was passed to MND, and he agreed he would read it, then pass it to his officials.

MND showed a very real interest in GM's participation in any proposal that we offer.

Action

Thyssen BHI should prepare a document which expands and details the attached proposal.

Assume \$1.5 B budget for new APCs
plus <u>0.3 B</u> budget for M 113 upgrades
Total \$1.8 B

Include information on Malaysia tests and market prospects.

February 13, 1995

Include Industry Canada Market acknowledgement along with a brief description of the Company's market projection.

Describe: GM participation and value.
Other major Canadian sub-contracts likely

This new document must be complete by Feb 23, 1995, for handover to MND from M. Lalonde.

Additional Ministers to be informed after MND are:

- Manley - Industry Canada
- Ouellet - Foreign Affairs
- McLaren - International Trade
- Dingwall - Government Services

Senior officials should also be informed after the main document is distributed.



February 13, 1995

APC project will not be announced in the budget

- MND confirmed that he shares the view that the Government has invested a lot of money into GM and therefore would not want to compromise that investment by creating a 2nd producer in the same industry, thereby causing both ventures to fail
- MND has a predisposition toward GM since they already exist, and has an expectation to order wheeled vehicles from them
- MND was under impression that Thyssen offer was committed exclusively to Quebec and this could lead to a political problem for the distribution of DND capital contracts with too much value designated for Quebec.

Rough Budget Planning for DND programs:

Estimates by BHT

\$1 B for Light Utility Helicopters (LUII)	100% Quebec ordered 1992
\$2 B for Maritime Helicopter Program	45% Quebec some in Manitoba, balance will be foreign
0.5 B for Canadian Search Helicopter	45% Quebec
1.5 B for new APC	? assumes GM- Ontario Maritimes
0.3 B for M 113 upgrade	
0.7 B for other programs	
6.0 B approximate total for near term DND capital projects	

February 13, 1995

STIKEMAN, ELLIOTT
Barristers & Solicitors
Suite 3900, 1155 René-Lévesque Boulevard West
Montreal, Canada H3B 3V2
Telephone (514)397-3000 Telex 05-267316
Cable address "Taxmont" Telecopier (514)397-3222

Fax Cover Sheet

DATE: March 14, 1995

FILE NO.: 17780-003

TO:

NAME: Hon. John Manley
FIRM: MINISTER OF INDUSTRY
CITY: Ottawa
FAX NO.: 613-992-0302

FROM:

NAME: Marc Lalonde

FAX NO. CHECKED BY SEC.: _____

FAX NO. CHECKED BY OPERATOR: _____

NOTES:

CONFIDENTIALITY CAUTION

This message is intended only for the use of the individual or entity to which it is addressed and contains information that is privileged and confidential. If the reader of this message is not the intended recipient, or the employee or agent responsible for delivering the message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please notify us immediately by telephone and return the original message to us at the above address at our cost.

TOTAL NUMBER OF PAGES 8 **INCLUDING THIS COVER SHEET**

OTT/SOC/CCS

**IF YOU DO NOT RECEIVE ALL PAGES CLEARLY,
PLEASE CALL IMMEDIATELY AT (514)397-3081 OR (514)397-3200**

22210012 -

AP1991

BB-10-3
8/1 p.

9628-268 1101773 NIKENIS STIKEMAN ELLIOTT 397-3295

MAR 14 09 12:21



*cc - Alan
cc - Tony
cc - Diana
cc - Elliott
cc - B*

for Dept & briefing 27-3-95

STIKEMAN, ELLIOTT

BARRISTERS & SOLICITORS

40th FLOOR

1155 RENE-LEVESQUE BOULEVARD WEST

MONTREAL, CANADA H3B 3V2

TELEPHONE : (514) 397-3000

TELECOPIER : (514) 397-3028

DIRECT DIAL :

397-3080

TORONTO
OTTAWA
CALGARY
VANCOUVER
NEW YORK
WASHINGTON, D.C.
LONDON
PARIS
BUDAPEST
HONG KONG
TAIPEI

March 14, 1995

Hon. John Manley, P.C., M.P.
Minister of Industry
235 Queen Street
11th Floor east
Ottawa, Ontario
K1A 0H5

SEARCHED	INDEXED
SERIALIZED	FILED
MARCH 21 1995	
B. Neeson	
Draft Reply	
APR 4 1995	
7150-1	

Re : **THYSSEN BHI TH 495 PROPOSAL**

Dear Sir :

Please find enclosed copies of letters that I have sent today to the Minister of National Defence, concerning the planned procurement of armoured vehicles by that Department.

Taking into account the broad benefits that the proposal of Thyssen BHI entails for your own area of responsibility, we would be grateful if you could give this proposal the careful consideration that it deserves.

Yours truly,

STIKEMAN ELLIOTT

Marc Lalonde

Marc Lalonde, P.C., Q.C.

OTT/SBC/CCS
22210013

Encl.

M-15716

P. 2 / 8

STIKEMAN ELLIOTT 397-3295

MAR 14 '95 16:21

STIKEMAN, ELLIOTT

BARRISTERS & SOLICITORS

40TH FLOOR

1155 RENE-LÉVESQUE BOULEVARD WEST

MONTREAL, CANADA H3B 3V2

TELEPHONE : (514) 397-3000

TELECOPIER : (514) 397-3022

DIRECT DIAL :

397-3080

TORONTO
OTTAWA
CALGARY
VANCOUVER
NEW YORK
WASHINGTON, D.C.
LONDON
PARIS
BUDAPEST
HONG KONG
TAIPEI

March 14, 1995

The Hon. David Collenette
Minister of National Defence
Mgen George Pearkes Building
Ottawa, Ontario
K1A 0K2

RE: THYSSEN TH 495 PROPOSAL

Dear Sir :

On the occasion of our meeting of February 10 last, I had the opportunity of leaving with you a short memorandum referring to the keen interest of Thyssen BHI to participate in the supply of APCs to the Canadian Army.

I indicated at the time that I would request the President of that company to forward to you a letter answering in a more formal way some of the questions you raised during our meeting and keeping you informed about the recent developments concerning the potential supply of armoured vehicles to the Canadian Army.

You will find enclosed copy of a letter that Mr. Massmann is sending to you by air mail and that you should receive in the next few days. We would be very grateful if you could find the time to give careful consideration to the proposal that it puts forward; we believe that it should be of significant interest to Canada not only in military, but also in economic terms. Because of the broad benefits that this project implies, we are taking the liberty, after you will have received the present letter, to transmit a copy to your colleagues, the ministers of Industry, Foreign Affairs and International Trade.

Mr. Massmann and/or myself remain at your disposal for any additional information you may wish to obtain concerning the Thyssen BHI proposal.

22210014

P. 3/8

STIKEMAN ELLIOTT 397-3295

MAR 14 '95 16:22

STIKEMAN, ELLIOTT

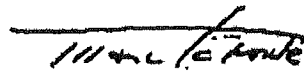
- 2 -

and, as indicated in Mr. Massmann's letter, his company will be most happy to give your officials access to all relevant information. Mr. Massmann will be in Canada again on March 27 and will be happy to meet with you on that occasion, if need be.

Thanking you for the fair consideration that the Thyssen proposal will no doubt receive, we remain,

Yours truly,

STIKEMAN, ELLIOTT



Marc Lalonde, P.C., Q.C.

Encl.

OTT/SBC/CCS

22210015

P. 4/8

STIKEMAN ELLIOTT 397-3295

MAR 14 '95 16:22

JÜRGEI ASSMANN
PRESIDENT
THYSSEN BHM

SUITE 808
330 SPLEENS STREET
OTTAWA, ONT. CANADA
K1R 7S8
PHONE (613) 563-3111
TELEFAX (613) 563-7848

March 8th, 1995

Hon. David Collenette
Minister of National Defence
Mgen George Pearkes Building
Ottawa, Ontario
K1A 0K 2

Dear Minister,

Further to our letters of December 2 and 14, I write with respect to the Canadian APC Requirement as announced in the White Paper on Defence, December 1, 1994.

In regard to the procurement strategy for the APC project, we naturally assume that the first priority of the Government will be to acquire a vehicle which best meets the needs of the Canadian Army for a well protected and highly mobile replacement for the Inservice M 113. Secondly, we assume that given the significant capital spending associated with such a program, there will be interest on the part of the Government to acquire a product which will prove adaptable and economic in its operation over the long term, and also offer strong industrial benefits for Canada.

Thyssen Proposal

With the confirmation of the Canadian Forces APC project in the White Paper, Thyssen intends to offer the tracked TH 495 to meet this requirement. On selection of the TH 495 for the Canadian Forces APC project, Thyssen will commit to produce in Canada for both the domestic and export market, thereby placing the World Product Mandate for the TH 495 in Canada.

As you are aware, Thyssen has formally withdrawn an earlier request for R&D funding and capital assistance which had been under discussion with Industry Canada (Reference: letter to Hon. John Manley, Dec. 22, 1994, copied to Hon. David Collenette and Hon. Andre Ouellet).

Thyssen, as a builder of both tracked and wheeled APCs appreciates that the Canadian Army's mixed APC fleet exists for established operational reasons. We also note that the wheeled portion of the APC Fleet includes 199 GM Bison ordered in 1989, as well as an additional 229 GM LAV Recce ordered in 1992 (delivery pending), making some 428 modern wheeled systems in the fleet. Therefore our offer of the TH 495 addresses the need to acquire a modern, highly protected, highly mobile tracked APC which we believe now to be the Army's most urgent priority.

OTT/SDC/DELS
22210016

P. 5 / 8

STIKEMAN ELLIOTT 397-3295

MAR 14 1995 10:22

page 2

There is also the possibility that the Government may see fit to split the APC requirement in such a way that both tracked TH 495 and the GM wheeled LAV would be procured. From the Thyssen perspective we understand that some 550 units are planned for the APC Replacement program, and confirm that half of that quantity would be a sufficient initial order to secure the Thyssen commitment to transfer the World Product Mandate for TH 495 to Canada, and to commence production for domestic and export requirements, delivery starting 1997.

Thyssen's willingness to cooperate with interested Canadian partners includes a number of highly qualified systems and component manufacturers in all regions of Canada. Among the potential partners are: Oerlikon Aerospace, St. Jean; GM Diesel Division, London, Computing Devices Canada, Ottawa; Deimaco, Kitchener; and Temro, Winnipeg.

Thyssen has not committed to a specific site or region for production of TH 495 in Canada, though we have carried out internal studies to conclude that there are a variety of potential sites in the established industrial regions that can support efficient and competitive operations. The Company's planning and estimating has been based on direct experience of Thyssen Group companies in Canada and additionally on commercial information gathered from a variety of industrial locations which offer an appropriate set of conditions for operations, i.e:

- established labour skills
- necessary transportation networks
- existing suitable and competitively valued production facilities that can be acquired and activated in the necessary timeframe.

TH 495 "Off the Shelf" and Ready for 1997

Thyssen development of TH 495 has reached a stage much more advanced than achievable by older product development methods. In fact, our utilization of modern design technology has already allowed us to progress to the stage of pre-series production on the vehicle. The first TH 495 was rolled out as a prototype in September 1992, and this then served as our system test platform for extensive in-Company trials, and demonstrations with potential users. The basic design was confirmed and any necessary changes were implemented for the second vehicle which was built in 1993 as the "pre-series production vehicle". The fundamentals of modular design, and the use of modern but proven components, has allowed this highly efficient rate of development required in a privately funded project. The proof of the readiness of the TH 495 is in the fact that after further tests of several thousand kilometres Company trials on the pre-series production vehicle, we then handed it over to the Malaysian Army for a 30 day intensive user test which just concluded last month. The TH 495 completed the entire test with no systems failure and achieved the highest performance approval rating from the Malaysians.

To focus on the readiness of the TH 495 for production, we estimate the necessary time from concluding an order to first unit production at 12 to 18 months. In the context of the DND requirement, delivery of the TH 495 from Canadian production is quite feasible in 1997, were a contract concluded by end of 1995.

OTT / CDC / CCS

22210017 -

B / 9 ' 2

9626-168 1101773 NVMEM1LS

02:01 06 . 71 277

page 3Export Potential

With respect to the exports for TH 495, an independent market study on the export market potential was conducted in 1994 by a Government committee led by Industry Canada, with participants from Foreign Affairs and International Trade and DND. Key conclusions of that study, briefed by the committee to Thyssen are:

- . At the start of the study, the Government committee was doubtful of the market defined by Thyssen for the TH 495. However, the Government's study concluded that a specific tracked light armoured vehicle market does exist in the TH 495 category, in approximately the same scale and time frame as described by the Company's projection.
- . The TH 495 as a tracked vehicle, will penetrate a distinctly different market from that which can be entered by the wheeled GM LAV. As such, any market share projected for the TH 495 represents a net increase in Canada's exports.
- . The Government market analysis, assuming no Canadian sale, projects the TH 495 will achieve an export market of some 2,000 units over a period reaching out some 20 years. Furthermore, the Government committee agreed that if sale of the TH 495 to Canada were to occur, early in the market cycle, the projected market share probably would increase significantly for each export market projected. A reasonable increase to the Government's 2,000 units scenario would be to increase to 4,000 units as a most likely scenario.
- . Thyssen projections indicate there is a reasonable market share potential for as much as an 8,000 unit market share, but for purposes of discussion in Canada, we are prepared to base our plants viability assessment on the Government scenarios. The Company confirms that a plant is viable even at the lowest market share projected by the Government of 2,000 units.

Status of Thyssen - DND Discussions

From a technical assessment, we have been informed by your Senior ADM Materiel that the TH 495 meets all of the technical requirements of the Canadian Forces APC program. We certainly welcome that assurance, but we are now very interested to engage in the more detailed technical discussions and vehicle demonstrations which logically would be a necessary part of the Canadian Forces' further consideration of their procurement decision. To date, we have experienced only the most limited discussion with requirements staff, and most recently raised this concern with Mr. Lagueux your ADM Supply, with a request that he consider allowing a more substantial opportunity for DND officials to assess TH 495 in open technical discussions along with vehicle demonstrations.

OTT/SBC/CCS

22210018

P. 7/8

STIKEMAN ELLIOTT 397-3295

MAR 14 '95 16:24

Page 4

I have written to Mr. Laqueux to formally invite a visit by DND project staff to our Thyssen Henschel facility for technical discussions and a dynamic demonstration of our TH 486 vehicle. I would be most grateful if you could see fit to provide your approval for such discussions by your officials as I am certain a visit will only be helpful in the DND process of evaluation.

In summary, Minister, I believe that the Thyssen proposal offers the best vehicle to meet the Canadian Forces APC requirement and at the same time offers a very high industrial benefit to Canada through additional new exports in tracked APCs which, as you know, is a product area in which Canada does not presently have a producer to address this significant export market niche.

I would welcome the opportunity to expand on any area contained in this letter at the convenience of you and your officials and can best be reached through our office in Ottawa at 683.3321.

Sincerely



CC
Hon. Andre Ouellet
Hon. John Manley
Hon. Roy MacLaren

OTT/SOC/CCS
22210019 -

P. 8 / 8

STIKEMAN ELLIOTT 397-3295

MAR 11 1995 16:22



THYSSEN BHI

Suite 908, 350 Sparks Street
Ottawa, Ont., Canada
K1R 7S8

TELEPHONE (613) 563-3321

TELEFAX (613) 563-7648

TELEFAX

TO: Marc Lalonde
Stikeman, Elliott

FAX NO:

FROM: Greg Alford

PAGES: 6
(including cover page)

DATE: 10.4.95

APR 10 '95 15:50

REJECTED

PAGE.001

11 AVR 1995

04/10/1995 15:51 THYSSEN BHI

6135637648 10704015 P.02

TO: Marc Lalonde
Stikeman, Elliott

FAX NO:

FROM: Greg Alford

PAGES: 6
(including cover page)

DATE: 10.4.95

MESSAGE:

APR 10 '95 15:52

PAGE.002

LAL00059

Ottawa, Canada
K1A 0H5

PROTECTED

APR -- 7 1995

Your file Votre référence

Objet Matière

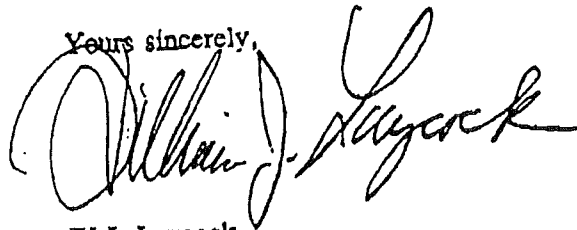
Mr. Jurgen Massmann
President
Thyssen BHI
Member of the Executive Board
Suite 908, 350 Sparks Street
Ottawa, Ontario
K1R 7S8

Dear Mr. Massmann:

Please find attached the "Tracked LAV Market Forecast Summary" tables and graphs which compare your forecasts with those of the government. The results are based on information gathered in the first quarter of 1994 and assumptions made at that time. You will appreciate that markets are dynamic and consequently market forecasts have a limited time span.

If you wish to discuss this further, I would be pleased to meet at your convenience.

Yours sincerely,



W.J. Laycock
Director General
Aerospace & Defence Branch

Attachment

cc. Greg Alford

Canada

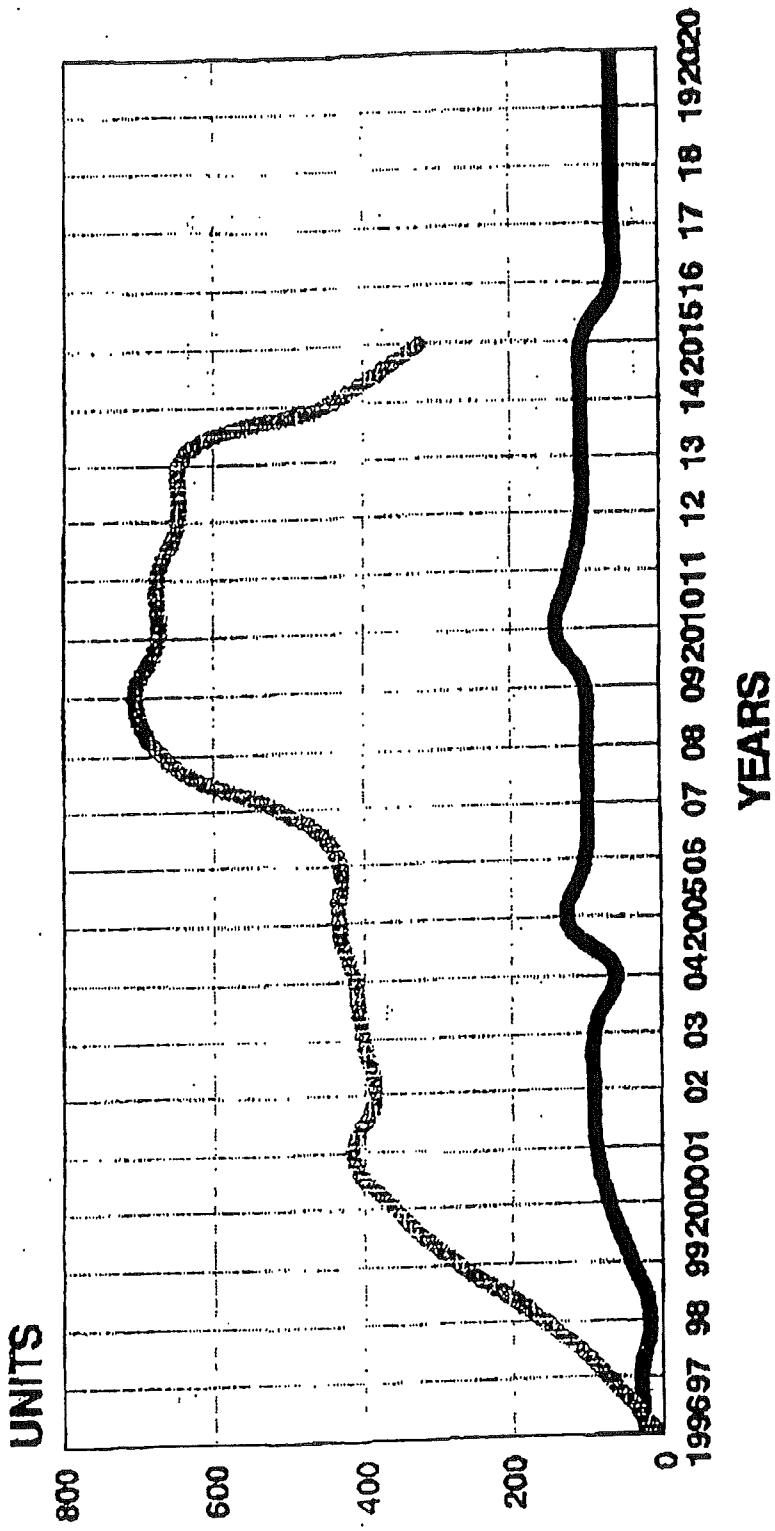
APR 10 '95 15:52

PAGE.003

LAL00059

TH 495 LAV MARKET FORECASTS

UNIT SALES (ANNUAL) - EXCLUDING CANADIAN PROCUREMENT



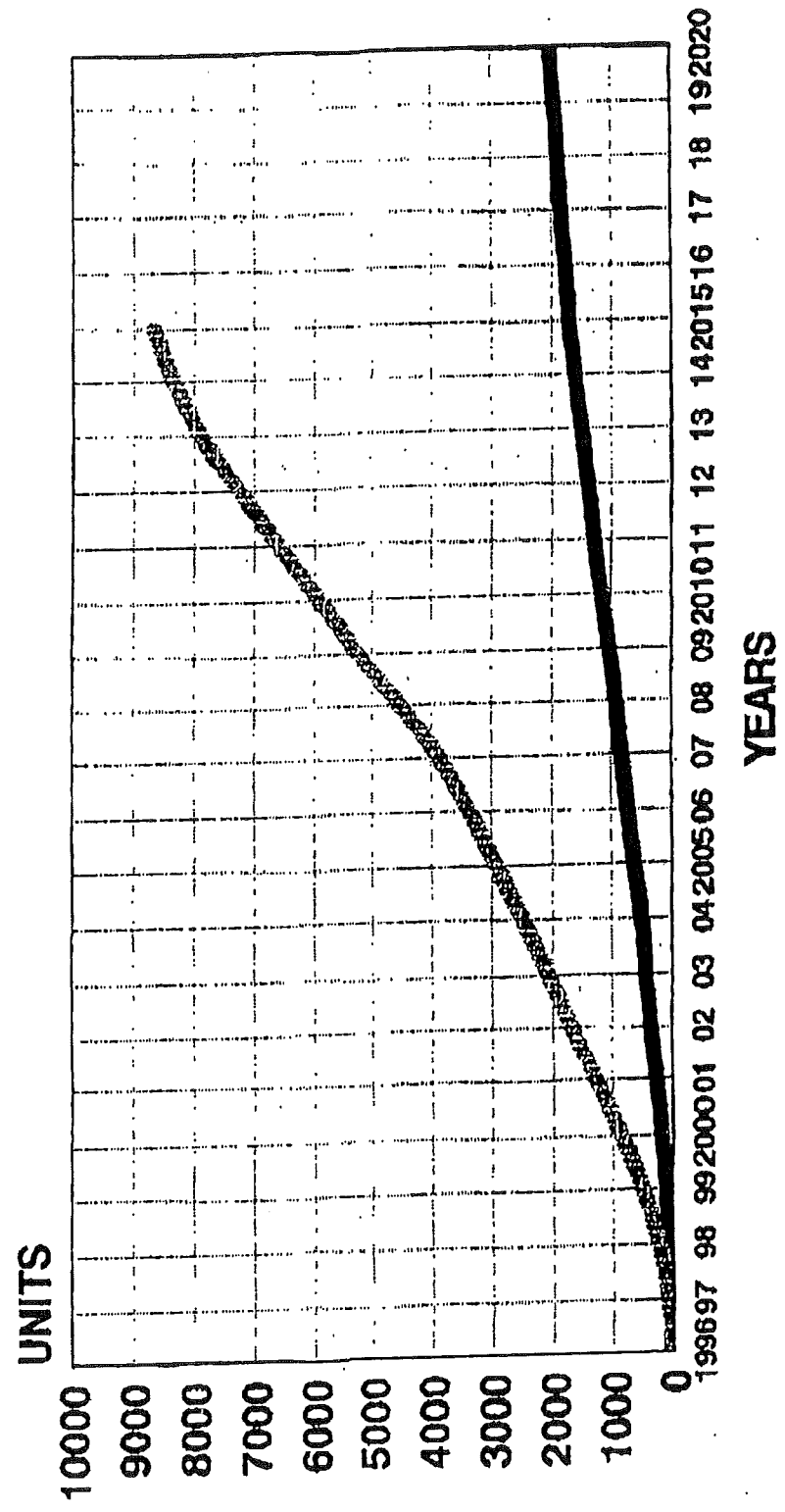
BHI FORECASTED SALES — GOVT. FORECASTED SALES

FIGURES INCLUDE BOTH 2ND MALAYSIAN PROGRAM, AND UNSPEC. NON-NATO M113 REPL.

PROTEGE

TH 495 LAV MARKET FORECASTS

CUMULATIVE SALES - EXCLUDING CANADIAN PROCUREMENT



BHI FORECASTED SALES — GOVT. FORECASTED SALES

FIGURES INCLUDE BOTH 2ND MALAYSIAN PROGRAM, AND UNSPEC. NON-NATO M113 REPL.

TRACKED LAV MARKET FORECAST

REFLECTING CURRENT CANADIAN EXPORT POLICY

<u>COUNTRY</u>	<u>M113 TITLE</u>	<u>FORECAST INTL. VEHICLES IN INVENTORY</u>
JORDAN	M113 A1/A2	1300
MOROCCO	M113 A1	499
TUNISIA	M113 A1	137
AUSTRALIA	M113 A1	773
SOUTH KOREA	M113	810
NEW ZEALAND	M113	76
PAKISTAN	M113 A1	894
PHILLIPINES	M113 A1	100
ARGENTINA	M113 A1	248
BOLIVIA	M113/ A1	44
BRAZIL	M113	614
CHILE	M113 A1	61
COLUMBIA	M113 A1	80
ECUADOR	M113	21
PERU	M113 A1	157
URUGUAY	M113	18
EYPT	M113 A1/ A2	1486
<u>TOTAL</u>		<u>7328</u>

NOTE:

- LIST INDICATES UNSPEC. NON-NATO COUNTRIES, TO WHICH CANADIAN EXPORTS ARE CURRENTLY PERMITTED, THAT PRESENTLY HAVE M113 TYPE VEHICLES. LIST PROVIDED BY THYSSEN BHI OCT. 24 1994.
- AUSTRALIA AND PAKISTAN ARE CURRENTLY UPGRADING THEIR M113 FLEETS
- AUSTRALIA RECENTLY PURCHASED 97 WHEELED VEHICLES FROM DDGM
- NOT INCLUDED ARE: INDIA, WHICH IS DEVELOPING ITS OWN VEHICLE - ARJUN INDIAN MBT AND PAKISTAN, WHICH IS CURRENTLY UPGRADING ITS M113 FLEET.

04/04/95

APR 10 '95 15:54

PAGE.006

LAL00059

TRACKED LAV MARKET FORECAST SUMMARY*

APR 10 '95 15:55

LAL00059

REFLECTING CURRENT CANADIAN EXPORT CONTROLS

MARKET SEGMENT	BHI FORECAST 1998-2015 OVER 20 YEARS		GOVT FORECAST 1998-2020 OVER 25 YEARS		GROSS UNITS SALES % OF IOI	GROSS UNITS SALES % OF IOI	GROSS UNITS SALES	GOVT AS % OF BHI
	GROSS UNIT SALES	% OF IOI	GROSS UNITS SALES	% OF IOI				
1. SPEC. NATO	3960	1131	13	4700	516	28	119	48
2. UNSPEC. NATO	8280	1856	19	5800	271	13	79	18
3. SPEC. NON-NATO	8688	2566	30	6320	690	44	98	34
SUBTOTAL	20928	5553	62	16820	1667	85	90	31
4. UNSPEC. NON-NATO (5)	16500	3300	38	7320	342	17	44	10
TOTAL (7)	37490	8663	100	25148	2009	100	70	23

NOTES

* BASED ON THE LATEST ITERATION ON TRACKED LAV MARKETS NOV. 14 1994

- 1 GERMANY, NORWAY AND TURKEY (USA REMOVED)
- 2 BELGIUM, DENMARK, FRANCE, GREECE, ITALY, NETHERLANDS, PORTUGAL, SPAIN AND UK (CANADA NOT INCLUDED)
- 3 SWITZERLAND, VENEZUELA, GCC, SAUDI ARABIA, INDONESIA, MALAYSIA (BOTH PROGRAMS), THAILAND, SINGAPORE AND HUNGARY
- 4 CONSISTS OF 30 OTHER COUNTRIES (ORIGINALLY M113 REPLACEMENT MARKET) NOT ANALYSED IN THE SAME METHODOLOGY
- 5 BHI FIGURE CONSISTS OF M113 AND SIMILAR TYPE VEHICLES
- 6 GOVERNMENT FORECAST MAXIMUM SALES OF 342 UNITS BY APPLYING GOVT. UNIT SALES TO GROSS RATIO (45%) IN UNSPECIFIED NATO (SEGMENT # 2 BASED ON GOVT.'S COUNTRY BY COUNTRY SURVEY) TO THE AMOUNT OF M113 VEHICLES FOUND IN FORECAST INTERNATIONAL, TAKING INTO ACCOUNT CANADA'S CURRENT EXPORT PERMIT REGULATIONS.
- 7 THE BHI AND GOVT. FORECASTS ARE BASED ON METHODOLOGIES WHICH PRODUCE EXPECTED DISCRETE VALUES AND NOT AN AVERAGE HIGH/LOW. FORECASTED RANGE. CONSEQUENTLY IT IS NOT NECESSARILY CORRECT TO CONCLUDE THAT THE "REAL SALES FIGURES" WOULD BE SOMEWHERE BETWEEN THE BHI AND GOVT. FORECASTS. THE "REAL" FIGURE COULD IN FACT TURN OUT TO BE HIGHER THAN BHI'S FORECASTS OR LOWER THAN THE GOVERNMENT'S.
- 8 THIS FORECAST RELATES TO TRACKED VEHICLES AND DOES NOT ADDRESS THE WHEELED VEHICLE MARKET.

FILE INFORMATION DATED NOVEMBER 14 1994

THYSSEN

THYSSEN BHI

To: J. Massmann, Thyssen Henschel, Kassel
K.Schreiber, Kaufering

cc: Marc Lalonde, Montreal

From: G. Alford

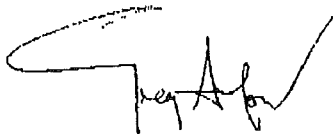
Date: 10.07.95

Subject: APC project scheduled for Cabinet approval Week of 17.07.95

I have been informed today that the APC project will be presented to Cabinet week of 17.07.95 for final approval for the DND recommendation to sole source the order for new vehicles to GM at London Ontario, with M113 upgrades to be done in the Government owned workshop in Montreal.

I also understand that DND has put together an extensive argument to justify their recommendation to sole source the order instead of putting it to competition. This argument has the key theme which is: " the Army have decided that they now want wheeled APC's and the GM offer is ideally suited to the Army requirement as is it now described". GM's offer also is described as having a low operating and maintenance cost

The DND argument is also said to refer to Thyssen TH495, as being undesirable as it is a tracked vehicle and the Army preference has now been established for wheels. No consideration was given to a Thyssen offer of a wheeled vehicle, nor of any other complete offer from any other manufacturer.



STIKEMAN, ELLIOTT
Barristers & Solicitors
Suite 3900, 1155 René-Lévesque Boulevard West
Montreal, Canada H3B 3V2
Telephone (514)397-3000 Telex 05-267316
Cable address "Taxmont" Telecopier (514)397-3222

Fax Cover Sheet

DATE: July 13, 1995 FILE NO.: 17780-003

TO:
NAME: Greg Alford
FIRM: THYSSEN BHI
CITY: Ottawa
FAX NO.: (613) 563-7648

FROM:
NAME: Marc Lalonde

NOTES: As promised. *Translation and revised french version.*

CONFIDENTIALITY CAUTION

This message is intended only for the use of the individual or entity to which it is addressed and contains information that is privileged and confidential. If the reader of this message is not the intended recipient, or the employee or agent responsible for delivering the message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please notify us immediately by telephone and return the original message to us at the above address at our cost.

TOTAL NUMBER OF PAGES - 7 INCLUDING THIS COVER SHEET

**IF YOU DO NOT RECEIVE ALL PAGES CLEARLY,
PLEASE CALL IMMEDIATELY AT (514)397-3080 OR (514)397-3200**

M. Alfred,

M. Alfred a demandé la traduction
de votre lettre afin de l'en voyer au
Ministre pour renseignements.

Si ce n'est étant très possible, je me suis
assuré auprès de la traduction que
le texte ne paraît pas profane à son point
de destination.

On doit me le permettre en fin d'après
moi, je transmettrai la traduction
à M. Alfred.

Charlotte

(514) 397-3080

Le 13 juillet 1995

Le très honorable Jean Chrétien
Premier Ministre du Canada
Édifice du Parlement
Ottawa
Canada

CONFIDENTIEL

Monsieur le Premier Ministre,

Depuis quelques années, j'agis comme conseiller juridique de Thyssen BHI, une importante entreprise de l'industrie lourde allemande, en ce qui concerne certains de ses intérêts au Canada.

A cet égard, j'aimerais porter à votre urgente attention certains faits se rapportant au projet d'acquisition par les forces armées canadiennes d'un véhicule blindé léger.

Il s'agit d'un projet auquel Thyssen s'est beaucoup intéressé au cours des dernières années. En fait, Thyssen a développé un prototype tout à fait conforme aux spécifications les plus récentes des forces de l'OTAN, à la préparation desquelles les représentants du ministère de la Défense du Canada avaient contribué d'une façon majeure.

De plus, de nombreuses démarches ont été faites auprès de ce ministère durant les dernières années afin de s'assurer que Thyssen serait en mesure de présenter une offre concurrentielle, lorsque le Canada déciderait de renouveler son équipement. Une étude avait en outre été entreprise conjointement avec le ministère de l'Industrie, étude qui avait démontré un potentiel d'exportation de plusieurs milliards de dollars pour le Canada.

Or, nous apprenons que le ministère de la Défense soumettrait dès cette semaine au Cabinet une proposition visant à l'acquisition d'un véhicule auprès de GM,

sans même recourir à un processus de soumission publique. Le ministère recommanderait un véhicule sur roues alors que le produit de Thyssen est un véhicule sur chenilles et divers autres arguments seraient invoqués contre le produit de Thyssen.

L'opinion des experts est à l'effet qu'une armée moderne a besoin à la fois de véhicules sur roues et de véhicules à chenilles. Le ministère de la Défense reflète d'ailleurs ce point de vue en proposant de moderniser ses vieux véhicules sur chenilles M-113, en même temps qu'il achèterait des véhicules sur roues.

Une alternative plus intéressante pour le Canada semblerait être plutôt d'acheter une quantité plus petite de véhicules sur chenilles neufs et beaucoup plus efficaces du type de ceux produits par Thyssen. En plus d'améliorer la capacité opérationnelle des forces armées, cette alternative aurait l'avantage d'ouvrir la porte à un potentiel d'exportation considérable pour le Canada. Je comprends que cette dernière dimension ne constitue pas une priorité pour le ministère de la Défense, mais elle est sûrement d'une très grande importance pour le gouvernement dans son ensemble. Une simple modernisation du M-113 n'offre aucun tel avantage.

Quoiqu'il en soit, l'objet de cette lettre n'est pas d'entrer en détails dans la substance des arguments mais de porter à votre attention l'impossibilité dans laquelle Thyssen et d'autres concurrents potentiels de GM se sont trouvés, durant tout le processus décisionnel du ministère de la Défense, d'obtenir les spécifications leur permettant de présenter une soumission en bonne et due forme.

Je sais combien votre gouvernement manifeste un grand souci de transparence et d'intégrité dans ces décisions. Je dois dire que, dans un tel contexte, le processus suivi par le ministère de la Défense en est un qui dépasse mon entendement. Je sais d'ailleurs que les autorités supérieures du gouvernement de l'Allemagne ont été alertées de cette situation et qu'elles sont fort préoccupées par la façon dont les forces armées canadiennes semblent procéder dans le cas présent. Je n'ai pas à vous rappeler que le ministère de la Défense allemand a déjà fait l'acquisition au Canada de certains équipements (auprès de Canadair en particulier) et qu'il considère présentement l'acquisition d'équipement additionnel; on me dit que le gouvernement de ce pays comprend assez mal la façon dont on semble traiter Thyssen en l'occurrence.

Thyssen ne prétend pas que le Canada doit acheter son produit. Tout ce qu'elle demande, c'est qu'un processus ouvert, public et connu soit suivi en regard de l'acquisition d'un véhicule blindé léger par les forces armées canadiennes. Ce processus devrait permettre non seulement à Thyssen, mais à tous les autres concurrents possibles de GM de présenter une soumission, ce qui a été impossible jusqu'à maintenant.

Thyssen a encouru des dépenses de plusieurs dizaines de millions de dollars dans le développement d'un nouveau véhicule, se basant en particulier sur des assurances écrites fournies par le gouvernement conservateur qui a précédé le vôtre, à l'effet que Thyssen se verrait donner l'opportunité de soumissionner sur le projet d'acquisition du véhicule en cause. Thyssen a en main une opinion de Me Ian Scott, récemment reconfirmée par son étude, à l'effet que Thyssen aurait droit d'exiger des compensations substantielles de la part du gouvernement canadien, si un processus d'appel d'offres en bonne et due forme n'était pas suivi.

Dans les circonstances, je me suis permis de porter cette situation à votre attention personnelle. Je crois qu'il y a là un risque sérieux d'erreur politique et financière coûteuse, alors que tout ce qui serait exigé serait de suivre un processus d'appel d'offres bien établi et respecté par votre gouvernement dans tous les domaines.

Je demeure à votre disposition pour toute information supplémentaire. Il en est de même pour le président de Thyssen BHI, M. Jürgen Massmann, qui se fera un plaisir de vous rencontrer ou de rencontrer un de vos représentants, à votre convenance, à ce sujet.

Veillez agréer, monsieur le Premier Ministre, l'expression de ma haute considération.

ORIGINAL SIGNED BY
ORIGINAL SIGNÉ PAR
MARC LALONDE

Marc Lalonde

STIKEMAN, ELLIOTT

BARRISTERS & SOLICITORS

40TH FLOOR

1155 RENÉ-LÉVESQUE BOULEVARD WEST

MONTREAL, CANADA H3B 3V2

TELEPHONE : (514) 397-3000

TELECOPIER : (514) 397-3222

DIRECT DIAL :

(514) 397-3080

TORONTO
OTTAWA
CALGARY
VANCOUVER
NEW YORK
WASHINGTON, D.C.
LONDON
PARIS
BUDAPEST
HONG KONG
TAIPEI

July 13, 1995

The Right Honorable Jean Chrétien
Prime Minister of Canada
Parliament Building
Ottawa
Canada

CONFIDENTIAL
TRANSLATION OF ORIGINAL LETTER

Dear Prime Minister:

For the past few years, I have been legal counsel to Thyssen BHI, a major German heavy industry company, with respect to certain of its interests in Canada.

In this regard, I would like to bring to your attention certain urgent matters relating to the Canadian Armed Forces' project to acquire a light armoured vehicle.

Thyssen has shown a strong interest in this project over the past few years. Indeed, Thyssen developed a prototype, in conformity with NATO Forces' most recent specifications, to which officials of Defence Canada have made major contributions.

Also, numerous steps have been taken with the Department of Defence in recent years to ensure that Thyssen would be able to submit a competitive offer, when Canada would decide to renew its equipment. Among other things, a study undertaken jointly with the Ministry of Industry showed a potential of several billion dollars of export for Canada.

However, we have learned that the Department of Defence is tabling a proposal for the acquisition of a vehicle from GM this week before the Cabinet, without resorting to a public call for tenders. The Department is recommending a wheeled vehicle, whereas Thyssen's product is a tracked vehicle; the Department also raises other arguments against Thyssen's product.

- 2 -

The weight of expert opinion is that a modern Army requires to be equipped with both wheel and track vehicles. This is in fact reflected in the DND interest to concurrently, upgrade a number of the old in-service M113 tracked vehicles.

A more interesting alternative for Canada would appear to be to produce a smaller quantity of new and much more effective tracked vehicles such as produced by Thyssen and so protect the Army's operational abilities. Such a decision will permit Canada to benefit from the significant export potential as mentioned above. I understand that this latter dimension does not represent a priority for Defence officials, but it is surely one of greatest importance for the Government as a whole. A mere upgrading of the M113 vehicle offers no such advantage.

In any event, the purpose of this letter is not to examine in detail substantive arguments but to bring to your attention the fact that it was impossible for Thyssen and other potential GM competitors, during the entire decision-making process of the Department of Defence, to obtain the specifications that would have allowed them to make a formal bid.

I know that your Government is very much concerned with openness and integrity in its decisions. Keeping this in mind, I must admit that the Department of Defence's approach in this case is quite incomprehensible. I also know that, at a high level, the Government of Germany has been informed of this situation and that there is great concern with the manner in which the Canadian Armed Forces is dealing with the situation. May I recall that the Department of Defence of Germany has already acquired certain equipment in Canada (in particular from Canadair) and that it is currently considering acquiring additional equipment; I am told that the German Government does not understand the manner in which Thyssen is being treated in this matter.

Thyssen is not saying that Canada must buy its product. All that it is requesting is that an open, public and known procedure be followed for the acquisition of a light armoured vehicle by the Canadian Armed Forces. This procedure should enable not only Thyssen but also all potential GM competitors to make a bid, which has been impossible to date.

Thyssen has incurred expenses of several tens of millions of dollars to develop a new vehicle based, in particular, on written assurances provided by the Conservative Government which preceded yours, to the effect that Thyssen would be provided the opportunity to bid on the acquisition project for the said vehicle. Thyssen is in possession of an opinion of Mr. Ian Scott, recently reconfirmed by his firm, to the effect that Thyssen would be entitled to demand substantial compensations from the Canadian Government should a formal call for tenders not be allowed.

- 3 -

Under these circumstances, I deemed useful to bring this matter to your personal attention. I believe that there is a serious risk of a costly political and financial error, whereas the only requirement would be that a call for tenders be well established and followed by your Government in all respects.

Should you require any additional information, please do not hesitate to contact me. Mr. Jürgen Massmann, President of Thyssen BHI, would also gladly meet with you or any of your representatives on this matter at your convenience.

Yours truly,

Marc Lalonde



THYSSEN BHI

Suite 908, 350 Sparks Street
Ottawa, Ont., Canada
K1R 7S8

TELEPHONE (613) 563-3321

TELEFAX (613) 563-7648

TELEFAX

TO: Jürgen Massmann (France, Office)
Karlheinz Schreiber (France, Office)

FAX NO:

FROM: Ian Reid

PAGES: 9
(including cover page)

DATE: 16.8.95

MESSAGE:

Greg will be available until 16.30h our time at:
514-878-2332

After that he can be reached on his Cellular Phone: 769-0806

(S)

16 AUG 1995



THYSSEN BHI

MEMO

TO: Jürgen Massmann (office, France)
Karlheinz Schreiber (office, France)

cc: Marc Lalonde (Stikeman, Elliott)

FROM: Ian Reid

TEL: 613-563-3321
FAX: 613-563-7648

DATE: August 16, 1995

SUBJECT: Minister of National Defence: APC Procurement

PAGES: 9

Attached is Minister Collette's statement this morning, sole-sourcing the APC replacement program to Diesel Division General Motors as we anticipated they intended over the past few months.

Given recent public and media objections to the cost of military procurement, it is also no surprise that they have phased the program tentatively into four (4) batches, thereby concentrating attention on the first batch of 240 vehicles for \$800 m. They have also not changed the overall quantity (which we heard of 8 months ago) of 651 vehicles. The overall program cost appears to have increased slightly to \$2.04 Bn.

There is also no change in the budgeted \$400m for upgrade, although, this is now spread over even more vehicles (850 M 113 + 450 GM AVGP 6x6) which will permit only limited improvement on most of these vehicles.

The usual arguments are advanced in favour of GM LAV, eg. proven vehicle, in-service with USMC, Saudi and Australia, etc. No justification appears to be given to sole-source other than the statement that DDGM is "the only manufacturer of light armoured vehicles in Canada".

I have passed this information to OTL Ibrom at the German Embassy. The Ambassador is currently on vacation. OTL Ibrom states that Director Simon and Minister Ruehe will in his view keep the Thyssen situation on their respective agendas.

(S/L)



National Défense
Defence nationale

News Release

Communiqué

NR-95.034

16th August, 1995

GOVERNMENT TO ACQUIRE ARMoured PERSONNEL CARRIERS

OTTAWA — The government has decided to proceed immediately to acquire new armoured personnel carriers for the Canadian Forces. The initial purchase will include 240 vehicles at a project cost of approximately \$800 million in 1995-1996 dollars.

National Defence Minister David Collenette said "These vehicles were called for in the 1994 Defence White Paper after extensive consultations with Parliament and with Canadians."

The procurement is subject to the successful completion of contract negotiations with Diesel Division, General Motors of Canada Limited. The contract will provide for the initial purchase of 240 APCs, with options to acquire the balance of the total requirement of 651 vehicles at a later date.

"Our procurement approach is designed to strike a good balance between getting the best value for the taxpayers's dollar while delivering maximum industrial and regional benefits for Canada," the Minister said.

The phased purchase, which includes the option of acquiring vehicles in the future at today's prices, gives the government greater flexibility to manage the defence program in these times of rapid change. The cost of the program includes not only the APCs themselves but also spare parts, ammunition and project management costs.

APCs perform a wide range of essential military roles. These include internal security, reconnaissance, rapid deployment and other important mechanised infantry missions. Described as "battlefield taxis", they transport soldiers in hazardous environments where artillery, rocket and sniper fire, and land mines, are constant threats.

Minister Collenette said "Canada has a responsibility to ensure that the men and women of the Canadian Forces have the proper equipment to protect them and effectively undertake the tasks that we assign."

As part of the plan to modernise the APC fleet, the government will also refurbish part of the existing APC fleet, including 850 M113 tracked vehicles and 450 "Grizzly" and "Bison" wheeled vehicles.

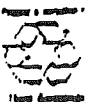
The acquisition and refurbishment of APCs was provided for in the February 1995 federal budget and is therefore built into the existing fiscal framework. This initiative is an example of how the government is prioritizing spending and serving Canadians better by making efficient use of their tax dollars.

For information (613) 998-2353
After Hours (613) 998-7811

Canada



Pour renseignements (613) 998-2353
Après les heures de travail (613) 998-7811



Talking Points for
the Honourable David Collanette, P.C., M.P.
Minister of National Defence
at a Press Conference concerning
the Acquisition of New Military Equipment
Ottawa, Ontario
August 16, 1995

Please Check Against Delivery

(2)

Introduction

- In our 1993 Red Book, the Liberal Party identified a capable defence as one of its main policy objectives along with a strengthened role for Canada in international peacekeeping.
- After we formed the Government, we conducted a comprehensive review of Canadian defence policy. We consulted extensively with Parliamentarians and Canadians across the country, and their views were reflected in the White Paper on Defence that was published last December.
- Indeed, the key element of the Government's new defence policy -- a commitment to maintain combat-capable forces that are properly equipped to defend Canadian values and interests both at home and abroad -- echoed the main recommendation of the Special Joint Committee of Parliament.
- The White Paper stated clearly that the Government intended to acquire major pieces of equipment necessary to carry out this policy.
- Today, I am pleased to announce that the Government has approved the acquisition of new armoured personnel carriers for the Canadian Forces.
- I want to stress that the purchase of new APCs is urgently required to help ensure that Canada maintains multi-purpose, combat-capable forces.
- It should also be noted that this project is being financed from within planned defence spending. In other words, no new money will be required.

The Military Requirement

- The Department of National Defence must spend money on new capital equipment if it is to maintain its operational capability. Over the last five years DND has spent on average 2.3 billion dollars annually on capital equipment purchases.
- When we fail to replace aging equipment in a timely fashion, we run into two major problems:
- First, the equipment becomes increasingly expensive to operate and maintain -- the "rust out" effect, as we call it. More importantly, the older the equipment, the less effective it becomes in its operational roles. This means that the men and women of the Canadian Forces

(A)

- 2 -

are put at increased risk and the ability to do their jobs is hampered.

- The Government's decision to proceed with the acquisition of new armoured personnel carriers was based on a recognition of these problems. Let me now discuss this project in more detail.

Armoured Personnel Carriers

- The army is currently equipped with M113 tracked vehicles along with the Grizzly and Bison wheeled armoured personnel carriers. It was essential to make a decision now on the acquisition of APCs in order to provide the protection, firepower, mobility and carrying capacity that are being increasingly required by our Canadian Forces personnel.
- Subject to successful completion of negotiations, it is the Government's intention to award a contract for the purchase of an initial 240 new APCs to General Motors Diesel Division of London, Ontario, the only manufacturer of light-armoured vehicles in Canada. The cost of this initial procurement would be approximately 800 million dollars, in 1995-96 dollars, spread over four years. Of this total, between sixty and seventy per cent will be for the APC replacement contract.
- The contract will contain a series of options to acquire the balance of our total requirement of 651 vehicles from General Motors at a later date. Under this arrangement, the Government will have greater flexibility to manage the defence program during a period of rapid change. If all options are exercised, the total cost will be spread over the next ten years and will include not only the actual manufacture of the new vehicles, but also spare parts, ammunition and project management costs.
- As part of its plan to modernise the APC fleet, the Government will also refurbish APCs currently in service, including 850 M113 tracked vehicles and 450 Grizzly and Bison wheeled vehicles. This work will be shared between DND's in-house maintenance facility in Montreal and Canadian industry.

(1)

- 3 -

Affordability

- The project I have just described is critical to Canada's future military capability as set out in the 1994 White Paper on Defence.
- That said, we all know that these are times of fiscal restraint. The Department of National Defence structured its recent Program Review and its 1995 Budget cuts in such a way as to ensure that capital acquisitions would be affordable. I want to stress again that this project will be funded from within the existing DND budget.
- The Government is determined that the APC project remain affordable. We will reduce technical risk and equipment costs by buying off-the-shelf. This approach will also avoid the lengthy delays that often result when we try to develop uniquely Canadian solutions.
- While our major objective is to obtain value for money, this project also offers a reasonable return of regional and industrial benefits.

Other Capital Acquisitions

- The Government identified new armoured personnel carriers as the most urgent priority in the Canadian Forces' capital acquisition program. However, I would like to note that the Defence White Paper identified three other pieces of military equipment that our armed forces need in order to perform their duties effectively. These include Search and Rescue Helicopters, Maritime Helicopters and conventionally-powered submarines.
- Decisions regarding the purchase of this equipment have not yet been made. However, I anticipate being able to address this issue in due course.

Conclusion

- The purchase of new armoured personnel carriers will help equip our armed forces for the future. This equipment will provide its men and women, who perform so admirably under difficult circumstances, with the right tools to do the job.
- New APCs are absolutely essential if the Government is to carry out its new defence policy -- a policy that Canadians had a serious hand in shaping.

(2)

- 4 -

- Above all, they will assist Canada to meet its defence needs in a way that is effective, appropriate and affordable.

(S)



Department of National Defence



Ministère de la Défense nationale

Backgrounder Documentation

BG-95.017

AUGUST 1995

BACKGROUNDER

ARMoured PERSONNEL CARRIER REPLACEMENT

INTRODUCTION

The Canadian army must be able to transport soldiers quickly and safely in operational areas. Tactical requirements dictate that they must be able to reach objectives rapidly, with some protection from hostile fire and other threats such as land mines. The armoured personnel carrier (APC), which has been described as a "battlefield taxi," has been used for many years to fulfil this role. It is built in tracked, wheeled or combination forms, and in innumerable variants, depending on its mission profile -- for example, reconnaissance, fire support, electronic warfare, transport, and so on. They provide personnel with basic levels of protection, mobility and self-defensive fire-power. A modern APC is required to equip front-line troops in their operational deployments.

WHY DO WE NEED THEM?

The APC is vital to ensure multi-purpose, combat-capable Canadian Forces in the future. They will be used in a wide variety of missions earmarked for the Canadian Forces, including territorial defence, United Nations peacekeeping and peacemaking operations, the delivery of humanitarian aid and aid of the civil power. The 1994 Defence White Paper said that the "... mobility, protection and defensive firepower (of the APC fleet) must be brought into line with the modern requirements of environments likely to be encountered in today's UN and other multilateral missions."

CURRENT STATUS

Land Forces Command has identified a need for a total of 1,950 vehicles in its APC Equipment Strategy. Its current fleet is a mixture of approximately 1,700 APCs of various types including some 1,200 tracked M113s purchased in the mid-1960s as well as nearly 300 wheeled "Grizzly" and 200 "Bison" APCs which were acquired in the 1970s and 1980s.

1/2

National Defence Headquarters
Ottawa, Canada
K1A 0K2

Quartier général de la Défense nationale
Ottawa, Canada
K1A 0K2

The threat has increased significantly since these vehicles were acquired. Nowhere is this more evident than in the former Yugoslavia where our APCs had to be retrofitted with gun shields and add-on armour to give better crew protection.

THE WAY AHEAD

The government intends to commence its phased acquisition of new APCs with an initial batch order for 240 vehicles at a total project cost of \$800 million in 1995-1996 dollars, spread over four years. Of this, some 60 - 65% will be for the cost of the vehicles themselves. The government will have the option of acquiring more vehicles in batches of 120, 120 and 171 units phased over the next seven years. If all options are exercised, the purchase price for 651 new APCs will not exceed \$2.04 billion in 1995-1996 dollars. This would be spread over the next decade and would include not only the actual manufacture of the new vehicles but also spare parts, ammunition and project management costs.

Subject to successful contract negotiations, the new APCs will be built by Diesel Division, General Motors of Canada Limited (DDGM) of London, Ontario. DDGM is the only manufacturer of light armoured vehicles in Canada.

The new APC will be based on a stretched version of the 8x8 Light Armoured Vehicle 25 (LAV 25). It is an up-to-date variant of the basic APC currently in service with the Canadian Forces. This commonality will result in savings related to training, operations and maintenance costs. The operational record of armoured vehicles produced by DDGM is well proven. The LAV 25 was used by the US Marine Corps during the Gulf War. It has also been purchased by Saudi Arabia and Australia.

In addition, 850 existing M113 tracked vehicles as well as 450 Grizzly and Bison wheeled vehicles will be upgraded through a life-extension program for a cost of approximately \$400 million. The M113s will be upgraded at the Canadian Forces 202 Workshop Depot in Montreal, Quebec. The Grizzly and Bison wheeled vehicles will be upgraded through the competitive bidding process. To be considered, all bids must provide for the work to be carried out, in part, in the Chatham, New Brunswick, area. This will help cushion the community from the impact of the closure of Canadian Forces Base Chatham.

The contract with DDGM to manufacture new vehicles will, subject to final negotiations, generate significant regional industrial benefits. These benefits will be equal to 100% of the contract value to DDGM. In addition, it is expected that the contract to extend the operational life of the wheeled vehicle fleet will generate some 280 person-years of employment. It is calculated that both life-extension projects will generate regional industrial benefits of at least \$130 million.



PRIME MINISTER · PREMIER MINISTRE

OTTAWA, K1A 0A2

Le 1 septembre 1995

Marc
Monsieur,

Je vous remercie de votre lettre du 13 juillet dernier au sujet de Thyssen BHI et de son désir de présenter une soumission pour un contrat visant à fournir des transports de troupes blindés aux Forces canadiennes.

Comme vous le savez sûrement, le gouvernement a annoncé récemment l'acquisition de 240 nouveaux transports de troupes blindés de la division diesel de General Motors, sous réserve de négociations contractuelles fructueuses, avec possibilité d'acquérir des véhicules supplémentaires à une date ultérieure. Il a été pris bonne note de l'intérêt de Thyssen BHI pour ce projet d'acquisition. Toutefois, conformément aux politiques d'achat et de défense du gouvernement fédéral, notre stratégie d'achat a été guidée principalement par des considérations d'ordre opérationnel et par le facteur coût.

Je suis toujours heureux de recevoir de vos nouvelles et souhaite à Thyssen BHI de réussir dans ses projets d'avenir. J'envoie copie de notre correspondance au ministre de la Défense nationale à titre d'information.

Je vous prie d'agréer, Monsieur, l'expression de mes sentiments les meilleurs.

Monsieur Marc Lalonde
Stikeman, Elliott
40^e Étage
1155, Boulevard René-Lévesque Ouest
Montréal (Québec)
H3B 3V2

09/27/1995 12:18 THYSSEN BHI

6135637648 10704015 P.02/08

STIKEMAN, ELLIOTT

BARRISTERS & SOLICITORS

40th FLOOR

1188 RENE-LEVEQUE BOULEVARD WEST

MONTREAL, CANADA H3B 3V2

TELEPHONE: (514) 397-3000

TELECOPIER: (514) 397-3222

TORONTO
OTTAWA
CALGARY
VANCOUVER
NEW YORK
WASHINGTON, D.C.
LONDON
PARIS
BUDAPEST
HONG KONG
TAIPEI

DIRECT DIAL:

(514) 397-3080

September 26, 1995

Mr. Jürgen Maasmann
THYSSEN BHI
Suite 908, 350 Sparks Street
Ottawa, Ontario
K1R 7S8

Dear Jürgen:

Please find enclosed copies of the originals and translations of a letter exchange between the Prime Minister and myself concerning our favourite subject. This will not change the decision already taken but I could not let him get away with the perfunctory answer drafted by his officials.

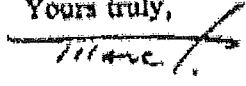
I will send you copy of any answer I will receive, if any.

I am afraid that we are unlikely to meet as frequently as we did in the last couple of years and I regret that the result of all our efforts was not more positive, but it was not because of lack of trying.

It was indeed a great pleasure to work with you and I hope that life will make our paths cross again in the future. In the meantime, I wish you all the best and, if your travels take you again to Canada, I hope that you will let me know. I will be most happy to host you in Montreal, or anywhere else.

Best personal regards.

Yours truly,



Marc Lalonde

cc: K.H. Schreiber
G. Alford

STIKEMAN, ELLIOTT

BARRISTERS & SOLICITORS

40TH FLOOR

1155 RENÉ-LÉVESQUE BOULEVARD WEST

MONTREAL, CANADA H3B 3V2

TELEPHONE : (514) 397-3000

TELECOPIER : (514) 397-3222

DIRECT DIAL :

(514) 397-3080

TORONTO
OTTAWA
CALGARY
VANCOUVER
NEW YORK
WASHINGTON, D.C.
LONDON
PARIS
BUDAPEST
HONG KONG
TAIPEI

September 26, 1995

The Right Honorable Jean Chrétien
Prime Minister of Canada
Parliament Building
Ottawa
Canada

TRANSLATION OF ORIGINAL LETTER

Dear Prime Minister,

Thank you for your letter of September 1 last concerning Thyssen BHI and the decision of your Government to purchase armoured vehicles from General Motors.

I do not wish to bother you with lengthy exchanges about this matter but I cannot help raising some questions arising out of your letter. You may wish to have some of your officials communicate with me directly in that regard, if you prefer.

Your letter refers to the Government purchasing and defence policies. I always thought that those policies were based on the concept of public bidding, in order to ensure not only transparency in public contracts but also that the Government would get best value for its money. You will no doubt remember that we were both involved, in previous years, in the extensive process leading to the purchase of the F-18 fighter aircrafts and of the Canadian frigates; in both cases, public bidding took place and the Canadian public knew exactly what the Government was doing. I know that, under the Conservative regime, that process was put aside on a number of occasions but I never believed that the Canadian public elected your Government to pursue that Conservative practice. I would therefore appreciate if your officials would let me have the text of the most recent Government purchasing and defence policies that would appear to favour directed contracts over public bidding.

STIKEMAN, ELLIOTT

Your letter also states that the Government's decision was mainly based on operational and cost considerations. I would appreciate to hear from your officials what other factors were taken into consideration in that decision. In addition, I would like to know how the Government could arrive at the best operational and cost decisions when Thyssen BHI (and others) were prevented from obtaining detailed specifications from the Department of Defence and from putting forward a formal bid for the project concerned.

Yours truly,

STIKEMAN, ELLIOTT

The Hon. Marc Lalonde, P.C., O.C, Q.C.

STIKEMAN, ELLIOTT
Barristers & Solicitors
Suite 3900, 1155 René-Lévesque Boulevard West
Montreal, Canada H3B 3V2
Telephone (514)397-3000 Telex 05-267316
Cable address "Taxmont" Telecopier (514)397-3222

Fax Cover Sheet

DATE: September 27, 1995 **FILE NO.:** 17780-003

TO:
NAME: Gudrun Cloutier
FIRM: THYSSEN BHI
CITY: Ottawa
FAX NO.: 613-563-7648

FROM:
NAME: Charlotte Lortie-Thibaudeau, secretary to Marc Lalonde

NOTES: Could you please direct copies of the enclosed correspondence to Messrs. Massmann, Schreiber and Alford. Thank you very much.

MESSAGE CONFIRMATION

09/27/95 12:16

DATE	TIME	S.R-TIME	DISTANT	STATION ID	MODE	PAGES	RESULT
09-27	12:12	34'42"	6135637648	10704015	53 -S	02	2 0000

STIKEMAN, ELLIOTT

BARRISTERS & SOLICITORS

40TH FLOOR

1155 RENÉ-LÉVESQUE BOULEVARD WEST

MONTREAL, CANADA H3B 3V2

TELEPHONE : (514) 397-3000

TELECOPIER : (514) 397-3222

DIRECT DIAL :

(514) 397-3080

TORONTO
OTTAWA
CALGARY
VANCOUVER
NEW YORK
WASHINGTON, D.C.
LONDON
PARIS
BUDAPEST
HONG KONG
TAIPEI

September 26, 1995

Mr. Jürgen Massmann
THYSSEN BHI
Suite 908, 350 Sparks Street
Ottawa, Ontario
K1R 7S8

Dear Jürgen :

Please find enclosed copies of the originals and translations of a letter exchange between the Prime Minister and myself concerning our favourite subject. This will not change the decision already taken but I could not let him get away with the perfunctory answer drafted by his officials.

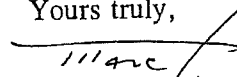
I will send you copy of any answer I will receive, if any.

I am afraid that we are unlikely to meet as frequently as we did in the last couple of years and I regret that the result of all our efforts was not more positive, but it was not because of lack of trying.

It was indeed a great pleasure to work with you and I hope that life will make our paths cross again in the future. In the meantime, I wish you all the best and, if your travels take you again to Canada, I hope that you will let me know. I will be most happy to host you in Montreal, or anywhere else.

Best personal regards.

Yours truly,



Marc Lalonde

cc: K.H. Schreiber
G. Alford

LAL00086

STIKEMAN, ELLIOTT

AVOCATS

40^e ÉTAGE

1155, BOULEVARD RENÉ-LÉVESQUE OUEST

MONTRÉAL, CANADA H3B 3V2

TÉLÉPHONE : (514) 397-3000

TÉLÉCOPIEUR : (514) 397-3222

VEUILLEZ TÉLÉPHONER :

(514) 397-3080

TORONTO
OTTAWA
CALGARY
VANCOUVER
NEW YORK
WASHINGTON, D.C.
LONDRES
PARIS
BUDAPEST
HONG KONG
TAIPEI

Le 26 septembre 1995

Le très honorable Jean Chrétien
Premier Ministre du Canada
Édifice du Parlement
Ottawa
Canada

Monsieur le Premier ministre,

Je vous remercie de votre lettre du 1er septembre dernier concernant Thyssen BHI et la décision de votre gouvernement de se procurer des transports de troupes blindés auprès de General Motors.

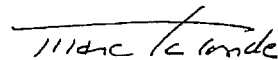
Je ne désire pas vous ennuyer avec de longs échanges de correspondance à ce sujet mais votre lettre soulève quelques questions que je me dois de relever. Vous désirez peut-être demander à vos fonctionnaires de communiquer directement avec moi à ce sujet, si vous préférez.

Votre lettre fait référence «aux politiques d'achat et défense du gouvernement fédéral». J'ai toujours cru que ces politiques étaient basées sur le principe de l'appel d'offres public, de façon à assurer non seulement la transparence dans les contrats gouvernementaux mais aussi que le gouvernement obtiendrait la meilleure valeur pour son argent. Vous vous rappellerez sans doute que nous avons l'un et l'autre participé, il y a plusieurs années, au processus élaboré qui avait mené à l'acquisition des chasseurs F-18 et des frégates canadiennes; dans les deux cas, des appels d'offres ont eu lieu et les citoyens pouvaient avoir l'assurance que l'intérêt public était protégé. Je sais que, sous le régime conservateur, ce processus a été ignoré en plusieurs occasions mais je n'ai jamais pensé que le public canadien avait élu votre gouvernement pour poursuivre cette politique du gouvernement précédent. Je vous serais donc reconnaissant si vos fonctionnaires pouvaient me faire parvenir le texte des plus récentes politiques gouvernementales qui sembleraient favoriser le recours aux contrats dirigés plutôt qu'à l'appel d'offres.

Votre lettre indique en outre que la stratégie gouvernementale d'achat «a été guidée principalement par des considérations d'ordre opérationnel et par le facteur coût». J'apprécierais connaître de la part de vos fonctionnaires quels autres facteurs ont pu intervenir dans cette stratégie. En outre, j'aimerais savoir comment le gouvernement pouvait en arriver à la meilleure décision au plan coût et opérations quand Thyssen BHI (et d'autres) se sont vus empêchés d'obtenir les spécifications détaillées du ministère de la Défense ainsi que de soumettre une offre formelle en rapport avec le projet en cause.

Je vous prie d'agréer, monsieur le Premier ministre, l'expression de ma haute considération.

STIKEMAN, ELLIOTT



L'hon. Marc Lalonde, c.p., o.c., c.r.

Mr. Karlheinz Schreiber
Chairman
BEAR HEAD INDUSTRIES LTD.
Suite 908
350 Sparks Street
Ottawa, Ontario
K1R 7S8

January 29, 1994

RE: Thyssen Project

FOR PROFESSIONAL SERVICES RENDERED and disbursements between
October 29, and December 17, 1993 in connection with the
establishment of the aforementioned project.

TO FEE		\$6,910.00
DISBURSEMENTS		\$5.20
Telephone	5.20	
GST - 7%		\$484.06
QST - 4%		\$295.97
TOTAL NOW DUE		<u>\$7,695.23</u>

/MEL
17780-003

Mr. Karlheinz Schreiber
Chairman
BEAR HEAD INVESTMENTS LTD.
350 Sparks Street
Suite 908
Ottawa, Ontario
K1R 7S8

August 24, 1994

RE : Thyssen Project
Our file: 17780-003

PROFESSIONAL SERVICES RENDERED FOR THE PERIOD FROM February
1st, 1994 to July 31, 1994 in the above-mentioned matter as
per details set forth in attached computer print-out:

Fees:	4 550,00 \$
Disbursements:	<u>52,08</u>
	4 602,08 \$
GST 7%	<u>322,15</u>
Amount due:	<u>4 924,23 \$</u>

MEL/fb
Encl.

Mr. Karlheinz Schreiber
Chairman
BEAR HEAD INDUSTRIES LTD.
350 Sparks Street
Suite 908
Ottawa, Ontario
K1R 7S8

September 1, 1994

RE: Thyssen Project

FOR PROFESSIONAL SERVICES RENDERED from the period from February 1, to July 31, 1994 including various meetings with representatives of the Department of National Defence, of Foreign Affairs, of Industry, Science and Technology, of Bear Head Industries and of Thyssen, several telephone communications with those representatives as well as with the Canadian Ambassador and the Commercial Attaché to Hungary, etc.

TO FEE	\$4,550.00
DISBURSEMENTS	\$52.08
Telephone	21.08
Telecopier	31.00
GST - 7%	\$322.15
TOTAL NOW DUE	<u>\$4,924.23</u>

/MEL
17780-003

Mr. Karlheinz Schreiber
Chairman
BEAR HEAD INDUSTRIES LTD.
Suite 908
350 Sparks Street
Ottawa, Ontario
K1R 7S8

November 20, 1994

RE: Thyssen project

FOR PROFESSIONAL SERVICES RENDERED and disbursements between August 1, and October 31, 1994 in connection with the aforementioned project.

TO FEE	\$5,200.00
DISBURSEMENTS	\$20.37
Telephone	7.37
Telecopier	13.00
GST - 7%	\$365.43
TOTAL NOW DUE	<u>\$5,585.80</u>

/MEL
17780-003

Mr. Karlheinz Schreiber
Chairman
BEAR HEAD INDUSTRIES LTD.
Suite 908
350 Sparks Street
Ottawa, Ontario
K1R 7S8

January 29, 1995

RE: Thyssen Project

FOR PROFESSIONAL SERVICES RENDERED and disbursements between November 5, 1994 and January 26, 1995 in connection with the establishment of the aforementioned project.

TO FEE	\$10,160.00
DISBURSEMENTS	\$165.16
Telephone	69.16
Telecopier	96.00
GST - 7%	\$722.76
QST - 6.5%	\$718.11
TOTAL NOW DUE	<u>\$11,766.03</u>

/MEL
17780-003

*paid.
Verified → 95-05-25
with accountancy*

Mr. Karlheinz Schreiber
Chairman
BEAR HEAD INDUSTRIES LTD.
350 Sparks Street, Suite 908
Ottawa (Ontario)
K1R 7S8

40TH FLOOR
1155 RENÉ-LÉVESQUE BOULEVARD WEST
MONTREAL H3B 3V2
(514) 397-3000

September 25, 1995

STIKEMAN, ELLIOTT

BARRISTERS & SOLICITORS

QST # 1007509720
GST # R122240773

RE: THYSSEN PROJECT
Our File : 17780-003

FOR PROFESSIONAL SERVICES RENDERED and disbursements incurred between August 2, 1995 and August 31, 1995. One charge dated August 2, 1994 related to File 16080-003, re International Resources S.A.M. is also included in this statement.

TO FEE	\$1,500.00
DISBURSEMENTS	\$599.88
Telephone	5.76
Telecopier	17.00
Travel	577.12
GST - 7%	\$146.99
TOTAL NOW DUE	<u>\$2,246.87</u>

MEL:clt

THIS ACCOUNT IS PAYABLE UPON RECEIPT.
INTEREST AT THE RATE OF 3/4% PER MONTH (9% PER ANNUM) WILL BE ADDED TO ALL ACCOUNTS AFTER 30 DAYS.

Mr Karlheinz Schreiber
Chairman
BEAR HEAD INDUSTRIES LTD.
350 Sparks Street, Suite 908
Ottawa (Ontario)
K1R 7S8

May 19, 1995

RE: THYSSEN PROJECT
Our file : 17780-003

FOR PROFESSIONAL SERVICES RENDERED between January 24, 1995 and April 27, 1995
in connection with the aforementioned project.

TO FEE	\$15,356.25
DISBURSEMENTS	\$1,183.54
Telephone	55.14
Telecopier	282.00
Postage	4.40
Travel	842.00
GST - 7%	\$1,157.79
TOTAL NOW DUE	<u>\$17,697.58</u>

MEL:clt

Mr. Karlheinz Schreiber
Chairman
BEAR HEAD INDUSTRIES LTD.
350 Sparks Street, Suite 908
Ottawa (Ontario)
K1R 7S8

40TH FLOOR
1155 RENÉ-LÉVESQUE BOULEVARD WEST
MONTREAL H3B 3V2
(514) 397-3000

June 12, 1995

STIKEMAN, ELLIOTT

BARRISTERS & SOLICITORS

QST # 1007509720
GST # R122240773

RE: THYSSEN PROJECT
Our file : 17780-003

FOR PROFESSIONAL SERVICES RENDERED and disbursements incurred between
May 10, 1995 and May 31, 1995, in connection with the aforementioned project.

TO FEE	\$975.00
DISBURSEMENTS	\$595.61
Telephone	29.31
Travel	504.30
Business meals	62.00
GST - 7%	\$109.94
TOTAL NOW DUE	<u>\$1,680.55</u>

MEL:clt

THIS ACCOUNT IS PAYABLE UPON RECEIPT.
INTEREST AT THE RATE OF 3/4% PER MONTH (9% PER ANNUM) WILL BE ADDED TO ALL ACCOUNTS AFTER 30 DAYS.

Mr. Karlheinz Schreiber
Chairman
BEAR HEAD INDUSTRIES LTD.
350 Sparks Street, Suite 908
Ottawa (Ontario) K1R 7S8

40TH FLOOR
1155 RENÉ-LÉVESQUE BOULEVARD WEST
MONTREAL H3B 3V2
(514) 397-3000

July 20, 1995

STIKEMAN, ELLIOTT

BARRISTERS & SOLICITORS

QST # 1007509720
GST # R122240773

RE: THYSSEN PROJECT
Our File : 17780-003

FOR PROFESSIONAL SERVICES RENDERED and disbursements incurred between
May 31, 1995 and June 30, 1995.

TO FEE	\$731.25
DISBURSEMENTS	\$142.95
Telephone	7.70
Telecopier	14.00
Travel	121.25
GST - 7%	\$61.19
TOTAL NOW DUE	<u>\$935.39</u>

MEL:clt

THIS ACCOUNT IS PAYABLE UPON RECEIPT.
INTEREST AT THE RATE OF 3/4% PER MONTH (9% PER ANNUM) WILL BE ADDED TO ALL ACCOUNTS AFTER 30 DAYS.

Mr. Karlheinz Schreiber
Chairman
BEAR HEAD INDUSTRIES LTD.
350 Sparks Street, Suite 908
Ottawa (Ontario)
K1R 7S8

40TH FLOOR
1155 RENÉ-LÉVESQUE BOULEVARD WEST
MONTREAL H3B 3V2
(514) 397-3000

STIKEMAN, ELLIOTT

BARRISTERS & SOLICITORS

August 21, 1995

QST # 1007509720
GST # R122240773

RE: THYSSEN PROJECT
Our File : 17780-003

FOR PROFESSIONAL SERVICES RENDERED and disbursements incurred between July 5,
1995 and July 31, 1995.

TO FEE	\$3,879.16
DISBURSEMENTS	\$44.11
Telephone	11.11
Telecopier	33.00
GST - 7%	\$274.63
TOTAL NOW DUE	<u>\$4,197.90</u>

MEL:clt

THIS ACCOUNT IS PAYABLE UPON RECEIPT.
INTEREST AT THE RATE OF 3/4% PER MONTH (9% PER ANNUM) WILL BE ADDED TO ALL ACCOUNTS AFTER 30 DAYS.