

Documents in support of Mr. Karlheinz Schreiber's testimony

KARLHEINZ SCHREIBER

INDEX

Binders #1 and #2: Bear Head Narrative

TAB	Document
1.	Selected agenda entries made by Karlheinz Schreiber (1985) <u>3rd party document</u>
2.	Letter from Winfried Haastert to Sinclair Stevens, dated July 10, 1985 Doc # AGC00081
3.	Letter from Winfried Haastert to Karlheinz Schreiber, dated October 30, 1985 (German language document & English translation) Doc # AGC00178
4.	Letter from Winfried Haastert to Karlheinz Schreiber, dated October 31, 1985 (German language document & English translation) AGC Document
5.	Certificate of Registration for "Bear Head Industries Limited" dated November 6, 1985 & Certificate of Incorporation for "Bear Head Industries Limited" dated November 6, 1985 <u>3rd party document</u>
6.	Selected agenda entries made by Karlheinz Schreiber (1986) <u>3rd party document</u>
7.	Application for opening of an account (Frank Moores) & Business card containing a handwritten note "F. Moore + B.M." <u>3rd party document</u>
8.	Selected agenda entries made by Karlheinz Schreiber (1987) <u>3rd party document</u>
9.	Letter from Greg Alford to Jaffray Wilkens, dated August 25, 1987 AGC Document
10.	Memorandum from Dr. Klenk to Winfried Haastert, dated October 14, 1987 (German language document & English translation) Doc # AGC00465
11.	Memorandum from Paul Bernier to Senator Murray, dated October 22, 1987 Attached: Draft letter from Senator Murray to the Prime Minister; Notes from a October 20 th meeting attended by Senator Murray, Elmer MacKay, Frank Moores, Paul Bernier. AGC Document
12.	Agreement between the Province of Nova Scotia and Bear Head Industries, dated October 30, 1987 <u>3rd party document</u>
13.	Letter from Giorgio Pelossi to Klaus Bax, dated November 4, 1987 (German language document & English translation); Letter from Giorgio Pelossi to Winfried Haastert (English translation) Doc # AGC00182

TAB	Document
14.	Letter from Thyssen Industries to Giorgio Pelossi, dated November 26, 1987 (German language document & English translation) <u>Doc # AGC00184</u>
15.	Letter from Karlheinz Schreiber to Senator Lowell Murray, dated December 7, 1987 <u>3rd party document</u>
16.	Letter from Giorgio Pelossi to Thyssen, dated December 24, 1987 (German language document & English translation) <u>Doc # AGC00186</u>
17.	Letter from Winfried Haastert to Giorgio Pelossi, dated December 28, 1987 <u>3rd party document</u>
18.	Verwaltungs – UND Private Bank - I.A.L. banking document, dated December 12, 1987) <u>3rd party document</u>
19.	Letter from Giorgio Pelossi to Fraser Flegenwald, dated March 14, 1996. Attached handwritten notes providing a breakdown of the \$1,900,000 payment made by Thyssen. <u>AGC Document</u>
20.	Selected agenda entries made by Karlheinz Schreiber (1988) <u>3rd party document</u>
21.	Minutes – Thyssen Meeting, dated February 1, 1988 <u>Doc # AGC00095</u>
22.	Industrial Investment Proposal to The Government of Canada through the Atlantic Canada opportunities Agency, dated March 21, 1988 <u>AGC Document</u>
23.	Memorandum from Wynne Potter to Don McPhail, dated March 22, 1988 <u>AGC Document</u>
24.	Letter from Karlheinz Schreiber to D.S. McPhail, dated June 24, 1988 <u>3rd party document</u>
25.	Memorandum from W. Potter to D.S. McPhail, dated July 6, 1988 <u>Doc # AGC00010</u>
26.	Memorandum from D.S. McPhail to Lowell Murray, dated July 15, 1988 <u>Doc # AGC00288</u>
27.	Memorandum from John McDowell to D.S. McPhail, dated July 20, 1988 <u>Doc # AGC00289</u>
28.	Memorandum from Wynne Potter to D.S. McPhail, dated August 31, 1988 <u>Doc # AGC00195</u>
29	Letter from Don McPhail to Karlheinz Schreiber, dated August 31, 1988 <u>AGC Document</u>
30.	Memorandum the “Thyssen Affair, Status 10 Sep 88” <u>AGC Document</u>
31.	Aide Memoire, dated September 19, 1988 <u>3rd party document</u>
32.	Memorandum from John McDowell to file, dated September 26, 1988 (Attached: Letter from Lowell Murray to Karlheinz Schreiber, dated September 23, 1988) <u>Doc # AGC00101</u>
33.	Understanding in Principle, dated September 27, 1988 <u>3rd party document</u>
34.	I.A.L. Invoice, dated October 4, 1988 <u>3rd party document</u>

TAB	Document
35.	Letter from Juergen Massmann to Donald McPhail, dated October 20, 1988 <u>AGC Document</u>
36.	Invoice dated October 20, 1988 from Bitucan to Merkur Handels; Invoice #119 dated November 2, 1988 from FDCI to Bitucan, attention Karlheinz Schreiber; Invoice dated November 2, 1988 from Doucet & Associates to Bitucan; Invoice dated November 8, 1988 from Frank & Beth Moores to Bitucan; Invoice dated November 10, 1988 from GCI to Bitucan; Invoice dated November 15, 1988 from Lemoine Consultants Inc. to Bitucan <u>3rd party document</u>
37.	Verwaltungs – UND Private Bank - I.A.L. banking document, dated October 26, 1987 <u>3rd party document</u>
38.	Memorandum from Wynne Potter to Donald McPhail, dated November 2, 1988 <u>AGC Document</u>
39.	Loan agreement between Thyssen and I.A.L., dated December 19, 1988 (German language document) <u>3rd party document</u>
40.	Thyssen Bear Head costs, undated <u>Doc # AGC00270</u>
41.	Memorandum from Vice President ACOA to Donald McPhail, dated May 1, 1989 <u>AGC Document</u>
42.	Invoice dated May 17, 1989 from Frank & Beth Moores to Bitucan <u>3rd party document</u>
43.	Letter from Juergen Massmann to Karlheinz Schreiber, dated July 19, 1989 <u>3rd party document</u>
44.	Memorandum from John McDowell to file, dated July 20, 1989 <u>AGC Document</u>
45.	Letter from Bill McKnight to Juergen Massmann, dated September 21, 1989 <u>3rd party document</u>
46.	Letter from Greg Alford to Karlheinz Schreiber, dated September 28, 1989 <u>3rd party document</u>
47.	Letter from Karlheinz Schreiber to Elmer MacKay, dated November 28, 1989 <u>3rd party document</u>
48.	Selected agenda entries made by Karlheinz Schreiber (1990) <u>3rd party document</u>
49.	Memorandum from Peter Lesaux to Elmer Mackay, dated January 4, 1990 <u>Doc # AGC00266</u>
50.	Letter from Bill McKnight to Karlheinz Schreiber, dated January 25, 1990 <u>3rd party document</u>
51.	Summary Record of Discussions, meeting with Thyssen, dated February 5, 1990 <u>AGC Document</u>
52.	Letter from Karlheinz Schreiber to Robert Fowler, dated February 13, 1990 <u>Doc # AGC00306</u>
53.	Letter from Karlheinz Schreiber to Elmer MacKay, dated March 13, 1990 <u>3rd party document</u>
54.	Letter from Bill McKnight to Stanley Hartt, dated March 22, 1990 <u>Doc # AGC00484</u>
55.	Letter from Karlheinz Schreiber to Paul Tellier, dated July 6, 1990 <u>3rd party document</u>

TAB	Document
56.	Letter from R.W. Truxell to Juergen Massmann, dated July 18, 1990 <u>3rd party document</u>
57.	Letter from Karlheinz Schreiber to Brian Mulroney, dated August 27, 1990 <u>3rd party document</u>
58.	Letter from Karlheinz Schreiber to Bill McKnight, dated October 10, 1990 <u>3rd party document</u>
59.	Letter from Karlheinz Schreiber to Brian Mulroney, dated October 10, 1990 <u>3rd party document</u>
60.	Memorandum of Understanding, dated November 1990 Doc # AGC00406
61.	Letter from Karlheinz Schreiber to Norman Spector, dated November 9, 1990 <u>3rd party document</u>
62.	Memorandum from John McDowell to Wynne Potter, dated November 28, 1990 Doc # AGC00205
63.	Memorandum from Paul Tellier to Norman Spector, dated December 10, 1990 Doc # AGC00808
64.	Letter from Karlheinz Schreiber to Peter Smith, dated December 11, 1990 Doc # AGC00113
65.	Letter from J.A. Doucet to Paul Tellier, dated April 12, 1991 AGC Document
66.	Memorandum of Understanding, dated April 9, 1991 AGC Document
67.	Selected agenda entries made by Karlheinz Schreiber (1991) <u>3rd party document</u>
67 (a)	Letter from Karlheinz Schreiber to Brian Mulroney, dated April 19, 1991 <u>3rd party document</u>
68.	Memorandum from William Rowat to Paul Tellier, dated April 17, 1991 AGC Document
69.	Letter from Karlheinz Schreiber to Paul Tellier, dated May 7, 1991 Doc # AGC00026
70.	Letter from Karlheinz Schreiber to Brian Mulroney, dated May 9, 1991 <u>3rd party document</u>
71.	Letter from Karlheinz Schreiber to John Crosbie, dated May 9, 1991 <u>3rd party document</u>
72.	Fax from Fred Doucet to Karlheinz Schreiber, dated May 9, 1991. Fax consists of a letter from J.A Doucet to Paul Tellier, dated May 9, 1991 <u>3rd party document</u>
73.	Letter from Paul Tellier to Karlheinz Schreiber, dated May 17, 1991 <u>3rd party document</u>
74.	Letter from Karlheinz Schreiber to Fred Doucet, dated July 1, 1991 <u>3rd party document</u>
74(a)	Letter from Karlheinz Schreiber to Michael Wilson, dated August 21, 1991 <u>3rd party document</u> & Fax from Roy Sherwood to Leah Clark, dated June 20, 1992 AGC document
74(b)	Letter from Don Cameron to Karlheinz Schreiber, dated August 23, 1991 <u>3rd party document</u>
75.	Selected agenda entries made by Karlheinz Schreiber (1992) <u>3rd party document</u>

TAB	Document
76.	National Defence News Release, dated April 7, 1992 <u>3rd party document</u>
77.	Letter from Fred Doucet to Karlheinz Schreiber, dated April 19, 1992 <u>3rd party document</u>
78.	Letter from Karlheinz Schreiber to Brian Mulroney, dated May 6, 1992 <u>3rd party document</u>
79.	Letter from Karlheinz Schreiber to Brian Mulroney, dated May 13, 1992 <u>3rd party document</u>
80.	Letter from Karlheinz Schreiber to Marcel Masse, dated May 13, 1992 <u>3rd party document</u>
81.	Letter from Karlheinz Schreiber to Brian Mulroney, dated May 22, 1992 <u>3rd party document</u>
82.	Memorandum from Paul Tellier for the Prime Minister, dated June 24, 1992 <u>Doc # AGC00811</u>
83.	Letter from Hugh Segal to Karlheinz Schreiber, dated July 28, 1992 <u>Doc # AGC00119</u>
84.	Letter from J.A. Doucet to Karlheinz Schreiber, dated August 27, 1992 <u>3rd party document</u>
85.	Letter from Benoit Bouchard to Karlheinz Schreiber, dated September 25, 1992 <u>3rd party document</u>
86.	Letter from Karlheinz Schreiber to Brian Mulroney, dated December 3, 1992 <u>3rd party document</u>
87.	Fiscal Office for Group Tax Audit, Dusseldorf, memorandum regarding the Bear Head Project dated December 14, 1992 (German language document & English translation) <u>3rd party document</u>
88.	Selected agenda entries made by Karlheinz Schreiber (1993) <u>3rd party document</u>
89.	Letter from Karlheinz Schreiber to Brian Mulroney, dated March 16, 1993 <u>3rd party document</u>
90.	Letter from Karlheinz Schreiber to Kim Campbell, dated March 24, 1993 <u>3rd party document</u>
91.	Legal opinion provided to Thyssen BHI re Bear Head Industries, dated April 13, 1993. <u>3rd party document</u>
92.	Statement of Claim, Bear Head Industries Ltd. and Thyssen Industrie Henschel AG (Plaintiffs) – and – Her Majesty the Queen in Right of Canada, the Attorney General of Canada, William McKnight and Marcel Masse (Defendants), dated August 20, 1993. <u>3rd party document</u>
93.	Thyssen Project in Canada, dated August 26, 1993 <u>3rd party document</u>
94.	Note regarding BHI (Thyssen)'s proposal to locate in Montreal East, dated September 9, 1993 <u>Doc # AGC00046</u>
95.	Memorandum from Helmut Zankl to file, dated September 9, 1993 <u>Doc # AGC00208</u>

TAB	Document
96.	Minutes from a meeting between Thyssen BHI and Canadian Government Departments, dated September 17, 1993 <u>Doc # AGC00410</u>
97.	Message slip from Fred Doucet's office to Karlheinz Schreiber, dated December 14, 1993 <u>3rd party document</u>
98.	Selected agenda entries made by Karlheinz Schreiber (1994) <u>3rd party document</u>
99.	Memorandum from Greg Alford to Karlheinz Schreiber, Klaus Sonneck, Marc Lalonde and Jack Vance, dated June 3, 1994 <u>3rd party document</u>
100.	Memorandum from Greg Alford to Juergen Massmann, cc: Karlheinz Schreiber, Marc Lalonde, Jack Vance, Ian Reid, dated July 19, 1994. <u>3rd party document</u>
101.	Memorandum from Greg Alford to Juergen Massmann, Karlheinz Schreiber, Jack Vance, Marc Lalonde, dated December 1, 1994 <u>3rd party document</u>
102.	Fax from Fred Doucet to Francine Colin, dated December 5, 1994 (Attached: Memorandum from Greg Alford to Fred Doucet, dated December 1, 1994) <u>3rd party document</u>
103.	Letter from Greg Alford to David Collenette, dated December 14, 1994 <u>3rd party document</u>
104.	Letter from Karlheinz Schreiber to Allan MacEachen, dated December 28, 1994 <u>3rd party document</u>
105.	Letter from Greg Alford to Karlheinz Schreiber, dated March 27, 1995 <u>3rd party document</u>
106.	Fax from Greg Alford to Marc Lalonde, dated March 28, 1995 <u>3rd party document</u>
107.	Letter from Juergen Massmann to David Collenette, dated April 18, 1995 <u>3rd party document</u>
108.	Fax from Marc Lalonde to Greg Alford, dated June 8, 1995 <u>3rd party document</u>
109.	Fax from Karlheinz Schreiber to Marc Lalonde, dated June 13, 1995 <u>3rd party document</u>
110.	Letter from Greg Alford to Juergen Massmann, Thyssen Henschel, Kassel, Karlheinz Schreiber and Kaufering, dated July 10, 1995 <u>3rd party document</u>
111.	Fax from Ian Reid to Jurgan Massmann, Karlheinz Schreiber, dated August 16, 1995 <u>3rd party document</u>
112.	Juergen Massmann & Karlheinz Schreiber resignation forms <u>3rd party document</u>
113.	Letter from David Collenette to Marc Lalonde, dated September 26, 1995 <u>3rd party document</u>
114.	Letter from Marc Lalonde to Jurgan Massmann, dated September 26, 1995 <u>3rd party document</u>
115.	Articles of Continuance Bear Head Industries, dated September 26, 1995 <u>AGC Document</u>
116.	Letter of Request, dated September 29, 1995 <u>3rd party document</u>

TAB	Document
117.	Thyssen Industrie Press Information, dated November 24, 1995 & Letter from Wewers & Dr. Joussem to Allan Rock, dated November 24, 1995 <u>3rd party document</u>
118.	Letter from Karlheinz Schreiber to Frank Moores, dated December 27, 1995 Doc # AGC00212
119.	Bear Head Industries Limited articles of dissolution, dated September 26, 1996 <u>3rd party document</u>
120.	Letter from Elmer MacKay to Commissioner Murray, dated January 27, 1997 <u>3rd party document</u>
121.	Letter from Elmer MacKay to Commissioner Murray, dated August 27, 1997 <u>3rd party document</u>
122.	Selected agenda entries made by Karlheinz Schreiber (1998) <u>3rd party document</u>
123.	Emails from/to Karlheinz Schreiber & Savoy <u>3rd party document</u>
124.	Memorandum to file made by Fred Doucet, dated October 28, 1999 (typed version included) <u>3rd party document</u>
125.	Memorandum to file made by Fred Doucet, dated December 26, 1999 (typed version included) <u>3rd party document</u>
126.	Memorandum to file made by Fred Doucet, dated January 11, 2000 (typed version included) <u>3rd party document</u>
127.	Letter from Robert Hladun to Edward Greenspan, dated January 26, 2000 <u>3rd party document</u>
128.	Mandate (3 copies) <u>3rd party document</u>
129.	Memorandum to file made by Fred Doucet, dated August 27, 2000
130.	Letter from Karlheinz Schreiber to Brian Mulroney, dated January 14, 2004 <u>3rd party document</u>
131.	Letter from Karlheinz Schreiber to Brian Mulroney, dated January 25, 2004 <u>3rd party document</u>
132.	Letter from Karlheinz Schreiber to Brian Mulroney, dated July 2004 <u>3rd party document</u>
133.	Letter from Karlheinz Schreiber to Brian Mulroney, dated July 22, 2004 <u>3rd party document</u>
134.	Letter from Elmer MacKay to Commissioner Zaccardelli, dated February 2, 2005 <u>3rd party document</u>
135.	Letter from Robert Hladun to Daniel Henry, dated March 17, 2005 <u>3rd party document</u>
136.	Proposed letter sent from Elmer MacKay to Karlheinz Schreiber, dated June 25, 2006 <u>3rd party document</u>
137.	Letter from Karlheinz Schreiber to Brian Mulroney, dated July 20, 2006 <u>3rd party document</u>
138.	Letter from Karlheinz Schreiber to Brian Mulroney, dated August 23, 2006 <u>3rd party document</u>
139.	Letter from Karlheinz Schreiber to Brian Mulroney, dated February 20, 2007 <u>3rd party document</u>

TAB	Document
140.	Letter from Karlheinz Schreiber to Brian Mulrone, dated May 8, 2007 <u>3rd party document</u>
141.	Affidavit of Karlheinz Schreiber, dated November 7, 2007 <u>3rd party document</u>
142.	Letter from Karlheinz Schreiber to Paul Szabo, dated March 3, 2008 <u>3rd party document</u>
143.	Articles of incorporation (Reto), dated July 24, 1997
144.	Articles of incorporation (Reto), dated July 25, 2000
145.(a)	Contacts/Phone numbers - Karlheinz Schreiber agenda (1985) <u>3rd party document</u>
145(b)	Contacts/Phone numbers - Karlheinz Schreiber agenda (1986) <u>3rd party document</u>
145(c)	Contacts/Phone numbers - Karlheinz Schreiber agenda (1987) <u>3rd party document</u>
145(d)	Contacts/Phone numbers - Karlheinz Schreiber agenda (1988) <u>3rd party document</u>
145(e)	Contacts/Phone numbers - Karlheinz Schreiber agenda (1989) <u>3rd party document</u>
145(f)	Contacts/Phone numbers - Karlheinz Schreiber agenda (1990) <u>3rd party document</u>
145(g)	Contacts/Phone numbers - Karlheinz Schreiber agenda (1991) <u>3rd party document</u>
145(h)	Contacts/Phone numbers - Karlheinz Schreiber agenda (1992) <u>3rd party document</u>
145(i)	Contacts/Phone numbers - Karlheinz Schreiber agenda (1993) <u>3rd party document</u>
145(j)	Contacts/Phone numbers - Karlheinz Schreiber agenda (1994) <u>3rd party document</u>
145(k)	Contacts/Phone numbers - Karlheinz Schreiber agenda (1995) <u>3rd party document</u>
145(l)	Contacts/Phone numbers - Karlheinz Schreiber agenda (1996) <u>3rd party document</u>
145(m)	Contacts/Phone numbers - Karlheinz Schreiber agenda (1997) <u>3rd party document</u>
145(n)	Contacts/Phone numbers - Karlheinz Schreiber agenda (1998) <u>3rd party document</u>
146(a)	Selected agenda entries made by Karlheinz Schreiber (1985) <u>3rd party document</u>
146(b)	Selected agenda entries made by Karlheinz Schreiber (1986) <u>3rd party document</u>
146(c)	Selected agenda entries made by Karlheinz Schreiber (1987) <u>3rd party document</u>
146(d)	Selected agenda entries made by Karlheinz Schreiber (1988) <u>3rd party document</u>
146(e)	Selected agenda entries made by Karlheinz Schreiber (1989) <u>3rd party document</u>
146(f)	Selected agenda entries made by Karlheinz Schreiber (1990) <u>3rd party document</u>

TAB	Document
146(g)	Selected agenda entries made by Karlheinz Schreiber (1991) <u>3rd party document</u>
146(h)	Selected agenda entries made by Karlheinz Schreiber (1992) <u>3rd party document</u>
146(i)	Selected agenda entries made by Karlheinz Schreiber (1993) <u>3rd party document</u>
146(j)	Selected agenda entries made by Karlheinz Schreiber (1994) <u>3rd party document</u>
146(k)	Selected agenda entries made by Karlheinz Schreiber (1995) <u>3rd party document</u>
146(l)	Selected agenda entries made by Karlheinz Schreiber (1996) <u>3rd party document</u>
146(m)	Selected agenda entries made by Karlheinz Schreiber (1997) <u>3rd party document</u>
146(n)	Selected agenda entries made by Karlheinz Schreiber (1998) <u>3rd party document</u>
147(a)	Selected agenda entries made by Karlheinz Schreiber (1993) <u>3rd party document</u>
147(b)	Selected agenda entries made by Karlheinz Schreiber (1994) <u>3rd party document</u>
147(c)	Selected agenda entries made by Karlheinz Schreiber (1995) <u>3rd party document</u>
147(d)	Selected agenda entries made by Karlheinz Schreiber (1996) <u>3rd party document</u>

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Harold Fyler

van der Meer ...

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Max Rein & Baur

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BOS Mrs Amey

MLE Amey

Reg Bibean Markt

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DIP.-VOLKSW. WINFRIED HAASTERT
MITGLIED DES VORSTANDES
THYSSEN INDUSTRIE AKTIENGESELLSCHAFT

STRICTLY CONFIDENTIAL

July 10, 1985

Honourable Sinclair Stevens
Minister of Industrial Expansion
Room 426N, Centre Block
House of Commons
Ottawa, Ontario
K1A 0H6

Dear Minister:

RE: Proposed New Industry in Cape Breton

I appreciate very much the opportunity you have provided me to twice meet with you in the last three months and additionally to have met on an intermediate occasion with my associate, Mr. Karlheinz Schreiber. Also, I thank you for the assistance of your officials throughout. The overall co-operation and response from both the Government of Canada and Nova Scotia has been encouraging to Thyssen.

I wrote you on June 3rd past. Thyssen is now in a position to be more specific and wishes, through this letter, to do so.

Thyssen Industrie AG proposes to establish at Bear Head at the Strait of Canso in Nova Scotia an export oriented manufacturing complex to produce a wide range of wheeled and tracked vehicles for both military and civilian use. It is important to emphasize on the defense side that Thyssen is not a producer of ammunitions or weapons. The civilian aspects would include containers, machinery, offshore oil and gas

- 2 -

components, etc. Our proposed Canadian industrial plants would produce vehicles which represent the latest state of hardware and software technology including standardized logistics and make appropriate use, particularly in the initial phases, of the worldwide sales network of the Thyssen family of companies.

Thyssen envisages this project to produce approximately two thousand permanent jobs within five years commencing with an assembly plant employing about two hundred and fifty people.

Our project will also create important new business opportunities for Canadian goods and services. For example, our visits to Cape Breton have alerted us to the opportunities for Sydney Steel which will arise from our plants. A further example is the benefit to the new Mercedes Benz plant in British Columbia inasmuch as their plant would produce components which we would initially require. In fact, most Thyssen vehicles are already equipped with power packages from Daimler Benz in their standardized version.

The approximate capital investment, exclusive of land and infrastructure, will exceed \$100 million Canadian of which about \$30 million will be expended initially for the first phase, i.e. the assembly plant employing 250 people.

Thyssen's land requirements are as shown in red on the attached map. Additionally the remainder of the Bear Head lands is required to be designated as a "Free Zone", or its equivalent, in which Thyssen can also participate.

The infrastructure requirements would consist of the following:

- 3 -

- (a) A dock, which would be of a common user nature, strategically located to service Thyssen's needs (this is part of the original Strait of Canso Superportplan);
- (b) Rail siding connectors;
- (c) Access to electrical power ON site;
- (d) Water and sewage;
- (e) Roads;
- (f) Employee training.

Thyssen is attracted to Cape Breton partly because of the tax incentives and other benefits which it believes are available at the Strait of Canso from federal and provincial sources, and which must be detailed and confirmed.

The sine qua non of the project is the necessary export approvals for Thyssen's defense products to specified countries. Thyssen requests only similar licensing approvals now available to those of the United States, Great Britain, ~~Italy and France~~. Without this, there can be no project.

This is a unique opportunity for Canada to generate new and substantial industrial activity. The alternative is for Thyssen to locate this manufacturing capacity elsewhere (the previous plan was to locate in the U.S.) to serve its formidable market opportunities. We believe that the timing of the proposal is opportune, given our sense that the Government of Canada has indicated its desire of participating in the United States military opportunities. Specifically, we note that United States interests has already been evoked for the wheeled vehicles produced by Thyssen.

- 4 -

97

Canada and Cape Breton have appeal for Thyssen; we hope Thyssen will be appealing to Canada and Cape Breton.

Thyssen is prepared to move quickly to establish this industry subject to its final Board approvals and the prior successful negotiation of the items delineated in this letter.

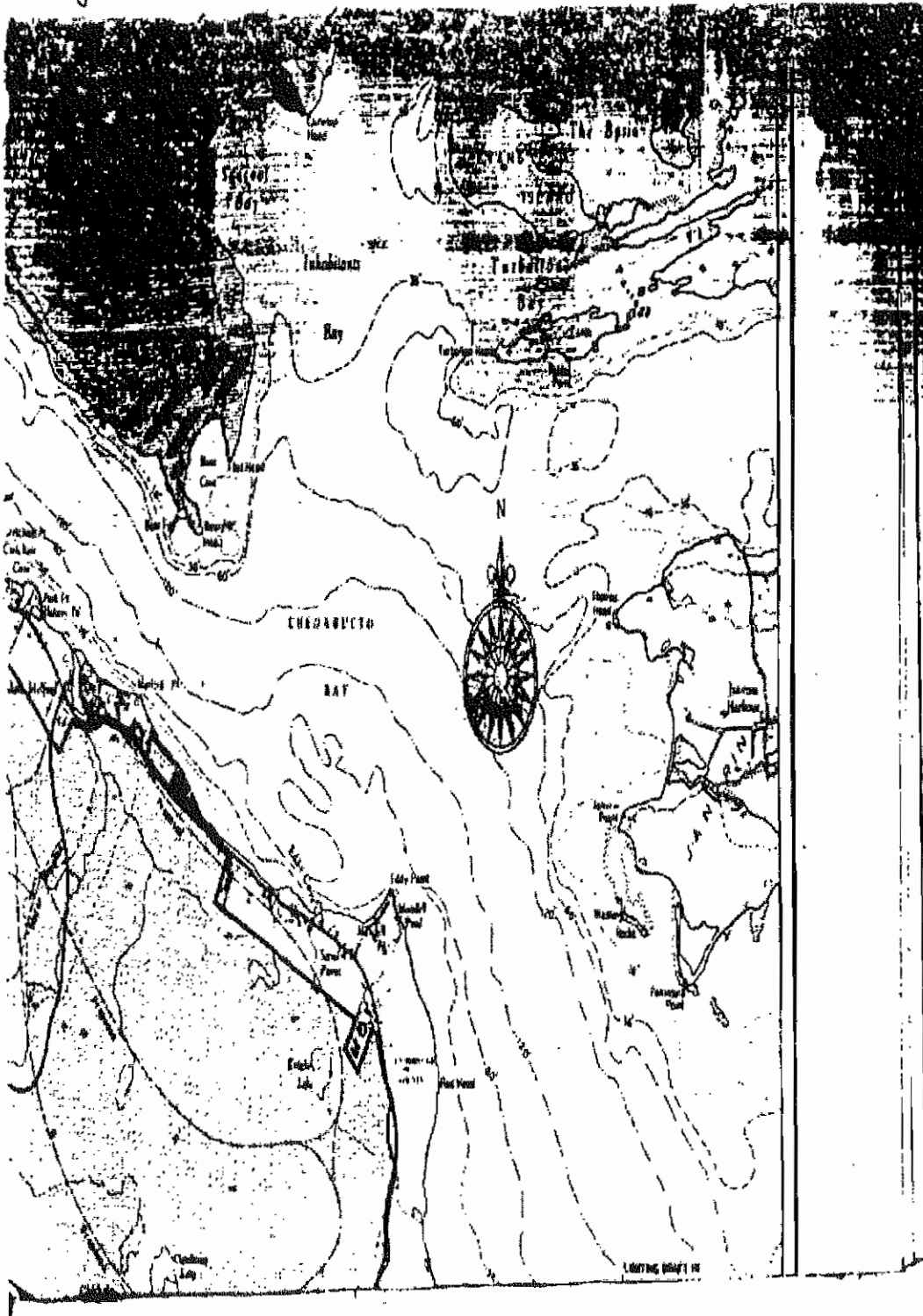
Time is of the essence. Thyssen awaits your response.

Yours faithfully,

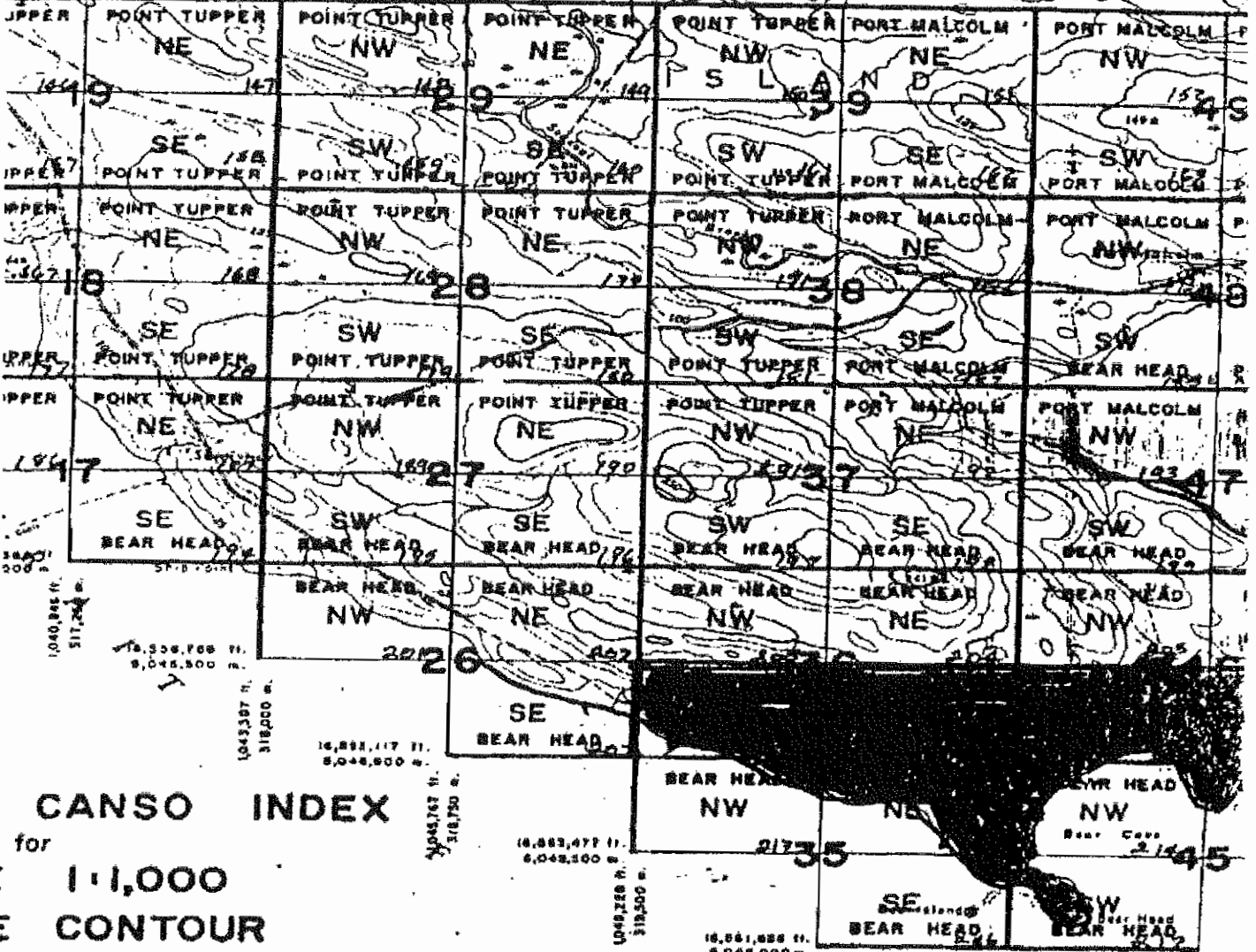


cc: Hon. Ronald Thornhill
Minister of Development
Environment of Nova Scotia

98



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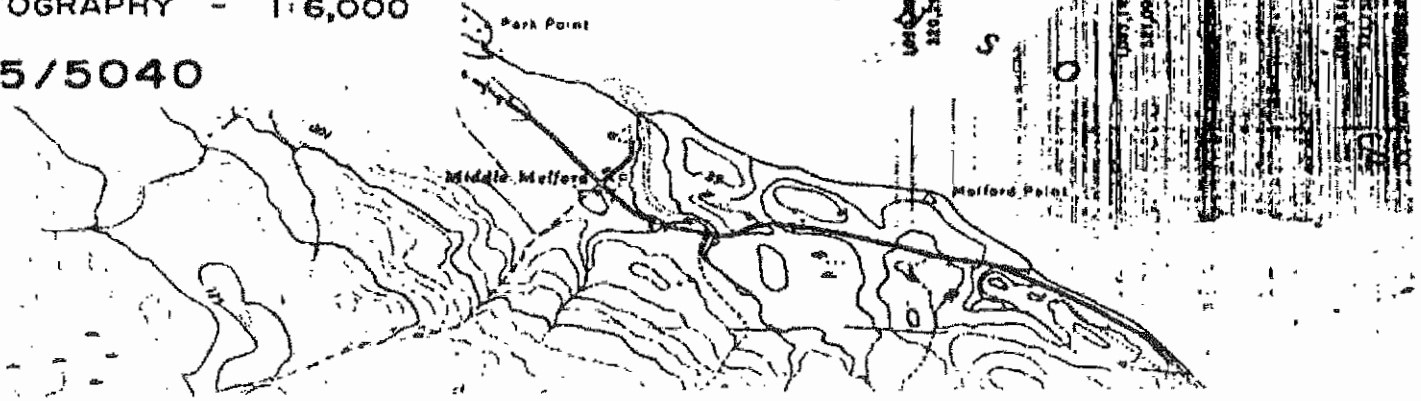
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CONTOUR

TOPOGRAPHY - JUNE, 1973

TOPOGRAPHY - 1:6,000

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SUPERText



RCMP "A" DIVISION COMMERCIAL CRIME

File: A102
95A-517

EXHIBIT INFORMATION

DATE OBTAINED: _____

Obtained By: _____

Exhibit No.: _____

Item No.: _____

Location: _____

DOCUMENT CATEGORIZATION

Document Type: _____

Original: Yes _____ No

COMMENTS Airbus contract 10 11

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Clone: 1745A - 1748-A - 1749-A - 1751-A - 1755-A -
1756 - 1758 - ~~1759~~ - 1764-A - 1770-A - 1773 -
1780 -

1747A

WINFRIED HAASTERT, Economist
Member of the Board of Directors
Thyssen Industries Ltd.
70

Zig...
(60-62)
4300 Essen 1
Am Thyssenhaus 1
Tel. (0201) 106 30

30 October 1977

Mr. Karlheinz Schreiber
Lechstraße 22
8912 Kaufering

Thyssen-Bear Head Project, Canada
Your letter of 21 October 1985

Dear Mr. Schreiber,

I received your kind letter of 21.10.85 concerning the above matter and comment as follows:

1. Establishing a company in Canada

A unanimous opinion has not yet been reached on our possibly establishing a company, especially not in regard to the company name. This not only entails considerations concerning an acquisition, but above all legal considerations.

Our initial address in Canada is as follows:

Rainer Wollmann
Thyssen Marine
10th floor, Suite 1003
GILLIN Building
141 Laurier Avenue West
Ottawa, Ontario
K1P 5J3

2. We welcome the activities on the part of the Canadians to obtain tender documents from the US Defence Department. We have meanwhile also increased our contacts with the USA and will have to determine without delay how we want to settle the representation matter outside of the projects which are possibly to be carried out by Bear Head.

- 2 -

3. Procuring orders from Saudi Arabia

According to my information, a decision on the Gulf Region is expected to come out of Bonn shortly, or else it will be postponed, at least until after the next [German] parliamentary elections. Furthermore -- as seen in the enclosed press release -- Saudi Arabia is trying hard to find other possible suppliers.

Added to this is the fact that Argentina, according to its own official explanation, is now pushing itself onto the export market, and has asked us to increase our current level of cooperation (see press release).

4. Bitucan Contract

As I already told you in this connection when a copy of the text of the contract was handed over in Canada, this concerns a temporary draft which has not yet been authorized by our company. However, I hope you can accept the clarification of the text which we have meanwhile made at our end; I shall discuss this with you next time we meet.

5. Bitucan Consultation Fee

In the next few days we will transfer a down payment on the fee in the amount of Can. \$ 30,000.--. This fee corresponds to the monthly fee of Can.\$6,000.-- quoted to me for another similar consultation. The fee is thus based on a 5-month consultation period and can be credited to commissions which may have to be paid at a later time.

6. Agreement with I.A.L. Liechtenstein

In the event that a contract is signed between Thyssen Industries Ltd. and the Nova Scotia Provincial Government for the construction of a plant on Bear Head Island, assurance is given for a one-time refund of Can. \$ 4 million provided the provincial government fulfils the agreed conditions which you again mentioned in your above-noted letter. I have not yet been informed by an official office that they will fulfil these conditions. Nor do I have a duly authorized letter in hand yet.

- 3 -

Furthermore, we again received an inquiry last week from Mr. Zankl, Government of Canada, Regional Industrial Expansion, asking us to send him documentation on our vehicle project and the planned layout. Mr. Zankl told me he is working on behalf of the Foreign Ministry on an appropriate submission. I didn't particularly get the impression that we could expect to receive the corresponding approval from the Canadian Government in the next little while.

As an interim solution, we are interested in the possibility of completing a smaller order at Hawker Siddeley in Nova Scotia, if need be. In that case, however, the vehicles for Bahrain which I mentioned at the time would probably not be under consideration anymore, since the German government has meanwhile given partial approval and has announced a positive decision for the remainder.

I would be happy to discuss further details concerning the above items with you at our next meeting.

Sincerely,
[signature]

Enclosures

DIPL.-VOLKSW. WINFRIED HAASSTERT
MITGLIED DES VORSTANDES
THYSSEN INDUSTRIE AKTIENGESELLSCHAFT

4300 ESSEN 1, den 30. Oktober 1985
AM THYSSENHAUS 1
FERNRUF. (02 01) 1 06 30 70

Herrn
Karlheinz Schreiber
Lechstraße 22
3912 Kaufering

Thyssen-Projekt Bear Head, Canada
Ihr Schreiben vom 21. Oktober 1985

Sehr geehrter Herr Schreiber,

zu obiger Angelegenheit habe ich Ihr freundliches Schreiben vom 21.10.85 erhalten und nehme dazu wie folgt Stellung:

1. Firmengründung in Kanada

Über die mögliche Firmengründung durch uns, insbesondere über den Firmennamen, besteht noch keine einheitliche Meinung. Hier geht es nicht nur um akquisitorische, sondern vor allem auch um rechtliche Überlegungen.

Unsere Anlaufadresse in Kanada ist:

Rainer Wollmann
Thyssen Marine
10th floor, Suite 1003
GILLIN-Building
141, Laurier Avenue West
Ottawa/Ontario
K1P5J3

- 2. Wir begrüßen die Aktivitäten von kanadischer Seite, an Ausschreibungsunterlagen des Verteidigungsministeriums der USA zu gelangen. Wir haben inzwischen ebenfalls unsere Kontakte nach USA intensiviert und werden umgehend festlegen müssen, wie wir die Vertretung außerhalb der gegebenenfalls über Bear Head abzuwickelnden Projekte regeln wollen.

- 2 -

5. Auftragsbeschaffung aus Saudi-Arabien

Nach meinen Informationen ist in Bonn entweder eine Entscheidung zur Golf-Region unmittelbar zu erwarten, oder sie wird zumindest bis nach der Bundestagswahl verschoben. Im übrigen - wie beiliegende Presse-Kopie zeigt - bemüht sich Saudi-Arabien intensiv auch um andere Bezugsmöglichkeiten.

Hinzu kommt, daß Argentinien nach offiziellen eigenen Erklärungen nunmehr in den Export-Markt drängt und uns dabei um Intensivierung unserer bisherigen Kooperation gebeten hat (s. Presse-Kopien).

6. Bitucan-Vertrag

Wie ich Ihnen hierzu anläßlich der Überreichung der Kopie des Vertragstextes in Kanada schon sagte, handelt es sich um einen vorläufigen und in unserem Hause noch nicht autorisierten Entwurf. Ich hoffe aber, daß Sie die zwischenzeitlich auf unserer Seite bestehenden Klarstellungen im Vertragstext akzeptieren können und werde mich bei unserem nächsten Treffen mit Ihnen darüber unterhalten.

7. Beratungshonorar Bitucan

Die Abschlagszahlung auf das Honorar in Höhe von Can. \$ 30.000,- werden wir in den nächsten Tagen überweisen. Dieses Honorar entspricht dem mir genannten Monatshonorarsatz von Can. \$ 6.000,- für eine andere gleichgelagerte Beratung. Das Honorar geht daher von einer bisher 5monatigen Beratung aus und ist bei eventuell später zu zahlenden Provisionen anrechenbar.

8. Vereinbarung mit I.A.L., Liechtenstein

Im Falle eines Vertragsabschlusses zwischen Thyssen Industrie AG und der Provinzregierung von Nova Scotia über den Bau eines Werkes in Bear Head Island ist eine einmalige Vergütung von Can. \$ 4 Mio. zugesagt, sofern die Provinzregierung die vereinbarten und von Ihnen in Ihrem obigen Schreiben nochmals genannten Voraussetzungen erfüllt. Mir gegenüber hat eine offizielle Stelle bisher noch nicht erklärt, daß sie diese Voraussetzungen erfüllen wird. Ein entsprechend autorisiertes Schreiben liegt mir ebenfalls noch nicht vor.

Im übrigen ging in der letzten Woche eine erneute Anfrage von Herrn Zankl, Government of Canada, Regional Industrial Expansion, ein mit der Bitte, ihm Unterlagen über unser Fahrzeug-Programm und das geplante lay out zu übersenden. Herr Zankl sagte mir, er arbeite im Auftrage des Außenministeriums an einer entsprechenden Vorlage. Dies hat bei mir weniger den Eindruck vermittelt, daß wir schon in Kürze mit den entsprechenden Zusagen der kanadischen Regierung rechnen können.

- 2 -

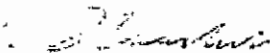
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- 3 -

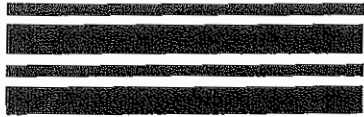
Für uns ist die Möglichkeit interessant, als Interimslösung bei Hawker Siddeley in Nova Scotia gegebenenfalls einen kleineren Auftrag abzuwickeln. Hierfür kommen aber die von mir seinerzeit genannten Fahrzeuge für Bahrain kaum noch in Betracht, da die Bundesregierung zwischenzeitlich eine Teilgenehmigung erteilt und für den Rest eine positive Entscheidung angekündigt hat.

Nähere Einzelheiten zu obigen Punkten können wir gern bei unserer nächsten Zusammenkunft besprechen.

Freundlichen Grüßen



11/19/98



SUPERText



RCMP "A" DIVISION COMMERCIAL CRIME

File: A102
95A-517

EXHIBIT INFORMATION

DATE OBTAINED: 97-02-13
 Obtained By: Sgt. Claude Dinet
 Exhibit No.: 95-27
 Item No.: 32
 Location: Milan, Italie

DOCUMENT CATEGORIZATION

Document Type: _____

Original: Yes _____ No

COMMENTS Documents voluntarily given
to Sgt. Dinet by Dionisio Plesani
in Milan, Italie (RE: Bitman & others)

docs: 4 - 11 - 12 - 13 - 17 - 19 - 21 - 22 - 23 -
26 - 32 - 35 - 37 - 41 - 44 - 48 - 52 -
55 - 58 - 59 - 61 - 64 - 68 - 69 - 70 - 72.

Dipl.-Volks. Winfried Haastert
Director
THYSSEN INDUSTRIE AKTIENGESELLSCHAFT

4300 Essen 1, 31 October 1987
Am Thyssenhaus 1
Tel.: (0201) 1 06 30 70

Bitucan Holdings Ltd.
3270 - 700 2nd Street S.W.
Calgary, Alberta, Canada
att.: Karl Heinz Schreiber, President

Representative for Military Products

Dear Mr. Schreiber,

We refer to the various talks held with you concerning the above matter and herewith authorize, pursuant to the following terms, Bitucan Holdings Ltd. (referred to here as "**Bitucan**") to act as the agent of Thyssen Industrie AG (referred to here as "**Thyssen**") in transactions involving military products.

Concluding transactions or entering into any other obligations for "**Thyssen**", unless previously agreed upon in writing, is not covered by this power of attorney.

"**Bitucan**" knows that "**Thyssen**" has already appointed representatives for military products in various countries. "**Bitucan**" will therefore only be active in certain countries with "**Thyssen's**" written consent.

I. Procurement of military deals not transacted by the "Bear-Head plant"

"**Bitucan**" will receive a commission, which is to be agreed upon in writing in each specific case, for deals involving military products which are procured by "**Bitucan**" and which are not transacted by "**Thyssen**" through its planned factory in Canada (referred to here as the "Bear-Head plant").

The amount of the commission depends on the respective market conditions, on the type and the extent of the arrangements made by "**Bitucan**" as well as the distribution and selling costs incurred by "**Thyssen**".

This agreement concerning the payment of commissions expires in one year, calculated from the date this power of attorney is issued, and will be extended by one year at a time, unless notice of termination is given three months prior to the end of a one-year term.

**II. Procurement of military deals
transacted by the "Bear-Head" plant**

1. Within the limits of its possibilities, "**Bitucan**" will assist the "Bear-Head plant" in promptly obtaining the necessary approvals from the government of Canada for the export of military products requiring permits.

For this, "**Bitucan**" will receive a commission of 5% of the ex works price of the military products that are sold minus other commissions that are to be paid, licences, know-how fees, packaging and other selling costs.

The commission is payable *pro rata* the receipt of payment and is to be paid in Canadian dollars at that day's exchange rate. This commission is chargeable to the commissions resulting in accordance with II. 2. and II. 3. of this power of attorney.

No claim for commission exists if "**Bitucan**" was not involved in obtaining an approval. Furthermore, this agreement concerning the payment of commissions expires in ten years, calculated from the date this power of attorney is issued, and no notice of termination is required.

2. "**Bitucan**" is authorized to arrange deals for the "Bear-Head plant" involving military products. With regard to any other relationships the "Bear-Head plant" may possibly have entered into, "**Bitucan**" will in each specific case act only with the written consent of the "Bear-Head plant".

From the revenues ex works, minus other commissions that are to be paid, licences, know-how fees, packaging and other selling costs of the procured deals, "**Bitucan**" will receive a commission

- a) in the amount of 8% if "**Thyssen**" or the "Bear-Head plant" did not incur any distribution and selling costs of its own;
- b) in the amount of the sum resulting from a), but reduced by the distribution and selling costs incurred by "**Thyssen**" or the "Bear-Head plant";
- c) in the amount of 3% if the reduction according to b) results in a lower commission and if "**Bitucan**" made a fair and reasonable contribution to bringing about the deal.

In individual cases, "**Bitucan**" and "**Thyssen**" or the "Bear-Head plant" can reach agreements concerning the payment of commissions that differ from this agreement.

The commission is payable *pro rata* the receipt of payment and is to be paid in the currency of the sales agreement on which it is based.

This agreement concerning the payment of commissions expires in ten years, calculated from the date this power of attorney is issued, and no notice of termination is required..

- 3 **"Bitucan"** is authorized to procure exclusive deals involving military products for "Bear-Head plant" in the USA, Saudi Arabia and Canada, taking into consideration Thyssen-Industrie's existing contacts in these countries.

"Bitucan" will receive a commission of 10% from the revenues ex works, minus other commissions that are to be paid, licences, know-how fees, packaging and other selling costs of the procured deals.

The commission can be reduced if financial obligations accrue from already existing contacts.

In individual cases, **"Bitucan"** and **"Thyssen"** or the "Bear-Head plant" can reach agreements concerning the payment of commissions that differ from this agreement.

The commission is payable *pro rata* the receipt of payment and is to be paid in the currency of the sales agreement on which it is based.

This agreement concerning the payment of commissions expires in one year, calculated from the date this power of attorney is issued and will be extended by one year at a time, unless notice of termination is given three months prior to the end of a one-year term.

4. **"Bitucan"** will assist in raising capital at the request of **"Thyssen"** or the "Bear-Head plant".

In this case, **"Bitucan"** will receive a commission for the amount of capital procured, which is to be agreed upon in each specific case.

The commission to be agreed upon will be calculated on the basis of the amount of capital procured minus the premium and any other costs incurred in raising the capital.

The commission is payable in one lump sum following full receipt of the capital in question and is to be paid in Canadian dollars at that day's exchange rate.

III. Transfer of Rights

“Thyssen” can transfer its rights and obligations from this power of attorney entirely or in part to the “Bear-Head plant”. “Thyssen” or the “Bear-Head plant” require the consent of “Bitucan” in order to transfer these rights and obligations to another company.

“Bitucan” requires the consent of “Thyssen” or the “Bear-Head plant” in order to transfer the rights and obligations from this power of attorney to a third party.

IV. Arbitration Court or Place of Venue

In the event of any disagreements arising from this power of attorney, “Bitucan” and “Thyssen” or the “Bear-Head plant” will attempt to reach an amicable settlement.

Before seeking redress in a court of law, “Bitucan” and “Thyssen” or the “Bear-Head plant” will initiate arbitration proceedings, the particulars of which will be agreed upon at the appropriate time.

The venue will be Ottawa; Canadian law will apply.

To indicate your agreement with the above power of attorney, please return a signed copy of this letter to us.

Yours sincerely,

THYSSEN INDUSTRIE AG

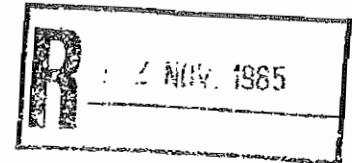
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DIPL.-VOLKSW. WINFRIED HAASERT
MITGLIED DES VORSTANDES
THYSSEN INDUSTRIE AKTIENGESELLSCHAFT

4300 ESSEN 1, den 31. Oktober 1985
AM THYSSENHAUS 1
FERNRUF: (02 01) 106 30 70

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Bitucan Holdings Ltd.
3270 - 700 2nd Street S. W.,
Calgary, Alberta / KANADA
z. Hd. Herrn Präsidenten
Karl Heinz Schreiber



Vertretung für wehrtechnische Erzeugnisse

Sehr geehrter Herr Schreiber,

wir nehmen Bezug auf verschiedene in obiger Angelegenheit mit Ihnen geführte Gespräche und bevollmächtigen hiermit Bitucan Holdings Ltd. (hier "Bitucan" genannt), nach Maßgabe folgender Bestimmungen als Vertreter der Thyssen Industrie AG (hier "Thyssen" genannt) Geschäfte für wehrtechnische Erzeugnisse zu vermitteln.

Diese Vollmacht erstreckt sich nicht auf den Abschluß von Geschäften bzw. das Eingehen irgendwelcher anderer Verpflichtungen für "Thyssen", es sei denn, dies ist vorher schriftlich vereinbart worden.

"Bitucan" ist bekannt, daß "Thyssen" in verschiedenen Ländern bereits Vertretungen für wehrtechnische Erzeugnisse vergeben hat. "Bitucan" wird daher nur jeweils mit schriftlicher Genehmigung von "Thyssen" in bestimmten Ländern tätig werden.

I. Vermittlung von wehrtechnischen Geschäften,
die nicht über "Bear-Head-plant" abgewickelt werden

Für Geschäfte mit wehrtechnischen Erzeugnissen, die "Bitucan" vermittelt und die "Thyssen" nicht über das geplante Werk in Kanada (hier "Bear-Head-plant" genannt) abwickelt, erhält "Bitucan" eine Provision, die im Einzelfall schriftlich zu vereinbaren ist.

Die Provisionshöhe ist abhängig von der jeweiligen Marktlage, von Art und Umfang der von "Bitucan" geleisteten Vermittlungstätigkeit sowie von der Höhe der bei "Thyssen" anfallenden Vertriebs- und Verkaufskosten.

Diese Provisionsvereinbarung endet nach Ablauf eines Jahres, gerechnet vom Ausstellungsdatum dieser Bevollmächtigung, und verlängert sich jeweils um ein weiteres Jahr, es sei denn, sie wird drei Monate vor einem jährlichen Fristablauf gekündigt.

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II. Vermittlung von wehrtechnischen Geschäften,
die über "Bear-Head-plant" abgewickelt werden

1. "Bitucan" wird im Rahmen ihrer Möglichkeiten "Bear-Head-plant" unterstützen, für genehmigungspflichtige Exportgeschäfte mit wehrtechnischen Erzeugnissen die erforderlichen Genehmigungen der kanadischen Regierung rechtzeitig zu erhalten.

Hierfür erhält "Bitucan" eine Provision von 5 0/00 des Ab-Werk-Preises der verkauften wehrtechnischen Erzeugnisse abzüglich zu zahlender anderer Provisionen, Lizenzen, Know-How-Gebühren, Verpackungs- und sonstiger Verkaufskosten.

Die Provision wird pro rata des Zahlungseingangs fällig und ist in kanadischer Währung zum Tageskurs zu zahlen. Diese Provision ist anrechenbar auf Provisionen, die sich gemäß II. 2. und II. 3. dieser Bevollmächtigung ergeben.

Ein Provisionsanspruch entsteht nicht, wenn "Bitucan" am Zustandekommen einer Genehmigung nicht mitgewirkt hat. Im übrigen endet diese Provisionsvereinbarung nach Ablauf von zehn Jahren, gerechnet vom Ausstellungsdatum dieser Bevollmächtigung, ohne daß es einer Kündigung bedarf.

2. "Bitucan" wird bevollmächtigt, Geschäfte mit wehrtechnischen Erzeugnissen für "Bear-Head-plant" zu vermitteln. Mit Rücksicht auf gegebenenfalls von "Bear-Head-plant" eingegangene anderweitige Vertretungsverhältnisse wird "Bitucan" jeweils im Einzelfall nur mit schriftlicher Genehmigung von "Bear-Head-plant" tätig.

"Bitucan" erhält vom Verkaufserlös ab Werk abzüglich zu zahlender anderer Provisionen, Lizenzen, Know-How-Gebühren, Verpackungs- und sonstiger Verkaufskosten der vermittelten Geschäfte eine Provision

- a) in Höhe von 8 %, wenn "Thyssen" bzw. "Bear-Head-plant" dafür keine eigenen Vertriebs- und Verkaufskosten entstanden sind;
- b) in Höhe des Betrages, der sich ausgehend von a), jedoch vermindert um "Thyssen" bzw. "Bear-Head-plant" entstandene Vertriebs- und Verkaufskosten ergibt;
- c) in Höhe von 3 %, wenn die Verminderung gemäß b) zu einer geringeren Provision führen würde und "Bitucan" in angemessener Weise zum Zustandekommen des Geschäftes beigetragen hat.

Im Einzelfall können "Bitucan" und "Thyssen" bzw. "Bear-Head-plant" hiervon abweichende Provisionsvereinbarungen treffen.

Die Provision wird pro rata des Zahlungseingangs fällig und ist jeweils in der Währung des zugrunde liegenden Kaufvertrages zu zahlen.

Me

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JTD

Diese Provisionsvereinbarung endet nach Ablauf von zehn Jahren, gerechnet vom Ausstellungsdatum dieser Bevollmächtigung, ohne daß es einer Kündigung bedarf.

3. "Bitucan" wird bevollmächtigt, in USA, Saudi Arabien und Kanada exklusiv Geschäfte mit wehrtechnischen Erzeugnissen für "Bear-Head-plant" zu vermitteln unter Beachtung bestehender Thyssen-Industrie-Kontakte in diesen Ländern.

"Bitucan" erhält vom Verkaufserlös ab Werk abzüglich zu zahlender anderer Provisionen, Lizenzen, Know-How-Gebühren, Verpackungs- und sonstiger Verkaufskosten der vermittelten Geschäfte eine Provision von 10 %.

Die Provision kann sich vermindern, wenn aus schon bestehenden Kontakten Zahlungsverpflichtungen entstehen.

Im Einzelfall können "Bitucan" und "Thyssen" bzw. "Bear-Head-plant" hiervon abweichende Provisionsvereinbarungen treffen.

Die Provision wird pro rata des Zahlungseingangs fällig und ist jeweils in der Währung des zugrunde liegenden Kaufvertrages zu zahlen.

Diese Provisionsvereinbarung endet nach Ablauf eines Jahres, gerechnet vom Ausstellungsdatum dieser Bevollmächtigung, und verlängert sich jeweils um ein weiteres Jahr, es sei denn, sie wird drei Monate vor einem jährlichen Fristablauf gekündigt.

4. "Bitucan" wird auf Wunsch von "Thyssen" bzw. "Bear-Head-plant" bei der Kapitalbeschaffung behilflich sein.

In diesem Fall erhält "Bitucan" für vermittelte Kapitalbeträge eine Provision, die jeweils im Einzelfall zu vereinbaren ist.

Die zu vereinbarende Provision wird berechnet vom vermittelten Kapitalbetrag abzüglich Agio und sonstiger mit der Kapitalbeschaffung entstehenden Kosten.

Die Provision wird nach vollständigem Zahlungseingang des betreffenden Kapitalbetrages in einer Summe fällig und ist in kanadischer Währung zum Tageskurs zu zahlen.

III. Übertragung von Rechten

"Thyssen" kann ihre Rechte und Pflichten aus dieser Bevollmächtigung ganz oder teilweise auf "Bear-Head-plant" übertragen. Zur Übertragung auf eine andere Gesellschaft bedürfen "Thyssen" bzw. "Bear-Head-plant" der Zustimmung von "Bitucan".

"Bitucan" bedarf zur Übertragung von Rechten und Pflichten aus dieser Bevollmächtigung an Dritte der Zustimmung von "Thyssen" bzw. "Bear-Head-plant".

h.

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JTD

IV. Schiedsgericht bzw. Gerichtsstand

"Bitucan" und "Thyssen" bzw. "Bear-Head-plant" werden sich um eine gütliche Einigung bei etwaigen Meinungsverschiedenheiten aus dieser Bevollmächtigung bemühen.

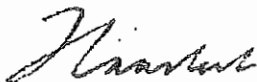
Vor Anrufung eines Gerichtes werden "Bitucan" und "Thyssen" bzw. "Bear-Head-plant" ein Schiedsgerichtsverfahren einleiten, dessen Einzelheiten zu gegebener Zeit zu vereinbaren sind.

Gerichtsstand ist Ottawa; es gilt kanadisches Recht.

Bitte geben Sie zum Zeichen Ihres Einverständnisses mit der vorgenannten Bevollmächtigung dieses Schreiben unterzeichnet an uns zurück.

Mit freundlichen Grüßen

THYSSEN INDUSTRIE AG



CSIS Multilingual Services

Services multilingues du SCRS

TRANSLATION

TRADUCTION

"We translate... You have our word!"

"Vous pouvez nous prendre au mot!"

MSS No. No. de la SSM:	9601107.00R	Security Classification Classification de sécurité:	Protected "C"
From Langue de départ:	GERMAN	To Langue d'arrivée:	ENGLISH
Translator Traducteur/trice:	Irene PORR	File No. N° du dossier:	
Title Titre:			
Comments Remarques:			

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Vos commentaires et suggestions sont appréciés.



PROVINCE OF NOVA SCOTIA


CERTIFICATE OF REGISTRATION

Corporations Registration Act
Chapter 59, R.S.N.S. 1967

BEAR HEAD INDUSTRIES LIMITED
Name of Corporation

1670178
Number

I hereby certify that the above-mentioned Corporation
is registered under the provisions of Part Two of the
Corporations Registration Act.


Acting Registrar of Joint Stock Companies

November 6, 1985
Date of Registration



PROVINCE OF NOVA SCOTIA

CERTIFICATE OF INCORPORATION

Companies Act
Chapter 42, R.S.N.S. 1967

BEAR HEAD INDUSTRIES LIMITED
Name of Company

1671078
Number

I hereby certify that the above-mentioned Company
was this date incorporated under the Companies Act
and that the company is limited.


Acting Registrar of Joint Stock Companies

November 6, 1985
Date of Incorporation

1 9 8 6

Dienstag 6. Mai

SU 18.62

Mittwoch 7. Mai

SU 19.64

SA 4.46	19. Woche 128-239	
UHR 7	CSU - Stober Sportcenter	
8	# ABS Briefe!	
9	J. Hasbörger Alaska	
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15	# Good for You	
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UHR 7	Amphip. Power Corp.	Sp. Karte besorgen: 3 Stck
8	Venueing B.!	Tal. Krawitz 80 000 Ende Jun.
9	Business Tel. R. 87 Dr. Goppert Sprünge	David-Office Washington 202-452-6136 301-577-0585 David Ertan
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F. Meier + BM

34107
34117 DEVON

Paul Schnyder
Prokurist



Schweiz
Bankverein
Paradeplatz 6
8022 Zürich
a 01 223 30 33



Schweizerischer Bankverein
Società de Banque Suisse
Società di Banca Svizzera
Swiss Bank Corporation

CH-8022 Zürich
Paradeplatz 6
T 01/223 25 88
Telex 812581 svz ch
Fax 01/223 33 48

André Strobel
c. dec. cuol.
Prokurist

220 14475

111 2 1 4

X

Notes

Application for the opening of an account

00015 34.FEB.86 07:41

Please complete form using
typewriter or block capitals

CSNZ	INSTAM
Nr. P 0	- 3 4 1 1 7

with Swiss Bank Corporation in Zürich SY/C1 184

Ref. Devon 118.

Account-holder(s) Name and first names (Married women, please indicate maiden name)	Legal Domicile (exact address)	Nationality Date of birth	Profession
Moores Frank Duff	403 Clarke Ave. Westmount, Quebec Canada	Canada 18.2.33	Merchant

References / Identity Papers Pass No JC 250987-2

Correspondence (Language englisch)
— except in the case of special circumstances left at the bank's discretion —
 To be sent to the following address:

To be retained, against remuneration, by the Bank which is hereby discharged of any liability for possible consequences.
Mail not claimed by me/us can be destroyed after a period of 3 years.

Power of Attorney in favour of Elizabeth Moores (wife)
(as per separate document) (Please indicate name, first name and domicile)

Account / Securities deposit / Precious metals

- Account in Swiss francs
- Current account in foreign currency Can-\$ 0
- Securities deposit
- Metal account
-

Remittances received in a currency for which there is no corresponding account are to be credited at the Bank's discretion to an already existing account or to be maintained in the currency received.

If a Joint Account is opened, remittances received in the sole favour of one account holder only shall automatically be credited to the joint account, unless a separate account exists in the exclusive favour of the beneficiary or unless the Bank is in possession of instructions to the contrary.

Capital increases

- Please ask for instructions
- Exercise the rights
- Sell the rights
- The Bank is authorized to act at its discretion in the customer's interests

Special instructions

The Bank is discharged of all liability for decisions left to its discretion.

I/We acknowledge having taken note of the translation of the General Conditions reproduced on the reverse side and consider myself/ourselves bound by the official text in French and furthermore accept jurisdiction of the Courts in Zürich.

Metal accounts and the custody of precious metals and coins are subject to separate regulations.

As far as a married woman is by law required to obtain her husband's consent to maintain this account, the Bank may consider this consent as having been given.

Zürich, 3.2.1986

Place / Date

Signature(s)

B. Schneider

1 9 8 7

SU 16.18

Montag 30. November

SA 8.02

49. Woche
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UHR

Call Flötger

Bruno Auro Special
offshore Dealings

Tel Oberle my Truffa

Tel. Dr. Mreutzer
von Sachse 12. Spang

Coaks Broedcent Rebe

Giebner - Max
V. Sadgen in Gefangnis
Dannstadt, Polsterwaren

Senator Malgout
Bericht ganz! #
Leo.

Tel. Bob Service Rights
Situation
Friedrichs in or no

Brief v. BHL on
ACOA / Anthony Burg
30.10.88

MA - BHL Kopie USA
Maurice + Tennessee

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Tel. Mreutzer
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Tel. Erika. Geld 1000
11 Bob Service Right Bond.

12 Dr. Gantzen
ing. Riemann Markt.
Nachricht Mochel.

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16 130 Senator Murray

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Dienstag 1. Dezember

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Coaks: Hopio Brit Army 2
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Maeh - Edmenton

Mulkenner - Ek Hart
OK. Costa Rica.

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III-II

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Mittwoch

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Donnerstag

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JANUAR 1988

Mo 4 11 18 25
Di 5 12 19 26
Mi 6 13 20 27
Do 7 14 21 28
Fr 8 15 22 29



SUPERText



RCMP "A" DIVISION COMMERCIAL CRIME

File: A102
95A-517

EXHIBIT INFORMATION

DATE OBTAINED: 97-02-28

Obtained By: Cpl. Paul Dallaire

Exhibit No.: 96-34

Item No.: 50

Location: 60 Pender St., Ott., Ont.
ACSA's office.

DOCUMENT CATEGORIZATION

Document Type: exhibit

Original: Yes No

COMMENTS file 2080-T-2, v8-1

Thyssen - Bear Head Industries

June 1987 to May 1988.

p. 1 to 228.

Text of a possible letter from DND to
Bear Head Industries Ltd

It is our intention to negotiate with you, an order for 250 Light Armour Vehicles (LAV's), on a sole sourced basis, in the near term. We understand Bear Head Industries Ltd. to be a Nova Scotia Incorporated company, majority controlled by Thyssen Henschel of West Germany and to have the rights to their most advanced technology and know how.

The following conditions shall apply:

- 1) Thyssen Henschel/Bear Head Industries (TH/BHI) shall proceed with detailed technical discussions with us to define and bring to test the specific LAV platform which meets our requirements and thereafter design and develop all pertinent performance characteristics which are required to meet our specifications.
- 2) Satisfactory pricing.
- 3) The plant to produce these vehicles to be located at Bear Head, Cape Breton and to generate directly 350 - 450 operating permanent jobs.
- 4) A satisfactory industrial benefit commitment.

Jim

Walter Murray -> Virginia Beatty

refer discuss to
clearance of disc

Need of company for - (1) comfort
for other purposes

may have been useful to discuss

May need you to do
a bit of drafting -
work for me in this
Pse contact me soon
on Tues am.

J.
26/8/77

319

Greg G. Alford
President and
Chief Operating Officer

GCI
GOVERNMENT
CONSULTANTS
INTERNATIONAL

SUITE 1300, 50 O'CONNOR STREET,
OTTAWA, CANADA K1P 6L2
PHONE: (613) 236-7601 TELEX: 051-3960

August 25, 1987

Mr. Jaffray Wilkens
Federal Economic Developmental
Co-ordinator
Atlantic Canada Opportunities Agency
270 Albert Street
14th Floor
Ottawa, Ontario
K1P 6N8

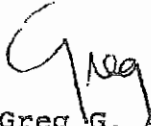
Dear Mr. Wilkens:

Thank you for your telephone call this morning, I was pleased to bring you up to date on the technical meetings for the Thyssen Henschel-Bear Head project with the Department of National Defence.

As promised, I am enclosing a proposed draft letter from the DND which, according to Mr. Haastert includes the essential commitments which will activate Bear Head Industries Ltd. from the Thyssen side.

Safe travels to Moncton.

Regards,



Greg G. Alford

Enclosure

GA/jlr



SUPERText



RCMP "A" DIVISION COMMERCIAL CRIME

File: A102
95A-517

EXHIBIT INFORMATION

DATE OBTAINED: 96-03-08
Obtained By: Fies
Exhibit No.: 95-27
Item No.: 20
Location: _____

DOCUMENT CATEGORIZATION

Document Type: Letter

Original: Yes _____ No

COMMENTS German with attached English
Translation. Letter plus 2 copies
of agreements 13 pages
received from Pelossi

(52)

THYSSEN INDUSTRIES LTD.
Legal Section

Mr. Haastert

14.10.1987/Igm
4045

I have meanwhile phoned Mr. Schreiber and explained to him our thoughts for a new concept. Basically, Mr. Schreiber agrees with the new model; he merely asserts that the Can.\$1.5 million already paid to him on a loan basis not be factored into the Can.\$ 8 million which is to be paid in connection with the Bear Head acquisition. Instead, it should only be calculated against the Can. \$5 million which is to be promised him in a yet to be signed agreement with Henschel. For now, I have merely taken note of this objection.

In the attachment you will find 2 draft agreements concerning the acquisition of Bear Head stock and assistance in obtaining government approval. I drew them up very hurriedly, so they may still need some elaboration. Please read them through and let me know what you want amended and/or added.

Incidentally, Mr. Schreiber and I agreed to discuss the enclosed drafts and any related questions after my return from Wuppertal. It is my guess that I will be back from Wuppertal at around 18 hours at the latest.

[signature]

(Dr. Klenk)

Enclosure

Thyssen
(53-56)

AGREEMENT

between

I.A.L. International Aircraft Leasing Limited, Vaduz

- hereinafter referred to as "IAL" -

and

Thyssen Industries Ltd., Essen,

- hereinafter referred to as "Thyssen Industries" -.

IAL is currently the owner of the only stock of Bear Head Industries Ltd. (hereinafter referred to as "Company") listed in the Register of Joint Stock Companies of the Canadian Province of Nova Scotia in Halifax, Nova Scotia, under the number 1671078. IAL has sold this stock to Thyssen Industries as per Agreement of [....].

The Company is interested in starting to manufacture industrial products of a high technical standard at a manufacturing plant to be constructed in the Point Tupper - Bear Head region on the Canso highway in Nova Scotia, Canada. Thyssen Industries stipulates that investments needed to carry out this plan (not including the machinery), for the most part, be sought openly and that the Company receive commitments for the awarding of public contracts to provide sufficient employment in the initial phase.

This being set out, the following is agreed upon:

1. Thyssen Industries authorizes IAL to intercede with the responsible offices in the provincial government in Nova Scotia and the Canadian federal government in Ottawa, so that the Company is granted the commitments described in greater detail under items 2 and 3 of this Agreement. Thyssen Industries undertakes to assist the persons employed by IAL for the aforementioned task in their efforts and to provide them with additional authorization, as required. In so far as it is not expressly granted in separate written commitments, the authorization does not include the authority to incur liabilities or obligations at the expense of Thyssen Industries or the Company.

- 2 -

2. It is expected that, with regard to setting up an industrial plant as indicated in para. 2 of the Preamble, Canadian public authorities will make a binding commitment to the Company to provide the following services:

- 2.1.1 Provide land that is ready for construction and covers an area of approximately 300 acres or about 1.2 million m².
- 2.1.2 Grant an option to purchase at the normal local price, upon procuring property for expansion which covers an area of approximately 700 acres or about 2.8 million m².
- 2.2 Provide the following facilities in such a way that they meet the needs of the Company, taking into account its planned level of production, namely:
 - 2.2.1 Links to public roads and railways for transporting goods in and out of the area.
 - 2.2.2 Construction of port facilities together with connections to the factory premises.
 - 2.2.3 Connections to supply and waste management facilities at the work site, in terms of electricity, water, telephone and sewers.
- 2.3 Assume the costs for training skilled staff needed by the Company.
- 2.4 Provide the required buildings for operating the Company, and release the funds required for this. In this respect, it is currently anticipated that costs will amount to about Can.\$ 30 million.

Furthermore, it is assumed that the Company can be operated in a free trade zone.

3. It is further expected that the Company will receive a binding contract to deliver 250 30-ton tracked vehicles.

- 3 -

4. The commitments mentioned under items 2 and 3 above must be made by 31.03.1988 at the latest. Should Thyssen Industries or the Company receive the aforementioned commitments within the prescribed period, IAL is entitled to payment of a commission in the amount of Can. \$7.9 million. Should the volume of work actually promised fall below the expected amount, and should Thyssen Industries or the Company accept the commitments just the same, then the commission is reduced in proportion to the amount of work that was expected vis-à-vis the amount that was actually rendered.

5. Disputes in connection with or resulting from this Agreement shall be settled according to the Conciliation and Arbitration Rules of the International Chamber of Commerce, exclusively and definitely, by one or more arbitrators appointed according to these rules. The Arbitration Court shall make its decision in accordance with the laws of Germany.

Essen, the

I.A.L. International
Aircraft Leasing Ltd.

THYSSEN INDUSTRIES

7/29/85 J.C.
(57-58)

[Tr. note: IAL is crossed out throughout the document
and replaced by the initials KHS]

AGREEMENT

between

I.A.L. International Aircraft Leasing Limited, Vaduz,

- hereinafter referred to as "IAL" -

and

Thyssen Industries Ltd., Essen,

- hereinafter referred to as "Thyssen Industries" -.

On 06.11.1985, Bear Head Industries Ltd. (hereinafter referred to as "Company") was registered in the Register of Joint Stock Companies of the Canadian Province of Nova Scotia in Halifax, Nova Scotia, under number 1671078. On 23.05.1986, the Company issued a stock (hereinafter referred to as "Stock") with no specific value. Owner of this stock is I.A.L.

This being set out, the following is agreed upon:

1. IAL assures

- that apart from the Stock [already issued], the Company has not issued any other Stock nor will it issue any other Stock until this Agreement is completed;
- that the Company can freely dispose of the Stock, that is, no third parties are involved;
- that until this Agreement is completed, no liabilities shall be created which exceed the amount of Can. \$1,000.--, except for obligations which pertain to the Ottawa office and which are to be borne by Thyssen Industries or Thyssen Henschel, as per the Agreement of 09.09.1987.

2. IAL hereby sells the Stock to Thyssen Industries at a price of Can. \$100,000.-- . The purchase price is payable within 1 week, once the conditions set forth in items 3 and 4 of this Agreement are in place.

- 2 -

3. IAL shall immediately transfer the Stock to Thyssen Industries in compliance with the actions required under Canadian law. IAL shall accordingly instruct the Law Office of Doucet & Associates in Halifax, the custodian of the Stock, to arrange for the Stock to be transferred to Thyssen Industries and to obtain the duly endorsed Stock for Thyssen Industries.

4. In order to acquire the Stock, Thyssen Industries must have approval from its Supervisory Board. Thyssen Industries shall submit an appropriate application to the Supervisory Board at its next session, and shall inform IAL immediately of the Board's decision.

Essen, the

IAL International
Aircraft Leasing Ltd.

THYSSEN INDUSTRIES LTD.

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THYSSEN INDUSTRIE AG

Rechtsabteilung

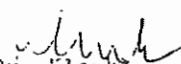
Herrn Haastert

14.10.1987/lgm
4045

Ich habe zwischenzeitlich mit Herrn Schreiber telefoniert und ihm unsere Überlegungen für eine neue Konzeption erläutert. Herr Schreiber ist mit dem neuen Modell grundsätzlich einverstanden, macht lediglich geltend, daß die ihm bereits darlehnsweise gezahlten 1,5 Mio can\$ nicht gegen die im Zusammenhang mit dem Erwerb von Bear Head zu zahlenden 8 Mio can\$ verrechnet werden dürften, sondern nur gegen die 5 Mio can\$, die ihm aus einem noch zu schließenden Vertrag mit Henschel zugesagt werden sollen. Ich habe diesen Einwand zunächst lediglich zur Kenntnis genommen.

Als Anlage erhalten Sie 2 Vertragsentwürfe über den Erwerb der Bear-Head-Aktie und die Unterstützung bei der Erlangung der staatlichen Zusagen, die ich in aller Eile konzipiert habe und die möglicherweise noch ergänzungsbedürftig sind. Ich bitte um Durchsicht und um Aufgabe von Änderungs- bzw. Ergänzungswünschen.

Im übrigen bin ich mit Herrn Schreiber dahin verblieben, daß wir die anliegenden Entwürfe und die damit im Zusammenhang stehenden Fragen nach meiner Rückkehr aus Wuppertal durchsprechen. Ich schätze, daß ich aus Wuppertal spätestens gegen 18 Uhr zurück sein werde.


(Dr. Klenk)

Anlage

53

VEREINBARUNG

zwischen

I.A.L. International Aircraft Leasing Limited, Vaduz,
- nachstehend "IAL" genannt -

und

Thyssen Industrie AG, Essen,
- nachstehend "Thyssen Industrie" genannt -.

~~IAL ist derzeit Inhaberin der einzigen Aktie der im Register of Joint Stock Companies der kanadischen Provinz Nova Scotia in Halifax/Nova Scotia unter der Nummer 1671078 registrierten Bear Head Industries Ltd. (nachfolgend als die "Gesellschaft" bezeichnet). Diese Aktie hat IAL mit Vereinbarung vom an Thyssen Industrie verkauft.~~

Die Gesellschaft ist daran interessiert, im Point Tupper-Bear Head-Gebiet der Straße von Canso in Nova Scotia/Canada in neu zu errichtenden Fabrikationsanlagen die Fertigung von Industrieerzeugnissen mit hohem technischen Standard aufzunehmen. Dabei wird von Thyssen Industrie vorausgesetzt, daß die für die Durchführung des Vorhabens erforderlichen Investitionen (ausgenommen die maschinelle Ausrüstung) weitestgehend öffentlich gefördert werden und daß die Gesellschaft Zusagen auf Vergabe von öffentlichen Aufträgen für eine ausreichende Beschäftigung in der Anlaufphase erhält.

Das vorausgesetzt wird vereinbart:

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1. Thyssen Industrie ermächtigt IAL, sich bei den dafür jeweils zuständigen Amtsstellen der Provinz Nova Scotia und der kanadischen Zentralregierung in Ottawa dafür zu verwenden, daß der Gesellschaft die in Ziffer 2 und 3 dieser Vereinbarung näher bezeichneten Zusagen erteilt werden. Thyssen Industrie verpflichtet sich, die für die vorerwähnte Aufgabe von IAL eingesetzten Personen bei ihren Bemühungen zu unterstützen und ihnen, soweit erforderlich, die benötigten zusätzlichen Vollmachten zu erteilen. Soweit nicht in gesonderten schriftlichen Zusagen ausdrücklich zugestanden, schließt die Ermächtigung nicht auch die Befugnis ein, Verbindlichkeiten oder Verpflichtungen zu Lasten von Thyssen Industrie oder der Gesellschaft zu begründen.

2. Es wird erwartet, daß der Gesellschaft in bezug auf die Einrichtung einer industriellen Fertigung i. S. von Absatz 2 der Präambel seitens der kanadischen öffentlichen Hand folgende Leistungen verbindlich zugesagt werden:
 - 2.1.1 Bereitstellung eines baureifen Geländes in der Größe von ca. 500 Acre entsprechend ca. 1,2 Mio qm.
 - 2.1.2 ~~Einräumung einer KNO Option zu ortsüblichen Preisen~~
auf ^{Bewilligung} Erwerb von Erweiterungsgelände in der Größe von ca. 700 Acre entsprechend ca. 2,8 Mio qm.
 - 2.2 Die Bereitstellung folgender Einrichtungen in einem Zuschnitt, der den Bedürfnissen der Gesellschaft unter Berücksichtigung der von ihr in Aussicht genommenen Produktion genügt, nämlich

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- 2.2.1 Anschlüsse an das öffentliche Straßen- und Eisenbahnnetz zum An- und Abtransport von Gütern.
- 2.2.2 Errichtung von Hafenanlagen nebst Anschlüssen zum Werksgelände.
- 2.2.3 Anschlüsse zur Ver- und Entsorgung des Werksgeländes in bezug auf elektrische Energie, Wasser, Telefon und Abwasser.
- 2.3 Übernahme der Kosten für die Ausbildung des von der Gesellschaft benötigten Fachpersonals.
- 2.4 Bereitstellung der für den Betrieb der Gesellschaft benötigten Baulichkeiten bzw. Freistellung von dem dafür benötigten finanziellen Aufwand. Insoweit wird derzeit ein Kostenvolumen von etwa 30 Mio can\$ unterstellt.

~~Außerdem wird vorausgesetzt, daß die Gesellschaft in einer Freihandelszone betrieben werden kann.~~

- 3. Es wird ferner erwartet, daß der Gesellschaft die Erteilung eines Auftrags auf Lieferung von 250 Kettenfahrzeugen der 30 Tonnen-Klasse verbindlich zugesagt wird:
- 4. Die in Ziffer 2 und 3 genannten Zusagen müssen bis spätestens 30.03.1988 erteilt sein. Gehen Thyssen Industrie oder der Gesellschaft die vorgenannten Zusagen fristgerecht zu, hat IAL Anspruch auf Zahlung einer Provision in Höhe von 7,9 Mio can\$. Unterschreitet das tatsächlich zugesagte Leistungsvolumen den erwarteten Umfang und nehmen Thyssen Industrie oder die Gesellschaft die Zusagen aber gleichwohl

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in Anspruch, so ermäßigt sich die Provision in dem Verhältnis, in dem das erwartete zum tatsächlich zugestandenen Leistungsvolumen steht.

5. Streitigkeiten aus oder im Zusammenhang mit dieser Vereinbarung werden nach der Vergleichs- und Schiedsgerichtsordnung der Internationalen Handelskammer ^{in Bonn} ausschließlich und endgültig von einem oder mehreren gemäß dieser Ordnung ernannten Schiedsrichtern entschieden. Das Schiedsgericht entscheidet nach dem Recht der Bundesrepublik Deutschland.

Essen, den

I.A.L. International
Aircraft Leasing Ltd.

THYSSEN INDUSTRIE AG

S 7

VEREINBARUNG

zwischen

~~KHS~~ ~~I.A.L. International Aircraft Leasing Limited, -Vaduz,~~
- nachstehend "~~I.A.L.~~" genannt -

und

Thyssen Industrie AG, Essen,
- nachstehend "Thyssen Industrie" genannt -.

Am 06.11.1985 hat das Register of Joint Stock Companies der kanadischen Provinz Nova Scotia in Halifax/Nova Scotia unter der Nummer 1671078 die Bear Head Industries Ltd. (nachfolgend als die "Gesellschaft" bezeichnet) registriert. Die Gesellschaft hat am 25.05.1986 eine Aktie (nachfolgend als die "Aktie" bezeichnet) ohne bestimmten Nennwert ausgegeben. Inhaber dieser Aktie ist ~~die I.A.L. KHS~~

Das vorausgeschickt wird vereinbart:

~~KHS~~
1. ~~I.A.L.~~ versichert, daß

- die Gesellschaft außer der Aktie keine weiteren Aktien ausgegeben hat oder bis zum Vollzug dieser Vereinbarung ausgeben wird;

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- sie über die Aktie uneingeschränkt verfügen kann, irgendetwelche Rechte Dritter daran also nicht bestehen;
- bis zum Vollzug dieser Vereinbarung in der Gesellschaft keine Verbindlichkeiten begründet sein werden, die den Betrag von can\$ 1.000,- übersteigen, ausgenommen Verpflichtungen, die das Büro Ottawa betreffen und die gemäß Vereinbarung vom 09.09.1987 von Thyssen Industrie bzw. Thyssen Henschel zu tragen sind.

2. ^{KHS} ~~I.A.L.~~ verkauft die Aktie hiermit zum Preise von can\$ 100.000,- an Thyssen Industrie. Der Kaufpreis ist binnen 1 Woche zahlbar, nachdem die in Ziffer 3 und 4 dieser Vereinbarung genannten Voraussetzungen vorliegen.

3. ^{KHS} ~~I.A.L.~~ wird die Aktie unverzüglich unter Beachtung der nach kanadischem Recht erforderlichen Handlungen auf Thyssen Industrie übertragen. Demgemäß wird sie die Rechtsanwaltskanzlei Doucet & Associates in Halifax, welche die Aktie in Verwahrung hält, anweisen, die Übertragung der Aktie auf Thyssen Industrie zu veranlassen und Thyssen Industrie die ordnungsgemäß indossierte Aktie zu verschaffen.

4. Thyssen Industrie bedarf zum Erwerb der Aktie der Zustimmung ihres Aufsichtsrats. Thyssen Industrie wird ihrem Aufsichtsrat in dessen nächster Sitzung einen entsprechenden Antrag vorlegen und ~~I.A.L.~~ dessen Entscheidung umgehend mitteilen.

KHS

Essen, den

~~I.A.L. International~~
~~Aircraft Leasing Limited~~
KHS

THYSSEN INDUSTRIE AG



SUPERText



RCMP "A" DIVISION COMMERCIAL CRIME

File: A102
95A-517

EXHIBIT INFORMATION

DATE OBTAINED: 97-02-28

Obtained By: Cpl. Paul Dallaire

Exhibit No.: 96-34

Item No.: 50

Location: 60 Pender St., Ott., Ont.
ACCAD office

DOCUMENT CATEGORIZATION

Document Type: exhibit

Original: Yes No

COMMENTS file 3080-T-2, v8.1

Thyssen - Bear Head Industries

June 1987 to May 1988.

p. 1 to 22.

Thyssen

147



Atlantic Canada
Opportunities Agency

Agence des perspectives
de l'Atlantique Canada

To / Pour: The Honourable Lowell Murray 22/10/87
Date: 22/10/87

Subject / Objet: Thyssen

From / De: Paul Bernier *[Signature]*

copies to:

- P. Bernier Chron
- C.R.
- McPhail (just the notes)
- Wilkins (chron)

Your Signature / Votre Signature

For Comments / Observations

Information

Material for the Minister / Documents pour le Ministre

Remarks / Remarques:
 As discussed, attached is a draft letter to the Prime Minister. Mr. Wilkins has seen it. Also attached are notes on your October Meeting on this subject. ²⁰

I have taken the liberty of providing a copy to Messrs. McPhail and Wilkins.

ly

cc

Drafting officer / dacteur

SECRET

Further to my letter of October on the establishment by Thyssen of a military vehicle manufacturing plant in Cape Breton, I wish to apprise you of new developments just brought to my attention by Frank Moores and Elmer MacKay.

First, Thyssen, whose Board has approved this project, is ready to join forces with a Canadian partner. I gather an understanding has been reached with Lavalin, giving the latter a 25 per cent share in the venture. Cooperation with either Bombardier or Power Corporation was also recently examined, but neither case was as mutually advantageous as the proposed Thyssen-Lavalin partnership.

Second, the acquisition of the Trenton Works from Hawker-Siddeley would be part of the proposed joint venture. We understand that Lavalin would assume a 75 percent equity position.

Adding Trenton to an offset package certainly throws a different light on the original proposal. Moreover, the potential benefits flowing from Lavalin's association with Thyssen deserve consideration. I draw these developments to your attention, of course, because of their relevance to a required government decision on sole sourcing and advancing the timing of the DND vehicle contract.

199

SECRET

Notes on a meeting held in the Office of the Minister responsible
for ACOA on October 20, 1987 at 4 p.m.

Subject: Thyssen

Present:

- . Senator Lowell Murray
- . Honourable E. MacKay, Minister of National Revenue
- . Honourable F.D. Moores, Chairman of the Board,
Government Consultants International
- . Paul Bernier, ACOA-Ottawa

Discussion: Mr. Moores provided background information on the current status of Thyssen's interest in establishing a military vehicle manufacturing facility in the Strait of Canso, Nova Scotia. In particular, he noted that:

- DND could develop specifications for its vehicle requirement within about a month if the time frame for production and funding were advanced; this was confirmed to him by General Vance;
- Thyssen's Board had approved the project;
- earlier discussions on a joint venture with General Motors had failed and were no longer being pursued; and
- discussions had been held recently with Bombarbier, Power Corporation and Lavalin.

He stated that there was apparent agreement to form a Thyssen-Lavalin joint venture in which Lavalin's equity position would be 25 percent. In addition, the joint venture would include the acquisition of the Hawker-Siddeley Trenton Works. The equity positions would be 75 percent Lavalin and 25 percent Thyssen. The understanding was that the two facilities created by the joint venture would be mutually exclusive.

Mr. Moores understood that Thyssen would have no difficulty in meeting DND's technical specifications, and would be able to offer an acceptable price to DND. However, he believed that DND objected to sole-sourcing. The addition of Trenton as an offset should minimize any difficulty with sole-sourcing, he suggested.

Senator Murray indicated that he had recently written to the Prime Minister to report on the Thyssen dossier and proposed to inform him of these most recent developments.

Mr. MacKay planned to raise the issue on 21 October with the Premier of Nova Scotia.

Paul Bernier
October 22, 1987

SECRET

Notes on a meeting held in the Office of the Minister responsible
for ACOA on October 20, 1987 at 4 p.m.

Subject: Thyssen

Present:

- . Senator Lowell Murray
- . Honourable E. MacKay, Minister of National Revenue
- . Honourable F.D. Moores, Chairman of the Board,
Government Consultants International
- . Paul Bernier, ACOA-Ottawa

Discussion: Mr. Moores provided background information on the current status of Thyssen's interest in establishing a military vehicle manufacturing facility in the Strait of Canso, Nova Scotia. In particular, he noted that:

- DND could develop specifications for its vehicle requirement within about a month if the time frame for production and funding were advanced; this was confirmed to him by General Vance;
- Thyssen's Board had approved the project;
- earlier discussions on a joint venture with General Motors had failed and were no longer being pursued; and
- discussions had been held recently with Bombardier, Power Corporation and Lavalin.

He stated that there was apparent agreement to form a Thyssen-Lavalin joint venture in which Lavalin's equity position would be 25 percent. In addition, the joint venture would include the acquisition of the Hawker-Siddeley Trenton Works. The equity positions would be 75 percent Lavalin and 25 percent Thyssen. The understanding was that the two facilities created by the joint venture would be mutually exclusive.

Mr. Moores understood that Thyssen would have no difficulty in meeting DND's technical specifications, and would be able to offer an acceptable price to DND. However, he believed that DND objected to sole-sourcing. The addition of Trenton as an offset should minimize any difficulty with sole-sourcing, he suggested.

Senator Murray indicated that he had recently written to the Prime Minister to report on the Thyssen dossier and proposed to inform him of these most recent developments.

Mr. MacKay planned to raise the issue on 21 October with the Premier of Nova Scotia.

Paul Bernier
October 22, 1987

201

SECRET

Secret
26 OCT 1954

Further to my letter of October on the establishment by Thyssen of a military vehicle manufacturing plant in Cape Breton, I wish to apprise you of new developments just brought to my attention by Frank Moores and Elmer MacKay.

First, Thyssen, whose Board has approved this project, is ready to join forces with a Canadian partner. I gather an understanding has been reached with Lavalin, giving the latter a 25 per cent share in the venture. Cooperation with either Bombardier or Power Corporation was also recently examined, but neither case was as mutually advantageous as the proposed Thyssen-Lavalin partnership.

Second, the acquisition of the Trenton Works from Hawker-Siddeley would be part of the proposed joint venture. We understand that Lavalin would assume a 75 percent equity position.

Adding Trenton to an offset package certainly throws a different light on the original proposal. Moreover, the potential benefits flowing from Lavalin's association with Thyssen deserve consideration. I draw these developments to your attention, of course, because of their relevance to a required government decision on sole sourcing and advancing the timing of the DND vehicle contract.

ANNEX C

THIS AGREEMENT made this 30th day of October,
A.D., 1987.

BETWEEN:

HER MAJESTY THE QUEEN, in right
of the Province of Nova Scotia,

(hereinafter called the "Province")

- and -

BEAR HEAD INDUSTRIES LIMITED, a
body corporate, with its head office
at Port Hawkesbury, in the County
of Inverness, in the Province of
Nova Scotia,

(hereinafter called the "Company")

1. WHEREAS the Company, a subsidiary which is
Seventy-Five per cent (75%) owned by Thyssen AG, is
desirous of obtaining from the Province certain lands
owned by the Province situate on Bear Head Peninsula,
in the County of Richmond, in the Province of Nova Scotia,
for the purpose of establishing thereon a manufacturing
facility and related structures, hereinafter referred
to as the "Project";

2. AND WHEREAS the Province is desirous of having
the Project locate in Nova Scotia;

3. AND WHEREAS the Province is desirous of
confirming to the Company that the Company will have
land for the Project;

4. NOW THIS AGREEMENT WITNESSETH that for and
in consideration of the sum of One Dollar (\$1.00), the
receipt whereof is hereby acknowledged, the Province
grants to the Company on conditions herein prescribed

as follows:

(a) the exclusive and irrevocable option to purchase any Company designated Three Hundred (300) acres outside the ash disposal site of the Province property as illustrated in red on a drawing attached hereto as Schedule "A" and located on Bear Head Peninsula, in the County of Richmond, in the Province of Nova Scotia;

(b) a right of first refusal for the portion of the lands used as an ash disposal site subject to mutual agreement between the Province and the Company on a transitional period for the cessation of such ash disposal use, the restoration thereof and the costs associated with the establishment of a new site;

(c) the right to such additional lands within the Bear Head Peninsula area as may be agreed by the Company and Province for expansion purposes of the Company's facility;

5. The purchase price, in all cases, shall be on a per acre basis and shall be as determined by independent evaluations as of October 29, 1987.

6. The Province shall lend to the Company at no interest an amount equivalent to the purchase price which loan shall be deemed repaid on the Company attaining a level of commercial production which produces Three Hundred (300) full time direct jobs for a period of Three (3) full years as determined by the Province.

7. The Province acknowledges that the Province owns the lands outlined in red on a plan attached hereto as Schedule "A" known as Bear Head Peninsula, in the County of Richmond, in the Province of Nova Scotia.

8. This Agreement is subject to the Company entering into a Memorandum of Understanding with the Province and to the extent required by the Province

with the Government of Canada in respect of financial assistance required to implement the Project and provided the Company has started to activate the Project in accordance with said Memorandum of Understanding in a manner reasonably acceptable to the Province prior to November 1st, 1988. In the event that this condition precedent to this Agreement has not been fulfilled and the Company has failed to commence to activate the Project in a manner reasonably satisfactory to the Province prior to 12:01 a.m., Atlantic Standard Time, November 1st, 1988, this Agreement shall be null and void.

9. As soon as reasonably practicable following the signing of this Agreement:

(a) the Company shall designate to the Province the location of the Three Hundred (300) acre block of land pursuant to Clause 4(a) of this Agreement;

(b) the Company and the Province shall co-operate to determine the remainder of the overall requirements of the Project including its land requirements of Clauses 4(b) and (c).

10. The Company shall not assign this Agreement in whole or in part without the prior written consent of the Province, which consent shall not be unreasonably withheld.

11. This Agreement shall be construed in accordance with the laws of the Province of Nova Scotia and shall be treated in all respects as a Nova Scotia contract.

12. Any notice pursuant to this Agreement shall be valid if given in writing by postage prepaid registered

letter addressed to the Company:

Bear Head Industries Limited
Suite 908
350 Sparks Street
Ottawa, Ontario
K1R 7S8

Attention: Jurgen Massmann, President

and to the Province to:

Minister of Development
Suite 700
World Trade and Convention Centre
1800 Argyle Street
P.O. Box 519
Halifax, Nova Scotia
B3J 2R7

and shall be deemed except through delays through interruption of postal services to have been given Two (2) business days after the day such letter is posted. Nothing herein shall preclude the delivery of notices pursuant hereto by means other than mailing, in which event such notice shall be deemed to have been given Two (2) business days after the day such notice was given by such method.

13. This Agreement and the Schedule attached hereto constitute the whole agreement between the parties hereto unless duly modified in writing by the parties.

14. This Agreement enures to the benefit of and is binding upon the parties hereto their respective successors and assigns.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed as of the day and

ANNEX C

year first above written.

SIGNED, SEALED AND DELIVERED
in the presence of

) HER MAJESTY THE QUEEN
) IN RIGHT OF THE PROVINCE
) OF NOVA SCOTIA
)
)
)

Per: 

) BEAR HEAD INDUSTRIES LIMITED
)
)
)

Per: 

Per: _____

PORT MALCOLM

SEACOAL BAY

FLAT HEAD

BEAR HEAD

BEAR ISLAND

CANSO

CRITCHETT POINT

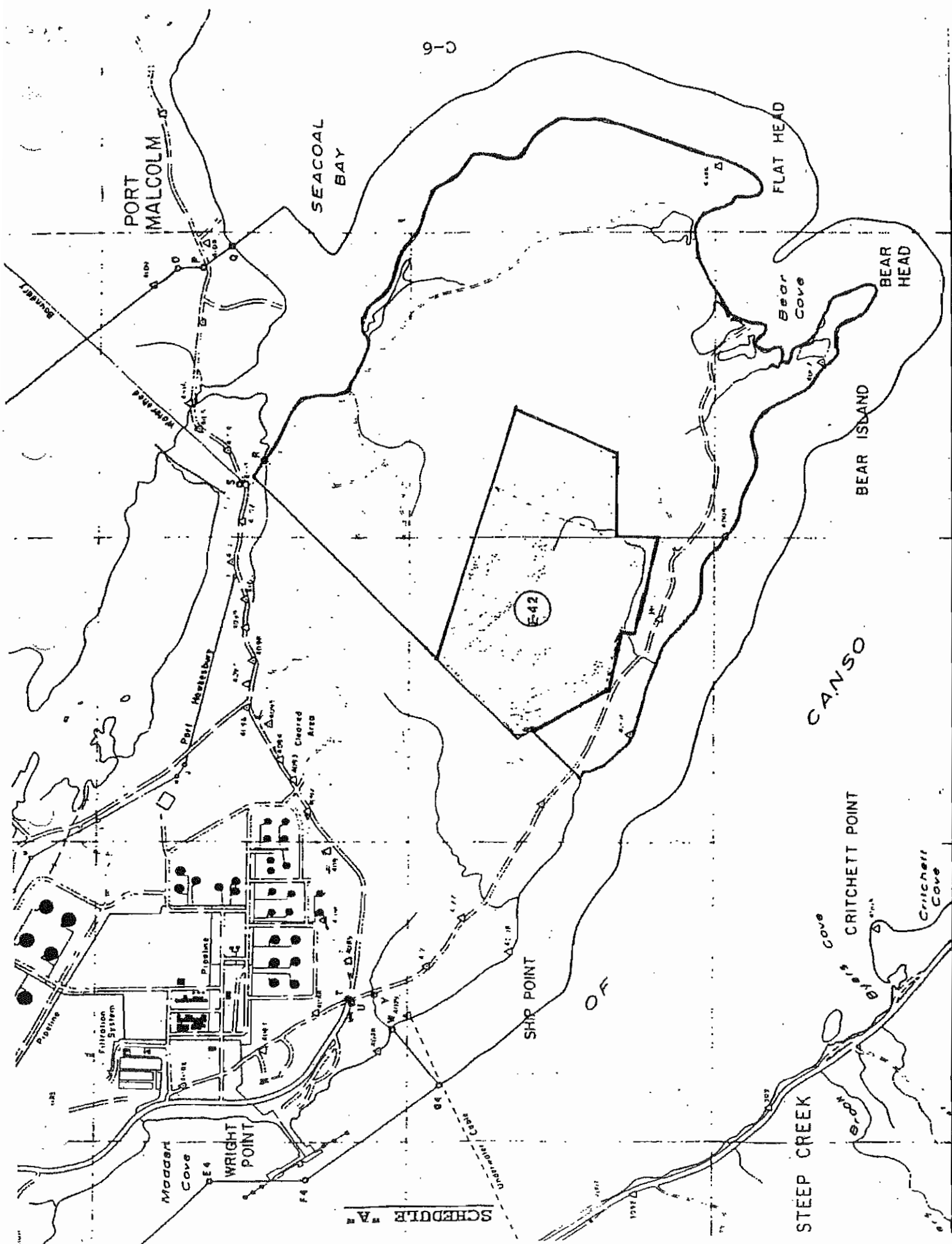
STEEP CREEK

SHIP POINT

WRIGHT POINT

MOONSH COVE

SCHEDULE "A"





SUPERText



RCMP "A" DIVISION COMMERCIAL CRIME

File: A102
95A-517

EXHIBIT INFORMATION

DATE OBTAINED: 96-03-08

Obtained By: Fieg.

Exhibit No.: 95-27

Item No.: 20

Location: _____

DOCUMENT CATEGORIZATION

Document Type: letter

Original: Yes _____ No

COMMENTS German with attached
handwritten English translation
2 pages
received - from Pelossi

49

[See doc. # 50
for translation
of same letter
sent to Haasler
on Nov. 12/87.
only difference
being Ⓢ]

I.A.L. INTERNATIONAL AIRCRAFT LEASING LIMITED

Amulestrasse 5
P.O. Box 83
FL-0490 VADUZ

Herrn
Dipl. Ing. Klaus Bax
Mitglied des Vorstandes
Thyssen Henschel
D-3500 Kassel
Henschelplatz 1

Quint GP/nc

Warent

Vuchiz. 4. November 1987

Bear Head Industries Ltd / Auftragsbeschaffung

Sehr geehrter Herr Bax,

Wir nehmen Bezug auf die mit Ihnen geführte Besprechung vom 14. Oktober 1987 und bestätigen Ihnen der guten Ordnung halber die mit Ihnen getroffene Vereinbarung wie folgt.

Sobald die kanadische Bundesregierung bzw. das Verteidigungsministerium ein "letter of intent" an Bear Head Industries Ltd. aushändigt, der beinhaltet, dass sie 250 LAV (light armed vehicles) zu beziehen beabsichtigen, erhält unsere Firma einen Vorschuss auf Provisionen in Höhe von kan. \$ 5 Mio (fünf Millionen). Dieser Betrag ist nach Eingang des "letter of intent" bei Bear Head Industries Ltd. zur Zahlung fällig.

Wir hoffen sehr, dass das erwähnte Schreiben in kurzer Zeit bei Bear Head Ind. eingeht.

Zum Zeichen Ihres Einverständnis bitten wir Sie die beigefügte Kopie dieses Schreibens mit Ihrer rechtsgültigen Unterschrift versehen möglichst umgehend an uns zurückzusenden.

Mit freundlichen Grüßen

I.A.L.
International Aircraft Leasing
[Signature]
Giorgio Pelossi

Ⓢ Our Company receives an advance payment on the lead in the amount of Can \$ 5 mio. (five million).

To show that you are in agreement, we ask that you sign the attached copy in your legally valid signature and return it to us as soon as possible.

Tel. 091/23 85 12 - Telex 840005 fms ch - Telefax 091/23 86 7

[See doc. # 49 and # 51]

IAL

50

To: W. Haastad

From: G.P.

GP/FF translation of doc #51

Re: Bear Head.

- a) Re our meeting of 27.10.14 and confirm to you what we agreed as follows:
- b) As soon as the Cdn Govt accepts the Min. of Defence issues a letter of intent addressed to Bear Head in which is stated that they intend to purchase 250 IAD. our company gets the agreed
- c) consultancy fee of Cdn \$0.5 million This amount is due after receipt of the letter by B.H.I.
- d) We hope that B.H.I. will receive this letter shortly.
- e) To show your agreement we ask that you confirm this letter to us by fax (No. ---).



SUPERText



RCMP "A" DIVISION COMMERCIAL CRIME

File: A102
95A-517

EXHIBIT INFORMATION

DATE OBTAINED: _____

Obtained By: _____

Exhibit No.: _____

Item No.: _____

Location: _____

DOCUMENT CATEGORIZATION

Document Type: _____

Original: Yes _____ No

COMMENTS Airbus contract ✓ 10 11

Therapy

Stapled

Clone: 1745A - 1748-A - 1749-A - 1751-A - 1755-A -
1756 - 1758 - ~~1759~~ - 1764-A - 1770-A - 1773 -
1780 -

1765-A

77
(41-43)

Thyssen Industries Ltd., P.O. Box 10 37 45, 4300 Essen 1
THYSSEN INDUSTRIES LTD.

Mr. Giorgio Pelossi
I.A.L.
International Aircraft Leasing Ltd.
Aeulestraße 5
P.O. Box 83
FL-9490 Vaduz

Your ref.	Our ref.	Our tel.no.	Essen
your letter of:	our letter of:	(direct dialing)	26.11.1987
	Ha-ge	(0201) 106-3070	

Ref.
Bear Head Project, Canada

Dear Mr. Pelossi,

Differences of opinion between Mr. Schreiber and Mr. Bax over the contents of some of the verbal agreements made with respect to the above-mentioned matter have prompted the need to define the context of these agreements in writing. At the same time this is in reply to your fax of 13.11.87 on the above matter.

The Canadian government has asked Thyssen Industries Ltd. to expand its activities in Canada in order to create new jobs in the structurally weak region of Cape Breton. Thyssen Industries Ltd. has basically declared itself willing to do so if and inasmuch as lucrative products can be manufactured there for the North American market and which could not be imported from Germany -- or at least not as finished goods.

If necessary, a suitable plant is to be built on the Bear Head Peninsula, a location suggested by the Canadian government. In order to keep the required initial investment by Thyssen Industries Ltd. as low as possible, and to thereby accordingly reduce the cost of the products to be manufactured there, Mr. Schreiber has promised to obtain for Thyssen Industries Ltd. binding approvals to make Bear Head Peninsula available free of charge, to obtain the required infrastructure and sufficient work in the initial phase.

In this connection and on the basis of the resultant cost savings, Thyssen Industries Ltd. has approved payment of a contingency fee to Mr. Schreiber through International Aircraft Leasing Ltd. in the amount of Can. \$ 4 million, under the following conditions:

- 2 -

- that Bear Head Peninsula, identified as the expected industrial site and covering an area of approximately 4 million square meters, including the required infrastructure already set down in writing by Thyssen Industries Ltd., pass into the ownership of Thyssen Industries Ltd. free of charge, and
- that Thyssen Industries Ltd. Henschel be given a binding commitment, by means of an appropriate Letter of Intent from the Canadian government, that the plant to be constructed in Bear Head will be awarded a contract for at least 300 armoured vehicles weighing between 20 and 40 t, with delivery starting in 1992.

We hope this clarification is of assistance to you, and remain,
sincerely,

THYSSEN INDUSTRIES LTD.

(signature)

1704

43

Ha-ge

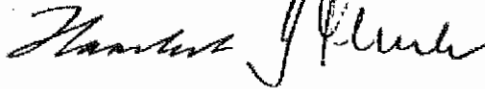

THYSSEN INDUSTRIE AG

Blatt 2 zum Schreiben vom 26.11.1987 an Herrn Giorgio Pelossi, International Aircraft Leasing Ltd.

daß Thyssen Industrie AG Henschet die Erstellung eines Auftrages über mindestens 300 gepanzerte Fahrzeuge der Gewichtsklasse zwischen 20 - 40 t mit Auslieferung ab 1992 für das in Bear-Head zu erstellende Werk durch einen entsprechenden Letter of Intent der kanadischen Regierung verbindlich zugesagt wird.

Wir hoffen, Ihnen mit dieser Klarstellung gedient zu haben, und sind

mit freundlichen Grüßen
THYSSEN INDUSTRIE AG



*Strukturkriterien
Vergleich +
142*

40



THYSSEN INDUSTRIE AG

Thyssen Industrie Aktiengesellschaft Postfach 103745 4300 Essen 1

Herrn
Giorgio Pelossi
I.A.L.
International Aircraft Leasing Ltd.
Aulastraße 5
P.O.Box 83
FL - 9490 Vaduz

Am Thyssenhaus 1
4300 Essen 1

Ihre Zeichen Ihre Nachricht vom Unser Zeichen unsere Nachricht vom Unser Haustel (Direktwahl) Essen
Ha-ge 02 01 106- 3070 26.11.1987

Betreff
Bear-Head-Projekt, Kanada

Sehr geehrter Herr Pelossi,
wir nehmen Bezug auf Ihr Schreiben vom 12.11.1987.

Die kanadische Regierung hat Thyssen Industrie AG gebeten, die Aktivitäten in Kanada zu vergrößern, um in der strukturschwachen Region Cape Breton neue Arbeitsplätze zu schaffen. Thyssen Industrie AG hat sich dazu grundsätzlich bereit erklärt, wenn und soweit sich dort rentable Produkte für den nordamerikanischen Markt herstellen lassen, die nicht - oder zumindest nicht als Fertigerzeugnisse - von Deutschland aus dorthin exportiert werden können.

An dem von der kanadischen Regierung vorgeschlagenen Standort der Bear-Head-Halbinsel soll gegebenenfalls ein entsprechendes Werk gebaut werden. Um die hierfür seitens Thyssen Industrie AG notwendige Erstinvestition möglichst gering zu halten und so eine entsprechende Kostentlastung der dort herzustellenden Produkte zu erreichen, haben Sie in Aussicht gestellt, Thyssen Industrie AG verbindliche Zusagen über die kostenlose Bereitstellung der Bear-Head-Halbinsel, der dafür erforderlichen Infrastruktur sowie einer ausreichenden Beschäftigung in der Anlaufphase zu verschaffen.

In diesem Zusammenhang und auf der Basis der in diesem Fall sich ergebenden Kostenersparnis hat Thyssen Industrie AG die Zahlung eines Erfolgshonorars an International Aircraft Leasing Ltd. in Höhe von 1 Mio. Can. \$ unter folgenden Bedingungen zugesagt,

- daß die als Industrie-Erwartungsland ausgewiesene Halbinsel Bear-Head mit einer Fläche von rund 4 Mio. m² einschließlich der erforderlichen und von Thyssen Industrie AG bereits schriftlich festgelegten Infrastruktur kostenlos in das Eigentum von Thyssen Industrie AG übergeht und

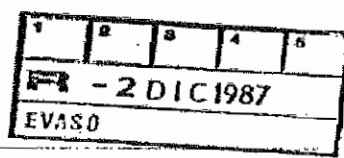
- 2 -

Vorsitzender des Aufsichtsrates: Dr. Dieter Spethmann
Vorstand: Dr. Ing. Werner Barthele (Vorsitzender),
Dr. Ing. Klaus Kow, Dipl.-Sachw. Ulrich Borries,
Dr. Heik. Luch-Furster, Rüd. Volkow, Winfried Haaht, Dr. Ing. Claus Homburg, Dr. Ernst Holtsch, Günther Hoppe (stellv.)

Sitz der Gesellschaft: Essen - Registergericht: Essen HR B 400
Telefon: (02 01) 10 01 Teleogramm: thyssindj esssen
Telefax: 0 57 75 7 0 1 1 Telekopierer: (02 01) 23 64 75

1766

41



THYSSEN INDUSTRIE AG

Thyssen Industrie Aktiengesellschaft - Postfach 10 37 45 - 4300 Essen 1
Herrn
Giorgio Pelossi
I. A. L.
International Aircraft Leasing Ltd.
Aeulestraße 5
P.O.Box 83

FL - 9490 Vaduz

Am Thyssentaus 1
4300 Essen 1

Ihre Zeichen, Ihre Nachricht vom: Unsere Zeichen, unsere Nachricht vom: Unser Hauptruf (Direktwahl) Essen
11a-gu (02 01) 106- 3070 26.11.1987

Re: **Bear-Head-Projekt, Kanada**

Sehr geehrter Herr Pelossi,

Meinungsverschiedenheiten zwischen Herrn Schreiber und Herrn Bax über den Inhalt einiger in obiger Angelegenheit getroffenen mündlichen Vereinbarungen geben Veranlassung, diese schriftlich im zugehörigen Zusammenhang zu präzisieren. Zugleich ist dies eine Beantwortung Ihres Telefax in obiger Angelegenheit vom 13.11.87.

Die kanadische Regierung hat Thyssen Industrie AG gebeten, die Aktivitäten in Kanada zu vergrößern, um in der strukturschwachen Region Cape Breton neue Arbeitsplätze zu schaffen. Thyssen Industrie AG hat sich dazu grundsätzlich bereit erklärt, wenn und soweit sich dort rentable Produkte für den nordamerikanischen Markt herstellen lassen, die nicht - oder zumindest nicht als Fertigerzeugnisse - von Deutschland aus dorthin exportiert werden können.

An dem von der kanadischen Regierung vorgeschlagenen Standort der Bear-Head-Halbinsel soll gegebenenfalls ein entsprechendes Werk gebaut werden. Um die hierfür seitens Thyssen Industrie AG notwendige Erstinvestition möglichst gering zu halten und so eine entsprechende Kostenentlastung der dort herzustellenden Produkte zu erreichen, hat Herr Schreiber in Aussicht gestellt, Thyssen Industrie AG verbindliche Zusagen über die kostenlose Bereitstellung der Bear-Head-Halbinsel, der dafür erforderlichen Infrastruktur sowie einer ausreichenden Beschäftigung in der Anlaufphase zu verschaffen.

In diesem Zusammenhang und auf der Basis der in diesem Fall sich ergebenden Kostenersparnis hat Thyssen Industrie AG die Zahlung eines Erfolgshonorars über die International Aircraft Leasing Ltd. an Herrn Schreiber in Höhe von 4 Mio. Can. \$ unter folgenden Bedingungen zugesagt,

- daß die als Industrie-Erwartungsland ausgewiesene Halbinsel Bear-Head mit einer Fläche von rund 4 Mio. m² einschließlich der erforderlichen und von Thyssen Industrie AG bereits schriftlich festgelegten Infrastruktur kostenlos in das Eigentum von Thyssen Industrie AG übergeht und

- 2 -

Vorsitzender des Aufsichtsrates: Dr. Dieter Speinmann
Vorstand: Dr.-Ing. Werner Barfels (Vorsitzender),
Dipl.-Ing. Klaus Bax, Dipl.-Sonderw. Ulrich Beitzel,
Dr. Hans-Friedrich Fockler, Dipl.-Volksw. Volfgang Heister,
Dr.-Ing. Claus Hentschels, Dr. Ernst Holbach, Friedrich Hoppe (stellv.)

Sitz der Gesellschaft: Essen Registergericht: Essen HR B 400
Telefon: (02 01) 10 61 Telegramm: thyssenind essen
Telex: 8 57 757-0 u. d. Telekopierer: (02 01) 23 84 75

4346
wgo



NH

BEAR HEAD INDUSTRIES LIMITED

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

TELEPHONE (613) 563-3321

TELEFAX (613) 563-7648
TELEX 053-3981 bhi ott

December 7, 1987

Senator Lowell Murray
Minister Responsible for the
Atlantic Canada Opportunities Agency
Room 275 S
Centre Block
House of Commons
Ottawa, Ontario
K1A 0A4

Dear Senator Murray:

Thank you very much for meeting with me on November 30, 1987, to discuss ~~our project for Bear Head, Cape Breton.~~

I write to provide a short summary of the recent developments relating to this project.

Canadian Partner:

Lavalin Inc. has agreed to a joint cooperative agreement with Bear Head Industries to market Thyssen light armoured vehicles (LAVs) to Canada's DND. Both parties are actively exploring the opportunities for production cooperation at independently and/or jointly established facilities. (namely, at Bear Head and at the Trenton works).

Province of Nova Scotia:

Premier Buchanan and Minister Thornhill have committed, through the Nova Scotia Department of Development, an option for the land required for our plant. We will proceed with detailed discussions relating to the project as soon as a Federal commitment for vehicles is received.

U.S. Market Outlook for Thyssen:

The Thyssen Fuchs LAV was recently selected by the U.S. Army for a phase 1 order of 44 vehicles. The second phase of this order originally identified as 230 vehicles is now forecast at approximately 450 to 500 vehicles. As you are already aware, this is only a small part of \$200 billion U.S. Army program for armoured vehicles in the 1990s.

.../2

Project Status:

A North American expansion of Thyssen's industrial base is still focused on Cape Breton, Nova Scotia, as a preferred site, but to trigger such a large capital investment, we still need to receive a letter of intent from the Government of Canada that would commit a minimum of 250 vehicles from DND's required 1600 LAV requirement. This would naturally be subject to a vehicle being defined and designed cooperatively between Thyssen and DND to meet the operational requirements of DND from the entire range of Thyssen technology. I have prepared a draft of such a letter that would be sufficient to secure our project in Cape Breton starting immediately (attachment).

Please note that moving the LAV order forward to 1990 from the original DND procurement date of 1992 is no longer required by us. We would proceed immediately with construction of the plant and undertake to load the plant with civil work as well as some work from the U.S. LAV order until production for the Canadian order could commence.

This armoured vehicle production facility will be unique in Canada and provide a major addition to Canada's Defence Industrial Base, establishing a new capacity to produce DND requirements domestically. Not to be overlooked is the very high skilled labour content of these products which will be built in Nova Scotia but will impact on the entire country through sourcing of components and systems.


In addition to this initial military vehicle production, we plan to bring immediate diversification to the plant through civil manufacturing associated with existing North American Thyssen operations and North American joint ventures.

Timing:

Having begun discussions with the Government of Canada in May of 1985, Thyssen cannot delay the decision of where to locate this North American manufacturing facility much longer. The increasingly encouraging market outlook in the U.S. helps to confirm the corporate decision to expand our North American operations by establishing this new facility, but understandably strengthens the case for locating in the U.S., and sites in that country are now being much more seriously considered. Time is of the essence.

If I can provide any further information on this subject, please do not hesitate to call me at 613-563-3321.

Sincerely yours,


Karlheinz Schreiber
Chairman

Proposed draft Letter from Government of Canada to Bear Head
Industries Ltd.

Based upon our policy of stimulating regional economic development through defence procurements and, conditional upon your establishment in Cape Breton of a suitable manufacturing facility, we commit to you an order for delivery in 1992 of the initial 250 light armoured vehicles of our 1,600 unit requirement, provided:

- a) in cooperation with DND you define and develop a vehicle from the entire range of Thyssen technology to meet DND operational requirements
- b) manufacturing of this vehicle will take place at your plant in Cape Breton, Nova Scotia
- c) you transfer the necessary technology to your facility in Cape Breton and share jobs with suitable Canadian manufacturing partners
- d) you meet our requirements in terms of quality, delivery and logistic support including personnel training
- ~~e) you perform the aforesaid services/tasks at internationally acceptable prices~~



SUPERText



RCMP "A" DIVISION COMMERCIAL CRIME

File: A102
95A-517

EXHIBIT INFORMATION

DATE OBTAINED: _____
Obtained By: _____
Exhibit No.: _____
Item No.: _____
Location: _____

DOCUMENT CATEGORIZATION

Document Type: _____

Original: Yes _____ No

COMMENTS Airbus contract V.D. 11

Thyssen

Stapled

Clone: 1745A - 1748-A - 1749-A - 1751-A - 1755-A -
1756 - 1758 - ~~1759~~ - 1764-A - 1770-A - 1773 -
1780 -

I.A.L. INTERNATIONAL AIRCRAFT LEASING LIMITED

Aeulestrasse 5
P.O.Box 83
FL-9490 VADUZ

(36-37)

Thyssen Industries Ltd.
Am Thyssenhaus 1
D-4300 Essen 1
Attn: Dr. Ernst Höffken

Our ref. GP/nc Your ref. Vaduz, 24 December 1987

Bear Head Project

Dear Sirs,

Reference is made to the various discussions held in connection with the above matter and the accompanying correspondence of 12.11.87 and 26.11.87. According to this, you promised us a contingency fee of Can. \$4 million for our support in obtaining the expected industrial site together with the necessary infrastructure from the Province of Nova Scotia, as well as for an accompanying Letter of Intent from the competent authorities in the Canadian federal government indicating that there will be sufficient work for Bear Head Industries Ltd. in the initial phase. In view of your expenses in obtaining the shares of Bear Head Industries Ltd., we have meanwhile agreed to reduce the fee by Can. \$ 100,000.

Your Canadian subsidiary, Bear Head Industries Ltd., subsequently accepted the contract offered by the Nova Scotia provincial government, which, in exchange, for a nominal fee, provided it the option of obtaining 300 acres of land, the right of first refusal on the nearby slag dump, and the right to purchase any additional property required. There is an understanding between us that we have completely fulfilled our obligations in terms of assisting in the procurement of the said property.

We further informed you that, for our part, we have undertaken everything in order that the Canadian federal government provide you a Letter of Intent in the desired form. We have received assurances from the responsible government authorities that you will be given this Letter of Intent at the beginning of the new year. Furthermore, the Nova Scotia provincial government has requested that negotiations be started immediately on the specific makeup of the infrastructure which is to be made available to you free of charge.

- 2 -

In view of the fact that we have fulfilled to your satisfaction the first part of the services we promised (procurement of property), and that the Letter of Intent will almost certainly be issued, we trust you agree that we can now go ahead and submit an invoice for a portion of our fee. We accordingly ask that you release the partial sum of Can. \$ 1.9 million to our credit. Please transfer this amount to our account No. 235.972.029 CA\$ at the Verwaltungs- und Privatbank AG, FL-9490 Vaduz.

Sincerely,

I.A.L.
International Aircraft Leasing

[signed]
Giorgio Pelossi

35 1770

I.A.L. INTERNATIONAL AIRCRAFT LEASING LIMITED

Aculestrasse 5
P.O. Box 83
FL-9490 VADUZ

Bitte sofort vorlegen

DATE: 24.12.1987

To: Dr. Ernst Höffken, Thyssen Industrie AG, Essen
Telefax N.: 0049201 - 202912

From: Giorgio Pelossi
Telefax N.: 004191-23'11'67

TOTAL NUMBER OF PAGES INCL. COVER PAGE: - 3 -

*Draft from T.
copy sent
faxed to J
next day*

1771
36

I.A.L. INTERNATIONAL AIRCRAFT LEASING LIMITED

Aeulestrasse 5
P.O. Box 83
FL-9490 VADUZ

Thyssen Industrie AG
Am Thyssenhaus 1
D-4300 Essen 1
z.H. Hr. Dr. Ernst Höffken

our ref: GP/nc

Your ref:

Verfax: 24. Dezember 1987

Bear Head Projekt

Sehr geehrte Herren,

Wir beziehen uns auf die diversen in vorstehender Angelegenheit geführten Gespräche sowie auf den begleitenden Schriftwechsel vom 12. und 26.11.87. Danach haben Sie uns für unsere Unterstützung bei der Beschaffung von Industrierwartungsgelände einschliesslich der erforderlichen Infrastruktur von der Provinz von Nova Scotia sowie für einen begleitenden Letter of Intent der zuständigen Stellen der kanadischen Zentralregierung über eine ausreichende Beschäftigung von Bear Head Industries Ltd. in der Anlaufphase ein Erfolgshonorar von 4 Mio can\$ zugesagt. Im Hinblick auf Ihren Aufwand für die Erlangung der Anteile von Bear Head Industries Ltd. haben wir uns zwischenzeitlich mit einer Reduzierung des Honorars um 100'000 can\$ einverstanden erklärt.

Ihre kanadische Beteiligungsgesellschaft Bear Head Industries Ltd. hat dann in der Folgezeit das Vertragsangebot der Provinzregierung von Nova Scotia akzeptiert, mit dem ihr für eine Anerkennungsgebühr die Option auf 300 Acres Land, ein Vorkaufsrecht auf die benachbarte Aschedeponie sowie auf Erwerb etwa zusätzlich benötigter Flächen eingeräumt wurden. Zwischen uns besteht Einvernehmen, dass wir damit unseren Verpflichtungen hinsichtlich der Unterstützung bei der Landbeschaffung voll nachgekommen sind.

Wir haben Sie weiter davon in Kenntnis gesetzt, dass wir unsererseits alles unternommen haben, damit Ihnen die kanadische Zentralregierung einen Letter of Intent in der von Ihnen gewünschten Form zur Verfügung stellt. Seitens der zuständigen Regierungsstellen haben wir die Zusicherung erhalten, dass Ihnen dieser Letter of Intent Anfang kommenden Jahres erteilt wird. Ausserdem hat die Provinzregierung von Nova Scotia darum gebeten, umgehend Verhandlungen über die konkrete Gestaltung der Infrastruktur aufzunehmen, die Ihnen kostenlos zur Verfügung gestellt werden soll.

37 1970

- 2 -

Schreiben IAL International Aircraft Leasing Ltd an Thyssen Industrie AG

Im Hinblick darauf, dass wir den ersten Teil (Landverschaffung) der von uns versprochenen Leistungen zu Ihrer Zufriedenheit erfüllt haben, und dass die Erteilung des Letter of Intent praktisch sicher ist, hoffen wir Sie einverstanden, dass wir schon jetzt einen Teil unseres Honorars fällig stellen. Wir bitten Sie demgemäss, zu unseren Gunsten einen Teilbetrag von 1,9 Mio can\$ freizugeben. Diesen Betrag bitten wir auf unser Konto Nummer 235.972,029 CA\$ bei der Verwaltungs- und Privatbank AG, FL-9490 Vaduz zu überweisen.

Mit freundlichen Grüssen

I.A.L.
International Aircraft Leasing



Giorgio Pelossi

THYSSEN INDUSTRIE AG

Essen, December 28, 1987 / Th

Mr. Giorgio Pelossi
c/o I.A.L. International
Aircraft Leasing Ltd.
Aeulstraße 5
P.O. Box 83

FL-9490 Vaduz

Dear Mr. Pelossi!

We confirm the receipt of your letter dated December 24, 1987 via telefax. in which you requested a partial payment of the agreed upon contingency fee of \$3.9 million, based on the status of development.

We are pleased to acknowledge, in particular, that with the contract regarding the provision of land required by Bear-Head Industrie Ltd., the first significant partial success has been attained. On the other hand, it could be understood, that the project we are pursuing, can only be realized once the remaining prerequisites have been met. Youractivity is therefore only of value to us, once the Letter of Intent and the commitment regarding the free provision of infrastructural means has been granted.

If we have decided therefore, to meet your request to accelerate the release of payment on account, it is only done realizing that you expressly guarantee that the remaining prerequisites will be met in the near future. With this understanding, we have, at the same time, transferred the amount of Can. \$ 1.9 million to the account you mentioned.

With best regards,

THYSSEN INDUSTRIE AG

(signature) - Haastert -

B



VERWALTUNGS- UND PRIVAT-BANK AG
PRIVATE TRUST BANK CORPORATION
FL-9490 VADUZ, LIECHTENSTEIN

Kontoinhaber / Holder of Account

Seite / Page

1

TAGESAUZUG/DAILY STATEMENT

I.A.L. INTERNATIONAL
AIRCRAFT LEASING LIMITED

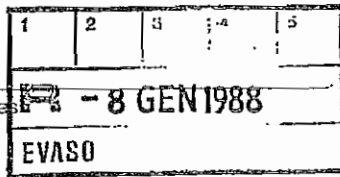
Konto / Account No. 235.972.029
Kontobezeichnung / Type of Account KONTOKORRENT
Datum / Date 30.12.87

0490 VADUZ

Text / Description	Wert / Value	Soll / Debit	C A S	Haben / Credit	C A S
UEBERWEISG THYSSEN INDUSTRIE	30.12.87			1'900'000.00	



Frankoposten / Free of charges



Saldo zu Ihren Lasten
Balance in our favour

Saldo zu Ihren Gunsten
Balance in your favour

1'900'000.00

TELEFON 075 5 66 55 · TELEX NR.: 889200, 889300 (BÖRSE) · TELEFAX 075 2 66 97 · PC-KONTO 90-8291-5 · SWIFT VPBV LI 22

SE



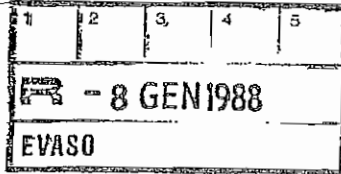
VERWALTUNGS- UND PRIVAT-BANK AKTIENGESELLSCHAFT
BANQUE PRIVÉE DE GÉRANCE SOCIÉTÉ ANONYME - PRIVATE TRUST BANK CORPORATION

FL-9490 VADUZ, LIECHTENSTEIN · TELEFON 075/5 66 55 · TELEX 889 300 · TELEFAX 075 2 66 97 · POSTSCHECKKONTO 90-8291-5 · SWIFT VPBV LI 22

43

GUTSCHRIFTSANZEIGE

0490 VADUZ 30.12.1987 REF.: BG/FOD KONTO ACCOUNT KONTOKORRENT 235.972.029



I.A.L. INTERNATIONAL
AIRCRAFT LEASING LIMITED

9490 VADUZ

BETRAG AMOUNT

WERT VALUE

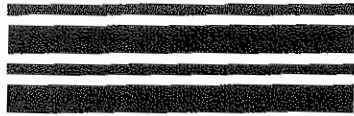
UEBERWEISUNG AUFTRAGS THYSSEN INDUSTRIE
AG, POSTFACH 10 37 45, 4300 ESSEN 1

"HONORAR FUER UNTERSTUETZUNG BEIM BEAR.
HEAD.PROJEKT"

CAF 1'900'000.00 30.12.87

HÖCHSTACHTUNGSVOL / VERY TRULY YOURS
VERWALTUNGS- UND PRIVAT-BANK AKTIENGESELLSCHAFT

Signature and stamp area



SUPERText



RCMP "A" DIVISION COMMERCIAL CRIME

File: A102
95A-517

EXHIBIT INFORMATION

DATE OBTAINED: 96-03-08
Obtained By: Fries
Exhibit No.: 95-27
Item No.: 26
Location: _____

DOCUMENT CATEGORIZATION

Document Type: Letter

Original: Yes _____ No

COMMENTS From Pelossi to Fiegenwald
14 pages.
Some handwriting

Giorgio Pelossi
Via Gaggini da Bissone 4
6900 Lugano
☎ 091-993 17 05

/.

RCMP
Mr. Fraser Fliegenwald
155 Mc Arthur Avenue
Vancouver, Ontario
K1A 0R4

Lugano, March 14th, 1996

Dear Mister Fliegenwald,

Further to my interview I send you following documents:

ATG Investments Ltd. Inc., Panama

- Minute of general meeting July 5th, 1991 with confirmation and handwritten note received from Mr. Wullschleger.
- Fax Morgan y Morgan / FMT July 25th, 1991
- Fax FMT / Morgan y Morgan July 29th, 1991
- Fax Morgan y Morgan / FMT July 29th, 1991

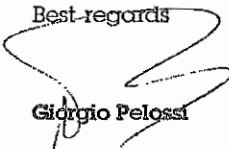
Ticinella Anstalt

- Copy of the wire transfer January 24th, 1990
- Letter Jones & Foster / FMT April 18th, 1990 with attached statement
- Fax Jones & Foster / FMT with answer 18th-19th June, 1990
- Transmittal KHS / GP January 7th, 1991 re. lease agreement Frank Moores
- Transmittal GP / KHS May 23rd, 1991 re. lease agreement Frank Moores

Max Strauss

- Hand written note December 23rd-29th, 1987 re. loan DEM 100'000.- to Dieter Klein Elektronik GmbH. as well as breakdown of the payment of DEM 1'900'000.- (Thyssen).

Best regards



Giorgio Pelossi

- enclosures

96.03.22
11:00 AM

95-27
item # 26

3.

CERTIFICADO

El suscrito, Presidente de la reunión de **A.T.G. INVESTMENT LTD. INC. PANAMA** certifica:

1. Que el 5 de Julio de 1991, se celebró una reunión especial de la asamblea de Accionistas.
2. Que en dicha reunión estuvo el quorum necesario para tomar resoluciones y estuvieron representadas todas las acciones emitidas y en circulación de la sociedad. En testimonio de lo cual, firmo el presente Certificado.

Presidente:

Giorgio Pelossi

Lugano, el 5 de Julio de 1991

No 7046

Lugano, 9 luglio 1991

Certifico io notaio l'autenticità della firma del signor Giorgio Pelossi, 1938, da Bedano in Breganzona, persona a me nota, che mi ha dichiarato di averla personalmente apposta.

Valezia Galli, notaio in Lugano



*

4. 00000

Wullschlegel Lorenzo, 7.7.40,
da Zolingen in Rovio

Pagan: Enrico, 28.2.38
da Massagno in Lugano

Martinuzzi Emilio, 31.7.58
da Gerra Verzasca in Lugano

5.

MORGAN Y MORGAN
Attorneys at Law

INSTRUCTIONS COVER SHEET

TELEFAX # 0041 91 23 65 12 TIME: 18:43

TO: FINANCIAL MANAGEMENT TRUST date: July 25, 1991
ATTN: _____

OUR TELEFAX No. (507) 64-8317 MODEL RAPICOM 120 G II III
No. (507) 63-9918 MODEL RAPICOM 210 G II III

OUR RE: 8271-91 YOUR RE: _____ TOTAL PAGES INCLUDED: 1

RE: A.T.G. INVESTMENTS LTD. INC. PANAMA

In regards to your today's telefax, we confirm that we are proceeding with the change of the Board of Directors by Public Deed #6572 of July 24, 1991, Notary Fourth.

Furthermore, the corporation in reference has a pending balance of US\$990.00 (Resident Agent: US\$450.00, Franchise Tax: US\$540.00 for the periods 1988-1989, 1989-1990 and 1990-1991). This invoice must be cancelled in order to proceed with the changes.

Should you have any queries regarding the above mentioned matters, please do not hesitate to contact us.

Very truly yours,
MORGAN Y MORGAN

Simon Tajaira Jr.
Simón Tajaira Jr.

paid by check 22.12.89 \$ 320.-
- - - - - 22.1.91 \$ 660.-

Telefax	Per	<u>D.H. [Signature]</u>
No. of:	On	<u>9 [Signature]</u>
	Date	<u>21.7.91</u> Pages <u>3</u>



Financial Management Trust Via P. Lucchini 6 . C.P. 2912 CH-6901 LUGANO Tel. 091 2365 12 Telefax 22 71

6.

DATE: July 29, 1991

TO: Morgan y Morgan att. Mr. Simón Tejeira Jr.

TELEFAX No.: 00507-648317

FROM: G. Pelossi

TELEFAX No.: 091/22.76.72

TOTAL NUMBER OF PAGES INCL. COVER PAGE: - 6 -

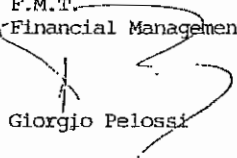
RE: ATG INVESTMENTS LTD INC PANAMA

Referring to your fax July 25, 1991 enclosed please find copies of the payments for the years 1988/89, 1989/90 and 1990/91 made by check.

Please proceed with the changes and send us via fax a copy of the certificate of good standing.

Very truly yours.

F.M.T.
Financial Management Trust SA


Giorgio Pelossi

MORGAN Y MORGAN
Attorneys at Law

1.

INSTRUCTIONS COVER SHEET

TELEFAX # 004191 227-672 (Lugano)

TIME: 18:25

TO: FINANCIAL MANAGEMENT TRUST

DATE: July 29th, 1991

ATTN: Giorgio Pelossi

Our telephone (507) 63-8822

OUR TELEFAX No. (507) 64-8317 MODEL RAPICOM 120 G II III
(507) 63-9918 MODEL RAPICOM 210 G II III

OUR RE 8350-91 YOUR RE _____ TOTAL PAGES INCLUDED HEREWITH 1

RE.: ATG INVESTMENTS LTD. INC.

Dear Mr. Pelossi:

We acknowledge receipt of your today's telefax, the contents of which are duly noted.

With regards to the change of Board of Directors of the above referred company, we confirm that we are proceeding to have such changes registered and will send it as soon as possible, as well as a Good Standing certificate evidencing the names of the newly appointed Board of Directors.

Also please take note that today we have received a fax from Messrs. PAGANI & WULLSCHLEGER S.A., informing that this company will be managed by them. Please confirm this fact in order to amend our records.

Best Regards,
MORGAN Y MORGAN

p. Simon R.
Simón Tejeira Jr.

VERWALTUNGS- UND PRIVAT-BANK AKTIENGESELLSCHAFT

BANQUE PRIVEE DE GERANCE SOCIETE ANONYME - PRIVATE TRUST BANK CORPORATION

FL-9490 VADUZ, LIECHTENSTEIN · TELEFON (075) 5 66 55 · TELEX 889 200 · TELEFAX (075) 2 66 97 · POSTSCHECKKONTO 90-8291-5 · SWIFT VPBV LI 22

BELASTUNGSANZEIGE/DEBIT ADVICE

FL-9490 VADUZ

REF:

US\$ KONTOKORRENT

242.741.020

WIR HABEN SIE WIE FOLGT BELASTET:
WE HAVE DEBITED YOU AS FOLLOWS:

EMPFÄNGER BENEFICIARY	BANK-POSTCHECKKONTO BANK ACCOUNT	MITTEILUNGEN AN DEN EMPFÄNGER INFORMATION TO THE BENEFICIARY	BETRAG AMOUNT IN CHF
Jones, Foster, Johnston & Stubbs, P.A. Flagler Center Tower 505 South Flagler Drive P.O. Drawer E West Palm Beach, Florida	Trust Account 0627008020698 ABA 067006076 SUN BANK/SOUTH FLORIDA N.A. FT. LAUDERDALE, Florida	Jamaica Condo Nr. 304 Palm Beach	US\$ 188'000.---
Bitte telegraphisch ausführen - to be done by Telex			

IHRE WEISUNGEN VOM/ YOUR INSTRUCTIONS OF:

Vaduz, 24. Januar 1990

VIS:

ICINELLA ANSTALT

WERTWALDE

US\$ 188'000.---

HOCHACHTUNGSVOLLE/VERY YOURS

VERWALTUNGS- UND PRIVAT-BANK AKTIENGESELLSCHAFT

ANZEIGEN BIS SFR. 50.000.- ODER GEGENWERT TRAGEN NUR EINE RECHTSGÜLTIGE UNTERSCHRIFT
ADVICES UP TO SFRCS. 50.000.- OR COUNTERVALUE BEAR ONLY ONE QUALIFIED SIGNATURE.

JONES, FOSTER, JOHNSTON & STUBBS, P.A. 9.

ATTORNEYS AND COUNSELORS
FLAGLER CENTER TOWER
605 SOUTH FLAGLER DRIVE
ELEVENTH FLOOR
P. O. DRAWER E
WEST PALM BEACH, FLORIDA 33402-3476
(407) 859-3000
FAX: (407) 832-1454

LARRY B. ALEXANDER
GEORGE H. BAILEY
KEVIN C. BEUTTENMULLER
MICHAEL D. BROWN
NATH P. CLEMENTS
SCOTT H. COLTON
MARGARET L. COOPER
REBECCA D. DOANE
RANDY D. ELLISON
L. MARTIN FLANAGAN
SCOTT A. GLAZIER
GRI E. HANDELSMAN
SCOTT G. HAWKINS
MORNINGTON H. HENRY
PETER S. HOLTON
HARRY A. JOHNSTON, II
J. A. JURGENS
MARK B. KLENFELD
CHARLES B. KOVAL

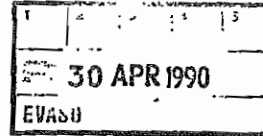
MICHAEL T. KRANZ
BLAIR R. LITTLEJOHN, III
JOHN M. LEROUX
JOHN BLAIR MCCrackEN
PAMELA A. MCNERNEY
TIMOTHY E. McMAHON
GUY RAMDEAU
JOHN C. RANDOLPH
ANDREW R. ROSS
STEVEN J. ROTHMAN
PETER A. SACHS
JOEL T. STRAWN
SIDNEY A. STUBBS, JR.
ALLEN B. THOMPSON
JOHN S. TRIDDER
MICHAEL P. WALSH
N. ADAMS WEAVER
PAUL C. WOLFE
HAROLD B. WOLFF

WRITER'S DIRECT LINE: _____

R. BRUCE JONES
1904-1983
HENRY F. LAEWENTHAL
1902-1982
KARRY ALLISON JOHNSTON
1895-1983
RETIRED
WILLIAM A. FOSTER
OTHER LOCATION
84 N.E. FOURTH AVE.
DELRAY BEACH, FLORIDA 33482

April 18, 1990

Mr. Giorgio Pelossi
Financial Management Trust
Via P. Lucchini
6 CP 2912
CH 6901
Lugano, Switzerland



Re: Ticinella from Pietrowski
The Island at River Harbour
Palm Beach County, Florida

Dear Mr. Pelossi:

Enclosed please find copies of the closing documents, including the original Warranty Deed and the original Owner's Title Insurance Policy. I also enclose at this time our statement for services rendered. I trust you will find same satisfactory.

Sincerely,

JONES FOSTER JOHNSTON & STUBBS, P.A.

Larry B. Alexander

LBA:lg
Enc.
47/I/2

p.s. I also enclose the Condominium Documents.

1080 E. Indiantown Road Suite 100 Jupiter, Florida 33477 (407) 575-4110		1. <input type="checkbox"/> FHA 2. <input type="checkbox"/> FMHA 3. <input type="checkbox"/> CONV. UNINS. 4. <input type="checkbox"/> VA 5. <input type="checkbox"/> CONV. INS. 10. 6. File Number: _____ 7. Loan Number: _____ 8. Mortgage Insurance Case Number: _____	
SETTLEMENT STATEMENT U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
C. NOTE: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.			
D. NAME OF BORROWER: ADDRESS:		Ticinella Anstalt, a Liechtensstein Corporation	
E. NAME OF SELLER: ADDRESS:		Robert P. Piotrowski and Patricia L. Piotrowski	
F. NAME OF LENDER: ADDRESS:		_____	
G. PROPERTY LOCATION: 1000 North U.S. Highway One, #204, Jupiter, FL 33477			
H. SETTLEMENT AGENT: <input type="checkbox"/> Atlantic Title ADDRESS: 1080 E. Indiantown Rd., #100 Jupiter, FL 33477		<input type="checkbox"/> _____	
PLACE OF SETTLEMENT: ADDRESS:		Atlantic Title 1080 E. Indiantown Rd., #100 Jupiter, FL 33477	
		I. SETTLEMENT DATE: January 31, 1990	
J. SUMMARY OF BORROWER'S TRANSACTION		K. SUMMARY OF SELLER'S TRANSACTION	
100. GROSS AMOUNT DUE FROM BORROWER:		400. GROSS AMOUNT DUE TO SELLER:	
101. Contract sales price	196,000.00	401. Contract sales price	196,000.00
102. Personal property		402. Personal property	
103. Settlement charges to borrower (line 1400)	57.60	403.	
104.		404.	
105.		405.	
Adjustments for items paid by seller in advance		Adjustments for items paid by seller in advance	
106. City/town taxes	to	406. City/town taxes	to
107. County taxes	to	407. County taxes	to
108. Assessments 1-31-90 to 3-31-90	519.69	408. Assessments	to
109. (Jupiter Harbor Condo Assoc.)		409.	
110.		410.	
111. Jupiter Harbor Property Owner	132.27	411.	
112. (1-31-90 - 3-31-90)		412.	
120. GROSS AMOUNT DUE FROM BORROWER	196,709.56	420. GROSS AMOUNT DUE TO SELLER	196,000.00
200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER:		500. REDUCTIONS IN AMOUNT DUE TO SELLER:	
201. Deposit of earnest money	10,000.00	501. Excess deposit (see instructions)	
202. Total amount of new loan(s)		502. Settlement charges to seller (line 1400)	13,705.60
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff of first mortgage loan	
205.		Great Western Bank	137,507.55
206.		505. Payoff of second mortgage loan	
207.		506. Escrow for Great Western	1,056.37
208.		507.	
209.		508.	
Adjustments for items unpaid by seller		Adjustments for items unpaid by seller	
210. City/town taxes	to	510. City/town taxes	to
211. County taxes 1-1-90 to 1-31-90	213.28	511. County taxes 1-1-90 to 1-31-90	213.28
212. Assessments	to	512. Assessments	to
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. TOTAL PAID BY/ON BORROWER	10,213.28	520. TOTAL REDUCTIONS AMOUNT DUE SELLER	152,810.44
300. CASH AT SETTLEMENT FROM/TO BORROWER		600. CASH AT SETTLEMENT TO/FROM SELLER:	
301. Gross amount due from borrower (line 120)	196,709.56	601. Gross amount due to seller (line 420)	196,000.00
302. Less amounts paid by/for borrower (line 200)	110,213.28	602. Less reductions in amount due seller (line 520)	152,810.44
303. CASH FROM (X) TO () BORROWER	186,496.28	603. CASH TO (X) FROM () SELLER	43,174.56
Invoice Jupiter 1/31/90	4,556.30		
	181,052.58		

JONES, FOSTER, JOHNSTON & STUBBS, P.A.
505 S. FLAGLER DRIVE
FIRST FLOOR
SEASIDE, FLORIDA, 33402-3475
3000

11.
18 GIU. 1990

Telefax	To	W.D Moore, Manager
Ref nbr:	From	G. Pelossi
Ticinella	Date	June 19, 1990 Pages - 3 -

MAY 31, 1990

TICINELLA ANSTALT ESCHEN
GIORGIO PELOSSI
VIA P LUCCHINI 6 CP 2912
LUGANO SWITZERLAND CH6901

REFERENCE: TICINELLA ANSTALT, ESCHEN PUR PIETROWSKI

OUR FILE NO.: 15012-00001 LBA

GENTLEMEN:

OUR RECORDS FOR THE ABOVE MATTER INDICATE THE FOLLOWING BILLS ARE STILL OUTSTANDING:

BILL NO.	BILL DATE	ORIGINAL BILL AMOUNT	UNPAID BALANCE DUE	
1	4/20/90	1,556.30	1,556.30	PAST DUE
TOTAL OF UNPAID BILLS			1,556.30	
LATE CHARGES			15.56	
TOTAL MATTER BALANCE DUE			1,571.86	

IF THESE BILLS DID NOT REACH YOU OR HAVE BEEN MISPLACED, PLEASE CALL AND I WILL FORWARD DUPLICATE COPIES. IF OUR RECORDS ARE NOT CORRECT, OR IF THERE IS ANY OTHER REASON WHY THEY HAVE NOT BEEN PAID, PLEASE LET US HEAR FROM YOU IMMEDIATELY.

IF PAYMENT HAS BEEN SENT, WE THANK YOU. IF NOT, YOUR ATTENTION TO THIS MATTER WILL BE APPRECIATED.

VERY TRULY YOURS,

JONES, FOSTER, JOHNSTON & STUBBS, P.A.
BY

W.D. Moore
W. D. MOORE, MANAGER

We have sent to your trust account as per enclosed debit-advice the amount of \$ 188'000.-- Yours disbursements as per enclosed statement were \$ 186'496.28 + your above mentioned invoice of \$ 1'556.30 for a total of \$ 188'052.58. Please confirm us that this statement is correct.

Best regards

TICINELLA ANSTALT
Giorgio Pelossi

Lugano, June 19th, 1990

Zweckform Kurzbrief selbstdurchschreibend - Nr. 1741

Von *From:*
Karlheinz Schreiber

Ihre Zeichen/Nachricht vom

Kurzbrief

Unser Zeichen Schr/ka Datum 7.1.1991

Mit der Bitte um: Erledigung Kenntnisnahme Verbleib

Stellungnahme bis/am Anlage

1	2	3	4	5
7.1. - 9 GEN. 1991				
EIASO				

An *To:*
Herrn
Giorgio Pelossi

Subj: Rental Contract
Betr.: Mietvertrag Frank Moores,
Florida

Anbei Originalunterlagen mit
der Bitte um Rücksprache mit
Herrn Karlheinz Schreiber.

*Original documentation enclosed
together with the request for consultation
with Mr. Karlheinz Schreiber*

13



Financial Management Trust Via P. Lucchini 6 C.P. 2912 CH-6901 LUGANO Tel. 091 23 65 12 Telefax 22 76 72

to: **Herrn Karlheinz Schreiber**

- per conoscenza zur Kenntnis für your information
- in ritorno mit Dank zurück en retour back with thanks
- a vostra richiesta auf Ihren Wunsch selon votre demande as requested
- per la firma zur Unterschrift pour la signature for signature
- per il pagamento zur Zahlung pour le paiement for payment
- per i vostri atti zu Ihren Akten pour vos dossiers for your file
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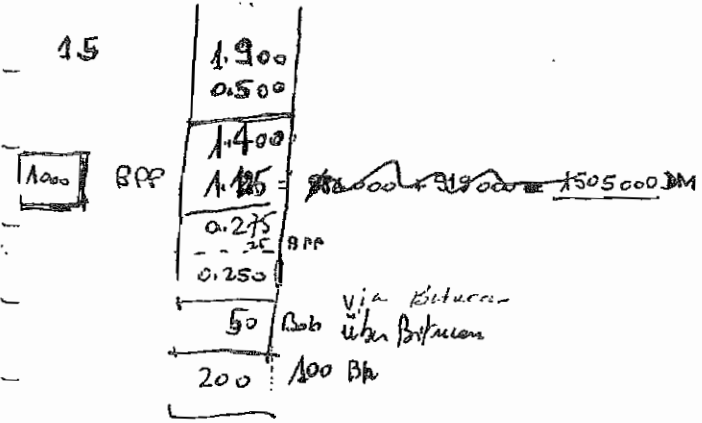
Anbei Mietvertrag Ticinella/Frank D. Moores in zweifacher Ausführung, mit der Bitte um Überprüfung und Unterzeichnung durch Frank.

Enclosed is rental contract Ticinella / Frank D. Moores in duplicate. Please have Frank verify and sign it.

Herzliche Grüsse

Lugano, 23. Mai 1991

tel. 45114107 KH



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Stadt- und Kreis Sparkasse
Landsberg - Diessen
Kto Nr. Acct. no

Elektronik
Dietrich Klein GmbH - name of company
Mathunistrasse 11
München 21 tel. 56 81 48

29/12/87 tel.

1 Jahr Zins 7 1/2 % DM 100.000.-
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Abrechnung: ~~...~~

Forderungen gegen PTBS
aus dem Jahreswartungs
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Bank: Bayerische Hypotheken und
Wechselbank, Weilheim (OB)
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Aqim Geburtstag

Montag 9. Mai

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Bernhard Lemare	9	
Franki Moores	10-15	5. Th floor Lavalin nach Ottawa
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	20	30 Dinner

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MINUTES - THYSSEN MEETING

February 1, 1988, Airport Hilton, Dorval, Quebec

Attendees: ACOA: Mr. D.S. McPhail
Mr. Jaffray Wilkins
Mr. John McDowell

THYSSEN/
BEARHEAD: Mr. Winfried Haastert,
Thyssen Industries AG
Mr. Jurgen Massmann,
President, Bearhead Industries Ltd.
Mr. Karlheinz Schreiber,
Chairman, Bearhead Industries Ltd.

LAVALIN: Mr. Bernard Charbonneau,
V.P., Defence Projects

DND: Mr. Edmund Healey, ADM, Materiels
Mr. Rob Gillespie, Chief, Supply

CGI: Mr. Greg Alford

DRIE: Mr. Cliff Mackay, ADM, Industry Marketing
Mr. Rocco Delvecchio, A/Director General
Aerospace, Defence and Industrial
Benefits.

EXTERNAL
AFFAIRS: Mr. Brian Schumacher, A/ADM
International Trade Development

- 1 -

PURPOSE:

The meeting was held, at the request of Mr. McPhail, to:

1. solicit from Thyssen:

- (1) the company's intentions for the proposed Bearhead facility in Cape Breton,
- (2) the nature of assurances from the federal and provincial governments that Thyssen would require prior to establishing a facility at Bearhead, and
- (3) Thyssen's relationship with Lavalin, including implications that might arise from a Lavalin acquisition of Trenton Works; and

2. provide an opportunity for senior representatives of key federal departments to address questions directly to Thyssen's senior management.

DISCUSSION:

In calling the meeting to order, Mr. McPhail:

1. thanked Mr. Haastert and the other Thyssen representatives for coming to Canada on such short notice;
2. introduced the representatives of key departments (DND, DRIE, External Affairs, and ACOA) in attendance; and
3. reminded Thyssen that prior to deciding on whether to support Thyssen's proposal for Cape Breton, the Government would have to decide on a number of significant and related factors, including consideration of Thyssen's request for a sole-sourced contract to construct light armoured vehicles (LAVs).

Following the introduction by Mr. McPhail, Mr. Haastert, on behalf of Thyssen, made a one-hour narrated slide presentation, which highlighted the following points:

1. Thyssen was a huge industrial multi-national company, headquartered in West Germany, which manufactured a variety of products;

2. military production was only a very minor element of the company's operations and Thyssen's revenues from the sale of military equipment, including armoured vehicles, was only about three percent of the company's total annual sales revenues;
3. Thyssen manufactured a complete spectrum of wheeled and tracked military vehicles for almost any application, including the following vehicles: M113, cargo carrier, Marden, Roland, TH341 medium battle tank, light armoured jeep, TM170 armoured police vehicle, UR416, TH300 4x4 armoured personnel carrier, Condor, Fuchs amphibious armoured personnel carrier, Lynx, TH400 6x6 weapons carrier, and TH800 8x8 armoured vehicle;
4. in the civilian sector of its operations, Thyssen manufactured the following products: sheet metal containers for dangerous wastes or liquids, specialized tractor trailers, high-pressure industrial liquid tanks, recycling and environmental equipment, de-nitrofication units, scrap metal processors, nuclear materials handling equipment, industrial pumps, gears and couplings, steering gears, boilers and oil heaters, industrial mixers, tires, CNC machine tools (including tools for the auto industry), and transfer assembly lines;
5. in the marine industrial sector, Thyssen manufactured icebreakers, submarine components, and drilling platforms, while in the transportation field, Thyssen manufactured rail equipment and high-speed trains, incorporating magnetic levitation technology;
6. Thyssen already employed some 3,000 persons in Canada, through subsidiaries, including Budd Canada Inc., an auto parts manufacturer based in Kitchener, Ontario;
7. in May, 1985, Thyssen had been approached by Mr. Sinclair Stevens, the then Minister of Regional Industrial Expansion, who had stated that the Government's industrial policy objectives were to:
 - (1) increase exports and lower imports, particularly to the U.S.,
 - (2) increase employment, especially jobs associated with high technology sectors, and
 - (3) encourage, in particular, the expansion of companies already located in Canada including Thyssen;

8. Thyssen had informed Mr. Stevens that it was interested in exploring the possibilities of locating an armaments manufacturing facility in Canada, possibly on the Bearhead peninsula in Cape Breton;
9. Mr. Haastert had personally toured the facility's proposed site on the Bearhead peninsula and agreed that the site was ideally suited for Thyssen's requirements because it:
 - (1) enjoyed year-round freedom from ocean ice,
 - (2) was quite isolated from major urban centres, thereby providing an excellent area for vehicle testing, and
 - (3) was proximal to major oceanic shipping lines;
10. in 1985, Thyssen had requested clarification of the Government's policy on armaments exports, specifically with respect to whether the Government would permit shipments of armaments manufactured in Canada to various countries, including Middle Eastern countries;
11. this list had "leaked" publicly, and the resulting adverse media attention had temporarily caused Thyssen, and the Government, to delay arrangements for the Bearhead facility;
12. in May 1986, Thyssen had established Bearhead Industries Limited:
 - (1) a subsidiary owned by Thyssen (although Thyssen would contemplate sharing ownership of Bearhead with a Canadian partner), and
 - (2) a non-operating "shell company" based in Ottawa, established solely to manage Thyssen's interests and intentions vis-à-vis the proposed Bearhead project;
- 20(2) ~~13. at this point, Thyssen envisaged that the Cape Breton facility would initially assemble military vehicles, based on the following assumptions:
 - (1) a production mix of 50 percent wheeled armoured vehicles and 50 percent tracked armoured vehicles,
 - (2) one-shift operations in the first year (1991), producing about 80 vehicles, and employing a full-time labour force of 275 persons,~~

- 4 -

- (3) considerable growth in the second year of operations, reaching an output of 150 vehicles per year, and a full-time labour force of 355 persons, and
- (4) ultimately, depending on the demand for LAV's, a possible full-time labour force of 469 persons;
14. prior to establishing the Bearhead facility, Thyssen was requesting that the federal government provide Thyssen with a directed contract to supply DND with between 250 and 300 LAVs at internationally-accepted prices, to be manufactured according to DND's technical specifications and operational requirements, and the opportunity to bid competitively on additional DND LAV contracts;
15. if Thyssen did not receive the directed LAV contract from the Government, Thyssen would not proceed with the Bearhead facility;
16. Thyssen had already received a letter from Premier Buchanan of Nova Scotia, which committed the Province to providing Thyssen with the necessary land and physical infrastructure (subject to corresponding federal government support) for the Thyssen project;
17. if Thyssen was granted its request for a directed LAV contract, Thyssen would:
- (1) provide the transfer of all necessary technology to its Bearhead plant,
 - (2) ensure that a maximum portion of the sub-contracting of its requirements for the Bearhead facility was sourced through Canadian-based firms, and
 - (3) provide the vocational school in Port Hawkesbury with the necessary equipment and staff to train local labour to meet Thyssen's requirements for the Cape Breton project;
18. Thyssen was optimistic that this Bearhead project would be financially viable because the facility would:
- (1) receive the directed LAV contract from the Government -- a contract which would provide the Bearhead facility with an assured market for its products for at least two years of its operations,

- (2) employ a highly-skilled, trained labour force,
- (3) be relatively labour-intensive and "low/tech" -- unlike GM's highly-automated London, Ontario, facility -- thereby allowing the Thyssen plant to operate on small vehicle orders, manufactured in response to perceived market "niches",
- (4) enjoy a close working relationship, including coordinated manufacturing and subcontracting arrangements, with Lavalin, a Canadian-based firm with proven expertise in exporting Canadian products, and a firm which was expecting to acquire the Hawker Siddeley rail car facility in Trenton, Nova Scotia,
- (5) benefit from Thyssen's close working relationship with Krauss Maffei, a German-based firm which was the manufacturer of the Leopard II main battle tank, and
- (6) be ideally suited to build and market its military products in,
 - (i) the U.S. military market place, a market place rendered highly accessible to Canadian-based suppliers due to the terms of the Canada-U.S. Defence Industry Sharing Agreement, and the proposed Free Trade Agreement between Canada and the U.S., and
 - (ii) the Canadian military market, in response to various defence-related procurement that the Government had identified as priorities in the Defence White Paper;

20 (3)

- 18. Thyssen viewed the proposed Bearhead facility as a manufacturer of defence-related vehicles, but that depending on market conditions, Thyssen could diversify its activities at Bearhead, in order to manufacture a variety of products for non-defence applications;
- 19. the likely non-military products that the Cape Breton facility could manufacture were various containers, sheet metal products, automotive equipment, vehicle steering equipment, and materials for offshore oil and gas exploration;

20. moreover, if Thyssen was successful in fully diversifying the operations and product output of the Bearhead plant, it was not unreasonable to predict that the facility might directly employ some 2,000 persons; and
21. Thyssen would not make a commitment that the Bearhead facility would diversify to manufacture non-military products because this diversification, if it occurred, would depend on market demand, and this potential demand was unknown at this point.

20(3)

Following the presentation by Mr. Baastert, the following queries to, and responses from, Thyssen were made:

1. ACOA: What assurances did the Government have that Thyssen would indeed diversify its product line from military to civilian components?

Thyssen: The directed LAV contract was necessary in order to lower the financial risks associated with Thyssen's proposed investment at the Bearhead location. Once the plant was established, and the labour force and relevant technology was in place, it would be a relatively simple, and low cost, next step for Thyssen to diversify into civilian production. The guarantee from the Government of Canada on the sole-source LAV contract was absolutely essential in order to induce Thyssen to make such a large investment in Cape Breton.

20(3)

2. ACOA: What factors would prevent the proposed Bearhead facility from simply continuing to be totally dependent on government assistance?

Thyssen: Thyssen would not authorize such a large investment if its senior management were not totally convinced that the investment would result in profitable operations. Thyssen would ensure that the Bearhead facility remained relatively small, and that the plant targetted its output at perceived market "niches". Moreover, the sheer size of Thyssen's international operations ensured that Thyssen could easily find work for 400 employees.

20(3)(4)

In addition, Thyssen would carefully examine the Sysco steel plant in Sydney to determine whether Sysco products were suitable for Thyssen's steel requirements, and if so, the existence of a proximal

steel producer would result in lower than expected steel transportation costs for the Thyssen plant, thus reducing Bearhead's production costs and increasing expectations of profitability.

Lavalin: Lavalin senior management had a strong commitment to assist the proposed Bearhead facility, particularly in the early, start-up period. Lavalin was bidding internationally on many projects and anticipated that it would receive orders for at least \$1.0 billion in new sales over the next two years. Lavalin envisaged that a considerable portion of these new orders could be sourced from Thyssen's Bearhead plant; and

Lavalin also anticipated acquiring the Trenton Works facility very shortly, and the company would consider sub-contracting a portion of its Trenton Works requirements to Thyssen's Bearhead plant.

3. DRIE: The obvious policy questions for the Government on the Thyssen issue were:
- 1) (a) What was the probability of the proposed Thyssen facility remaining totally dependent on government orders and financial assistance?,
 - (b) What industrial and financial impact would the establishment of an armoured vehicle production facility in Cape Breton have on Canada's existing heavy vehicle producers?, and
 - 2) In light of the above questions, would the establishment of the Bearhead facility, and its requirement for government assistance "make sense" for the country and for the Government of Canada?
4. DND: Would a "vague Letter of Intent committing the Government to purchase 250 armoured vehicles, yet to be defined and priced", be sufficient for Thyssen?

Thyssen: Yes. If Thyssen received a Letter of Intent for an order to supply DND with at least 250 armoured vehicles with delivery commencing by 1992, Thyssen would proceed to build the Bearhead facility, including the civilian production line.]

15(1)b

- 5. ~~DND: Assuming DND required delivery of LAVs built to specifications in 1992, would this timing necessarily mean that Thyssen would proceed to develop Bearhead in 1990?~~

20(2)

~~Thyssen: No. The establishment of the facility at Bearhead was relatively independent of the exact type of military vehicle required by DND as long as DND requirements included a fairly heavy vehicle. This independence arose because Thyssen would have to install heavy equipment, including lifting cranes, as well as the skilled labour force, regardless of the exact nature of the vehicles built. Moreover, in Germany, Thyssen was now capable of launching a complete new series of vehicles in about 16 months, including a 14-month development stage and a 2-month testing period.~~

15(1)b

~~Perhaps most importantly, Thyssen was anxious to proceed immediately to establish the Bearhead facility in order to be well-placed to participate (from a North American assembly plant) in the upcoming massive U.S. procurement of some \$200 billion in armoured vehicles. Even if Thyssen received only a tiny portion of the \$200 billion U.S. order, the sheer size of the contract would almost ensure that any portion of it would provide employment for 400 persons at Bearhead.~~

- 6. DND: Why should DND support Thyssen when existing suppliers in North America were fully capable of meeting DND's LAV requirements?

15(1)b

20(2), 3)

~~Thyssen: Thyssen vehicles were technically superior and would be built exactly to DND requirements. Moreover, Thyssen would guarantee the transfer of all technology to Canada. Thyssen was also willing to provide the Government with a written commitment, establishing in detail the company's plans for the proposed Bearhead facility.~~

Thyssen fully expected the Bearhead facility to be profitable, well diversified, and independent of ongoing government assistance. In short, although Thyssen could not, obviously, give the Government any guarantees on the plant's future performance, Thyssen was very optimistic that the proposed Bearhead facility would be successful.

- 9 -

CGI: The establishment of a Thyssen-sponsored DND vehicle-manufacturing facility in Cape Breton would broaden and strengthen the defence industrial base in Canada and could, especially if Thyssen entered into a cooperative agreement with Krauss Maffei, create a ~~"centre of excellence" for armoured vehicle~~ production in Cape Breton.

In drawing the discussion to a close, Mr. McPhail made the following points:

1. The meeting had taken place to exchange views, and not to reach definitive conclusions;
2. with respect to Thyssen's request for the directed LAV contract, the Government would have to consider carefully the need to balance regional development objectives with DND materiel requirements; and
3. the Government would of course, examine Thyssen's proposal carefully, and would respond to Thyssen in due course.

MSERD FEDC - Records Unit	
DEDER CFDE - Bureau des Documents	
Referred to Référé à	<i>W. Patten</i> 676
Original for file Original pour dossier	2330-71
Copy for file(s) pour dossier (s)	
Date Received Date Reçu	MAR 21 1988

INDUSTRIAL INVESTMENT PROPOSAL
TO
THE GOVERNMENT OF CANADA
THROUGH
THE ATLANTIC CANADA OPPORTUNITIES AGENCY

1.0 INTRODUCTION:

BEAR HEAD INDUSTRIES LTD. is pleased to submit to the Government of Canada a comprehensive proposal for investment, technology transfer and industrial production. This proposal represents a very significant commitment to the economic development of the Cape Breton and Pictou County areas of Eastern Nova Scotia.

2.0 OBJECTIVE:

THYSSEN INDUSTRIE AG intends to increase its North American activity and investment. Its objective is to expand its manufacturing capacity in North America to supply the North American defence and commercial market. It proposes to do this through a modern permanent plant at Bear Head, Nova Scotia, and has entered into a co-operative agreement with Lavalin which includes its Trenton Works.

3.0 CONCEPT:

The key to the establishment of this plant is the timely acquisition of an acceptable Letter of Intent for an initial order of 250 LAVs. The resulting plant infrastructure will trigger the plant's non-defence activities plus the remainder of Thyssen's strategy for a major industrial mixed commercial-defence manufacturing complex at Bear Head.

The project will create in Atlantic Canada a centre of industrial technology and production, which will have a direct positive impact on the local economies with substantial collateral benefits to established local industries. (The rationale for locating at Cape Breton's Strait of Canso is outlined at Annex A).

THYSSEN intends to transfer to this plant the modern technology necessary to establish a base for domestic production of armoured vehicle systems as well as a wide range of advanced industrial and transportation equipments.

In the course of these activities, it is THYSSEN's commitment to work with selected Canadian partners to source the greatest feasible content to Canadian industry.

4.0 THYSSEN INDUSTRIE AG:

THYSSEN INDUSTRIE AG is the principal component of THYSSEN AG which is a very large diversified concern with a broad international presence.

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THYSSEN INDUSTRIE AG's subsidiary, THYSSEN HENSCHEL, is an acknowledged world leader in the fields of special industrial machinery and advanced transportation and defence technology. (A summary of THYSSEN activities is shown at Annex B).

THYSSEN HENSCHEL is a long-established designer and manufacturer of high-performance armoured vehicles for the German and other NATO armies.

THYSSEN HENSCHEL has developed and successfully tested an ultra-modern rapid rail transportation system suitable for Canadian application as well as a variety of advanced passenger handling equipments for large airports. In addition, the company has designed and is manufacturing a unique range of scrap processing, industrial waste machinery, numerically-controlled machine tools, transmissions, modular gears, surface and subsurface marine vessels, offshore petroleum equipment and a wide variety of other industrial products. THYSSEN HENSCHEL proposes to provide the technology, design and production expertise for the Canadian manufacture at Bear Head and Trenton of these and other appropriate high-technology systems.

5.0 BEAR HEAD INDUSTRIES LTD.:

BEAR HEAD INDUSTRIES has been established by THYSSEN INDUSTRIE AG as a Canadian subsidiary company to permit the transfer of investment and technology to Canada to supply the North American commercial and defence markets to its proposed modern manufacturing facility in Cape Breton, Nova Scotia.

6.0 THYSSEN CONDITIONS AND COMMITMENTS:

This commercial initiative represents a very significant economic commitment to Atlantic Canada and a considerable allocation of financial and managerial resources. In the current economic climate - most specifically, in regard to heavy manufacturing industry - such an initiative at Bear Head cannot be realized without the sourcing of appropriate defence projects; most specifically, light armoured vehicles (LAV) and the participation in main battle tank (MBT) production. These projects would ensure initial production through-put, and impetus to commence long-term commercial activities. It would expedite the establishment of the necessary infrastructure to compete in the United States defence and commercial markets.

6.1 CONDITIONS:

THYSSEN is therefore prepared to proceed under the following conditions:

a. An agreement with the Province of Nova Scotia for land (as outlined in principle in the letter at Annex C).

b. A similar and specific agreement for infrastructure establishment, e.g. water, power, sewage, railspur, road, etc.

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c. A firm agreement that the proposed facility qualifies and will be assisted under the investment incentive programs of ACOA, MIST - DRIE, and other relevant federal and provincial investment programs.

d. Duty remission on the importation of machinery, parts and components for the manufacturing of vehicles, conditional on an agreed level of Canadian content in the finished product.

e. Qualification and facilitation of the process to grant Cape Breton investment tax credits, as it applies to the BEAR HEAD INDUSTRIES LTD. project.

f. Government participatory funding for initial employee training

g. A commitment in the form of a firm Letter of Intent, or like communique by Canada to BEAR HEAD INDUSTRIES, for a minimum start-up order for 250 LAV's for production in 1991/92.

h. An understanding that future significant plant and activity expansion could also qualify for regional incentive programs subject to separate negotiations.

6.2 COMMITMENTS:

11. In return, THYSSEN would commit as follows:

a. The creation of a modern manufacturing plant at BEAR HEAD, N.S.

b. Diversified production for both the commercial and defence markets.

c. Technology transfer to BEAR HEAD INDUSTRIES LTD. to permit production and product-improvement.

d. Direct, sustained employment for a minimum of 500 permanent personnel.

e. Indirect employment estimated at 1200 jobs.

f. Partnerships with selected Canadian companies, such as LAVALIN INC. at TRENTON WORKS. (This would include technology transfer, and possible work sharing agreements.)

g. Canadian sub-contracting and sourcing.

h. The establishment of a new industrial and defence manufacturing base in Cape Breton, N.S.

i. An initial investment of \$58 - Million.

These commitments are amplified below.

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7.0 BEAR HEAD FACILITY:

The proposed plant at Bear Head, Nova Scotia, has been purpose-designed by THYSSEN production engineers to represent a modern, flexible and cost-effective facility. The plant will be capable of undertaking fabrication of a high proportion of major components as well as the final assembly and test of the complete vehicle system. The machinery and facility are also well-suited to a range of commercial manufactures. The complete THYSSEN study is available for discussion at a later date.

7.0 PRODUCTION PLAN:

7.1 Defence:

The objective of the production plan for BEAR HEAD is to provide sustained activity and employment. For this reason, it is intended to supply the domestic defence customer (DND) not only the manufactured unit off-production, but also the full introduction and life-cycle support package appropriate to modern weapon systems. The full spectrum of this support is tabulated in the attached diagrams (Annex D), which indicate a long-term manufacturers' involvement in the maintenance, periodic overhaul and product improvement of the equipment supplied. This will provide not only continuing shop activity but will also create a defence engineering capability for new product design, development and manufacturing.

7.2 Commercial:

Integral to the production facility established for defence is the inherent capacity to manufacture advanced technology, heavy industrial products, the first of which are airport loading, bridges, scrap and surplus metal reprocessing machines, computerized machine tools, specialized pressure vessels and mixing systems (intended mainly for the U.S. market).

Technology, skill training and production facilities for the manufacture, systems integration and major overhaul/rebuild programs of these commercial products has such commonality with the defence production that these high capital investment products can be produced at BEAR HEAD by sharing the defence production facility. The direct employment related to this commercial production is detailed in the employment graphs of Annex D.

8.0 DIRECT EMPLOYMENT:

THYSSEN will provide long-term manufacturing, engineering and management employment in the region. The proven success of THYSSEN INDUSTRIE has been built upon high investments in production employee skill training. The THYSSEN combination of high-skilled labour content with advanced technology production machinery, such as numerically-controlled machinery and computer-assisted manufacturing, will ensure BEAR HEAD is a flexible and competitive

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producer in both civil and defence production. Direct employment projections are shown in the charts and graphs of Annex D.

9.0 INDIRECT EMPLOYMENT:

Consultation with ACOA and MIST-DRIE have forecast indirect jobs created in relation to the BEAR HEAD project. This forecast is shown in Annex E.
To be added.

10.0 PARTNERSHIPS:

While the basic THYSSEN proposal is independent and self-sustaining, discussions have been undertaken and provisional agreements reached with a number of potential partners. These arrangements relate to specific defence and commercial projects and have been initiated in response to perceived national requirements.

10.1 The first of these is an agreement with LAVALIN INC. for work sharing at the former TRENTON WORKS recently acquired by LAVALIN. The intention is to provide diversification at TRENTON into both commercial and defence production with THYSSEN-held technology. LAVALIN will in turn bring to BEAR HEAD availability of their engineering participation in plant construction and commercial projects, as well production-sharing and joint ventures are possible. This agreement is further explained in Annex F.

10.2 Second, is an agreement with KRAUSS MAFFEI to share work on main battle tank production at BEAR HEAD in the event the KRAUSS MAFFEI main battle tank is acquired for Canada's future MBT requirement. This agreement is explained in Annex G.

11.0 CANADIAN SOURCING:

BEAR HEAD INDUSTRIES LTD. will engage, very early in the project, sourcing specialists to identify potential Canadian suppliers for component and parts required for specific products. The objective will be to maximize Canadian, and more specifically, Atlantic Canada content in all production, wherever feasible.

12.0 CANADIAN INDUSTRIAL BASE:

The production activity targetted for Canada by THYSSEN is presently served by imports to Canada and the U.S., and THYSSEN is among the current international suppliers.

THYSSEN has determined that by establishing North American based production for these industries from a mixed commercial and defence production centre in Nova Scotia, current Canadian imports can be replaced with a new domestic production and also export competitively into international markets.

The technology transferred for this new domestic production will benefit the

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THYSSEN facility at Cape Breton and also diversify the LAVALIN TRENTON WORKS and impact favourably upon industries of Atlantic Canada including component subcontractors and service suppliers.

13.0 CANADIAN DEFENCE INDUSTRIAL BASE:

The transfer of THYSSEN technology will provide Canada with a new indigenous capability to develop, manufacture and support tracked armoured vehicles, thereby enhancing the Canadian defence industrial base. This will provide the Canadian Forces with considerable self-sufficiency in major land equipments.

14.0 INVESTMENT:

If the appropriate conditions are met, THYSSEN INDUSTRIE AG is prepared to make a major financial investment to establish at BEAR HEAD a facility to serve the North American market. The THYSSEN marketing program will be tailored to generate rapid expansion at the BEAR HEAD facility and co-operation with Trenton Works and other Atlantic Canadian industries and Canadian industries through joint ventures and sub-contracting. While certain variables must be taken into account, an overall commitment of some \$58 million Canadian is envisaged. This is offered in combination with the combined federal and provincial investment incentives and tax credit programs available for Cape Breton and detailed in previous and ongoing discussions with federal and provincial officials.

15.0 MARKETS:

a. The Canadian market will, of course, be essential for the BEAR HEAD facility.

b. But, THYSSEN is not proposing to locate this plant in BEAR HEAD solely to service the Canadian market. There is major exciting growth potential of this plant in the much larger United States market for which the BEAR HEAD plant is mandated.

c. The conservative job numbers described in this proposal relate to specified opportunities. There are, however, other market opportunities which will become available to this plant.

d. Additionally, there is also no reason why, by reason of the plant's excellent seaport location, it can't serve other world markets as well.

16.0 STATUS:

THYSSEN offers this proposal after careful investigation and consultation with various agencies of government and commercial concerns. THYSSEN is prepared to make this major commitment to the economic future of Atlantic Canada if the appropriate level of government support can be assured. We look forward to a positive and early response so that we may proceed immediately. We are prepared

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to provide any further assistance or information which will be of assistance
towards a very early decision.

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MEMORANDUM

March 22, 1988

TO: D.S. McPhail
President Designate
ACOA, Moncton

FROM: Wynne Potter
~~Vice-President Designate~~
ACOA, Halifax

SUBJECT: Thyssen Industrial Investment Proposal (March, 1988)

Overview

Thyssen (Bear Head Industries) has submitted a draft proposal to construct a plant at Bear Head in the Strait of Canso area to manufacture defence and commercial products. Some 500 jobs are to be created with a \$58 million investment by Thyssen.

The defence products include Light Armoured Vehicles (LAVs) and Main Battle Tank (MBT) components.

The commercial products include airport loading bridges, scrap metal processing equipment, N/C tools, pressure vessels and mixing systems.

Conditions

Thyssen is prepared to proceed under the following conditions:

1. An agreement with the Province of Nova Scotia for land.
2. A similar and specific agreement for infrastructure establishment, e.g. water, power, sewage, railspur, road, etc.

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3. A firm agreement that the proposed facility qualifies and will be assisted under the investment incentive programs of ACOA, DIST/DRIE, and other relevant federal and provincial investment programs.
4. Duty remission on the importation of machinery, parts and components for the manufacturing of vehicles, conditional on an agreed level of Canadian content in the finished product.
5. Qualification and facilitation of the process to grant Cape Breton Investment Tax Credits, as they apply to the Bear Head project.
6. Government participation in funding for initial employee training.
7. A commitment in the form of a firm Letter of Intent, or like communique by Canada to Bear Head Industries, for a minimum start-up order for 250 LAVs for production in 1991/92.
8. An understanding that future significant plant and activity expansion could qualify for regional incentive programs subject to separate negotiations.

Commitments

In return, Thyssen would commit as follows:

1. The creation of a modern manufacturing plant at Bear Head, N.S.
2. Technology transfer to Bear Head to permit production and product-improvement.
3. The establishment, in Cape Breton, of a new and diversified activity in the Canadian commercial and defence manufacturing base.
4. Direct, sustained employment for a minimum of 500 permanent personnel.
5. Indirect employment estimated at 1,200 jobs.

.../3

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6. Partnerships with selected Canadian companies, such as Lavalin Inc. at Trenton Works. (This would include technology transfer, and work sharing agreements.)
7. Canadian sub-contracting and sourcing.

Partnerships

Discussions have been undertaken and provisional agreements reached with two potential partners.

~~The first of these is an agreement with Lavalin Inc.~~
for work sharing at the former Trenton Works recently acquired by Lavalin. The intention is to provide diversification at Trenton into both commercial and defence production with Thyssen-held technology. Lavalin will in turn bring to Bear Head availability of their engineering participation in plant construction and commercial projects, as well production - sharing and joint ventures are possible.

Second, is an agreement with Krauss Maffei to share work on main battle tank production at Bear Head in the event the Krauss Maffei main battle tank is acquired for Canada's future MBT requirement.

Comments

- The proposal is very thin on detail. The annexes containing arrangements with the Province, Lavalin and Krauss Maffei were not included.
- The proposal is very vague on the specific commercial products to be manufactured. No market analysis has been included.
- The sole-source contract for 250 LAVs still appears to be the key reason for the establishment of a plant in Cape Breton.
The other defence markets and products are unsecured.
- The proposal is incomplete as a business plan. More detailed information on markets, phasing, finances, plant size, etc. is needed.

Wynne Potter



BEAR HEAD INDUSTRIES LIMITED

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

TELEPHONE (613) 563-3321

TELEFAX (613) 563-7648
TELEX 053-3981 bhi ott

June 24, 1988

Mr. Donald McPhail
President
Atlantic Canada Opportunities Agency
270 Albert Street
14th Floor
Ottawa, ON
K1P 6N8

Dear Mr. McPhail:

Thank you for yesterday's meeting to discuss further how we might proceed with a Statement of Intent between Bear Head Industries and the Government of Canada.

I share with you a concern for the possible damage that would occur to the progress achieved to date if speculative press stories begin to appear before we are able to conclude our agreements. With this in mind, and recognizing that an article has appeared in recent German press, I believe it provides an additional compelling reason for moving forward very quickly.

I have, therefore, reflected further on our discussions of yesterday. As we have often indicated, even with everything in place, the Bear Head project has required an order to allow it to proceed. This is why we have long urged, proceeding via a committed intent from DND, for the equivalent of our plant's one-year production. At yesterday's meeting we said "it was our opinion that Thyssen would proceed on the basis of the draft of the document signed by all three Ministers. The purpose of this letter is to remove this from an opinion to a confirmation and to indicate Thyssen, on this basis, would be ready to announce immediately and as per Clause 4 A (i):



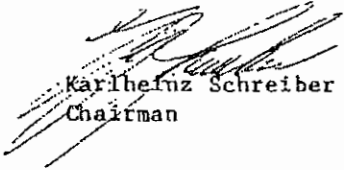
BEAR HEAD INDUSTRIES LIMITED

"in accordance with the provisions of this Statement of Intent, the Company agrees to proceed forthwith with the construction of an initial plant as described in a document submitted to ACOA and dated September 15, 1987, which would involve production aimed primarily at North American defence-related markets."

I respectfully urge there not be a weakening of the proposed substantive language of the draft document; with it intact, we have a project immediately with or without a U.S. order. In particular, I urge there not be a weakening of Clause 4 C, which although less than desired will cause the project to proceed immediately.

I am hoping that on this basis it may be possible for you to consider accelerating the timetable you indicated to us yesterday.

Sincerely yours,



Karlheinz Schreiber
Chairman

KHS/lad

STATEMENT OF INTENT

THIS STATEMENT made this day of June, 1988,

BETWEEN:

HER MAJESTY THE QUEEN IN RIGHT OF CANADA,
as represented by:

(i) the Minister responsible for the
Atlantic Canada Opportunities Agency

(hereinafter called "the ACOA Minister")

-and-

(ii) the Minister of Regional Industrial Expansion

(hereinafter called "the DRIE Minister")

-and-

(iii) the Minister of National Defence

(hereinafter called "the National Defence
Minister")

-and-

BEAR HEAD INDUSTRIES LIMITED,
a company incorporated under the laws of
Nova Scotia, a subsidiary which is
One Hundred (100%) Percent owned by
Thyssen Industrie A.G. of West Germany

(hereinafter called "the Company")

WHEREAS the Government desires to foster the economic expansion and industrial development of Cape Breton;

WHEREAS the Company desires to undertake the establishment of a heavy industry manufacturing facility in the Bear Head peninsula region of Cape Breton;

WHEREAS the ACOA Minister and the DRIE Minister recognize that the proposed Bear Head facility represents an important part of the economic development and diversification of the industrial base of Cape Breton;

WHEREAS the Company, due to the rapidly-emerging opportunity to participate in a major U.S. Government military procurement, must have in place a North American heavy industry manufacturing facility on an urgent basis;

WHEREAS the Company is currently preparing financial details on its proposal to meet information requirements of the Government's established regional development capital contribution and other assistance programs;

WHEREAS a heavy industry manufacturing facility located in Cape Breton will gain access to the U.S. defence market under the Canada-U.S. Defence Production Sharing Agreement and also participate in the upcoming major military procurements of the Canadian Government;

WHEREAS it is the policy of the Government of Canada to ensure that all major procurements, including defence procurements, incorporate fully industrial and regional benefits considerations;

1. In accordance with this Statement of Intent, the Company shall establish a diversified heavy manufacturing facility at the Bear Head region of Cape Breton, Nova Scotia, which would:

(a) create in Cape Breton a new and diversified activity in the Canadian civilian and defence industrial base;

(b) involve a complete transfer from Germany to the Cape Breton facility of all technology necessary for the construction of light armoured vehicles and other heavy industry products;

(c) involve co-operative sourcing and arrangements for joint-venture activities with the Lavalin (UTDC) heavy industry facility in Trenton, Nova Scotia;

(d) source its requirements from, and wherever appropriate, promote the establishment of small business enterprises in Atlantic Canada; and

(e) employ some 500 persons on a permanent, full-time basis and, where necessary, undertake to train these individuals in required skills and knowledge, utilizing, where appropriate, local educational facilities.

2. The Government of Canada, through the Defence White Paper, has initiated the requirement for a major revision of the acquisition program for major equipment, and:

(a) there is a planned acquisition program for a Light Armoured Vehicle (LAV) in the early to mid-1990 timeframe;

(b) the Government is aware of the high quality and performance characteristics of the defence products which have made Thyssen Henschel such a successful participant in the armoured vehicle sector of defence industries; and

(c) the Government considers that a Bear Head Industries plant, established as a Thyssen Industries subsidiary in Nova Scotia, would be a participant in this program and in others as well.

3. In recognition of the particular need to proceed on a timely basis, the Company, the ACOA Minister, the DRIE Minister and the National Defence Minister agree to adopt a two-phased approach to facilitate the establishment of the Bear Head facility.

PHASE I

4. The Company, the ACOA Minister, the DRIE Minister and the National Defence Minister agree that Phase I shall involve the following undertakings from respective parties:

A. By the Company:

(i) in accordance with the provisions of this Statement of Intent, the Company agrees to proceed forthwith with the construction of an initial plant as described in a document submitted to ACOA and dated September 15, 1987, which would involve production aimed primarily at North American defence-related markets; and

(ii) in order to qualify for assistance under the Cape Breton Investment Tax Credit, the Company agrees to submit a formal application to Enterprise Cape Breton in advance of June 30, 1988; and

(iii) in order to qualify for assistance under the Defence Industrial Productivity Program (DIPP), the Company agrees to provide financial and other details associated with Phase I, required as a condition of DIPP.

B. By the ACOA Minister:

(i) the ACOA Minister agrees to negotiate with the Province of Nova Scotia, in accordance with existing letters from the Premier of Nova Scotia, to put in place financial arrangements for the co-funding of required physical infrastructure and to use the Strait of Canso Industrial Development Sub-Agreement as a source of funding, conditional upon the commencement of construction at Bear Head;

(ii) the ACOA Minister agrees to ensure that the Company receives such assistance and programs delivered by Enterprise Cape Breton under the ACOA Action Program consistent with these programs at the time the Bear Head project is announced proceeds;

(iii) the ACOA Minister agrees to intercede with the Minister of National Revenue in order to:

a) ensure that the Company receives assistance under the provisions of the Cape Breton Investment Tax Credit and in accordance with the formal application for such assistance filed by the Company prior to June 30, 1988;

b) to facilitate the Company's request for duty remission on the importation of machinery, parts, components for the manufacturing of vehicles, under the Machinery and Equipment Tariff Program, consistent with this program at the time the Bear Head project proceeds; and

(iv) the ACOA Minister agrees to intercede with the Minister of Employment and Immigration to facilitate the Company's request for government participatory funding for initial employee training.

C. By the National Defence Minister:

The Minister of National Defence agrees to ensure that the Company participates in the proposed 1,300 light armoured vehicles order(s), provided the Company:

(i) develops, designs and manufactures these vehicles from its entire technology range according to the operational requirements of the Government of Canada;

(ii) transfers the necessary technology to its facility in Cape Breton and shares jobs with suitable Canadian manufacturers, including Lavalin's Trenton plant in Nova Scotia;

(iii) meets the Government requirements in terms of quality, delivery and logistic support, including personnel training; and

(iv) delivers and performs at internationally acceptable prices.

D. By the DRIE Minister:

(i) the DRIE Minister agrees to provide the Company with capital establishment assistance under the

Defence Industries Productivity Program (DIPP), consistent with this program at the time the Bear Head project proceeds.

PHASE II

5. The Company, the ACOA Minister, the DRIE Minister and the National Defence Minister further agree that Phase II shall involve the following undertakings from respective parties:

A. By the Company:

(i) the Company agrees to proceed not later than twelve (12) months after the commencement of production under Phase I, with diversification into heavy civilian manufacturing production targeted at Canadian and international markets;

(ii) in order to qualify for further assistance under government programming, the Company agrees to provide within twelve (12) months of the Phase I announcement, financial details including product and market projections associated with Phase II; and

(iii) should Phase II not be proceeded with, the Company agrees to partially reimburse the Government of Canada for assistance provided in Phase I.

B. By the ACOA Minister:

(i) the ACOA Minister agrees to provide the Company with regional and industrial assistance under the ACOA Action Program, consistent with this program at the time the Bear Head project is proceeds.

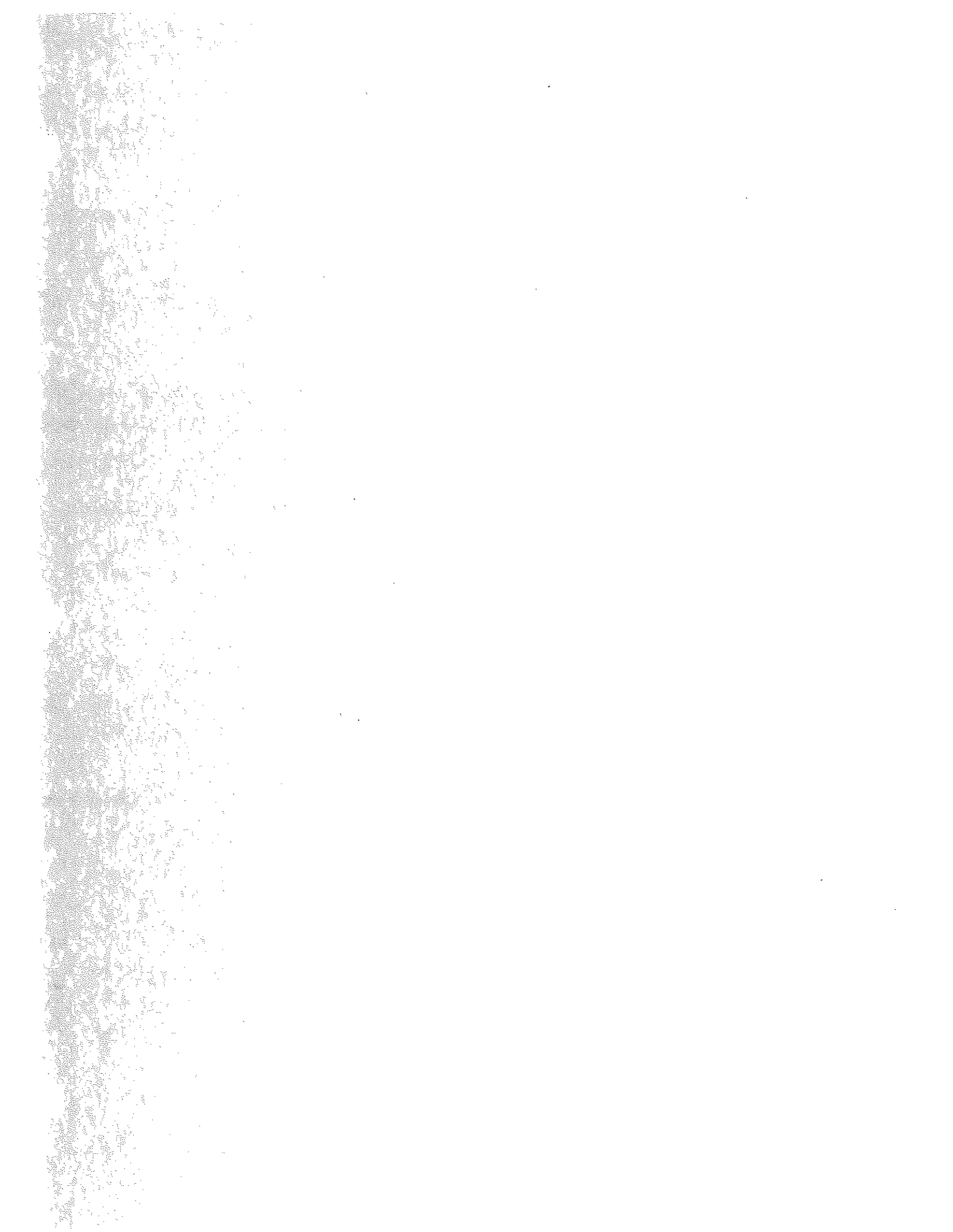
6. This Statement of Intent may be complemented by further Memoranda of Understanding.

Minister Responsible for ACOA

Minister for DRIE

Minister of National Defence

Bear Head Industries Ltd.





SUPERText



RCMP "A" DIVISION COMMERCIAL CRIME

File: A102
95A-517

EXHIBIT INFORMATION

DATE OBTAINED: _____
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Item No.: _____
Location: _____

DOCUMENT CATEGORIZATION

Document Type: _____

Original: Yes _____ No _____

COMMENTS Bureau - Subject Sub. file
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96-34-55

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Government of Canada

Gouvernement du Canada

MEMORANDUM

NOTE DE

TO
A

FROM
DE

D.S. McPhail
c.c. J. Wilkins

W. Potter

SUBJECT
OBJET

Results of July 6 Discussion on Thyssen

SECURITY CLASSIFICATION: SECRET C.C.C.
OUR FILE - N / RÉFÉRENCE JMC-826
YOUR FILE - V / RÉFÉRENCE
DATE July 6, 1988.

This morning's discussion on the proposed "statement of intent" (SOI) between Ministers and Thyssen was not encouraging.

Attendees were: ACOA - Potter, McDowell
DRIE - Mackay, Taylor
DND - Healey

ACOA Position

- . Thyssen file has been ongoing for over a year;
- . Thyssen anxious to conclude negotiations regarding:
 - a) its participation in the U.S. project; and
 - b) approval from their Board of Directors to proceed with a North American facility;
- . SOI is nothing more than we would normally do;
- . Senator Murray will be reporting to the Prime Minister on the status of the Bearhead project; and
- . feel the SOI should be supported.

The general positions of both DND and DRIE were the following:

- . not supportive of putting forward SOI as written to respective Ministers for signature, because SOI appears to imply a degree of contractual obligation;
- . will respond formally to ACOA by the end of this week with particular concerns; and

Handwritten notes:
Mackay.../2
W.P.

- 2 -

- . as a compromise -- and delaying factor -- suggest that Senator Murray exchange letters with each of Messrs. Beatty and de Cotret on respective undertakings -- letters which presumably could be shared with Thyssen.


The specific concerns raised were the following:

DRIE

- . worried about apparent lack of commitment by Thyssen to meaningful civilian diversification (worried about getting the Government "half-pregnant");
- . excess Canadian productive capacity in military vehicle sector -- speculated about possible closure of GM Diesel Division; and
- . cited historical controversy regarding Thyssen and "extremely-strongly-held views by Ministers" on this issue.

DND

- . entire DND capital acquisition program -- including LAV's -- is uncertain and mired in the Government's approval process;
- . see SOI approach as possibly requiring Cabinet approval due to need to seek views of other Ministers (Clark, Jelinek); and
- . Beatty extremely reluctant to "regionalize" additional major military issues in light of recent (TCCCS, NTV, NRMP) disappointments.


Wynne Potter



SUPERText



RCMP "A" DIVISION COMMERCIAL CRIME

File: A102
95A-517

EXHIBIT INFORMATION

DATE OBTAINED: 97-02-28
Obtained By: Cp. Paul Dallaire
Exhibit No.: 96-34
Item No.: 55
Location: 60 Queen St. East
Accord Office

DOCUMENT CATEGORIZATION

Document Type: exhibit

Original: Yes No

COMMENTS Black binder containing information

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MEMORANDUM

JUL 15 1988

TO: The Honourable Lowell Murray

cc: Ross Reid

FROM: D. S. McPhail
President-designate

Subject: Thyssen

Following a six-hour session today with Thyssen (Schreiber plus Gerry Doucet), we reached agreement on a document - an "understanding in principle", which effectively constitutes what, in my judgement, both the company and the Government of Canada can bear: i.e., if signed in its existing form, Thyssen would start construction at once. Yet, it is indeed an imperfect document: it is no more than the record of understandings which precedes (and normally is not required as a precedent to) a formal "Memorandum of Understanding"; it binds neither the Government nor the Company in a manner which the other side would wish; and, if fully observed, it fails to guarantee that Thyssen will do more than construct a shed, largely with public funds, despite its longer-term intentions, which we judge to be bona fide.

Despite such general shortcomings, I now regard the project as a certain starter if we can live with the attached document. Its pro's and con's are the following:

.../2

Canada

Advantages

- (1) the company would proceed to build the facility; it would not, however, begin to employ production personnel until a firm contract for something is in hand;
- (2) the Government is protected both in the preceding situation - lack of contract - and in case of failure later of the company to begin production of commercial items;
- (3) any commitment by the DRIE Minister is a "normal" one - eligibility for DIPP and eligibility for an IRDP-type grant: the former is not a problem, the latter would be (see below);
- (4) the commitment of the DND Minister, which we explored at length so there could be no misunderstanding, is contained - single sourcing is not involved, and should not be in our opinion; but Thyssen is assured of participation in LAV procurement provided a certain number of stipulations they accept are met. The issue here is whether in this form a commitment to buy Thyssen is made; indeed a presumption of buying Thyssen is involved but not necessarily more than a token number of units if - in a situation of equal competition, others were equivalent to Thyssen in the various criteria (including regional development benefits). (The test of this of course, is whether other potential suppliers can be given the same conditional undertakings, and in our view this test can be passed). In short, the qualifications of the confirmation of Thyssen's eligibility "to participate" should be regarded in themselves as sufficient to condition the commitment, though DND will not see it this way.

Disadvantages

- (1) Any successful attempt to allege this approach is one involving "sole-sourcing" would damage Atlantic interests for LAV and other procurement.
- (2) The DRIE commitment cannot be backed (at present) by money: "enter ACOA" to the greater than \$20 million category: but this is not "bailout"; and the cost per job is relatively low, and the development aspects are good -- this means "changing mandates", but we can afford financially to do so. The Lavalin-Hawker Siddeley deal is a reverse precedent. If this point of principle is covered, the practical aspects, involving ACOA funding, are worthwhile.

.../3

- (3) The DND commitment is more complex. However, as posed above, the question is how much cushioning does DND need, or how much should they have. I consider they are fully protected and don't understand why they differ on this.

On balance, therefore, I think the deal inherent in this text should be concluded. It is a "good" deal. The text attached has not had full legal nor substantive vetting on either side, but the company will buy it, subject only to final review - i.e. it is ready either to sign subject to some chance for detailed review - the principles are acceptable - and we need some flexibility to do likewise. There is a climate of confidence, however, and an announcement of an agreement in principle is possible, subject to its "marketing" on three points:

- (1) PCO must acquiesce in the existing state of affairs: ACOA not DRIE, is now effectively handling greater than \$20 million non bail-out projects, because DRIE, having re-profiled its reference levels, has no money. If understood to involve new projects not bail outs, we could do this - we will want more money but we'll survive in the short run.
- (2) much more important, DND must be brought to see their interests are protected in the language: sole-sourcing, "no"; "preferred position", yes. The other DND concerns are met.
- (3) DIST must simply confirm that it will play its role.

Tactics

It would be inadvisable to try to sign the document without more legal and substantive advice. Yet it must not be allowed to drop into an interdepartmental committee.

The best calculated risk is:

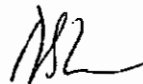
- (a) to get Ministerial approval at large (i.e. by Prime Ministerial direction) with a view to "legal vetting" next week, though we'll have to allow for some substantive change if absolutely warranted; and
- (b) to make an announcement at once that makes this a matter of record, bearing in mind there is a downside: we have been careful, not clever, to circumscribe the clinching point with Thyssen. Nevertheless, they have lately doggedly returned to the charge for some form of guarantee about participation in our LAV program if there is one, following GM of Canada's fight in the USA - with Canadian Government help - to prevent the earlier envisaged US sole sourcing of LAVS to Thyssen, and GM's offer to move its Windsor facility to the US if it could have the order instead. If made public in all its details, this arrangement could have negative input.

.../4

As long as the Government accepts these risks, and a communications strategy is worked out accordingly, the situation should be manageable. The Nova Scotia Government must be involved in advance.

My colleagues in DIST and DND do not like the form of this arrangement, but it is needed to make the project go. Their specific objections are dealt with as I see it.

At the Ministerial level, there will be concern this is Atlantic sourcing; it is not. We have built penalties in if Thyssen does not proceed with civilian goods. It is not an exclusive arrangement. But it is a good regional development deal for Cape Breton.



D.S. McPhail

DRAFT
July 15, 1988

UNDERSTANDING IN PRINCIPLE

This document signed this day of July, 1988,

between: THE GOVERNMENT OF CANADA, as represented
by:

i) the Minister responsible for the
Atlantic Canada Opportunities Agency
(hereinafter called "the ACOA Minister"),

ii) the Minister of Regional Industrial
Expansion (hereinafter called "the DRIE
Minister"), and

iii) the Minister of National Defence
(hereinafter called "the National Defence
Minister"); and

BEAR HEAD INDUSTRIES LTD., a company
incorporated under the laws of
Nova Scotia, a subsidiary which is
One Hundred (100%) Percent owned by
Thyssen Industries A.G. of the Federal
Republic of Germany (hereinafter called
"the Company").

WHEREAS the Government of Canada desires to foster
the economic expansion and industrial development of Cape
Breton;

WHEREAS the Company must have in place a North
American heavy-industry manufacturing facility on an urgent
basis, and desires to establish such a facility in the Bear Head
peninsula region of Cape Breton;

WHEREAS the Government of Canada recognizes that
the proposed Bear Head facility represents an important economic
development and diversification of the industrial base of
Cape Breton; and

WHEREAS the Company is preparing financial details
on its proposal, to meet the information requirements of the
Government's established regional development capital
contribution, and other assistance programs.

1. In accordance with this Understanding in Principle, the Company shall establish a diversified heavy-industry manufacturing facility in the Bear Head region of Cape Breton, Nova Scotia, which will:

(a) create in Cape Breton a new and diversified activity in the Canadian civilian and defence industrial base, which under the Canada U.S. Defence Production Sharing Agreement qualifies for access to North American defence markets;

(b) transfer to the facility, all technology necessary for the construction of light armoured vehicles, and other heavy-industry products;

(c) source its requirements co-operatively from, and implement arrangements for joint-venture activities with, the Lavalin (UTDC) heavy-industry facility, in Trenton, Nova Scotia, in accordance with existing agreements between the Company and Lavalin;

(d) to the greatest extent possible, source its requirements from, and promote the establishment of, small business enterprises located in Atlantic Canada;

(e) implement arrangements for co-production with Krauss Maffei, in accordance with existing agreements between the Company and Krauss Maffei, if, under the Main Battle Tank project envisaged by the Government of Canada, Krauss Maffei is selected to manufacture Canada's replacement battlefield tanks; and

(f) employ a minimum of 500 people on a permanent, full-time basis and, where necessary, train these individuals in required skills and knowledge, utilizing, where appropriate, local educational facilities.

2. In accordance with this Understanding in Principle, the Government of Canada, in order to facilitate the establishment of the Company's heavy-industry manufacturing activity in Cape Breton, will:

(a) enter into an agreement with the Province of Nova Scotia, in accordance with existing letters to the Company from the Premier of Nova Scotia, to put in place financial arrangements for the co-funding of required physical infrastructure, up to a maximum value of \$27 million, and to use the Strait of Canso Industrial Development Subagreement as a source of funding;

(b) entertain an application by the Company to the Minister of National Revenue for assistance, up to a maximum of \$68 million, under the provisions of the Cape Breton Investment Tax Credit, in accordance with the formal application for such assistance filed by the Company prior to June 30, 1988;

(c) entertain an application by the Company to the Minister of National Revenue for duty remission on the importation of machinery, parts, and components for the manufacturing of vehicles, under the Machinery and Equipment Tariff Program, consistent with this program at the time of such importation; and

(d) entertain an application by the Company to the Minister of Employment and Immigration for government participatory funding, for initial employee training.

3. In recognition of the need to proceed urgently, the Government of Canada and the Company agree to adopt a two-phased approach to the establishment of the Bear Head facility.

PHASE I

4. The Government of Canada and Company agree that in Phase I, the respective parties will undertake the following:

(a) the Company:

(i) the Company will proceed forthwith with the construction of an initial plant, as described in the document submitted to ACOA in March 1988, requiring an initial capital investment of \$58 million, to manufacture defence products for the North American markets;

(ii) the Company will have submitted a formal application to Enterprise Cape Breton, in advance of June 30, 1988, seeking assistance under the Cape Breton Investment Tax Credit (CBITC); and

(iii) the Company will provide by September 15, 1988, financial and other details associated with Phase I, and, in the shortest time possible thereafter, the remaining information required in order to qualify for assistance under the Defence Industries Productivity Program (DIPP), and other government assistance programs, under which funding is sought.

(b) the Government of Canada:

(i) the ACOA and DRIE Ministers will ensure that the Company receives assistance under programs delivered by Enterprise Cape Breton, up to a maximum level of 50 percent of eligible project costs, consistent with these programs at the time the Bear Head project becomes eligible for such assistance;

(ii) The Minister of National Defence, in recognition of the excellent international reputation for quality and performance earned by Thyssen Industries A.G. in the military vehicle sector, and in the context of the major acquisition program for the upgrading of the Canadian Forces envisaged in the Defence White Paper, will ensure that the Company participates in the Light Armoured Vehicle Procurement Program, envisaged to occur in the early-to-mid 1990's, provided the Company:

(a) develops, designs, and manufactures, in its Cape Breton facility, these vehicles from its entire technology range according to the operational requirements of the Government of Canada;

(b) meets the Government's requirements for quality, delivery, and logistic support, including personnel training,

(c) delivers and performs at internationally competitive prices, and

(d) provides acceptable regional and industrial benefits; and

(iii) the DRIE Minister will provide the Company with capital establishment assistance under the Defence Industries Productivity Program (DIPP), consistent with this program at the time the Bear Head project becomes eligible for such assistance.

PHASE II

5. The Government of Canada and Company further agree that in Phase II, the respective parties will undertake the following:

(a) the Company:

(i) the Company will proceed not later than twelve (12) months after the commencement of production under Phase I, with diversification into heavy civilian manufacturing production targeted at Canadian and international markets;

(ii) the Company will provide within six (6) months after the commencement of production under Phase I, financial details including product and market projections associated with Phase II; and

(iii) should Phase II not be proceeded with, the Company will reimburse the Government of Canada for:

(1) assistance as is provided by the ACOA and DRIE Ministers under paragraph 4 b(1) above, and

(2) a portion, to be determined in subsequent negotiations, of the infrastructure assistance provided under paragraph 2 (a) above, in the event that the planned employment level of 400 people for Phase I is not sustained for 5 years.

(b) the Government of Canada:

the ACOA Minister, and the DRIE Minister, will provide the Company with assistance under established regional and industrial development programming, consistent with such programs at the time the Bear Head project becomes eligible for such assistance.

6. This Understanding in Principle may be complemented by future Memoranda of Understanding.

7. The understandings in principle set out in this Understanding in Principle do not create any enforceable, legal or equitable rights, nor obligations, but merely serve to document the:

- (a) parameters that have been set; and
- (b) areas on which discussions have been held, and understandings in principle reached.

Further clarifying negotiations and the requisite approval from all appropriate parties (including without limiting the foregoing, Treasury Board, and the Board of Directors of Bear Head Industries Ltd.) are needed before contractual documentation can be entered into.

REPRESENTING THE GOVERNMENT OF CANADA

Minister responsible for the
Atlantic Canada Opportunities Agency

Minister of Regional Industrial
Expansion

Minister of National Defence

REPRESENTING BEAR HEAD INDUSTRIES LIMITED



SUPERText



RCMP "A" DIVISION COMMERCIAL CRIME

File: A102
95A-517

EXHIBIT INFORMATION

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Obtained By: Cp. Paul Dallaire
Exhibit No.: 96-34
Item No.: 51.
Location: 60 Dawson St., Old Ont.
ACOA's office

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Document Type: exhibit

Original: Yes No

COMMENTS file 3080 - T.O. v. 2

Threat BHI. June 1988 - August 1988.

p. 1 to 22.

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C.R.
FAXED: 20.7.88
MICONET:
BY-HAND:
c.c.: P. BERNIER

MEMORANDUM

Government of Canada / Gouvernement du Canada

TO
A

FROM
DE

Don S. McPhail
c.c. Jaffray Wilkins
Wynne Potter

John McDowell

3080-T

SECURITE
DRAFT "C"
OUR FILE - N / REFERENCE JMC-851
YOUR FILE - V / REFERENCE
DATE July 20, 1988

SUBJECT
OBJET

THYSSEN: REVIEW OF DISCUSSION OF JULY 15, CHARLOTTETOWN

I have reviewed my notes, as you requested, to identify what undertaking -- if any -- Thyssen made to proceed in the absence of a Canadian LAV order.

Conclusion: Discussion was ambiguous. Nevertheless, Schreiber, echoed by Doucet, maintained throughout that an order, not necessarily the LAV order -- was essential in order to staff the facility.

I have attached a transcript of the key juncture in discussion.

The bracketed areas represent wording which, while not confirmed in my notes, has been added, from memory, to assist in the meaning and fluency of the passages concerned.

John McDowell
John McDowell

Attachment

18
57

Schreiber/Doucet/Alford leave and come back.

Doucet: Thyssen will not keep plant (open), employing 500 people ...

How about infrastructure costs (payback) if fewer than 400-500 people, and no DND order ... unfair to have company pay back funds with no DND order.

McPhail: Our assumption included (time would be required for) planning, design work, and so on.

I've assumed that Phase I would not (take place immediately).

Doucet: (Thyssen) will put plant up.

McPhail: I'm not sure (that this is) as serious and complex (as it appears);

I want to know, in what circumstances would Thyssen feel that they are not participating in the LAV contract?

If in the judgement of the Government of Canada, cheaper (to purchase LAVs) elsewhere, I want to know what Thyssen accepts.

Doucet: As long as (Thyssen) does not have to reimburse any money (provided by) Government of Canada, can interpret as we see fit.

McPhail: Unusual situation ... I'm prepared to have (this document) marketed, this document, taking out offending phrase "conditional on ..." but paragraph #7 (disclaimer) must stay in.

Schreiber: Okay.

Discussions veer off onto announcement/status of document/why it shouldn't be called an MOU/etc.

18
58

THYSSEN
CHARLOTTETOWN, PRINCE EDWARD ISLAND
JULY 15, 1988

McPhail: Would you proceed with the plant with only the U.S. order?

Doucet: If "offensive"* clause is not there, Karlheinz, and (assuming) the mid-early 1990s time frame (clause is added to the Statement of Intent) ...

With package deal, and with this clause (paragraph 4, the undertaking by the Minister of National Defence) which would be part, and understanding fully, that:

- . this clause (paragraph 4) does not give an order yet,
- . Governments don't always proceed with programs when announced,
- . (there is) no legal requirement i.e. cannot take the Government to court.

Will Thyssen agree to announce "yes", and proceed immediately to construct?

Schreiber: (We'll) sign document, (enter into) detailed negotiations, (proceed with) U.S. contract ...

... Our interest is , when I say I really don't know, ... offshore rigs, Hibernia ... environmental stuff, ... one year down the road.

Doucet: ... Period of time required to satisfy ... infrastructure, and also discussions between Governments, (there will) be a period of months, between 2 and 4, I suggest.

At the end of that time, when the company is ready to proceed forthwith, will the company do it?

Schreiber: No ... one year away, but ...

*Clause: "conditional on the terms of the major acquisition program."



SUPERText



RCMP "A" DIVISION COMMERCIAL CRIME

File: A102
95A-517

EXHIBIT INFORMATION

DATE OBTAINED: _____

Obtained By: _____

Exhibit No.: _____

Item No.: _____

Location: _____

DOCUMENT CATEGORIZATION

Document Type: _____

Original: Yes _____ No _____

COMMENTS Pottier - Subject Sub - File
40

Slapad

close:



Government of Canada

Gouvernement du Canada

3

MEMORANDUM

NOTE DE SERVICE

TO
A

Don S. McPhail
c.c. Jaffray Wilkins

FROM
DE

Wynne Potter
Vice President
ACOA Nova Scotia

SECURITY - CLASSIFICATION - DE SECURITE
SECRET
OUR FILE -- N / REFERENCE
JMC-910
YOUR FILE -- V / REFERENCE
DATE
August 31, 1988

SUBJECT
OBJET

THYSSEN: DEPARTMENTAL CONCERNS

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

DRIE (Cliff Mackay)

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

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

DND (Ed Healey)

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

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

.../2

- 2 -

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

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

Finance (Sheryl Kennedy, Director, Economic Development)

Position: Continued fundamental concerns beyond narrow legal issue.

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

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

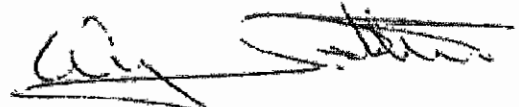
Justice (Jacques Gauthier, A/General Counsel, Commercial)

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

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

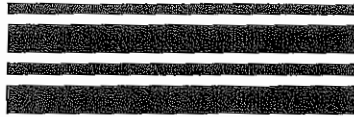
.../2

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



Wynne Potter





SUPERText



RCMP "A" DIVISION COMMERCIAL CRIME

File: A102

95A-517

EXHIBIT INFORMATION

DATE OBTAINED: _____

Obtained By: _____

Exhibit No.: 96 - 34

Item No.: _____

Location: _____

DOCUMENT CATEGORIZATION

Document Type: _____

Original: Yes _____

No

258 - 260 - 262 - 265 -
274 - 283 - 286 - 295 -
297 - 300 - 302 - 304 - 308 -
314 - 317 - 321 - 325 - 327 - 329 -
342 - 346 - 348 - 350 - 352 -
355 - 357 - 361 - 364 - 368 -
370

COMMENTS

ACOA documents extracted
from items 16 to 54

Stamped

Clone: 4 - 11 - 16 - 19 - 25 - 27 - 30 - 47 - 55 - 63 -
65 - 70 - 77 - 86 - 88 - 90 - 93 - 99 - 102 -
104 - 107 - 110 - 113 - 122 - 126 - 131 - 138 -
140 - 144 - 146 - 149 - 151 - 162 - 164 - 180 - 182 -
191 - 195 - 198 - 204 - 207 - 211 - 215 - 220 - 222 -
225 - 228 - 236 - 240 - 245 - 247 - 249 - 253



Atlantic Canada
Opportunities Agency

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P.O. Box 3442, Stn. "D"
Ottawa, Ont.
Canada K1P 6N8

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du Canada atlantique

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96-34-56

ACOA-OTTAWA: JME/CE
CIRC. CHRON FILE
CR

FAXED:
BY-HAND: J.L.S.
C.C. J. B. B. B.



August 31, 1988

Mr. Karlheinz Schreiber
Chairman
Bearhead Industries Limited
Suite 908
350 Sparks Street
Ottawa, Ontario
K1R 7S8

Dear Mr. Schreiber:

I am pleased to attach a copy of the proposed "Understanding in Principle" document, between the Government and Bearhead Industries, concerning your company's investment in a heavy-industry facility in Cape Breton, Nova Scotia.

I request that you review thoroughly the "Understanding in Principle" to determine whether it will assist you in reaching a positive decision to proceed in Cape Breton.

In my view, this document reflects our considerable progress, and our discussions over the past several months, including our meeting in Charlottetown on July 15th.

You will observe however that following a legal review, the proposed wording of the undertaking by the Minister of National Defence has been amended, to reflect more fully the Government's policy on procurement, and the statutory authority of the Minister.

If you agree that the document, as written, is suitable to your requirements, and if signed by each party, will trigger your heavy-industry investment in Cape Breton, please let me know by noon, September 1, 1988.

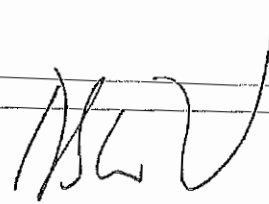
.../2

Canada

- 2 -

Following a positive reply from you, I intend to submit the "Understanding in Principle" to my Minister with a recommendation that it be signed by each party.

Yours sincerely,



Don S. McPhail

Att.



**BEAR HEAD INDUSTRIES
LTD.**

Mr. Donald McPhail
President
Atlantic Canada
Opportunities Agency
P.O. Box 3442, Stn. "D"
Ottawa, Ont.
Canada K1P 6N8

Office
SUITE 808
350 SPARKS STREET
OTTAWA, ONT., CANADA
K1R 7S8
PHONE (613) 563-3321
TELEFAX (613) 563-7649
TELEX 053-3881 dhi ott

Date September 1st, 1988

Dear Mr. McPhail,

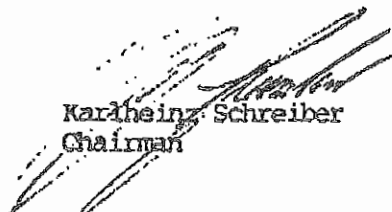
We confirm receipt of your letter dated August 31, 1988 and the accompanying "Draft Understanding in Principle" document, between the Government of Canada and Bear Head Industries Ltd., concerning our company's investment in a heavy-industry facility in Cape Breton, Nova Scotia.

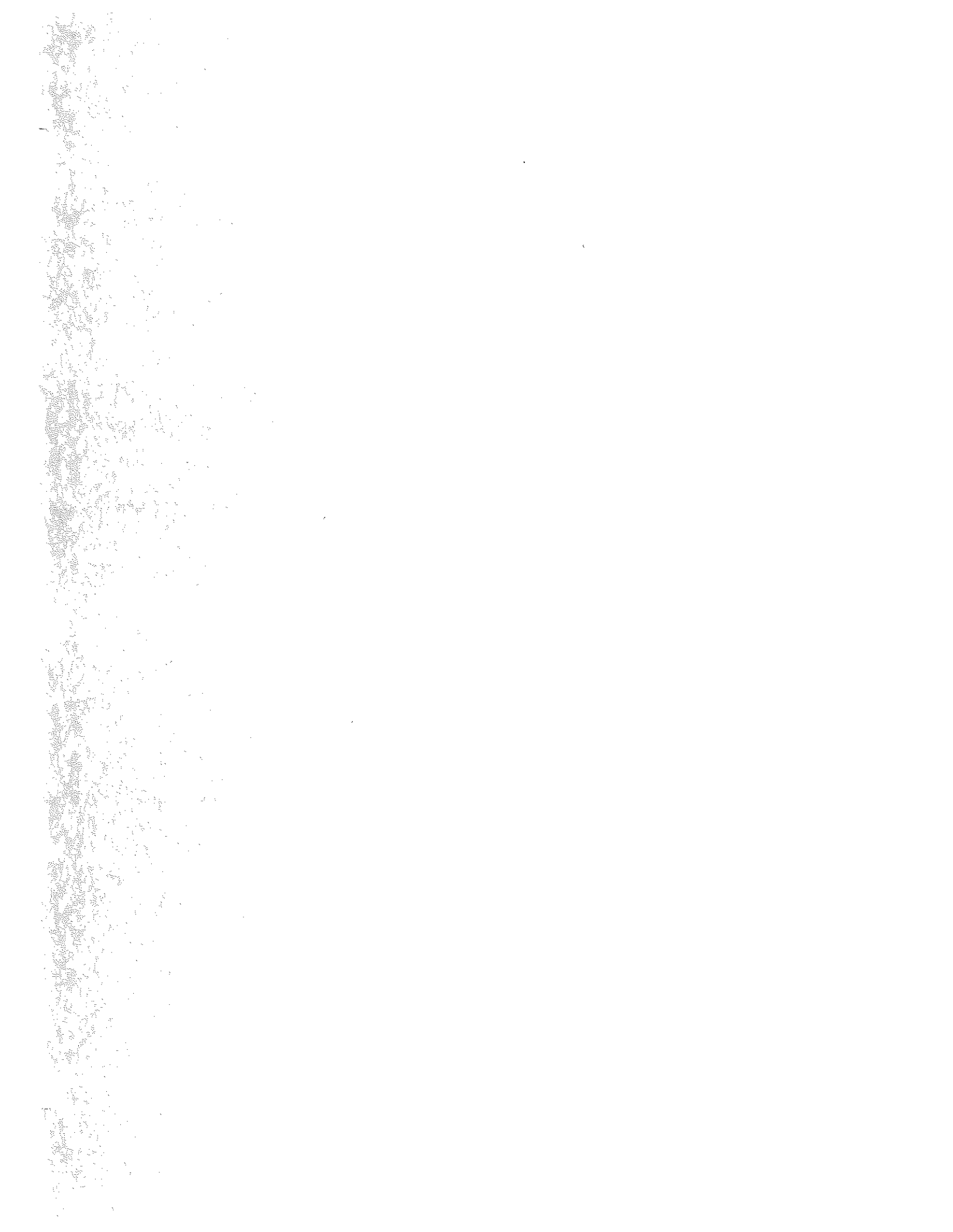
I have conferred among my colleagues and confirm our acceptance of your offer.

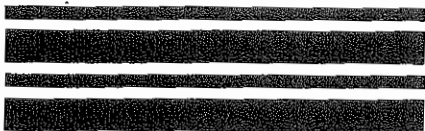
We would ask that you provide us forthwith the fully executed Ministerial document for our execution.

We look forward to proceeding with our plans for Atlantic Canada.

Sincerely,


Karlheinz Schreiber
Chairman





SUPERText

RCMP/GRC "A" DIVISION A
Commercial Crime
Délits commerciaux
Project/projet A102
File/dossier: 95A517

EXHIBIT INFORMATION

Date Seized: 1997-11-25

Seized By: Cpl. DALLAIRE

Exhibit No.: 96-34

Item No.: 12b

Sub-file / Endorser Text: **3412b**

COMMENTS: Exhibit 96-34 item 12 consisted originally of "original photocopies" which had been turned over to Cpl. DALLAIRE by DND and marked as item 12. The exhibit was then returned to DND on 97-03-05 for the vetting of cabinet confidences. A portion of those documents were then returned to the RCMP on 97-09-05, becoming known as item 12a. On 97-11-25 photocopies of the remaining "original photocopies" which were not cabinet confidences were turned over to Cpl. DALLAIRE and became known as item 12b. On 98-03-12 DND returned the "original photocopies" of item 12b to the RCMP. These were then marked as item 12c. Thus 12a and 12c consist of the "original photocopies" given to DALLAIRE and are marked with his numbering. Item 12b consists only of photocopies.

These documents have been re-scanned in November of 2001 in order to accurately reflect what is contained in exhibits 12a, 12b and 12c. S/Sgt. N.J. ALEXANDER 2001-11-16.

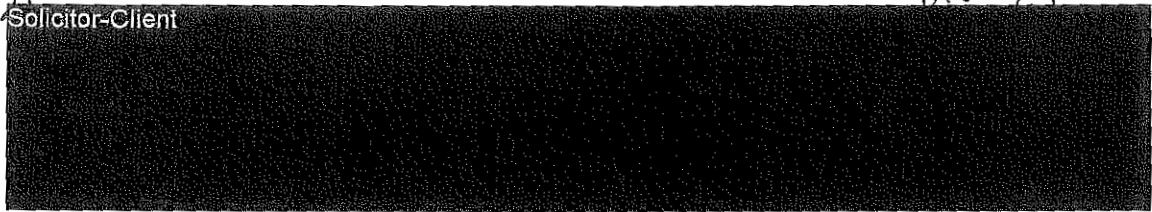
THYSSEN AFFAIR, STATUS 10 SEP 88

56

615

62

Solicitor-Client




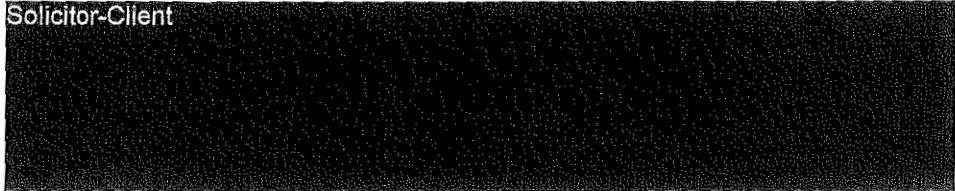
Cliff Mackay

- B. (1) As far as he knows (as late as Thursday) Mr. Decotret is still unwilling to sign.
- (2) DRIE does not have the money
- (3) ~~DRIE believes it is a contractually binding document for them - they are now going to ask for a justice opinion.~~
- (4) DRIE does not believe we need (from an industrial or military base point of view) this facility.
- (5) He is going to check further with Mr. Decotret on Monday.

Wynne Potter

- C. (1) It would be ACOA's understanding that this document upon signature would result in a public announcement by the government.
- (2) Potter thinks this document has been transmitted to Thyssen for their agreement -- he doesn't know if they have agreed but assumes they have.

Other Factors

- D. (1) Solicitor-Client

- (2) ACOA believes that an order may be necessary (this may be a U.S. order).
- (3) Solicitor-Client

- (4) Thyssen is not obligated to proceed with commercial work until they have a military order underway.

.../2

2013
293

OK

What can you do

- (1) Sign as amended, i i

Pros - gets you some IOUs from other Ministers & PM

Cons - terrible audit trail

- perception will be bad - tilted playing field
- acquisition process is already suspect
- DDGM would pull out
- Mr. Wilson is vehemently opposed.

- (2) Sign as amended - but add without prejudice.
..... further reduces legal risks.

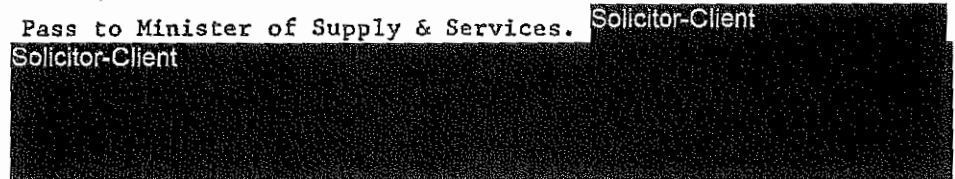
- (3) Take specific legal advice

Solicitor-Client



- (4) Pass to Minister of Supply & Services. Solicitor-Client

Solicitor-Client



- (5) Suggest Senator Murray sign document himself (or with DRIE). Provide Senator Murray with a letter saying you accept him signing this document.

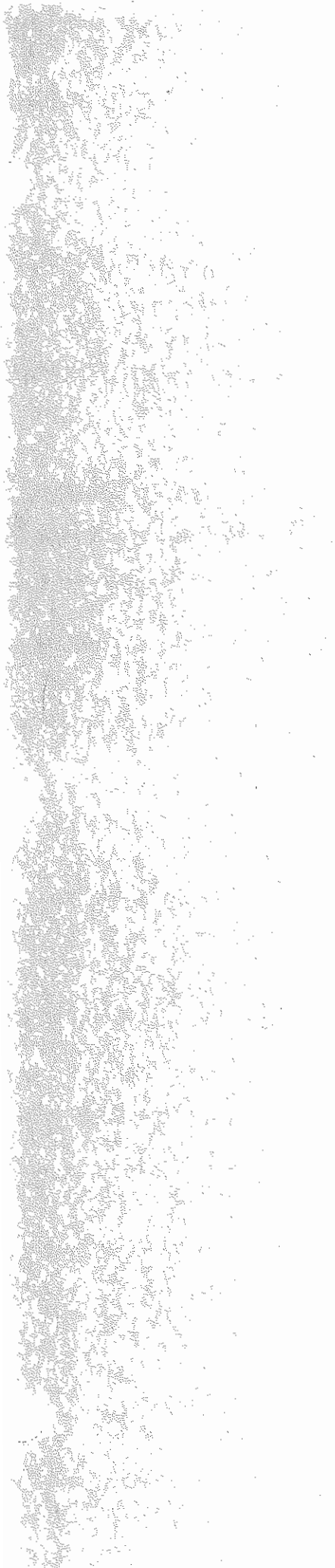
- (6) Do not sign.

STATUS 13 SEP 88

John Adams PCO

OK
PCO

- (1) Thyssen matter was discussed at P&P on 13 Sep. Details will be available later..
- (2) It is understood in PCO that Mr. Decotret has signed on the proposal but his dep't are unaware.
- (3) It is further understood in PCO that DPM is not strong supporter of proposal. There are apparently three projects being considered for N.S. and DPM places this last.
- (4) PCO remains opposed to project and is recommending against it.
- (5) Unlikely that pressure will stop with election call.



Aide Mémoire

Aide Mémoire

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

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

September 19, 1988

le 19 septembre 1988

AIDE MÉMOIRE

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

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

In Canada, Thyssen's holdings include:

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

In all, Thyssen employs some 3,000 Canadians.

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

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

The initial capital cost of the facility would be \$58 million, assisted by the federal (and possibly the provincial) government in accordance with existing programs and guidelines. A further \$27 million for common-user infrastructure would be provided by the federal and the provincial governments. Thyssen would work closely in its production and subcontracting requirements with Lavalin (through the Trenton Works facility), possibly Sysco (to source its steel requirements), and Krauss Maffei, if the latter is successful in supplying DND with main battle tanks. Formal undertakings in support of these work-sharing arrangements are in place.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Legal Considerations: During their consideration of the Thyssen proposal in July, Ministers requested a legal review of the proposed Understanding in Principle by the Department of Justice. In responding to this request, on August 4, the then Deputy Minister of Justice indicated that the document was likely legally binding, but acknowledged that one must look beyond its binding nature to the specific commitments of each party. As the most serious in this regard, Mr. Iacobucci drew attention to the commitment requested of the Minister of National Defence, namely, "to ensure the participation of the company" in the armoured vehicle contract. The Department went on to suggest that in terms of solutions, the wording will "ensure" should be replaced with wording such as will "consider", or will "entertain".

Accordingly, the "Understanding in Principle" has been revised to reflect the views expressed by the Department of Justice, and incorporates the wording "consider" in the key defence paragraph.

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

September 1988

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

Fall 1988

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



96-34-20

67



Government of Canada

Gouvernement du Canada

MEMORANDUM

NOTE DE SERVICE

TO
A

FROM
OE

File
c.c. Don S. McPhail
Jaffray Wilkins
Wynne Potter

John McDowell

SUBJECT
OBJET

THYSSEN: SEPTEMBER 25TH MEETING

SECURITY - CLASSIFICATION - DE SECURITE	
DRAFT "C"	
OUR FILE - N / REFERENCE	
JMC-949	
YOUR FILE - V / REFERENCE	
DATE	September 26, 1988

During the evening of September 25th, I met with Mr. Karlheinz Schreiber, Bear Head Industries Ltd., and Mr. Greg Alford, Government Consultants International, to deliver the proposed Understanding in Principle (UIP) from the Government to Bear Head Industries.

After a brief discussion, Mr. Schreiber signed the UIP. He observed that the covering letter of September 23th from Senator Murray (attached) was the first formal communication from the Government to Bear Head Industries. Mr. Schreiber stressed that the UIP, when signed by all parties, meant that Thyssen Industries would come to Canada, and that the document itself would be very helpful in initiating the release of funding for the Cape Breton plant from the Thyssen Board of Directors.

Mr. Schreiber read the letter from Senator Murray with considerable care. Mr. Alford pointed out that paragraph 3, page 2 was effectively a disclaimer because it indicated that in offering the UIP for signature the Government was not necessarily committing to proceed with the LAV project.

I observed to Mr. Schreiber that the UIP to be signed was identical to the version for which he had earlier indicated support, except that paragraph 4(a)(iii) now called for the company to submit its business plan by October 21, instead of September 15, the deadline in the earlier version. Mr. Schreiber understood this minor amendment and indicated that Bear Head Industries would work towards this date.

Attachment

John McDowell
John McDowell
ACOA/APA
RECEIVED/RECU
11565
SEP 26 1988

Referred to
Référé à: 128
File
Dossier: 3080-2



76-34-20

Leader of the Government
in the Senate and
Minister of State for
Federal-Provincial Relations

Leader du gouvernement
au Sénat et
Ministre d'État aux
Relations fédérales-provinciales

23 September 1988

Dear Mr. Schreiber:

On behalf of the Government of Canada, I am pleased to acknowledge your proposal, submitted to the Atlantic Canada Opportunities Agency in March 1988, to establish a diversified heavy-industry facility in Cape Breton, Nova Scotia.

The Government considers that the Bear Head facility will make a very significant contribution to the long-run economic strength and diversity of Canada, and in particular, Cape Breton.

For your consideration, I am attaching a document entitled "Understanding in Principle", which I understand has been supported in discussions with you as an appropriate interim vehicle to advance the Bear Head initiative.

You will observe that the "Understanding in Principle" is to be signed, on behalf of the Government of Canada, by the Minister responsible for the Atlantic Canada Opportunities Agency, the Minister of Regional Industrial Expansion, and the Minister of National Defence.

.../2

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

Ottawa, Canada K1A 0A4

96-3W.70

- 2 -

I believe that we have made quite considerable progress to this point, and I consider that this progress has been incorporated into the "Understanding in Principle".

The Government has reflected upon this document at some length, and in particular, has focussed its attention upon the manner in which it addresses your Company's request for involvement in future Canadian procurement contracts, should the Bear Head heavy-industry facility be established.

In this regard, it is the Government's view that the "Understanding in Principle" reflects, to the maximum extent, your request, in keeping with the Government's established procurement policy, and programming guidelines. I would emphasize that the Government of Canada, in so signing, can not, and does not, thereby commit itself to any military, or other, procurement projects with which you may have a present interest.

Moreover, while I am mindful of the difficulties you are experiencing in preparing exact financial details on your proposal, this information will, of course, be required in order to evaluate a formal application by Bear Head Industries, for assistance, under the Government's regional development, and other programs.

Having stated these points however, I trust that this document will prove successful in facilitating your investment in the Cape Breton heavy-manufacturing plant. I would ask you to signal your intention to proceed further, by signing both copies and returning them to me, by September 26, 1988.

Upon receipt of an affirmative response from Bear Head Industries, I will seek to obtain the required signatures of my colleagues.

Once all signatures are in place, a signed original will be provided to you.

I look forward to hearing from you.

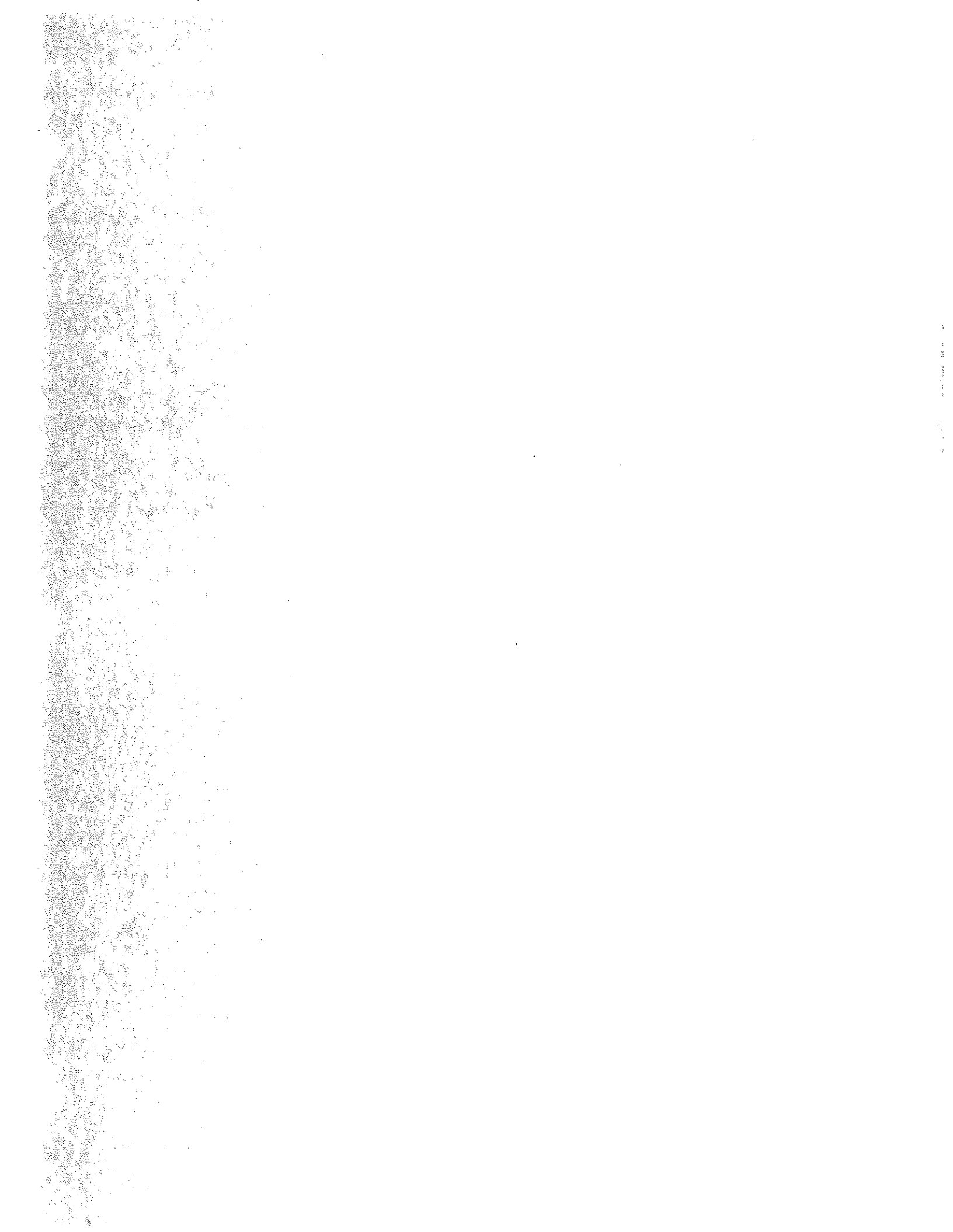
Yours sincerely,

Lowell Murray

Lowell Murray

Attachment

130



UNDERSTANDING IN PRINCIPLE

This document signed this 17 day of September, 1988,
between:

THE GOVERNMENT OF CANADA, as
represented by:

i) the Minister responsible for
the Atlantic Canada Opportunities
Agency (hereinafter called "the
ACOA Minister"),

ii) the Minister of Regional
Industrial Expansion (hereinafter
called "the DRIE Minister"), and

iii) the Minister of National
Defence (hereinafter called "the
National Defence Minister); and

BEAR HEAD INDUSTRIES LTD., a
company incorporated under the
laws of Nova Scotia, a subsidiary
which is one hundred (100%)
percent owned by Thyssen
Industries A.G. of the Federal
Republic of Germany (hereinafter
called "the Company").

WHEREAS the Government of Canada desires
to foster the economic expansion and industrial
development of Cape Breton;

WHEREAS the Company must have in place a
North American heavy-industry manufacturing facility on
an urgent basis, and desires to establish such a
facility in the Bear Head peninsula region of Cape
Breton;

WHEREAS the Government of Canada
recognizes that the proposed Bear Head facility
represents an important economic development and
diversification of the industrial base of Cape Breton;
and.

WHEREAS the Company is preparing financial details on its proposal, to meet the information requirements of the Government's established regional development capital contribution, and other assistance programs:

1. In accordance with this Understanding in Principle, the Company shall establish a diversified heavy-industry manufacturing facility in the Bear Head region of Cape Breton, Nova Scotia, which will:

(a) create in Cape Breton a new and diversified activity in the Canadian civilian and defence industrial base, with access to the North American defence markets, under the Canada U.S. Defence Production Sharing Agreement;

(b) transfer to the facility, all technology necessary for the construction of light armoured vehicles, and other heavy-industry products;

(c) source its requirements co-operatively from, and implement arrangements for joint-venture activities with, the Lavalin (UTDC) heavy-industry facility, in Trenton, Nova Scotia, in accordance with existing agreements between the Company and Lavalin;

(d) to the greatest extent possible, source its requirements from, and promote the establishment of, small business enterprises located in Atlantic Canada;

(e) implement arrangements for co-production with Krauss Maffei, in accordance with existing agreements between the Company and Krauss Maffei, if, under the Main Battle Tank project envisaged by the Government of Canada, Krauss Maffei is selected to manufacture Canada's replacement battlefield tanks; and

(f) employ a minimum of 500 people on a permanent, full-time basis and, where necessary, train these individuals in required skills and knowledge, utilizing, where appropriate, local educational facilities.

2. In accordance with this Understanding in Principle, the Government of Canada, in order to facilitate the establishment of the Company's heavy-industry manufacturing activity in Cape Breton, will:

(a) enter into negotiations with the Province of Nova Scotia, in accordance with existing letters to the Company from the Premier of Nova Scotia, to put in place financial arrangements for the co-funding of required physical infrastructure, up to a maximum value of \$27 million, and to use the Strait of Canso Industrial Development Subagreement as a source of funding;

(b) entertain an application by the Company to the Minister of National Revenue for assistance based on eligible project costs up to a maximum of \$68 million, under the provisions of the Cape Breton Investment Tax Credit, in accordance with the formal application for such assistance filed by the Company prior to June 30, 1988;

(c) entertain an application by the Company to the Minister of National Revenue for duty remission on the importation of machinery, parts, and components for the manufacturing of vehicles, under the Machinery and Equipment Tariff Program, consistent with this program at the time of such importation; and

(d) entertain an application by the Company to the Minister of Employment and Immigration for government participatory funding, for initial employee training.

3. In recognition of the need to proceed urgently, the Government of Canada and the Company agree to adopt a two-phased approach to the establishment of the Bear Head facility.

PHASE I

4. The Government of Canada and Company agree that in Phase I, the respective parties will undertake the following:

(a) the Company:

(i) the Company will proceed forthwith with the construction of an initial plant, as described in the document submitted to ACOA in March 1988, requiring an initial capital investment of \$58 million, to manufacture defence products for the North American markets;

(ii) the Company will have submitted a formal application to Enterprise Cape Breton, in advance of June 30, 1988, seeking assistance under the Cape Breton Investment Tax Credit (CBITC); and

(iii) the Company will provide by October 21, 1988, financial and other details associated with Phase I, and, in the shortest time possible thereafter, the remaining information required in order to qualify for assistance under the Defence Industries Productivity Program (DIPP), and other government assistance programs, under which funding is sought.

(b) the Government of Canada:

(1) the ACOA Minister, and the DRIE Minister, will consider assistance to the Company, up to a maximum of fifty (50) percent of eligible project costs, under programs delivered by Enterprise Cape Breton, consistent with these programs at the time the Bear Head project becomes eligible for such assistance.

(ii) The Minister of National Defence, in recognition of the excellent international reputation for quality and performance earned by Thyssen Industries A.G. in the military vehicle sector, and in the context of the major acquisition program for the upgrading of the Canadian Forces envisaged in the Defence White Paper, will consider the participation of the Company in the Light Armoured Vehicle Procurement Program, envisaged to occur in the early-to-mid 1990's, provided the Company:

(a) develops, designs, and manufactures, in its Cape Breton facility, these vehicles from its entire technology range according to the operational requirements of the Government of Canada,

(b) meets the Government's requirements for quality, delivery, and logistic support, including personnel training,

(c) delivers and performs at internationally competitive prices, and

(d) provides acceptable regional and industrial benefits; and

(iii) the DRIE Minister will consider capital establishment assistance to the Company, under the Defence Industries Productivity Program (DIPP), consistent with this program at the time the Bear Head project becomes eligible for such assistance.

PHASE II

5. The Government of Canada and Company further agree that in Phase II, the respective parties will undertake the following:

(a) the Company:

(i) the Company will proceed not later than twelve (12) months after the commencement of production under Phase I, with diversification into heavy civilian manufacturing production targeted at Canadian and international markets;

(ii) the Company will provide within six (6) months after the commencement of production under Phase I, financial details including product and market projections associated with Phase II; and

(iii) should Phase II not be proceeded with, the Company will reimburse the Government of Canada for:

- (1) assistance as is provided by the ACOA and DRIE Ministers under paragraph 4 b(1) above, and
- (2) a portion, to be determined in subsequent negotiations, of the infrastructure assistance provided under paragraph 2 (a) above, in the event that the planned employment level of 400 people for Phase I is not sustained for 5 years.

(b) the Government of Canada:

the ACOA Minister, and the DRIE Minister, will consider assistance to the Company, under established regional and industrial development programming, consistent with such programs at the time the Bear Head project becomes eligible for such assistance.

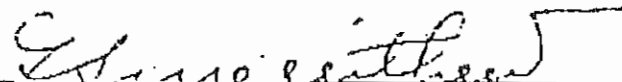
6. This Understanding in Principle may be complemented by future Memoranda of Understanding.

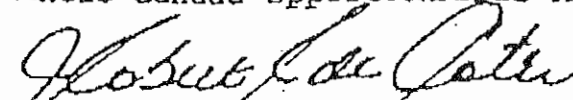
7. The understandings in principle set out in this Understanding in Principle do not create any enforceable, legal or equitable rights, nor obligations, but merely serve to document the:

- (a) parameters that have been set; and
- (b) areas on which discussions have been held, and understandings in principle reached.

Further clarifying negotiations and the requisite approval from all appropriate parties (including without limiting the foregoing, Treasury Board, and the Board of Directors of Bear Head Industries Ltd.) are needed before contractual documentation can be entered into.

THE GOVERNMENT OF CANADA

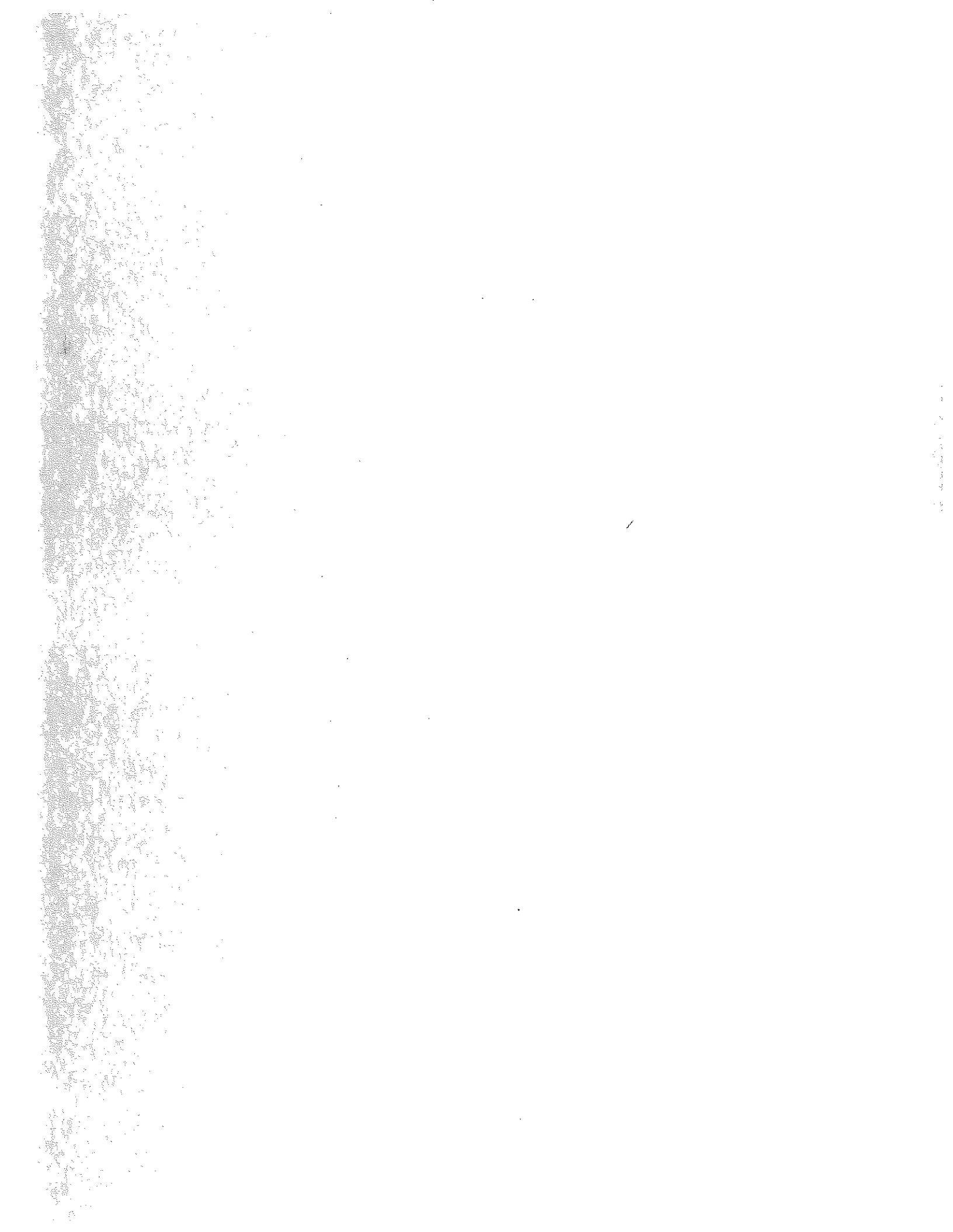

Minister responsible for the
Atlantic Canada Opportunities Agency


Minister of Regional Industrial
Expansion


Minister of National Defence

BEAR HEAD INDUSTRIES LIMITED


Mr. Karlheinz Schreiber, Chairman



I.A.L. INTERNATIONAL AIRCRAFT LEASING LIMITED

AVIATION
PROPERTY
FL-9490 VADUZ

Thyssen Industrie AG
Am Thyssenhaus 1

D-4300 Essen 1

Objekt: GP

Yours:

Datum: 4. Oktober 1988

RECHNUNG

Für Beratung im Zusammenhang mit Ihrem
Bear Head-Projekt erlauben wir uns laut
Vereinbarung zu liquidieren

can.\$ 3'900'000.--

abzüglich Ihre Akonto-Zahlung vom 30.12.1987

1'900'000.--

can.\$ 2'000'000.--
=====

Mit der Bitte um Ueberweisung auf unser Konto Nr. 235.972.029 Can\$ bei
der Verwaltungs- und Privatbank AG, FL-9490 Vaduz.



SUPERText



RCMP "A" DIVISION COMMERCIAL CRIME

File: A102

95A-517

EXHIBIT INFORMATION

DATE OBTAINED: _____

Obtained By: _____

Exhibit No.: 96 - 34

Item No.: _____

Location: _____

DOCUMENT CATEGORIZATION

Document Type: _____

Original: Yes _____

No

258 - 260 - 262 - 265 -
274 - 283 - 286 - 295 -
297 - 300 - 302 - 304 - 308 -
314 - 319 - 321 - 325 - 327 - 329 -
342 - 346 - 348 - 350 - 352 -
355 - 357 - 361 - 364 - 368 -
370 .

COMMENTS

ACOA documents extracted

from items 16 to 57

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clone: 8 - 11 - 16 - 19 - 25 - 27 - 30 - 47 - 55 - 63 -
65 - 70 - 77 - 86 - 88 - 90 - 93 - 99 - 102 -
104 - 107 - 110 - 113 - 122 - 126 - 131 - 138 -
140 - 144 - 146 - 149 - 151 - 162 - 164 - 180 - 182 -
191 - 195 - 198 - 204 - 207 - 211 - 215 - 222 - 222 -
225 - 228 - 236 - 240 - 245 - 247 - 247 - 253

170

96-34-56



BEAR HEAD INDUSTRIES LIMITED

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

TELEPHONE (613) 563-3321

TELEFAX (613) 563-7648
TELEX 063-3981 bhl ott

October 20, 1988

Mr. Donald S. McPhail
President and Chairman of the ACOA Board
Atlantic Canada Opportunities Agency
P.O. Box 6051
770 Main Street, 10th Floor
Moncton, New Brunswick
E1C 9J8

Louise
to keep.

Dear Mr. McPhail:

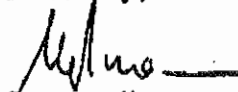
RE: Sept. 27, 1988, Understanding in Principle between the
Government of Canada and Bear Head Industries Ltd.

In our above-mentioned agreement, item 4 a (ii), Bear Head
Industries Ltd. agreed in principle: "to provide by October
21, 1988, financial and other details associated with
Phase I."

It is now apparent that, for a variety of reasons, some of
which are beyond our control, we will not be able to meet this
deadline. We want to present the best possible package of
information for ACOA and to do this we will need more time.

Accordingly, we request that the date for submitting the
required information be revised to December 15, 1988. We trust
that ACOA finds this acceptable. For our part we are convinced
that we will be able to put together a top quality package for
your consideration by December 15, 1988. In the meantime we do
wish to begin the process of applications and discussions in
order to implement the September 27 understanding in principle.

Sincerely,


Juergen Masemann
President

JM/144

TOTAL P.02

144
2 of 3

Sim B
FYI
W.P.

11



BEAR HEAD INDUSTRIES LIMITED

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

TELEPHONE (613) 563-3321

TELEFAX (613) 563-7648
TELEX 053-3981 bhi ott

Datum/Date: Oct. 20, 88

An/To: Mr. John McDowell, ACOA
cc: Mr. Win Potter, ACOA, Halifax

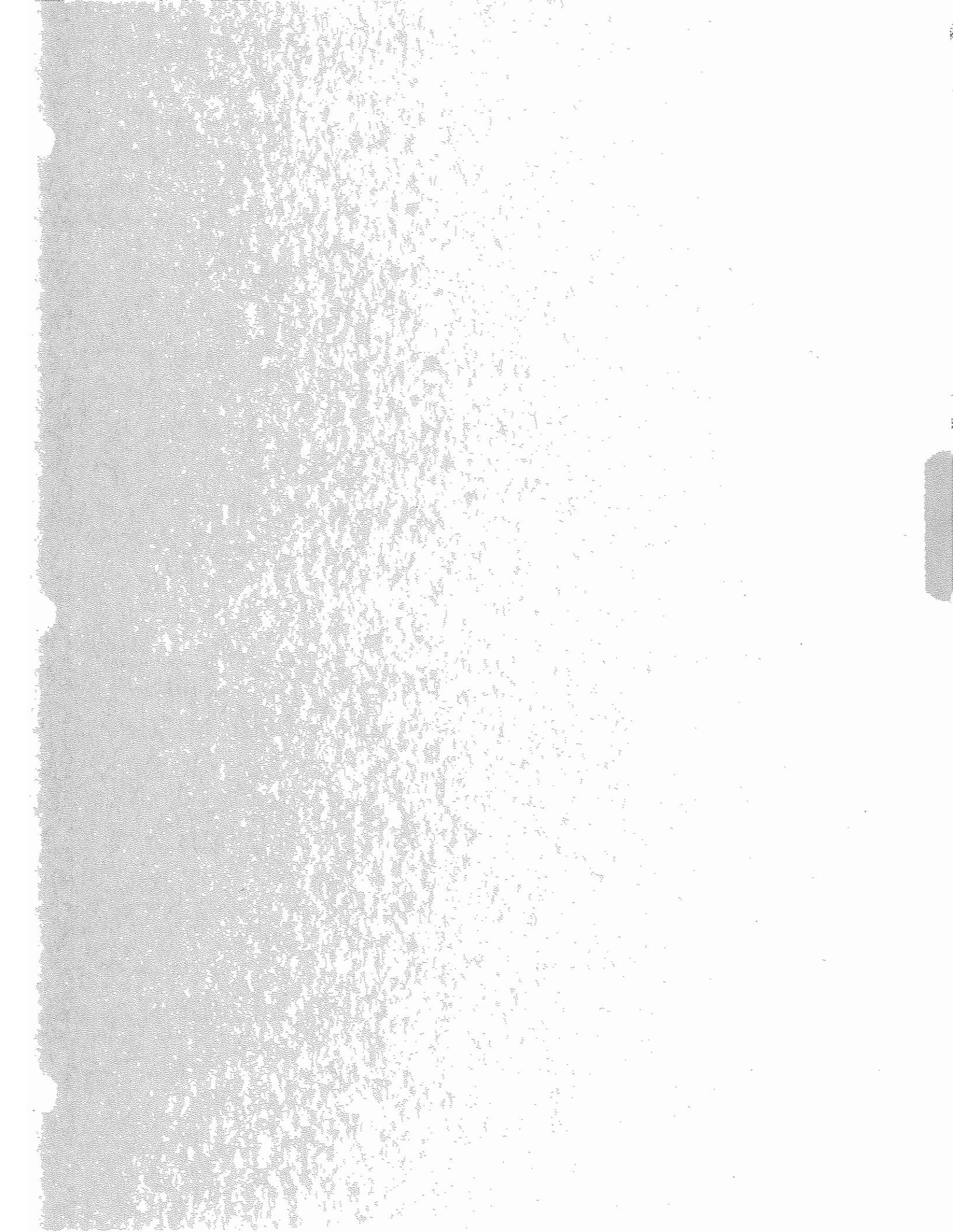
Von/From: BHI, Ottawa

Bemerkung/Comments: For your information!

The original Fax was already sent by Mr. Massmann to
Mr. McPhail Fax No: (506) 857-7403.

Seiten/Pages to follow: 1



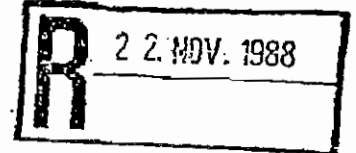


BMA II F

0409 300

Bitucan Holdings Ltd.

Suite 1204, Dome Tower
333 - 7th Avenue S.W.
Calgary, Alberta T2P 2Z1
Telephone (403) 269-9377
Fax (403) 262-8786



MERKUR Handels- und Industrie AG
Aeulestrasse 5
P.O.Box 83

FL-9490 Vaduz
LIECHTENSTEIN

October 20, 1988

I N V O I C E

To invoice you for services rendered
regarding your industrial project in
Indonesia

Please remit \$ 710,000.00

Bitucan Bank Account: 10 12 765 Bank of Montreal, Calgary
Standard Life Branch

Bank Guiding Number: 25029001

A 7/91

0414

512

FDCI
FRED DOUCET
CONSULTING
INTERNATIONAL

INVOICE

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

INVOICE NO.: 119

DATE: November 2, 1988

Attention: Mr. Karlheinz Schreiber

DESCRIPTION:

Re: Professional Services

\$90,000.00

104

BITUCAN HOLDINGS LTD.
1204, 333 - 7 AVENUE S.W. PHONE 268-8377
CALGARY, ALBERTA T2P 2E1

November 15 19 88

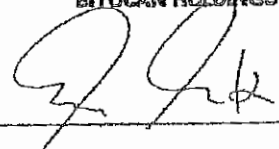
PAY TO THE ORDER OF FDCI/FRED DOUCET CONSULTING INTERNATIONAL \$ 90,000.00

RECEIVED 90000.00 DOLLARS
100

Re: Invoice No. 119/2.11.1988

BITUCAN HOLDINGS LTD.

Bank of Montreal
506 - 6TH STREET S.W.
CALGARY, ALBERTA T2P 1X3

PER 

⑆0000104⑆ ⑆2502900⑆ ⑆022765⑆



A 7/91

0413

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

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

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

Doucet & Associates
BARRISTERS & SOLICITORS

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

E. & O. E.

BITUCAN HOLDINGS LTD.		105
1204, 333 - 7 AVENUE S.W. PHONE 269-9377 CALGARY, ALBERTA T2P 2E1		
PAY TO THE ORDER OF <u>Doucet & Associates</u>		November 15 19 88
		\$ 90,000.00
REGISTERED <u>90000</u> DOLLARS		100 DOLLARS.
Re: Invoice 2.11.1988		BITUCAN HOLDINGS LTD.
Bank of Montreal 505 - 6TH STREET S.W. CALGARY, ALBERTA T2P 1X3		PER <u>[Signature]</u>
⑆0000105⑆ ⑆25029⑆001⑆ 1012⑆765⑆		

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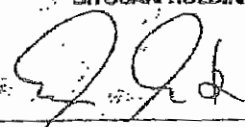
Frank and Beth Moores
403 Clarke Ave.
Westmount, Que.,
H3W 3C3

November 8, 1988

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

I N V O I C E

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

BITUCAN HOLDINGS LTD.		107
1204, 333 - 7 AVENUE S.W. PHONE 269-9377 CALGARY, ALBERTA T2P 2E1		November 15 19 88
PAY TO THE ORDER OF	Frank D. Moores	\$ 90,000.00
REGISTERED 104111081 900000 DOLLARS		DOLLARS 100.
Re: Invoice 8.11.1988		BITUCAN HOLDINGS LTD.
Bank of Montreal 506 - 6TH STREET S.W. CALGARY, ALBERTA T2P 1X3		PER 
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GOVERNMENT
CONSULTANTS
INTERNATIONAL

NOV 16 1988

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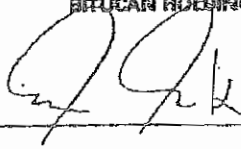
BILL TO: Bitucan Holdings Limited
1204, 333 - 7th Avenue S.W.
Calgary, Alberta
T2P 2Z1

INVOICE NO.: 1880

DATE: November 10, 1988

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

GOVERNMENT CONSULTANTS INTERNATIONAL INC.
SUITE 1300, 50 O'CONNOR STREET,
OTTAWA, CANADA K1P 6L2
PHONE: (613) 236-7001 TELEX: 653-3969

BITUCAN HOLDINGS LTD.		103
1204, 333 - 7 AVENUE S.W. PHONE 269-9377 CALGARY, ALBERTA T2P 2E1		
		November 15 19 88
PAY TO THE ORDER OF GOVERNMENT CONSULTANTS INTERNATIONAL	\$ 250,000.00	
REGISTERED 250000 DOLLARS 00 CTS		DOLLARS
Re: Invoice No. 1880/10.11.1988		
Bank of Montreal 506 - 6TH STREET S.W. CALGARY, ALBERTA T2P 1X3	BITUCAN HOLDINGS LTD.	
		PER 
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LEMOINE CONSULTANTS INC


NOV 15 1988

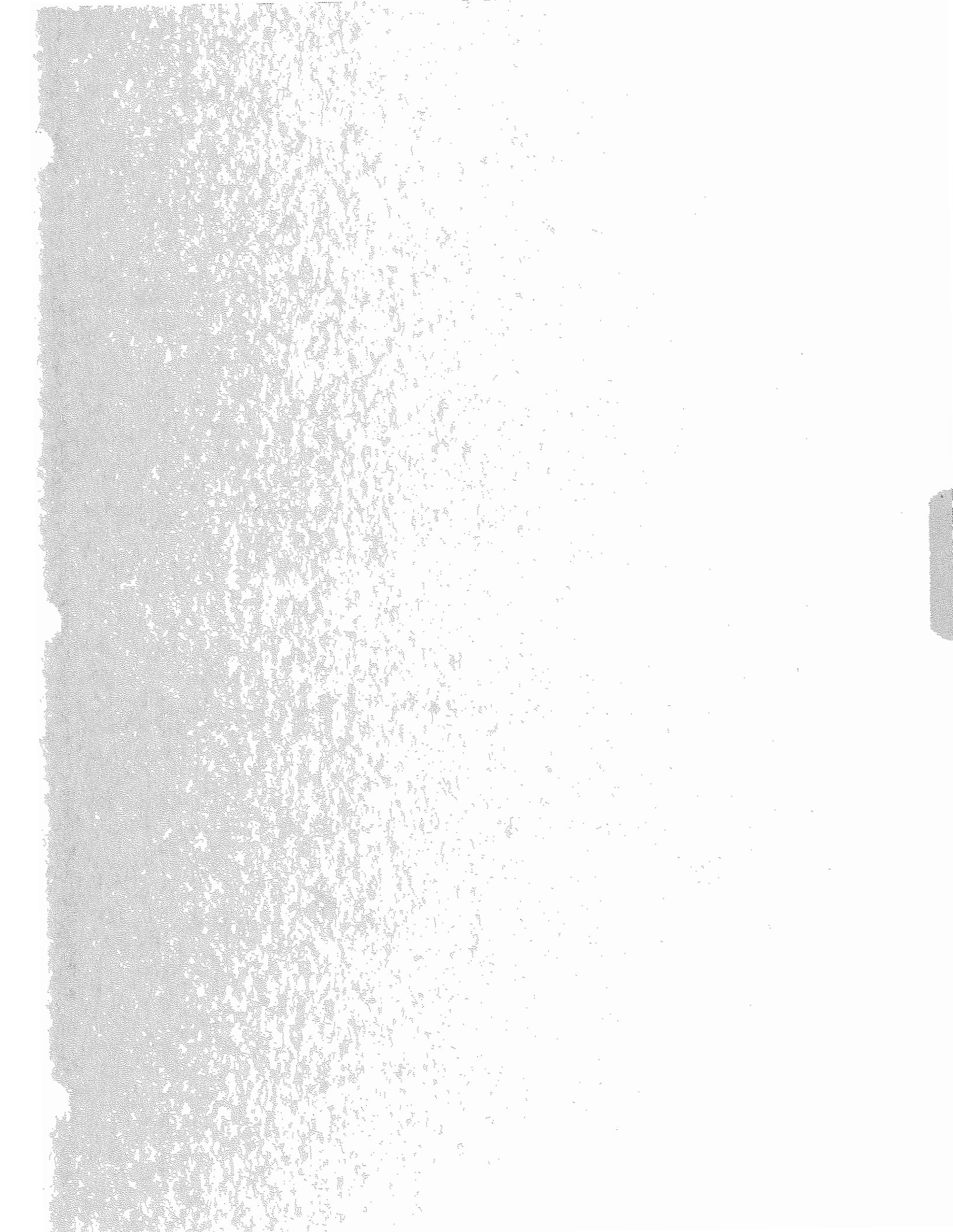
INVOICE

December 1, 1988

To Bitucan Holdings,
Calgary, Alberta

For professional Services rendered:	\$90,000.00
	<hr/>
TOTAL	\$90,000.00

BITUCAN HOLDINGS LTD.		106
1204, 333 - 7 AVENUE S.W. PHONE 263-9377 CALGARY, ALBERTA T2P 2E1		November 15 19 88
PAY TO THE ORDER OF	LEMOINE CONSULTANTS INC.	\$ 90,000.00
REGISTERED 134 P 1 0 6 1 9 0 0 0 0 D O L L A R S 0 0 C T S		DOLLARS 100
Bank of Montreal 506 - 6TH STREET S.W. CALGARY, ALBERTA T2P 1X3	BITUCAN HOLDINGS LTD. 	PER _____
⑆0000 106⑆ ⑆250 29 00 1⑆ ⑆1012 765⑆		



VERWALTUNGS- UND PRIVAT-BANK AKTIENGESELLSCHAFT

BANQUE PRIVÉE DE GÉRANCE SOCIÉTÉ ANONYME - PRIVATE TRUST BANK CORPORATION
 FL-9490 VADUZ, LIECHTENSTEIN · TELEFON 075/5 66 55 · TELEX 889 300 · TELEFAX 075/2 66 97 · POSTSCHECKKONTO 90-8291-5 · SWIFT VPBV LI 22

(27)

GUTSCHRIFTSANZEIGE

FL-9490 VADUZ 25.10.1988 REF.: BG/GSS KONTO: KONTOKORRENT 235.972.029
 ACCOUNT: 9490 VADUZ

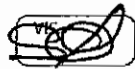
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 2 / OTT 1988
 EVASU

I.A.L. INTERNATIONAL
 AIRCRAFT LEASING LIMITED
 9490 VADUZ

	BETRAG/AMOUNT	WERT/VALUE
UEBERWEISUNG AUFTRAGS THYSSEN INDUSTRIE AG, POSTFACH 10 37 45, 4300 ESSEN 1. "HONORAR FUER BERATUNG IM ZUSAMMENHANG MIT DEM PROJEKT BEAR HEAD INDUSTRIES LTD."	CA\$ 2'000'000.00	26.10.88

HOCHACHTUNGSVOLL / VERY TRULY YOURS
 VERWALTUNGS- UND PRIVAT-BANK AKTIENGESELLSCHAFT

Anzeigen bis SFr. 50'000.- oder Gegenwert (Trade) in CHF 50'000.-
 Advice up to SFr. 50'000.- or countervalue bear only a visa.



VERWALTUNGS- UND PRIVAT-BANK AG
 PRIVATE TRUST BANK CORPORATION
 FL-9490 VADUZ, LIECHTENSTEIN

Kontoinhaber / Holder of Account

Seite / Page 3

I.A.L. INTERNATIONAL
AIRCRAFT LEASING LIMITED

9490 VADUZ

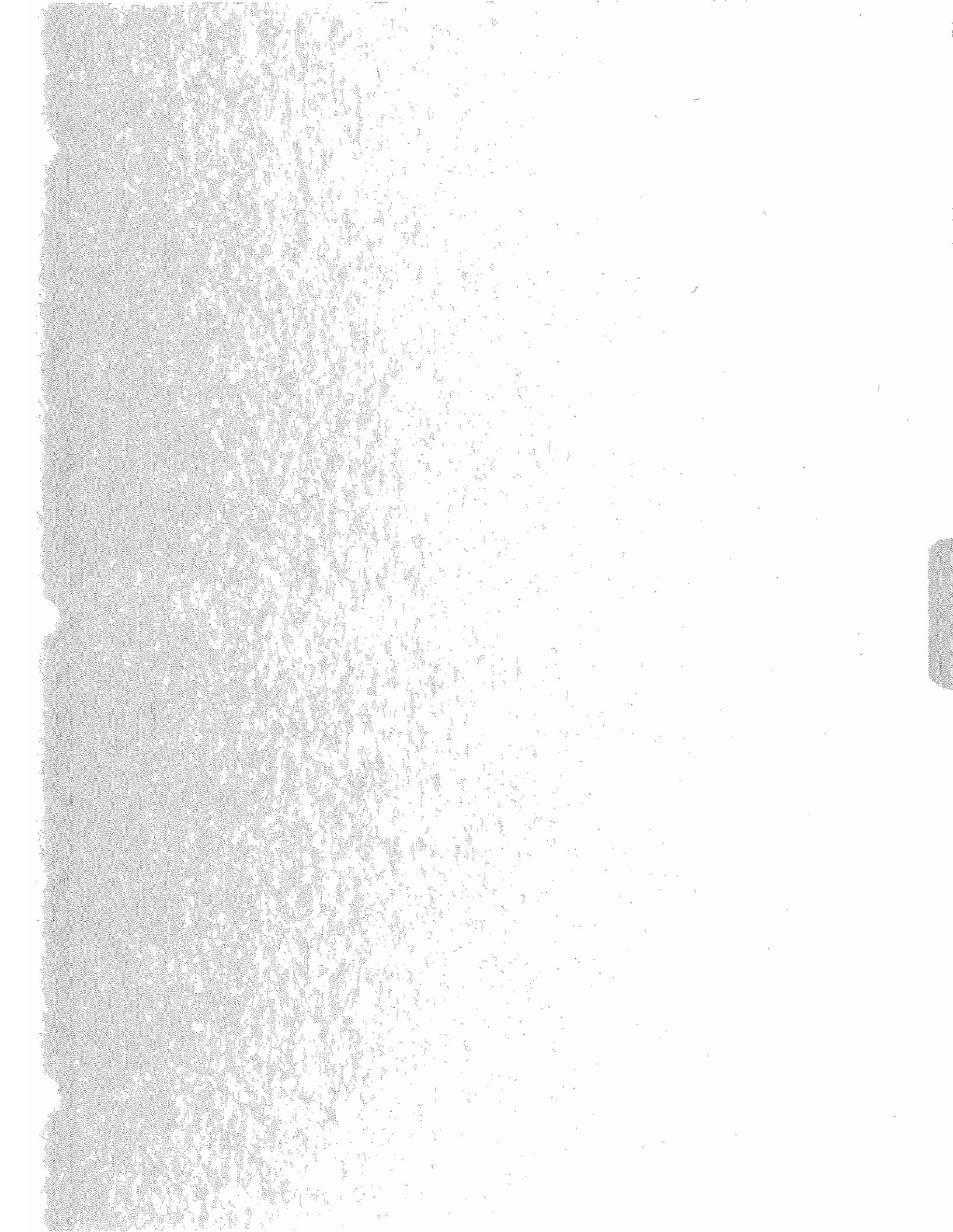
TAGESAUZUG / DAILY STATEMENT

Konto / Account No. 235.972.029	Kontobezeichnung / Type of Account KONTOKORRENT	Datum / Date 25.10.88
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Text / Description	Wert / Value	Soll / Debit CA\$	Haben / Credit CA\$
UEBERWEISG THYSSEN INDUSTRIE	26.10.88		2'000'000.00

1 = Frankoposten / Free of charges

Saldo zu Ihren Lasten Balance in our favour	Saldo zu Ihren Gunsten Balance in your favour
	2'000'020.40





SUPERText



RCMP "A" DIVISION COMMERCIAL CRIME

File: A102

95A-517

EXHIBIT INFORMATION

DATE OBTAINED: _____

Obtained By: _____

Exhibit No.: _____

Item No.: _____

Location: _____

DOCUMENT CATEGORIZATION

Document Type: _____

Original: Yes _____ No _____

COMMENTS Pottery - Subject Sub - (50)
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Slapped

Clave:

MEMORANDUM

November 2, 1988

TO: D.S. McPhail
Vice-President
ACOA, Moncton

FROM: Wynne Potter
Vice-President
ACOA, Halifax

SUBJECT: Thyssen

This morning a group of federal-provincial officials and others met with representatives of Thyssen, A.G. in Halifax. (A list of those present is attached).

Karlheinz Schreiber briefed the group on the Bear Head project and apologized for the absence of Mr. Massman who will join them in Nova Scotia next week. Mr. Schreiber stated that the Chairman of Thyssen is committed to the Bear Head project and that the general engineering work for the plant is now underway. The purpose of their visit is two-fold:

1. to conduct site visits and collect the information necessary for the preparation of the Business Plan, and
2. to examine potential opportunities for environmental products (such as scrubbers and fluidized-bed systems) for Phase II of the project.


Mr. Schreiber emphasized that they will meet the December 15th deadline for the submission of the Business Plan.

Mr. Schreiber stated that, to be successful, BHI must produce a diversified range of products for the North American and overseas (developing countries) markets. Thyssen is currently engaged in discussions with General Dynamics which may soon result in an agreement to produce LAVS for the U.S. military. Mr. Schreiber believes that LAVS and environmental products could be produced at BHI and would be complementary product lines.

He reiterated that Thyssen is prepared to share work and technology with Lavalin's Trenton facility and would also be willing to help SYSCO market its products world-wide.

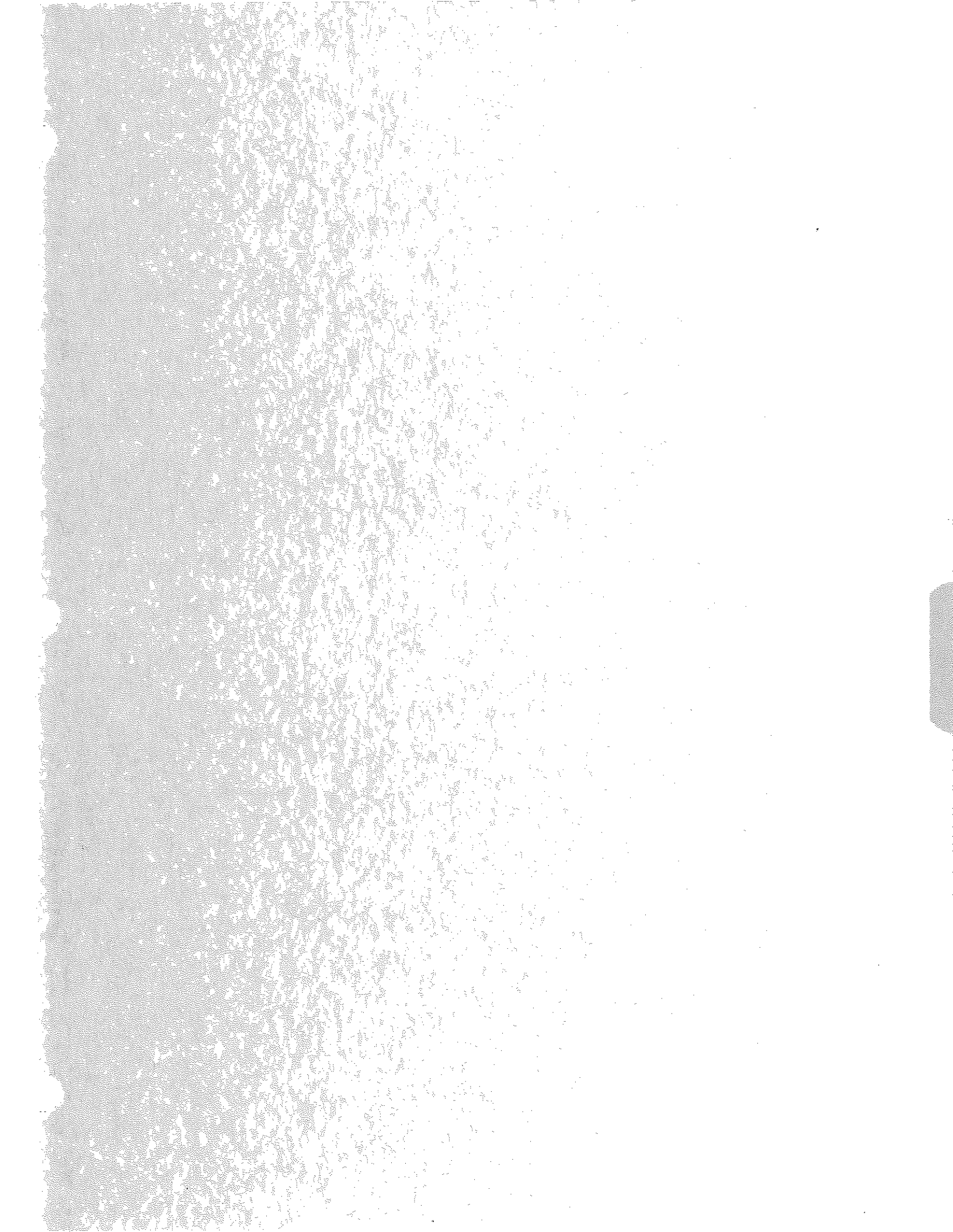
Mr. Schreiber stated that they wish to keep a low profile on the project at this time and that no interviews will be conducted with the media this week. (The group will visit Port Hawkesbury tomorrow). When Mr. Massman arrives next week, it is expected that he will provide more details on the project and the schedule and will make a public announcement.

~~This morning Mr. Schreiber and his colleagues will also be meeting with Mr. Cameron, Minister of Industry, Trade and Technology and Premier Buchanan. In the afternoon, they will meet with the Nova Scotia Power Corporation to discuss the potential for sales of products such as scrubbers and fluidized-bed systems to NSPC.~~


Wynne Potter

JB/cc

cc: Jaffray Wilkins



V E R T R A G

zwischen

I.A.L. International Aircraft Leasing Limited
Aeulestraße 5, FL-9490 Vaduz,

- nachstehend kurz "I.A.L." genannt -

und

Thyssen Industrie AG
Am Thyssenhaus 1, 4300 Essen 1,

- nachstehend kurz "Thyssen" genannt -.

1. Thyssen gewährt I.A.L. ein Darlehen in Höhe von 1,0 Mio can\$, ~~zahlbar in Deutsche Mark zum heutigen Mittelkurs ent-~~sprechend 1.466.000,-- DM.
2. Das Darlehen ist unverzinslich und am 31.12.1989 an Thyssen in Deutsche Mark zurückzuzahlen, und zwar auf Basis desselben Kurses, zu dem es gewährt wurde.
3. Diese Vereinbarung unterliegt deutschem Recht. Ausschließlicher Gerichtsstand ist Düsseldorf.
4. Änderungen und Ergänzungen dieser Vereinbarung bedürfen der Schriftform.

FL-9490 Vaduz, 19.12.1988
I.A.L. Intern. Aircraft Leasing
Giorgio Pelossi

D-4300 Essen 1, 19.12.1988
THYSSEN INDUSTRIE AG

J. H. J. H. H.

p . DR. HANS-JOACHIM KLENK
RECHTSANWALT
JUSTITIAR DER THYSSEN INDUSTRIE AG

4300 ESSEN 1
AM THYSSENHAUS 1
TELEFON (02 01) 1063270

20.12.1988/No

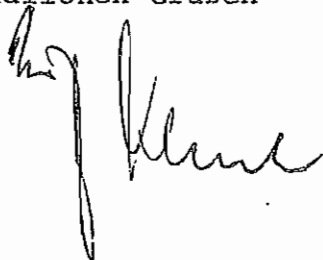
Herrn
Giorgio Pelossi
I.A.L. International Aircraft
Leasing Limited
Aeulestraße 5

FL-9490 Vaduz

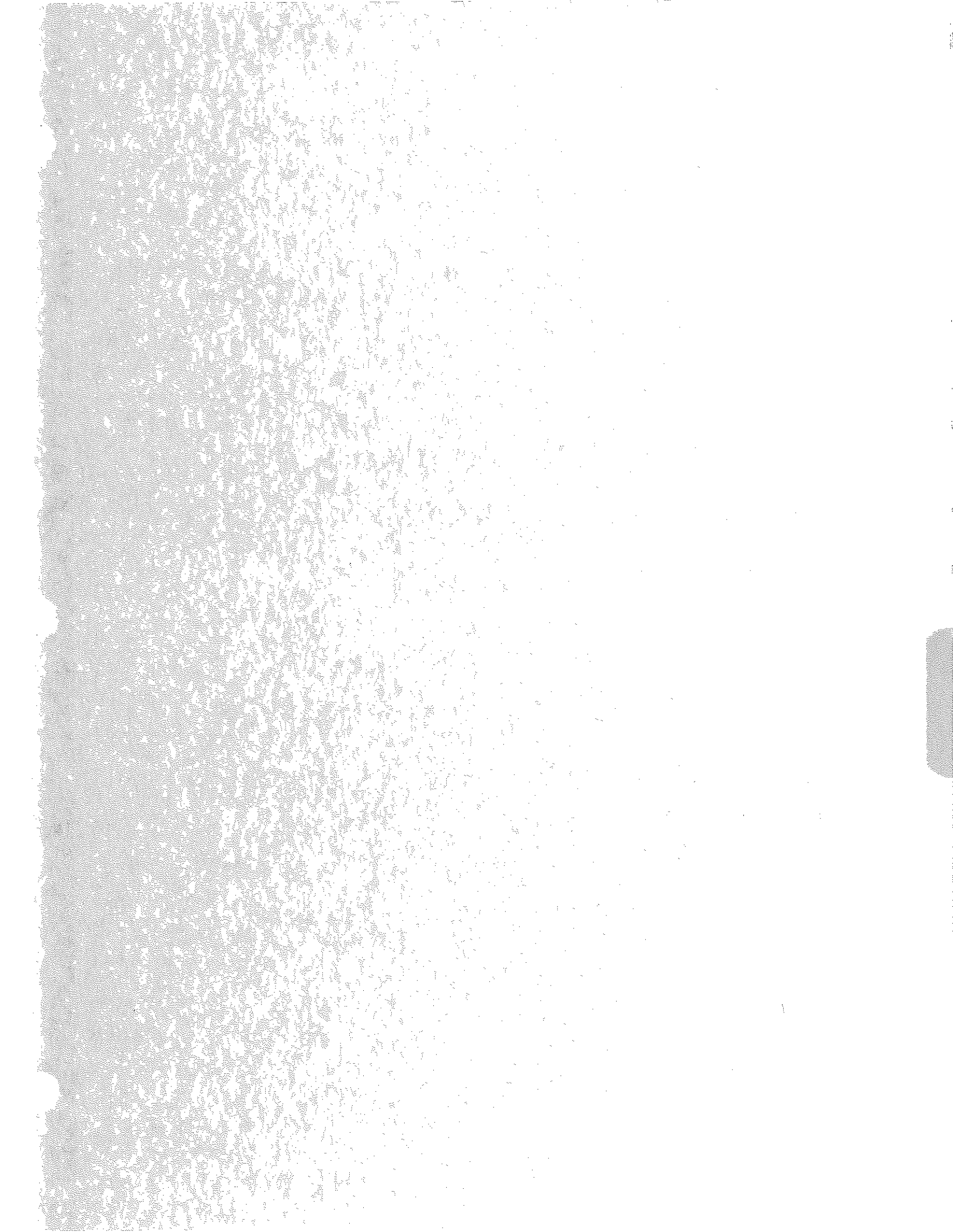
~~Sehr geehrter Herr Pelossi,~~

als Anlage erhalten Sie den von uns unterzeichneten Vertrag
vom 19.12.1988 mit der Bitte um Gegenzeichnung und Rücksen-
dung eines Exemplars.

Mit freundlichen Grüßen



Anlage





SUPERText



RCMP "A" DIVISION COMMERCIAL CRIME

File: A102
95A-517

EXHIBIT INFORMATION

DATE OBTAINED: 95-05-04
Obtained By: Sgt. Fiegenwald
Exhibit No.: 95-07
Item No.: 1
Location: _____

DOCUMENT CATEGORIZATION

Document Type: _____

Original: Yes _____ No _____

75-76-77-78
79-80-81-82-
83-84-85-86-
87-88-89-90-
91-92-93-94-9
96-97-98-99-100
101.

COMMENTS

Documents obtained from
Stevie Cameron. Translated copy included.

Clone: 1-2-3-4-5-7-8-10-11-12-13-
14-15-16-17-18-19-20-21-22-23-24-
25-26-27-28-29-30-31-32-33-34-35-
39-40-41-42-43-44-45-46-47-48-49-
50-51-52-53-54-56-57-58-59-60-61-
62-63-64-65-66-67-68-70-71-72-73-74-

4

THYSSEN INDUSTRIE

1) Bear Head Projekt

		<i>→ Honorar v. Bear Head</i>		
30.12.87	Zahl. an IAL auf Kto VPB Vaduz	→ 235 572 025	can\$	1'900'000.-- ✓
26.10.88	Zahl. an IAL auf Kto VPB Vaduz	→ " "	can\$	2'000'000.-- ✓
	Total		can\$	3'900'000.--

Beweise

Rechnung 4.10.88
2 Bankbelege

2) Darlehen

		<i>→ 235 572 053</i>		
23.12.88	Zahl. an IAL auf Kto VPB Vaduz *		DM	1'466'000.-- ✓
	Konto 23.12. VPB Vaduz			

Beweise

Darlehensvertrag vom.....
Bankbeleg vom 22.12.88

06.12.93

** gleich weiter auf Kto LHS bei VPB (Kto 264 35)*

THYSSEN INDUSTRIE

4.

Project 1) Bear Head Projekt

		<i>Fee ? Bear Head</i>		
		<i>→ Honour of Bear Head</i>		
30.12.87	Zahl. an IAL auf Kto VPB Vaduz	<i>→ 235 372 025</i>	can\$	1'900'000.-- ✓
26.10.88	Zahl. an IAL auf Kto VPB Vaduz	<i>→ " "</i>	can\$	2'000'000.-- ✓
	<i>Payment to IAL to account of VPB Vaduz</i>			
	Total		can\$	3'900'000.--

Beweise Evidence

Rechnung 4.10.88 Invoice 4.10.88
 2 Bankbelege 2 Bank documents

2) Darlehen Loans

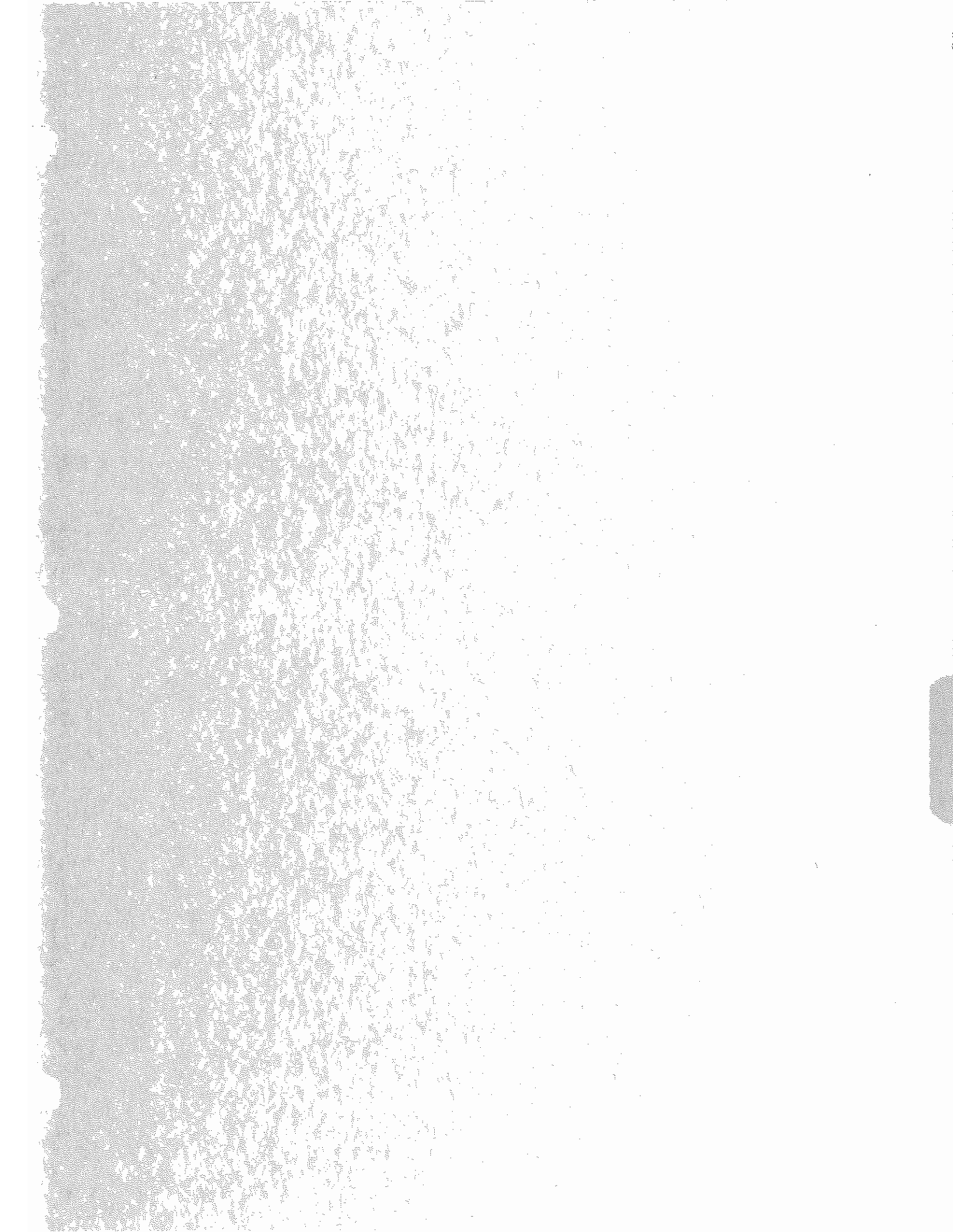
		<i>235 372 053</i>		
		<i>Payment to IAL to Account at VPB Vaduz</i>		
23.12.88	Zahl. an IAL auf Kto VPB Vaduz	<i>* VPB Vaduz</i>	DM	1'466'000.-- ✓

Beweise Evidence

Darlehensvertrag vom..... loan agreement of
 Bankbeleg vom 22.12.88 Bank document (or receipt) dated 22.12.88

06.12.93

** gleich weiter auf Kto KHS bei VPB (No. 26435)*
 * forwarded directly to KHS account at VPB (No. 26435)





SUPERText



RCMP "A" DIVISION COMMERCIAL CRIME

File: A102
95A-517

EXHIBIT INFORMATION

DATE OBTAINED: _____
Obtained By: _____
Exhibit No.: _____
Item No.: _____
Location: _____

DOCUMENT CATEGORIZATION

Document Type: _____

Original: Yes _____ No _____

COMMENTS Pottery - Subject Sub - 6⁵⁰
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Slapped

Close:



Government of Canada / Gouvernement du Canada

MEMORANDUM NOTE DE SERVICE

TO A

D.S. McPhail
c.c. Norman Moyer

FROM DE

Vice-President
ACOA - Nova Scotia

SUBJECT OBJET

THYSSEN UPDATE

SECURITY - CLASSIFICATION - DE SÉCURITÉ
DRAFT "C"
OUR FILE - N / RÉFÉRENCE
JMC-235
YOUR FILE - V / RÉFÉRENCE
DATE
May 1, 1989

*sent by
Jacs
2/5/89
N*

This note updates the Thyssen file, and seeks your views on how you wish to manage this file, in light of a number of key developments:

- Canadian LAV Order: As you may know, at a meeting late Friday afternoon, Ed Healey confirmed that the LAV project (and many others) had been "paused and descoped", a euphemism, Healey explained, for cancelled. As part of its overall policy review of the implications of severely-reduced spending, DND will gradually begin work on a new White Paper to address whether Canada wishes to fund a credible military presence in Europe, as well as its own territorial defence. In this context, Healey observed that DND may keep a watching brief on the LAV project, but for planning purposes in the near and medium terms, the project is terminated;
- Progress by Bear Head Industries: On April 24, I met briefly, at my request, with Greg Alford. Greg reported that the Cape Breton facility continues to be well-supported within the senior echelons of Thyssen in Germany.

Greg also informed that, while the company's efforts to explore North American environmental markets (flue gas desulphurization technology, primarily for coal-fired electrical-generating stations), have not resulted in immediate tangible success, and no orders are expected in the near term, Thyssen has been well-received in discussions with power authorities in New Brunswick and Nova Scotia.

Nevertheless, as you know, no business plan has been submitted by BHI, but work is progressing slowly.

Louise

- 2 -


- The U.S. vehicle contract: Thyssen is pursuing, with its partner, General Dynamics (prime), the 400-vehicle NBC order. If BHI does participate directly in this contract, Alford informs that this work alone is not sufficient to lead to the establishment of the Cape Breton facility.

The GM-TRW (prime) partnership is in the process of aggressively lobbying U.S.-based officials, including members of Canada's External Affairs (Mrs. Windsor, Canadian Consul in Los Angeles, and Derek Burney in Washington) on the merits of their proposal.

The U.S. military is expected to reach a decision on either Thyssen-General Dynamics or GM-TRW by this fall.

These factors raise very fundamental questions for Bear Head Industries (BHI), and by implication, the most appropriate role for ACOA:

- Communications: The Canadian government decision to cancel the LAV project will have to be communicated to BHI, either formally or informally, since Cabinet last summer directed that the ACOA Minister be the lead Minister on the Thyssen file, this communications responsibility is logically ours;
- Other Canadian Military Projects: Over the next four weeks, as DND explores further its remaining crumbs of capital acquisition, and subject to final confirmation that LAV, at least for the next few years, is dead, there may be other military projects -- light-support vehicle (trucks) for example -- for which Bear Head Industries could complete;
- Civilian Diversifications in Cape Breton: In the near and medium terms, BHI will wish to determine whether from a commercial standpoint, it can establish a facility in Cape Breton based on primarily on civilian -- and perhaps in the first instance, environmental -- production.



Wynne Potter

9634-57

147



Atlantic Canada
Opportunities
Agency

Agence de
promotion économique
du Canada atlantique

DRAFT

"C"

REQUEST FOR FACSIMILE TRANSMISSION
DEMANDE D'ENVOI PAR FAC-SIMILÉ

URGENT ROUTINE
NORMAL

NO. OF PAGES FOR THIS TRANSMISSION
N° DE PAGES À TRANSMETTRE
2 + cover

DATE RECEIVED - REÇU LE	LOG NO. - N° DE REGISTRE
DATE SENT - ENVOYÉ LE 2/5/89	SENDERS FAX NO. - N° DU FAX DE L'EXPÉDITEUR (902) 426-2054

TO - A D. S. McPhail K. C. Norman Mayle	FROM - DE Wynne Patten ACCA - N.S.
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REMARKS - COMMENTAIRES:

[Large empty box for remarks]

Nancy Cleary
SIGNATURE

2/5/89
DATE

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96-34-57

CARBON COPY

DATE: May 1, 1989

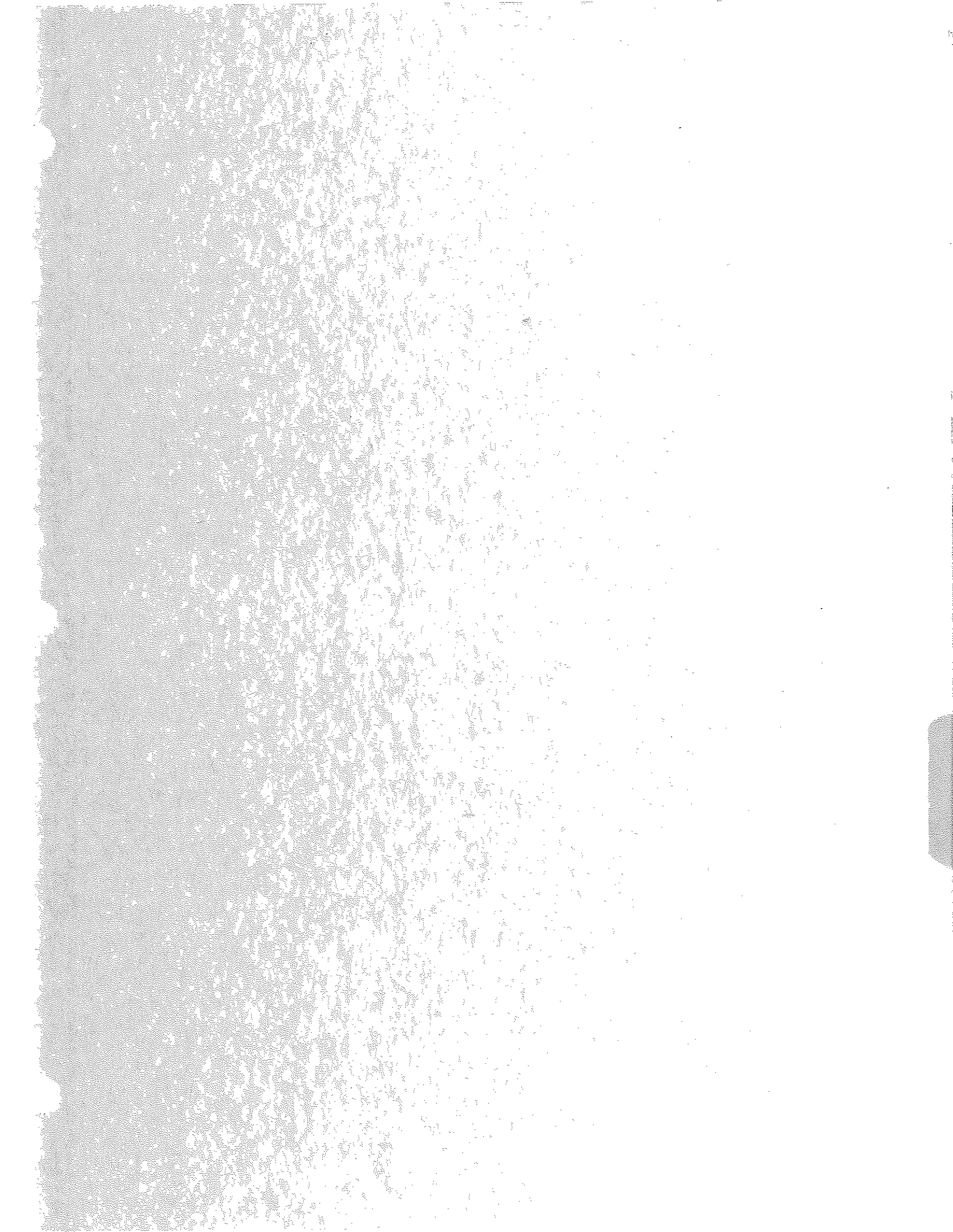
TO: Wynne Potter

FROM: John McDowell

SUBJECT: Memo to Mr. McPhail and Mr. Moyer,
Re. Thyssen Update

DOCUMENT NAME: JMC-235

OPERATOR'S NAME: Isabel (613-952-9106)



15:10

15:10

PETROL PROPERTIES LTD. CALGARY

NO. 334

P001

B 7 2

4176

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

May 17, 1989

Bitucan Holdings Ltd.
Ste. 1204, Dome Tower
333-7th St. S.W.
Calgary, Alberta
T2P 2Z1

I N V O I C E

For Services Rendered

\$60,000.00

*Kullbarna,
er be okay
den beahled* request you obey
for the payment

*Q. 23 5-89
Erika huty*

*Lied Erika Dear Erika,
It erledigt it's noticed
Rechnung vermissen destroy invoice*

[Signature] 30.5.89
Kullbarna huty





BEAR HEAD INDUSTRIES LIMITED

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

TELEPHONE(613)563-3321

TELEFAX (613) 563-7648

CONFIDENTIAL

19 July 1989

The Hon. Bill McKnight
Minister of Defence
Room 401
Confederation Building
Ottawa, Ont.
K1A 0A6

Dear Minister:

As you know, THYSSEN INDUSTRIE AG has been active for some time in establishing a major manufacturing capability in Cape Breton, Nova Scotia. This investment initiative is being taken in response to Federal regional development objectives.

BEAR HEAD INDUSTRIES LIMITED (BHI) will be the Canadian subsidiary, and the North American production base for a number of defence and commercial products, including light armoured vehicles. Our intentions in this regard are well known, and moreover specified in a joint understanding made with the Government on September 27th last year.

There has been some speculation that the LAV choice facing the Army is confined to two options in the immediate term:

a) proceed with a proposed \$100 Million wheeled vehicle order for the Reserves. The advantage is that this proposal is relatively low in capital outlay. The disadvantage is that it, in fact, seeks to purchase new vehicles reflecting what is in essence, old technology. The other disadvantage is that, alone, this proposal does not address the overriding regular force LAV requirement. Whatever role the future may hold for the Canadian army,

**BEAR HEAD INDUSTRIES LIMITED**

2

we strongly submit that the first priority must be in favour of a vehicle capable of meeting all likely future requirements, ranging through the spectrum from peacekeeping to high intensity conflict. This vehicle will be produced by THYSSEN in Canada.

b) proceed with the ALAV program. As originally conceived, this program was estimated as costing anywhere from 2 to 4 billion.

Because we are aware that you are now establishing priorities in program funding, we feel it is important at this time to submit a new option for your consideration which we believe represents a logical and cost-effective alternative.

We appreciate the severe impact that reduced funding has made on programs and expectations within DND, but we also recognize that real equipment shortcomings remain in both the Regular and Reserve components of the Land Force. These include a lack of adequate protection and mobility in the light armoured vehicles deployed overseas, and a critical shortage of armoured training vehicles for the Militia.

In the light of this situation, THYSSEN is prepared to propose a more effective (but still financially modest) response to the Army's needs. Our proposal is to provide over 200 well protected and versatile tracked vehicles of the most modern design from Canadian production at BHI. We estimate the cost at approximately \$250 million CDN *.

We would recommend to DND that these vehicles replace the M113 in their most critical roles in deployed field units. Such partial re-equipment would significantly increase troop protection and combat capability in Canadian units overseas, and will additionally permit the release of in-service vehicles (M113 or AVGP) to the Reserve training role.

* Based on THYSSEN HENSCHEL costs calculated for 01.09.1989



BEAR HEAD INDUSTRIES LIMITED

3

The advantages of our proposal are:

1. At a relatively small cost, it permits the forces to obtain modern technology with a new family of vehicles.
2. The THYSSEN vehicle offers essential protection and mobility for overseas employment, with good capability in Northern conditions, excellent off-road capability, satisfies the most critical needs of Nato-assigned mechanized units, provides a high-level of ballistic and chemical protection for Canadian troops, permits stretch potential including up-armouring - all characteristics not offered by the wheeled alternative.
3. Meets an essential portion of the Field Army's requirement at a fraction of the original ALAV L2065 project cost (less than 10% of original projection).
4. Permits cascading of in-service vehicles to meet Reserve training requirements.
5. Finally, acceptance of this proposal will permit early start-up of the Nova Scotia facility, allowing the establishment of a new Canadian heavy industry manufacturing plant, with advanced vehicle technology, creating more than a thousand jobs (direct and indirect combined), and superbly positioned to participate in the new U.S. vehicle programs.

We believe that the introduction of truly operational vehicles of advanced design would best meet the Army's present needs and future contingencies. BHI is prepared to manufacture such vehicles in Canada in response to your Department's requirements.

As you can see, Minister, we are quite far from the multi-billion dollar figure once envisaged. Our figure of \$250 million is offered to you in good faith as our best current estimate.

If you accept our proposal, we will immediately proceed with the \$95 million construction investment for a combined military and environmental products plant, as described in our project description on record with Atlantic Canada Opportunities Agency (ACOA). As you are already aware, the Minister responsible for ACOA, the Hon. Elmer MacKay and his department have been



BEAR HEAD INDUSTRIES LIMITED

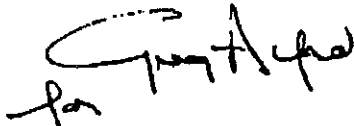
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consistently supportive of our investment plans and would be able to provide additional information on the positive economic impact that our project will bring to regional industrial development in the Atlantic region through the plant establishment, and in the West through the sourcing of parts and components.

We are prepared to bring flexibility in financing, including long-term payment scheduling, and submit that the cost of these vehicles can be compatible with DND's budget and cash-flow restraints.

We sincerely hope that you, your department, and the Armed Forces share our enthusiasm for this proposal. We are at your disposal for further information and discussion, and look forward to your reply.

Yours sincerely,
BEAR HEAD INDUSTRIES LTD.


for
Juergen Massmann
President





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

96-34-57

Head Office / P.O. Box 6051 / Moncton, N.B. / Canada E1C 9J8 / Siège social / B.P. 6051 / Moncton (N.-B.) / Canada E1C 9J8

MEMORANDUM

JUL 20 1989

SECRET

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

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

Specifically:

MILITARY

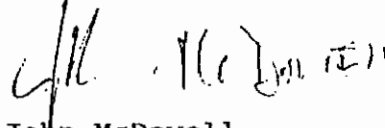
- BHI was aware that -- as a result of the Budget -- the light armoured vehicle (LAV) purchase envisaged by the White Paper was effectively "on hold" indefinitely;
- BHI believed that the upcoming contract to supply the Canadian land reserves with some 200 LAVS (wheeled) was a major opportunity for the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

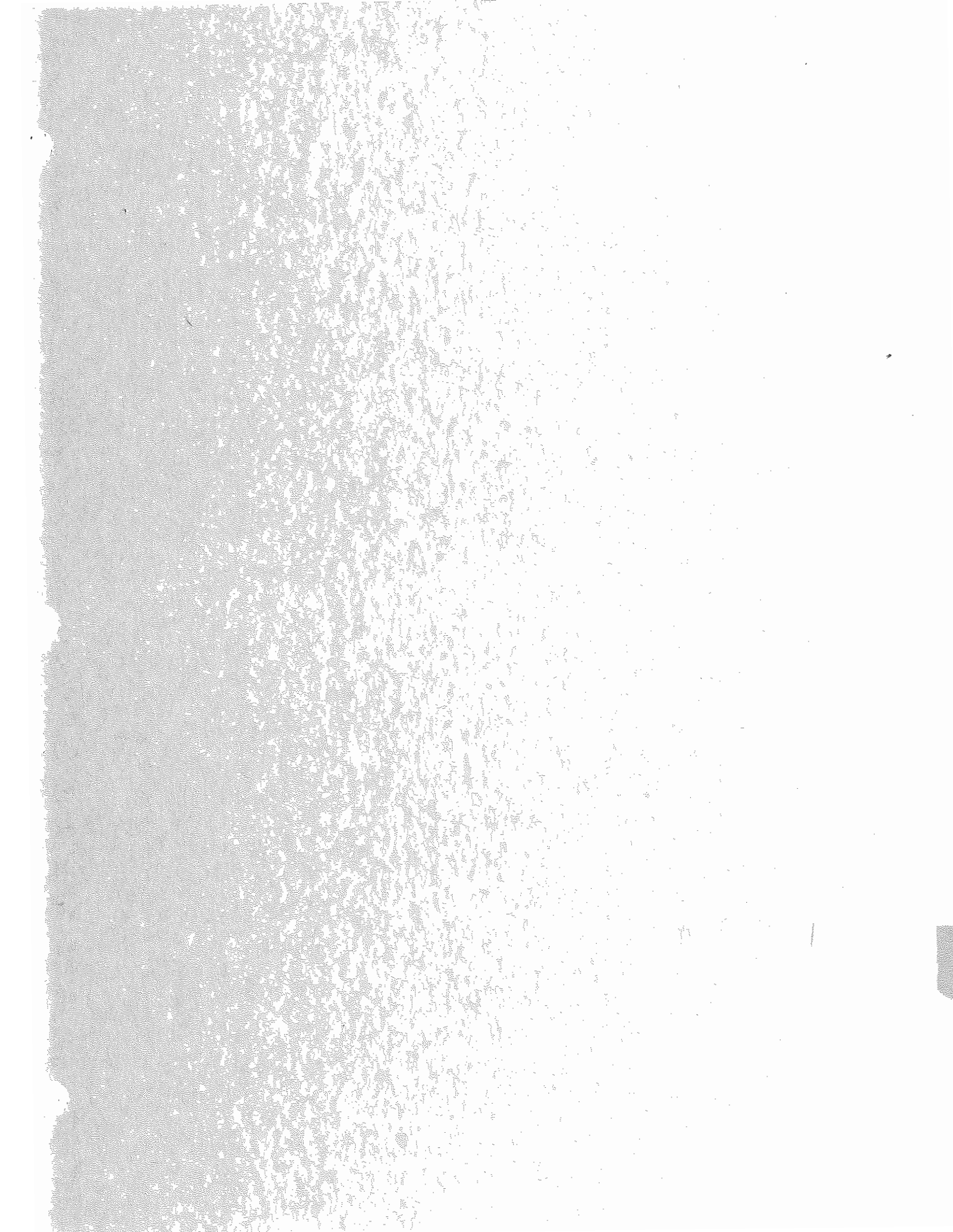
- 2 -

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

CIVILIAN

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


John McDowell



Minister of National Defence



Ministre de la Défense nationale

SEP 21 1989

Mr. Juergen Massmann
President
Bear Head Industries Ltd.
Suite 908
350 Sparks Street
Ottawa, Canada
K1R 7S8

Dear Mr. Massmann:

Thank you for your letter of July 19, 1989 regarding Bear Head Industries' interest in providing light armoured vehicles for National Defence.

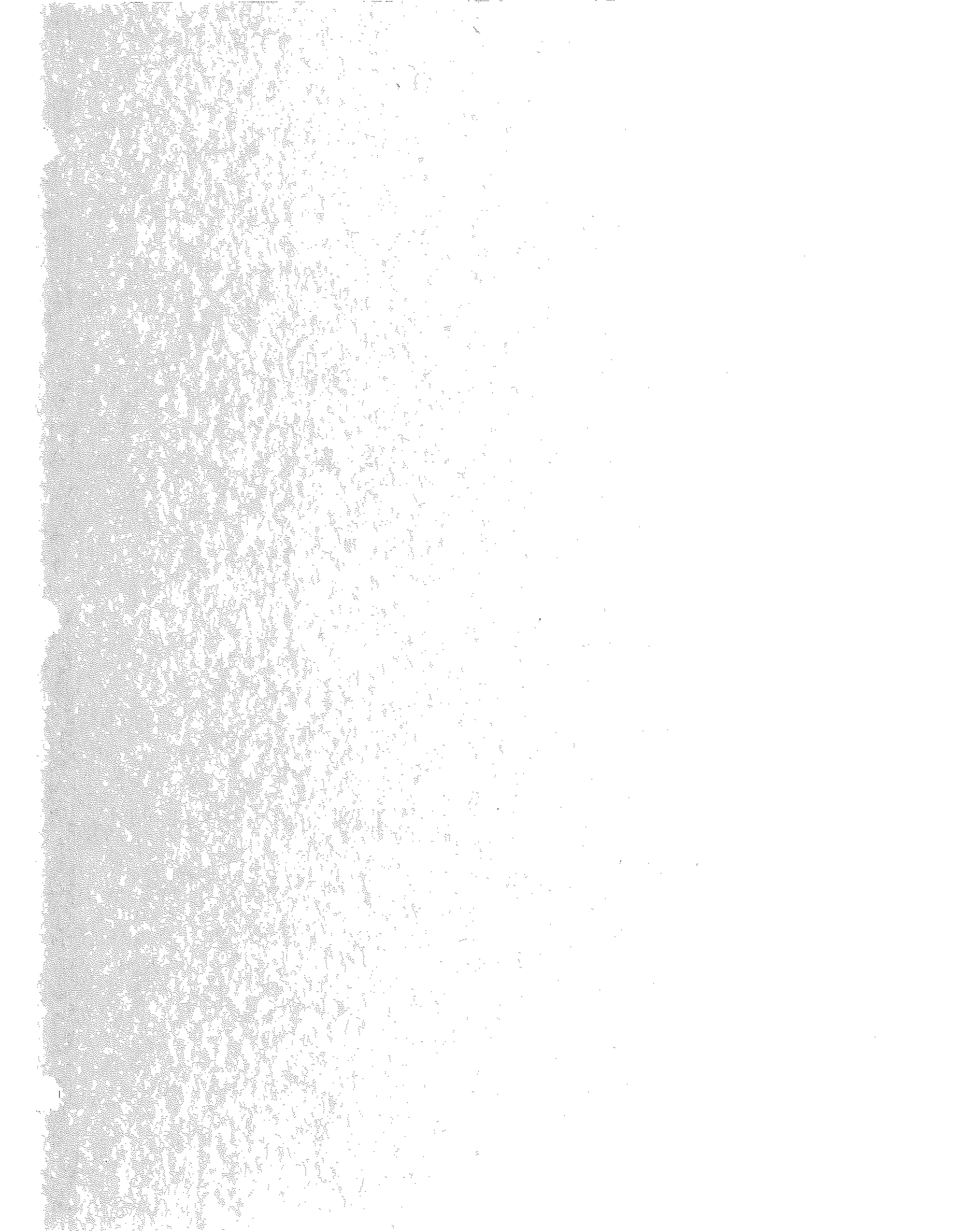
As you are aware, the Government recently announced approval of a project to meet the requirement of the Land Reserves and awarded a contract for 199 wheeled vehicles to General Motors of Canada. As part of the same project, a contract for 22 tracked vehicles will be negotiated with FMC Corporation of California.

In relation to future requirements, it should be noted that a review of the defence program is now under way. Establishing funding priorities, which you refer to in your letter, is a key part of this review. Future requirements will, therefore, obviously depend on the outcome. It is unfortunate that we cannot be more precise at this time about our future programs, and I regret the difficulties that such uncertainty must be causing your company in the development of your business plan. However, I am sure you will understand our circumstances.

I appreciate your continuing interest in National Defence and its light armoured vehicle requirements and hope we will soon be in a position to look ahead with more confidence about the nature of our long term program.

Yours sincerely,

Bill McKnight





BEAR HEAD INDUSTRIES LIMITED

To KS
From GA

28 September 1989

The situation in the press has ended. The Nova Scotia reports have all been positive and have corrected the suggestion that we would ship LAVs beyond Canada and the US.

I will be working on a draft letter to show you next week, for your consideration in sending to the Canada Isreal Committee, to express our assurances that BHI is going to produce defence equipment strictly for the Canadian and US Forces. This letter will be based entirely on the information which we have given in the BHI press release of Sept 28 1988, and nothing more. While the final decision on such a letter is up to us, our friends have agreed that this will be a helpful move to get on record.

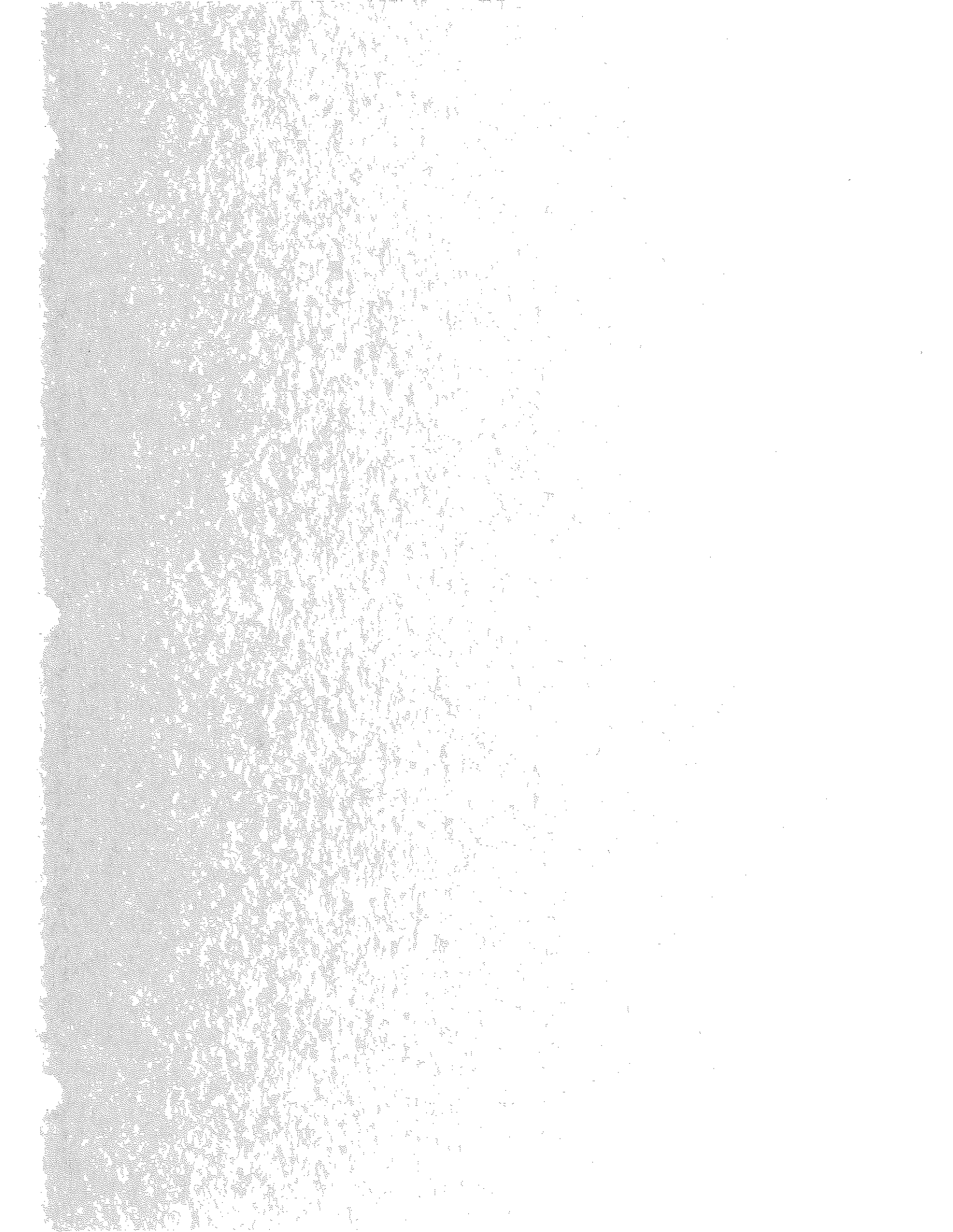
Ian has sent a report on the KM pitch Nuernburger was making to DND. While this was not refused, it is interesting that Healey refused to attend. I expect nothing is going to come of it due to the current DND view of both the Leo and the Puma. We did not advise Nurnburger of any information about either our plans or the view we know is held of the Puma. We should try to determine the level of interest from the German side in pursuing the rumoured purchase of Canadair Jets and drones, and then see if it is possible to position the BHI purchase by DND in the same balanced trade context.

On the subject of the Environment Minister's visit to Germany, I have learned that this will be very short and may not have any time for commercial visits. However, I will receive information on the itinerary on Tuesday, so we might be able to reach one of the people in the German government, such as the Environment Minister, and arrange that they recommend a visit to a Thyssen FGD scrubber in the vicinity of Bonn. Otherwise it is unlikely we can get him to arrange this from Canada.

Perhaps you and Juergen can be arrange that this suggestion can be made from th German side; but if it is difficult I would suggest that we just try to get some of the German officials who Bouchard will meet, informed of our plans in Canada and agreeable to promoting the Thyssen technology capability when they meet him.

I will be out of the office on Friday but will call you in the morning before Chris and I go away.

Regards,





BEAR HEAD INDUSTRIES LIMITED

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

TELEPHONE(613)563-3321

TELEFAX (613) 563-7648

28 November 1989

PRIVATE AND COMMERCIAL CONFIDENTIAL
HIS EYES ONLY!

The Hon. Elmer MacKay
Room 509
Confederation Building
House of Commons
Ottawa, Ontario
K1A 0A6

Dear Elmer:

I am writing today to explain that I have become so frustrated with the situation around the Thyssen Industrie AG (Thyssen) plan to establish in Nova Scotia that I fear we may be losing the chance to make this project a reality.

At the start of the new year, I must report to the Board of Thyssen on the prospect of Thyssen's participation in any Canadian military vehicle program as a start up for the Bear Head Industries project. Needless to say, their patience for this project is very strained.

In 1985, the Minister responsible for Regional Industrial Expansion explained to Thyssen that Eastern Nova Scotia was the Prime Minister's and the Government's highest priority for economic development and urged the company to invest there. The Prime Minister's interest was obvious given his electoral attachment to Eastern Nova Scotia and the high unemployment rate resulting from the difficulties faced by Sysco, Trenton Works, and the closing of the heavy water plants.

At that time Thyssen was ready to establish a new facility in the United States to gain entry to the large upcoming armoured vehicle



BEAR HEAD INDUSTRIES LIMITED

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programs. I was proud to be able to convince Thyssen instead to concentrate their efforts first in Canada and access the US defence market through the Canada-US Defence Production Sharing Agreement and secondly, the civilian market through the pending Free Trade Agreement.

Thus, Thyssen committed itself to making Eastern Nova Scotia the site of a new North American heavy industrial manufacturing base, targeting defence and civilian production. The dimensions of the Thyssen commitment are evidenced by their preparedness to make a capital investment of more than \$68 million with a promise to create 500 jobs.

For Thyssen to justify their abandoning the U.S. as the site for their North American base, they had to have a reason, which could only be having business with DND. At this time, DND had a declared armoured vehicle requirement for some 1600 vehicles, so it appeared quite reasonable to pursue a commitment of a 250 vehicle start-up order. Furthermore, on May 27, 1987, Gen. J. Fox, then Commander of Mobile Command, in public testimony to the Senate Committee on Defence, revealed the desperate need in Canada's army to have armoured vehicles with adequate protection. Additionally, the Prime Minister confirmed that same year to the Canadian Forces in Lahr, that he would give them the right equipment to do their job.

Thyssen has further committed to diversify in the first phase through production of Thyssen's entire range of environmental protection products which have been proven in Europe and the U.S. as state of the art solutions to problems like acid rain causing gas emissions and treatment of municipal solid waste. Market research has confirmed that the Thyssen environmental technology will fit the North American market, and it is ideal as a second product on the manufacturing facility utilizing similar work force skills and production technology.

Much encouragement has been offered to Thyssen, and none stronger than that received from ACOA. Since its very creation, the agency having been mandated by the Prime Minister with specific instructions to "make the Thyssen project happen", immediately assumed the role of advocate for the BHI project and has remained so since. To our knowledge, the Prime Minister's support for the project is has not changed.

In 1988 ACOA's support for the BHI project encountered what was supposed to be the single immovable obstacle to the project, that being the requirement for a sole sourced start-up order to design and build 250 units from DND's then 1600 LAV requirement. At that



BEAR HEAD INDUSTRIES LIMITED

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time sole sourced orders, in some quarters were described as contrary to the policy of the Government of Canada.

Later in 1988, Ministers Beatty, Jelinek and Andre announced a sole sourced order in Calgary, for 400 northern terrain vehicles for Canada's Armed Forces, from a Swedish firm and their Canadian partner in Calgary.

This was understood by Thyssen as a change in the previously described policy, on the grounds that this particular sole sourced order benefited a regional economy. This situation encouraged Thyssen because of the commitment made to the Atlantic region.

On September 27, 1988, Thyssen held a press conference in Halifax to publicly announce the BHI commitment to Eastern Nova Scotia at a time when the announcement was requested to show the progress of the Government's commitment to Atlantic Canada. The company was confronted with difficult accusations of making a pre-election announcement, but stood by the announcement in good faith to the Government, having received a document of understanding from the Government which carried the signatures of the Ministers for ACOA, DRIE and DND and symbolizing the intent of the Government toward the BHI project.

In April 1989, the Federal budget brought major cuts to the DND capital budget. However, in July 1989, DND announced a sole sourced order to General Motors Diesel Division of London, Ontario after the company reported in the media that they might have to close down operations on their wheeled armoured vehicle line. Unemployment in that region was 3.3% as of May 1989.

From the standpoint of any logical analysis, the long awaited Force Development Plan (FDP) for the Canadian Forces cannot fail to include the Multi-Role Combat Vehicle (MRCV) requirement. Furthermore, a minimum quantity of 250 vehicles is readily apparent. The actual number will undoubtedly be substantially more. We see examples of major projects proceeding in advance of the FDP: the Arcturus Aircraft; the Maritime Coastal Defence Vessel; and now, IRIS. Hence, why can DND not now proceed with the MRCV which is of such fundamental importance to any and all future army structures?

This series of events has left me at a loss to find any rational explanation to offer to the Thyssen Industrie Board, as to why they should continue their commitment to Canada.



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Five years have past since Thyssen was first invited to place their North American heavy industry production base in Canada, but I hope you can understand that their patience is nearing an end. I doubt that further explanations will retain Thyssen's commitment. The time is here when some concrete commitment is necessary with respect to their participation in the design and construction in Nova Scotia of the next DND armoured vehicle. If something can be done to engage such a commitment, I urge you to do it now as I will be obliged to report the situation as I see it upon my return to Germany next week.

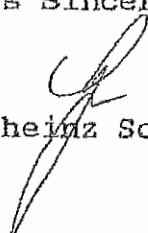
In closing, I would ask you to advise me on two difficult matters.

First, would you be so kind to tell me how I should respond to the continued enquiries about our project from Opposition MP's, the press, and the people in Nova Scotia? I feel, I cannot delay my reply much longer without incurring unnecessary public criticism of Thyssen for "stone-walling".

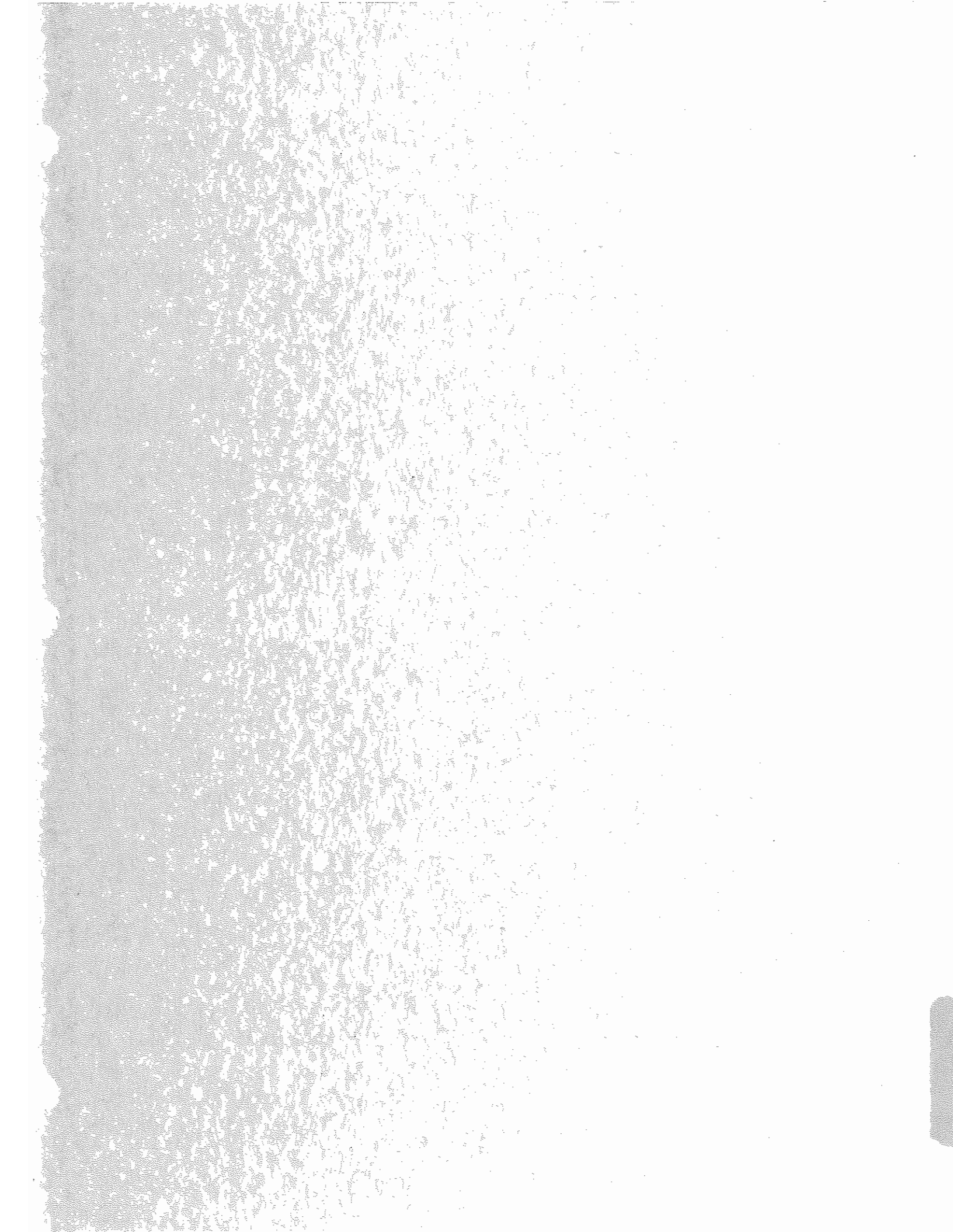
Secondly, as you know, I am duty-bound to inform the Prime Minister of the serious situation the whole matter has reached. Will you want me to write to him directly or would you prefer to do so on my behalf?

In closing, I thank you for your personal support of the BHI project, and want you to know, I am very sorry we have still not achieved results after so long a time. However, I want you to know that, despite my present concerns, I believe one last concerted effort is worthwhile. The needs of our soldiers, the livelihood of the unemployed in Nova Scotia, and the commitments of our Prime Minister together make it so.

Yours Sincerely,



Karlheinz Schreiber



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Frank Oberle Tel V

722-5993

Rebecca May Con.

234-4545 - Hy's

Chatham Laurin

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Sonntag 28. Oktober

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Tel. Michel Cogger.

Tel. Marc

4000 Can Selbstmas
pro Jahr

Dr. Tencio

Toronto Paul Wg.
Charbonneau B.H.I.

1020 Queen Elizabeth Dr.
MC Clairen Links
Drile.

Skat mit Oberle.

~~Fred. Ho-Jah~~

NOTIZEN







Atlantic Canada
Opportunities
Agency

Agence de
promotion économique
du Canada atlantique

300
N. Meyer
for info

J. Meyer

ACOA / AFCA OTTAWA

RECEIVED / RECU *Jan 10/90*

CORRESP. # *0# 013*

FILE / DOSSIER # *2635-12*

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

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

P.B.

SECRET

MEMORANDUM

JAN -4 1990

JAN 10 1990
DMF-10.1.90
info
2) return to Parhelle

TO: The Honourable Elmer MacKay

FROM: Peter B. Lesaux

SUBJECT: Attached Letter to Thyssen

Attached for your signature is a letter to Thyssen Industrie AG, on behalf of the Government of Canada, reaffirming the Government's support for the company's heavy-industry facility proposed for Cape Breton.

The letter proposes to the company that the facility be based primarily on environmental production, and suggests that, if the company agrees with this approach, the Government would work immediately to assemble a package of assistance.

We believe in the current environment, there are excellent prospects for the development, with government support, of a facility focused on environmental technologies. Moreover, the establishment of a leading-edge-technology environmental facility in Cape Breton would be a very significant step in support of the Government's Environmental Agenda.

Should the company agree with the proposed environmental approach, several areas will require our immediate attention, specifically:

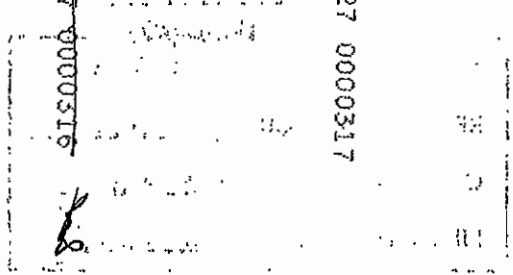
- a more precise identification of the scope of the environmental marketplace;
- the best way of ensuring that such an industrial initiative can compliment fully the Environmental Agenda of the Government; and

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what government incentives might be available, and what specific measures might be taken by the federal government, possibly in conjunction with provincial governments.

In response to the first of these areas, identifying the environmental marketplace, we have had very preliminary discussions with officials at Environment Canada and ISTC. Moreover, Bear Head Industries (with ACOA Action Program support) has commissioned a major consultant's report on the environmental market, and a draft will be available shortly. However, further analysis will be required, and ACOA officials will meet urgently with key federal officials, and I would propose also, with appropriate representatives of the New Brunswick and Nova Scotia governments.

With respect to the military light armoured vehicle contract that Thyssen is pursuing -- and which comprised the key element of the "Understanding in Principle" signed last September -- we have been informed by the Deputy Minister of DND that DND will not be proceeding with any LAV contract (or any comparable equipment which could be supplied by Bear Head) for the foreseeable future.

You will recall that a satisfactory business plan has never been received from Thyssen, due in large part to the inability of the company to plan its key military production. Accordingly, the letter to Thyssen does not refer at all to a military market or contract, but simply notes the Government's interest in seeking to orient the company towards environmental production in Cape Breton.

As a separate matter, while the Cabinet decision directing the signing of the "Understanding in Principle" also established the ACOA Minister as the lead Minister on the ACOA file, nevertheless, the proposed letter to Thyssen may very well be interpreted as a formal communication to the company by the Government. In this context, therefore, you may wish to speak informally with the Prime Minister, prior to its signing.

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Mr. Werner Bartels, the addressee, is a close colleague of Mr. Schreiber, and is the Chairman of the Executive Board of Thyssen Industrie AG, the parent company of Bear Head Industries. We understand that the approval of the Executive Board would be required for Thyssen to decide to locate in Cape Breton on the basis of environmental technology. Mr. Bartels has visited Cape Breton, and while not involved with the day-to-day operations of Bear Head Industries, or indeed Thyssen, is known to be supportive of the Cape Breton project.

Peter B. Lesaux

Minister: Inasmuch as this is a very sensitive file, and has been the subject of much discussion both in cabinet and amongst officials, I believe it imperative that you speak with the Prime Minister and/or Mr. Stanley Hartt to apprise them of your intentions. As the letter quite properly states, you are pursuing an important initiative on behalf of the Government of Canada.

cc: Wynne Potter

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Minister of National Defence



Ministre de la Défense nationale

January 25, 1990

Mr. Karlheinz Schreiber
Chairman, Bear Head Industries Ltd.
Suite 906, 350 Sparks Street
OTTAWA, Ontario
K1R 7S8

Dear Mr. Schreiber:

On September 27th, 1988, an Understanding in Principle was signed between the Government of Canada (represented by the Minister of National Defence, the Minister of Industry, Science & Technology, and the Minister responsible for the Atlantic Canada Opportunities Agency) expressing the intent of the parties that Bear Head Industries establish a manufacturing facility on Cape Breton Island in the province of Nova Scotia.

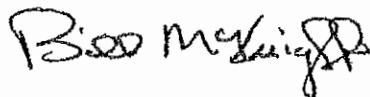
In order to provide a basis for discussions leading to the formalization of plans to proceed with the realization of this project, I am pleased to confirm that, in the event that the Canadian Forces determine to acquire a Multi-Role Combat Vehicle, and subject to Bear Head Industries Limited satisfying in all respects the specifications and design requirements of the call for tenders and all contractual matters, Bear Head Industries Limited will be given an opportunity to participate in the tendering for the contract to supply such vehicles.

Current evaluation of possible requirements for armoured vehicles indicates that variants on the TH-495 design currently available from the parent company of Bear Head Industries Limited might satisfy the characteristics and capabilities, as presently defined, of the type of armoured vehicle being contemplated. It must be understood, however, that the Canadian Forces are still in the process of developing their plans for future acquisition of material and equipment, that, in particular, no decision has yet been reached or approved by the Government, to proceed with such an acquisition, and that such decision will remain in the sole discretion of the Government.

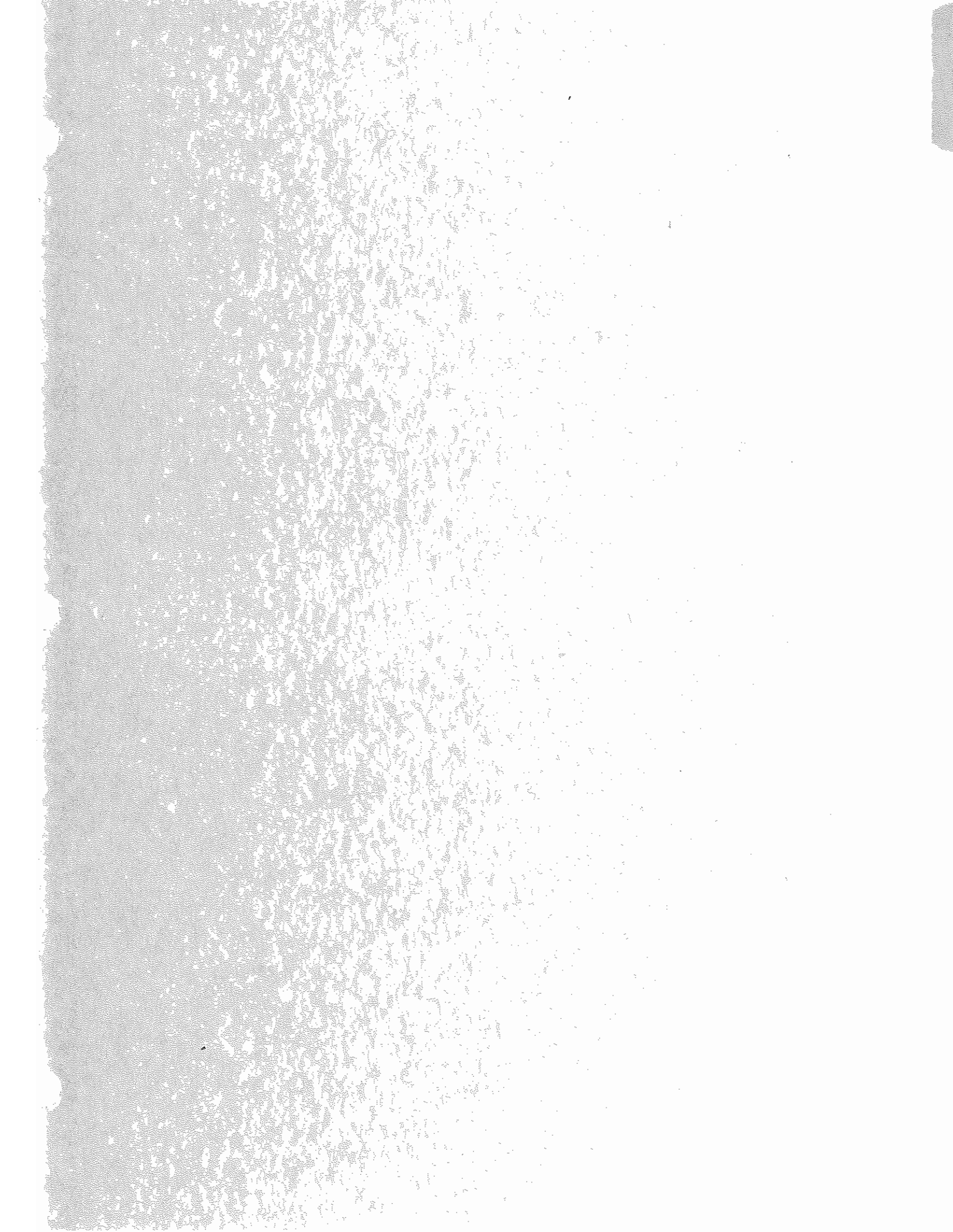
This undertaking will remain valid for a period of five years from the date hereof, and may only be renewed by express stipulation in writing.

If the foregoing is acceptable as a basis for the commencement of discussions leading to the building of the subject facilities in the province of Nova Scotia, we would be prepared to participate in more detailed discussions at your convenience.

Yours sincerely,



Bill McKnight





SUPERText



RCMP "A" DIVISION COMMERCIAL CRIME

File: A102
95A-517

EXHIBIT INFORMATION

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Obtained By: Cpt. Paul Dabaire
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ACOA Defence - Therrien January 89 - May 91.
P. 1 to 120.

8 Feb 90

SUMMARY RECORD OF DISCUSSION

MEETING WITH THYSSEN/BEAR HEAD INDUSTRIES OFFICIALS

HELD IN CONFERENCE ROOM A

MAJOR GENERAL PEARKES BUILDING

NDHQ, OTTAWA ONTARIO

AT 0930-1200 HRS 5 FEBRUARY 1990

Attendees

Thyssen/Bear Head Industries

Mr. Karlheinz Schreiber	Chairman
Mr. Jurgen Massman	President
Mr. Greg Alford	Senior Vice President
Mr. Ian Reid	Director of Marketing
Lieutenant-General (Ret'd) Jack Vance, CMM, CD	Defence Advisor

Government of Canada

Department of National Defence

Mr. Robert R. Fowler	Deputy Minister
General A. John G.D. de Chastelain	Chief of the Defence Staff
Vice-Admiral Charles M. Thomas	Vice Chief of the Defence Staff
Lieutenant-General David Huddleston	Deputy Chief of the Defence Staff
Mr. Eldon J. Healey	Assistant Deputy Minister (Materiel)
Major-General John L. Sharpe	Chief Operational Planning and Force Development
Major-General Gordon M. Reay	Chief Land Doctrine and Operations
Mr. Raymond Sturgeon	Acting/Chief of Supply

Privy Council Office

Mr. Ronald Bilodeau	Assistant Secretary to the Cabinet, Economic and Regional Development Policy
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Industry, Science and Technology Canada

Mr. Cliff Mackay
Mr. Yves Moisan

ADM(Industry and Technology)
Director Marine and Land
Defence Systems

Department of External Affairs

Mr. Ted Gibson

DG Defence Programs and
Advance Technology Bureau

Supply and Services Canada

Mr. Harry Webster

DG Aerospace, Marine and
Electronics Systems

Finance

Mr. Michael Francino

DG Economic Development Branc

Atlantic Canada Opportunities Agency

Mr. Norm Moyer

Vice President Corporate
Strategy

- 3 -

SUMMARY RECORD OF DISCUSSION MEETING WITH
THYSSEN/BEAR HEAD INDUSTRIES OFFICIALS - 5 FEB 90

ITEM	SUBJECT	OPI
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I INTRODUCTION

1. The DM opened the meeting by welcoming the representatives from Thyssen and Bear Head Industries, as well as the officials from other government departments and agencies. He stated that the meeting was being held at the request of the Ministers of National Defence, Public Works, and the Atlantic Canada Opportunities Agency, as well as Mr. Hartt, Chief of Staff to the Prime Minister. He added that all these officials were aware of what he was about to say at the meeting and the position he would present on behalf of the Government of Canada.

II OPENING REMARKS

2. The DM stated that the government, and DND in particular, is sensitive to Thyssen's interest in coming to Canada. Thyssen's reputation is well known and the prospect of Thyssen opening a facility in Canada is enticing - but this facility cannot and will not be gained at any price. The DM added that he was aware that Thyssen has tried to obtain a prior commitment from the government regarding military purchases in order to build such a facility, but he offered the personal view that such a commitment was unlikely. Further, the DM emphasized that no commitment of any kind would be given at this meeting. Because of cuts in defence spending in Canada, as well as the West in general, DND must ensure that it gets the most for the limited defence dollars available. Accordingly, competitiveness must be maintained and encouraged in all purchasing policies.

3. The DM opined that there are a considerable number of sometimes conflicting rumours suggesting various forms of DND bias against the Thyssen proposal. He stressed that DND is interested in one thing alone - the best method of equipping the Canadian Forces. The DM acknowledged Thyssen's expertise in the production of armoured vehicles and tanks but underscored the fact that Canada has no plans now, or in the foreseeable future to purchase tanks. DND does have plans to purchase Light Armoured Vehicles (LAV), but these plans are well in

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ITEM	SUBJECT	OPI
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the future, and will depend on available funding. The DM added that the government had still to receive Thyssen's investment strategy and business plan. In this vein, the DM pointed out that it would be futile for Thyssen to anticipate unrealistic undertakings from any Canadian Government on issues such as export permits to Third World countries. Canada will not give investors a "carte blanche" on exports.

4. The DM remarked that the changing geo-political situation is having a marked impact on DND's planning and ability to obtain funding. As in all Allied countries, our defence industries are facing restructuring and an uncertain future. International competition, already intense, in the defence sales business is bound to further intensify. In spite of these uncertainties, DND is preparing a new planning framework spanning the next fifteen years. The DM stressed that these are plans, and plans only, and as such, no commitments could be made; particularly with regard to the outer ten years; that is, the period in which we hope to be able to launch a modest program of armoured vehicle acquisition.

III THYSSEN REMARKS

5. Mr. Schreiber thanked the DM for his candid remarks and readily agreed that a great deal of uncertainty exists in the geo-political situation. He reminded officials that it was Thyssen who was approached by the Canadian Ambassador with a request to investigate the possibility of investing in Canada. Thyssen already has plants in the U.S. and it would be quite easy for production to be expanded in these facilities. Notwithstanding, Thyssen sees opportunities in Canada and Mr. Schreiber encouraged officials to work together to see what could be done for Canada, especially the Maritimes. He emphasized that Thyssen does not have the feeling that it is dealing with opponents, and that Thyssen has never reacted to the type of rumours referred to earlier by the DM. He added that Thyssen has never asked for government grants and in fact has considerable capital funds available for investment in Canada but needs DND support to commit these funds. It does not make sense to establish a plant in Canada that will not provide equipment to Canadian customers.

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ITEM	SUBJECT	OPI
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6. Mr. Schreiber stated that despite the changing geo-political situation, there will always be a need for basic armoured vehicles. He agreed that competition is necessary, but in Canada there is not another manufacturer that makes tracked vehicles similar to the Thyssen produced vehicles. Thus, it would be in Canada's interest to initiate production of a vehicle that could be used by other countries, especially those involved in peacekeeping missions. Mr. Schreiber noted that the U.S. had experienced problems with the LAV during operations in Panama. (NOTE: There does not appear to be any substance to this claim; indications from the U.S. Department of Defence are that the GM vehicles met all expectations). Mr. Schreiber added that the issue of export permits had merely been brought up as a point of clarification during initial discussions when the Canadian government was hesitant to commit to any firm orders. Subsequently, this question was taken out of context and was blown out of proportion.

7. Mr. Schreiber concluded by emphasizing that a commitment to an order that would permit production of vehicles for at least one year would be sufficient as this would allow Thyssen the time necessary to configure the plant for diversification into other product lines. In this way Canada would get the best equipment for its soldiers as well as a production facility for the Maritimes. A competitive price would also be ensured because Thyssen's books are open to audit by government officials.

IV DND REMARKS

8. The Deputy Chief of the Defence Staff introduced the Chief Operational Planning and Force Development who provided a short briefing on operational requirements in general. His briefing is attached to these minutes. The CLDO then provided a briefing on specific army requirements in which he emphasized that while some equipment requirements are foreseen in the medium and long term, none are planned within the next few years. A copy of his briefing is attached to these minutes.

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ITEM	SUBJECT	OPI
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9. The ADM (Materiel) then described the government procurement activities and emphasized that DND was bound by these policies as well as the established DND acquisition process. He added that in all procurement endeavours, competition is paramount. The rules to ensure competition are complex and apply to all government departments. A copy of the ADM (Materiel)'s briefing is attached to these minutes.

V ISTC REMARKS

10. The ISTC representative, Mr. Mackay, stated that his department has been in discussions with Thyssen for five years. He indicated that the main objective of ISTC was to work with Thyssen to try to find a business opportunity that maximizes the probability of success for Canadian industry. He emphasized that this industrial expansion must be done within the procurement policy framework. In addition, he noted that there is some urgency to a decision on this proposal as the applicable tax credits have a statutory limitation of 1992. As this time approaches, it is difficult for an investor to make appropriate business plans.

VI ACOA REMARKS

11. The ACOA representative, Mr. Moyer, agreed that the Thyssen proposal was enticing in that it provided an opportunity for the development of Cape Breton; few other proposals have the same potential benefits. He was also encouraged by Thyssen and Bear Head's Industries intention to expand into other product lines besides military vehicles. He stressed that while competition must be maintained in the procurement process, due attention must also be paid to the government's commitment, as enunciated in the Speech from the Throne, to foster regional development. He added that ACOA is prepared to assist in preparing and/or reviewing the proposal, and can be especially helpful once and if a decision is made to go ahead.

VII DEA REMARKS

12. The DEA representative, Mr. Gibson, acknowledged that the German government has been

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ITEM	SUBJECT	OPI
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very supportive of Thyssen. However, because of the cutbacks in government spending, the DEA has made no commitments to Thyssen in any previous meetings. He also agreed with the DM concerning exports, that Canada is not prepared to give a "blank cheque" to investors but rather that each request is judged on a case by case basis.

VIII GENERAL DISCUSSION

13. Mr. Schreiber stated that he agreed with all that had been said; competition in the procurement process is normal procedure. He reiterated his desire for all officials to work together toward a common goal so that all concerned would be satisfied with the results. He indicated that Thyssen has \$60-100 million to spend on a facility but must have some basis upon which to make an investment. The DM replied that as budgets decrease, spending will be put under increased scrutiny. He opined that specifically designed Canadian vehicles may be cost prohibitive. As well, the number of vehicles Canada would be interested in acquiring would be comparatively small. Mr. Schreiber stated that once Canadian requirements were known, it is possible that a suitable vehicle may be available on the market, or alternatively, Thyssen is ready to investigate the design of a competitively priced Canadian vehicle. Mr. Massman added that vehicles are produced for the German military in the same numbers that Canada would require. Thyssen's cost effective production methods allow them to produce vehicles in relatively small numbers. In addition, Mr. Massman assured the DM that Thyssen could produce a vehicle for Canada at a competitive price.

14. LGen (Ret'd) Vance opined that the major problem seemed to be one of timing. He asked when the requirement for vehicles would be more specifically defined. The Chief of the Defence Staff replied that a great deal would depend on the forthcoming budget, but that even after the budget announcement there would be a need for further Force Development analysis. LGen (Ret'd) Vance pointed out that it is difficult for Thyssen to proceed without knowing the number of vehicles required or the timing of the requirement.

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ITEM	SUBJECT	OPI
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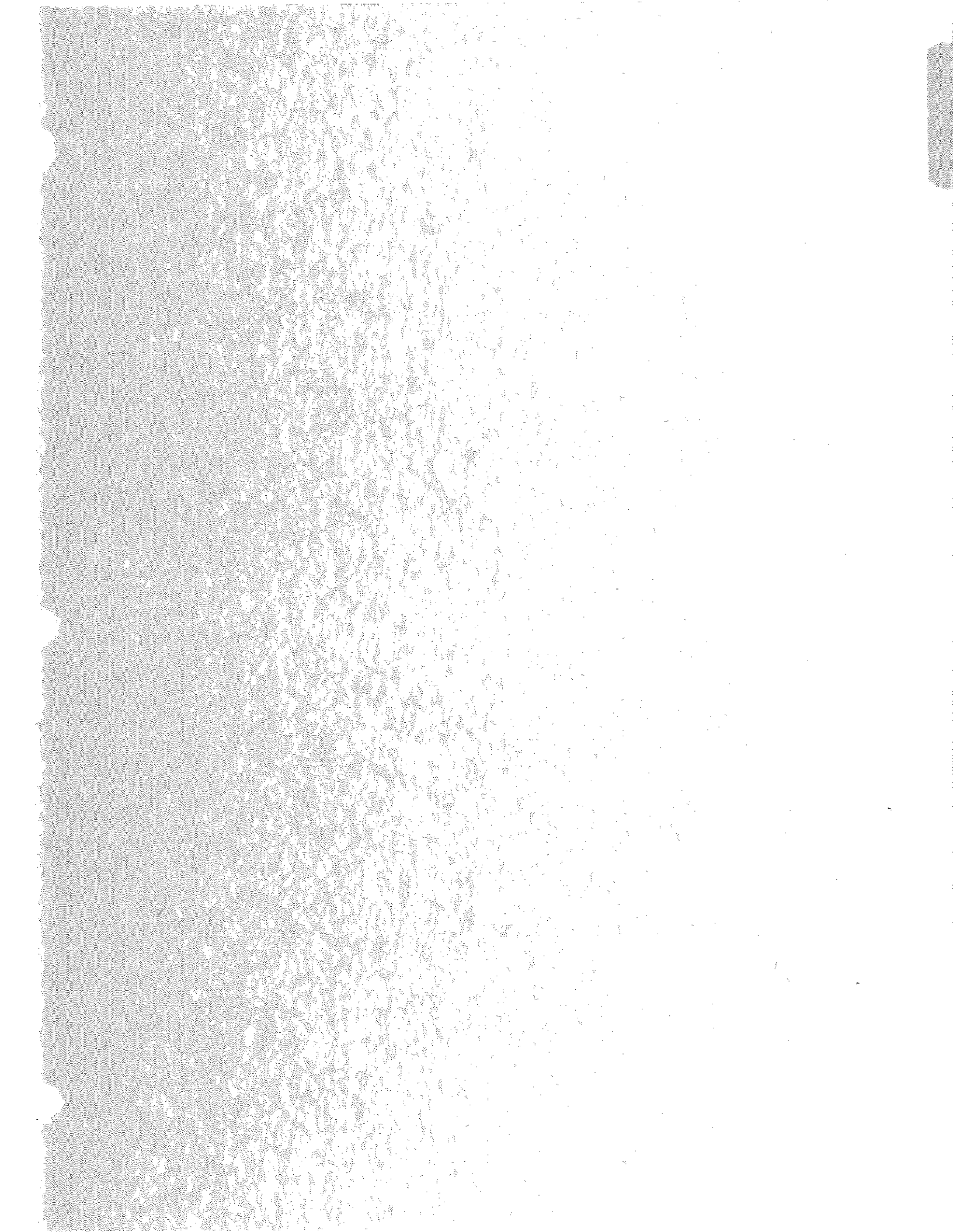
The DM stressed that at the present time no firm commitments can be made. Commitments cannot be made within the next few years; commitments after that will depend on the level of DND's budget. The Chief of the Defence Staff emphasized that DND cannot give Thyssen the type of guarantees it needs to build a plant; the competitive process demands that other manufacturers be brought in to the procurement process. Mr. Schreiber cautioned that Thyssen could not keep the proposal active for two or three years awaiting a Canadian decision. He assured officials that this was not intended as a threat, but he wished to indicate that he is under increasing pressure to invest in the U.S. The DM stated that he appreciated Mr. Schreiber's position but could give him no encouragement at this time. The DM acknowledged the Deputy Chief of the Defence Staff's comment that the requirements for the Multi-Role Combat Vehicle are still being defined and it is unlikely that the definition of these requirements will proceed much beyond the initial stage within the next few years.

XI CONCLUDING REMARKS

15. The DM concluded by thanking the Thyssen representatives for the opportunity to meet with them. Once again, he emphasized that no commitments could be made at this time. He apologized for the fact that he, the Chief of the Defence Staff, and the Vice Chief of the Defence Staff had to leave the meeting, however he felt that the proposed briefing by Thyssen on their capabilities would be beneficial to those remaining.



M.W. Drapeau
Col
D NDHQ Sec
992-6333





SUPERText



RCMP "A" DIVISION COMMERCIAL CRIME

File: A102
95A-517

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Thompson / BHI.

Jan. 1, 1990 - Dec 31, 1990.

P. 1 to 306.



278

BEAR HEAD INDUSTRIES LIMITED

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K1R7S8

TELEPHONE(613)563-3321

TELEFAX (613) 563-7648

13 February 1990

Mr. Robert Fowler
Deputy Minister
Department of National Defence
101 Colonel By Drive
Ottawa, Ontario
K1A 0K2

Dear Mr. Fowler:

Thank you for providing the opportunity to meet on February 5, 1990, and to have such open and frank discussions with you and your colleagues in the Department of National Defence (DND), and the other departments of the Government in attendance.

As you said at the opening, this was a meeting which was long overdue. I hope that it provided a clearer understanding of the capabilities of the THYSSEN GROUP of companies as they relate to the interests of Canada and DND.

Certainly, from our perspective at Thyssen, we found your statements and those of your colleagues to have been enlightening.

I am sure you are aware of the importance of this meeting to THYSSEN, and the fact that its outcome will be the basis of decisions we will make with respect to whether we proceed or abandon our investment plans as they are proposed for Nova Scotia.

With this in mind, I would like to share with you the understanding we have taken from the meeting and ask that you correct me in any area where I am not accurate.

279
BEAR HEAD INDUSTRIES LIMITED

2

It was our obvious interest to learn of requirements in the field on armoured vehicles so I will first review the principal points in that area:

- The undertakings of the Government which have so far been offered to the company in the form of the September 27, 1988 "Understanding in Principle" which carried the signatures of Hon. Perrin Beatty, then Minister for DND and his ministerial colleagues for ACOA and DRIE, and more recently Minister McKnight's letter of January 25, 1990 were in your opinion, the maximum that could be offered to the company;
- Geo-political events are having impacts on the DND budget;
- A new budget is due soon (now announced for Feb. 20th), and there is speculation that DND will be affected by further cuts to capital spending;
- It is not yet possible to commit to an Army need within your DND planning framework which is now under review;
- The Canadian Army has a need to replace its current fleet of armoured vehicles with a vehicle described as a Multi Role Combat Vehicle (MRCV);

This MRCV vehicle requirement was described as:

- A basic vehicle capable of serving Canada's Land Forces through their entire range of roles;
- A family concept using a common chassis to all variants;
- Eventually replacing the current fleet of armoured vehicles;
- Some of the vehicles within the current fleet are overdue for replacement;
- While the need for the MRCV was described by the Army, it was pointed out that this need is not automatically a "requirement" of DND until the conclusion of the formal planning process for DND;
- An estimate of timing for conclusion of DND planning is difficult, particularly before the next budget;

**BEAR HEAD INDUSTRIES LIMITED**

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- DND planning is within a 5 year framework for near term and reaches out to 15 years in the long term, and even decisions within the near-term framework are subject to change.

- Estimates of quantity are not possible, but at any rate they were described as small - maybe "hundreds".

- The DND procurement policy and procedural framework was described in considerable detail, with inclusion of these principles which were described as having recently been re-affirmed by the Government:

- i) governed by Treasury Board Rules
- ii) consideration of long term regional development
- iii) meeting National objectives
- iv) assisting Canadian firms to be competitive;

Subsequent to a presentation by Juergen Massmann of a new Thyssen concept vehicle (the TH 495), we turned to some discussions about the Army's current view of the MRCV requirement. There was an acknowledgement that the TH 495 vehicle concept presented appears capable of meeting the MRCV requirement as it is defined at present in Army planning

Comments that were made by the other Government departments in attendance are summarized as follows:

The ISTC (DRIE) departmental objective, since some five years, was to find a proposal with the maximum possibility of success. Furthermore, it was noted that consideration for regional industrial development falls within the procurement process described by Mr. Healey, and it is within that process that ISTC continue to work to serve the objectives of industrial development. Lastly, ISTC cited the 1992 statutory deadlines of the Cape Breton Investment Tax Credit Program for which there is an application from Thyssen/Bear Head Industries.

ACOA also acknowledged their support for the procurement policy outlined by Mr. Healey, and made specific reference to ACOA's intention to continue to encourage the regional industrial benefits considerations within the procurement process. ACOA also pointed out the positive economic impact to the Atlantic Region through realization of the Thyssen/ BHI investment, and that it is somewhat unique as an industrial investment opportunity for this particular region of Canada.

**BEAR HEAD INDUSTRIES LIMITED**

4


Thyssen responded to the DND suggestions that an MRCV designed specifically for Canada would be expected to be very expensive and that the numbers contemplated in the MRCV requirement are "very small relative to programs of other Armies".

The essential point of our response was to explain the TH 495 concept is based upon major components and systems which are state of the art developments, all of which are proven and operating as existing systems. This utilization of proven systems allows Thyssen to offer the TH 495 concept without having to carry prohibitive costs for the development of each individual system and it allows reduced logistics and operating costs for the user.

On the point of DND's concern that Canadian quantities needed may regarded as "too small", Thyssen/BHI explained that our experience in vehicle programs has proven that even a program of a few hundred units is very significant to Thyssen, and that we have based our TH 495 concept on meeting programs of that size, cost effectively.

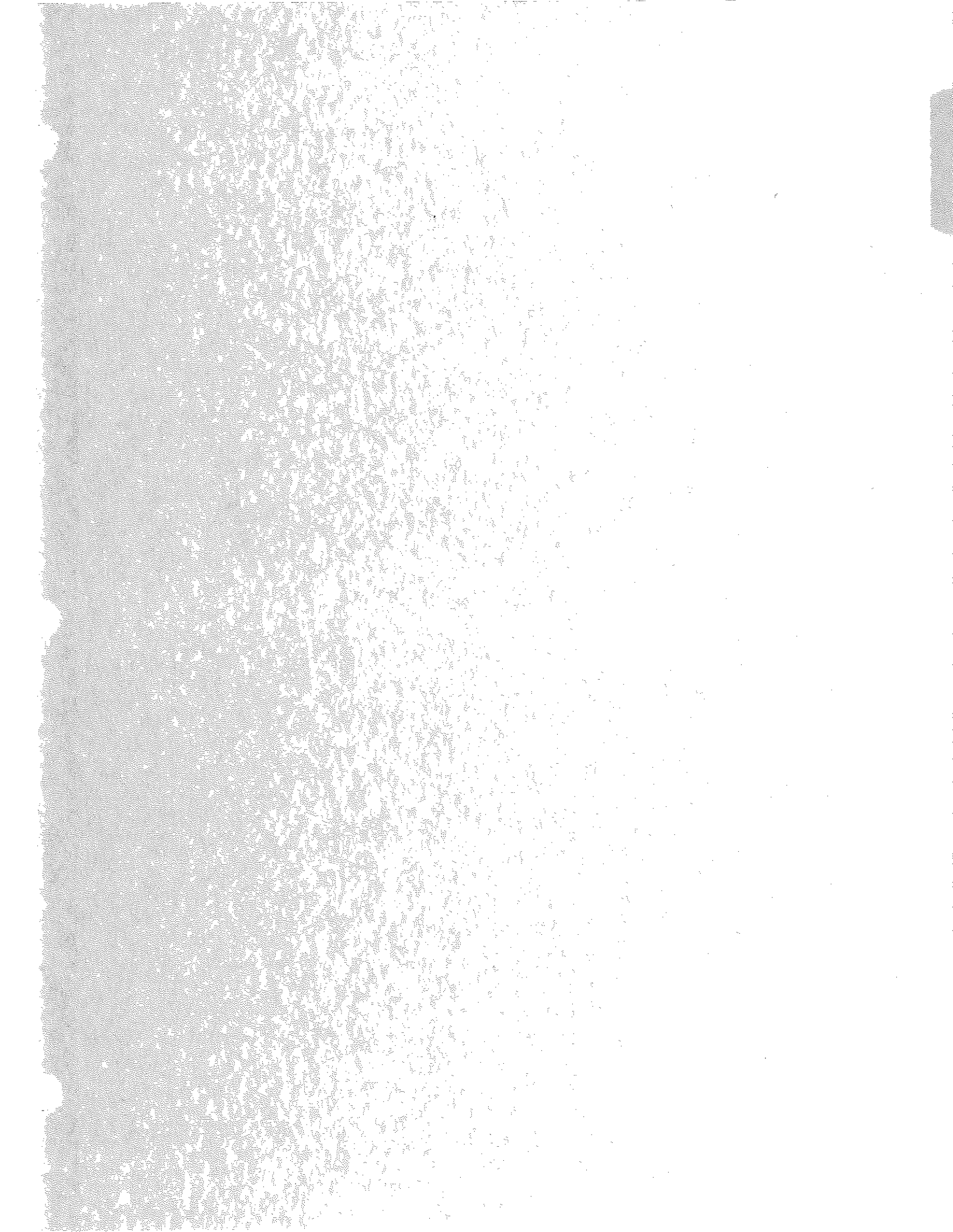
Mr. Fowler, I invite you to correct any inaccuracy in this summary of our discussion and I hope that I will have the opportunity to meet with you again before my return to Germany.

Sincerely,
BEAR HEAD INDUSTRIES LTD.



Karlheinz Schreiber
Chairman

cc. Hon. Elmer MacKay, P.C., M.P.
Minister for Atlantic Canada Opportunities Agency





BEAR HEAD INDUSTRIES LIMITED

Suite 908, 350 Sparks Street
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K1R 7S8

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TELEX 053-3981 bhi ott

Hon. Elmer MacKay
Minister of Atlantic Canada Opportunities Agency
509 Confederation Building
House of Commons
Ottawa, Ontario
K1A 0A6

13 March 1990

Dear Minister,

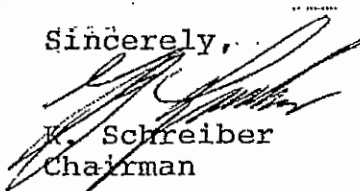
Further to our excellent meetings with the Minister of National Defence, the Minister of International Trade, and our discussions with the department of National Defence, I have returned to Germany and received authority from the board of Thyssen Industrie (THYSSEN) to agree on behalf of the company, to the concession outlined in my most recent meeting with you.

I ask that you share this with your colleagues, and should you require any further elaboration, please contact me at my office in Germany, where I will be available at your convenience.

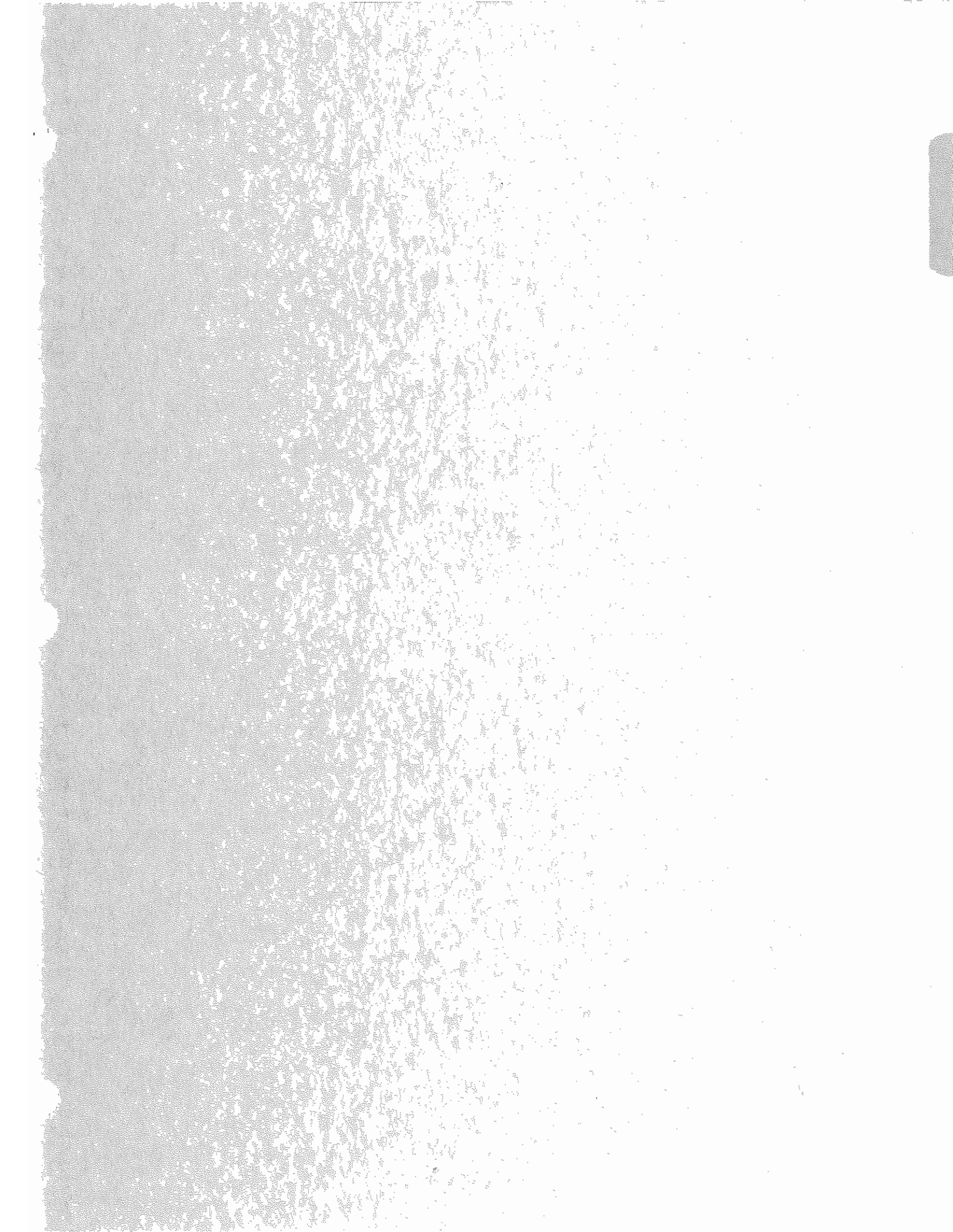
It is my belief that this concession from the Thyssen side represents a significant offer which should allow both sides to reach agreement and allow us to proceed immediately to the construction of the plant, hiring and training of workers and manufacturing and delivery of product.

An early response to this proposal would be appreciated as the situation within THYSSEN has reached a final stage where we intend either to proceed with the BHI proposal as our North American base, or let alternative plans go ahead for expansion in these same fields with plant facilities based in the United States.

Sincerely,


W. Schreiber
Chairman

sinr



Minister of National Defence

Ministre de la Défense nationale

22 MAR 1990

②.CS

Info.
Harty

Mr. Stanley H. Hartt
Chief of Staff
to the Prime Minister
Prime Minister's Office
Langevin Block
80 Wellington Street
Ottawa, Ontario
K1A 0A2

TRANSIT RECORD

File Reference		
Processed in	Initials	Date

Dear Mr. Hartt,

As agreed to at our meeting of February 1, 1990, my Deputy Minister, Bob Fowler, convened a meeting of government officials and representatives from Thyssen and Bear Head Industries on February 5 to discuss Thyssen's proposal to build a manufacturing plant in Cape Breton. The group of officials included representatives of every relevant government department with an interest in the Thyssen/Bear Head issue. Also present were several senior army officers including General John de Chastelain, Chief of the Defence Staff.

There was a general feeling on both sides that, for the past few years, the Thyssen file had been characterized by misunderstanding and misinformation. Consequently, both sides expressed a clear desire for openness which contributed to a full and frank exchange of views during the meeting. You will clearly detect this candid spirit running through the enclosed summary record of discussion.

Mr. Fowler, supported by officials from other departments, made a number of points relating, on one hand, to the way the Government does business and, on the other hand, to the nature of the Canadian Forces' requirement for military vehicles.

3/10/90
.../2

(This document is unclassified)

With regard to the former, my Deputy Minister made it clear to Thyssen/Bear Head officials that the federal government's procurement policy is founded on the principle of competitiveness driving efficient procurement. He stressed that the current trend toward declining defence budgets reinforced the need for my Department to maximize painstakingly, the military utility of each defence procurement expenditure. As a footnote, Mr. Fowler advised company representatives that it was regrettable and intolerable that this need for a disciplined departmental process to scrutinize future defence equipment requirements had been misconstrued in some circles as self-serving, military tribalism. He stressed that such allegations questioning the integrity of senior DND officials and military officers were unfounded, unproductive and unacceptable.

With regard to the need for military vehicles, you will note from the enclosed record of discussion that the company was given an overview of the Canadian Forces' future requirements. Officials stressed that the army, whatever its future structure and role, would need a range of armoured vehicles but that there are no plans to acquire any soon. Specifically, no decisions on future armoured vehicle procurement could be anticipated with the next three to four years and no production envisaged within the next five to six years. Further, government officials stressed that any potential Canadian military vehicle requirement - armoured or otherwise - would be small by international standards.

Mr. Fowler emphasized that the Canadian Government would welcome Thyssen investment in Canada. Officials acknowledged Thyssen's strong reputation as producer of an extensive range of excellent, albeit expensive, equipment product lines. At the same time, the group reminded company representatives that international competition among such equipment suppliers would become far more fierce in the future. Further, Thyssen representatives were told that officials believed that no Government would issue a carte blanche on export permits. Officials concluded that the Government would no doubt welcome a decision by Thyssen to set up a manufacturing plant in Canada on the basis of a full understanding of these realities.

.../3

Finally, I would like to clarify the issue of the General Motors Light Armoured Vehicle (LAV) performance with United States' troops in Panama. You will recall that at our February 1 meeting, Elmer Mackay suggested that Bear Head Industries representatives had indicated to you that the GM LAV had performed poorly in Panama. As we agreed, my officials sought clarification from the US Department of Defence, specifically during my Deputy Minister's visit to Washington on February 23. I am enclosing a report on the LAV's "sterling performance" in Panama which has been received from US Deputy Secretary of Defence, Don Atwood. This report refutes any accusation that the Americans were not pleased with the performance of the GM built LAV during their recent operations in Panama.

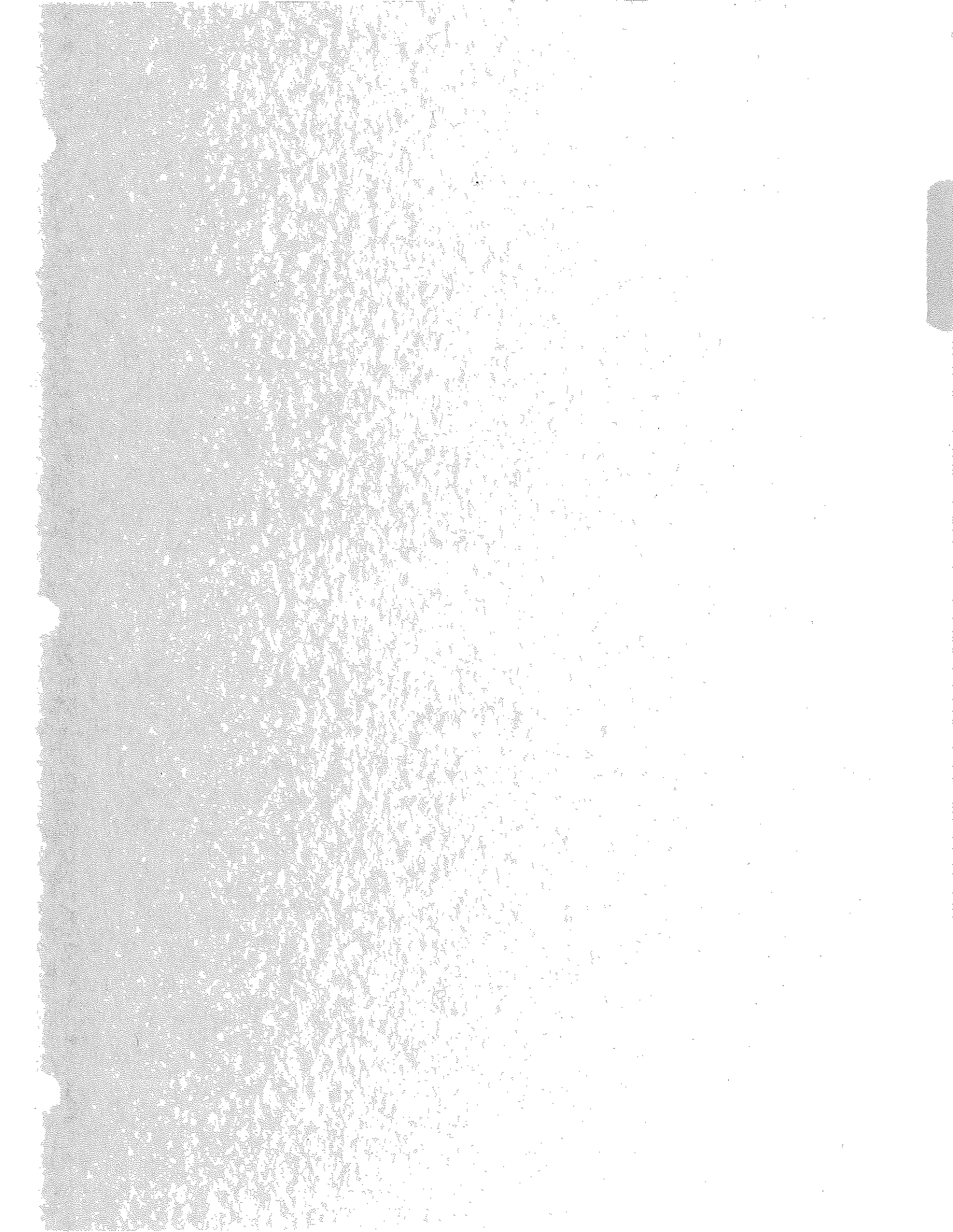
I had the opportunity to meet for 45 minutes with Mr. Schreiber and the Honourable Elmer MacKay in the lobby of the House of Commons on March 9. During our discussion, I repeated and re-emphasized the points which were brought out at his meeting with our officials on February 5.

Yours sincerely,

Original Signed by
HON. BILL McKNIGHT
a signé original

Bill McKnight

Enclosures: 2





BEAR HEAD INDUSTRIES LIMITED

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Ottawa, Ont., Canada
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TELEFAX (613) 563-7648

July 6, 1990

Mr. Paul Tellier
Clerk
Privy Council
Langevin Block
Ottawa, Ontario
K1A 0A2

Dear Paul:

Thank you for taking the time to meet with me and the Hon. Elmer MacKay on the Bear Head project.

I am very encouraged by the Prime Minister's support in this project.

After five years' experience, I am firmly of the opinion that this project is good for the entire country and most especially Atlantic Canada.

Our experience also teaches us, however, that there are pockets of misinformation, either arising out of honest error or otherwise.

Much of the last five years has been spent identifying and subsequently debunking this misinformation.

I mention this so that should you hear of any alleged negative aspects of the project, I urge you to contact me immediately so that I may give you the necessary information.

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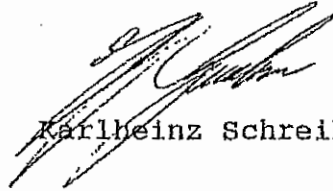
BEAR HEAD INDUSTRIES LIMITED

- 2 -

I am totally confident that a simple phone call to myself or Mr. MacKay, who is well aware of this file, will set the record straight should you ever encounter any such misinformation.

Thank you again.

Sincerely,



Karlheinz Schreiber



GENERAL DYNAMICS

Land Systems Division

P.O. Box 2074, Warren, Michigan 48090-2074

313-895-7800

Robert W. Truxell
Vice President - General Manager

18 July 1990

Herr Juergen Massmann
Thyssen Henschel
Henschelplatz 1
D-3500 Kassel
Federal Republic of Germany

Dear Herr Massmann,

With the pending sale of the Fox NBCRS to the U. S. Government we have begun to consider third country markets for the Fox vehicle and its derivatives. We believe we have the best capability to lead the Fox marketing effort in Egypt, Saudi Arabia and Republic of China.

We are prepared to begin this effort pending your approval of the modification contemplated by Article III.B of our 1 December 1988 Agreement to include such countries.

Sincerely,


R. W. Truxell

pb



Karlheinz Schreiber

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Telephone: (613) 563-3321 Fax: (613) 563-7648

PERSONAL CONFIDENTIAL FOR HIS EYES ONLY

27 August 1990

The Right Hon. Brian Mulroney, P.C., M.P.
Prime Minister of Canada
Ottawa, Ontario
K1A 0A2

Dear Prime Minister:

First, let me thank you for the telephone conversation last week and I hope that your mother's birthday celebration was a happy event for she and all of your family. As you know, I am going back to Germany this week to celebrate with my mother on the occasion of her seventy-ninth birthday.

In an age as our mothers are, we are fortunate to celebrate every year with them.

Before my departure I wanted to pass on some information which I believe important.

The meeting which I had with Stanley Hartt and Elmer was very interesting and in my opinion it was very productive.

The visit of Winfried Haastert and his colleagues from the Thyssen Industrie AG Supervisory Board was very positive in their understanding of the promising out-look for establishing our new Canadian factory in Nova Scotia.

Karlheinz Schreiber

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

**PERSONAL CONFIDENTIAL
FOR HIS EYES ONLY**

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I passed on your regards as you had requested during our telephone conversation and this was both very appreciated and respectfully acknowledged in return.

This group has travelled onward to Los Angeles for project discussions after last week's award to Thyssen for the high speed rail link between Los Angeles and Las Vegas, selecting Thyssen's Magnetic Levitation train which will provide a 500 km/hour connection between the two cities.

Observing Canada has been among the first nations to respond to the Iraqi invasion of Kuwait, I believe it will be of interest to know I have arranged, at the request of the U.S. Government, for the immediate supply to the US forces from West German army inventory, 10 Fox NBC reconnaissance vehicles (capable of chemical detection and protected operation in a chemical warfare environment) and an additional option for 20 more of these vehicles. As you may be aware, neither Canada nor the US have any such anti-chemical vehicles in inventory.

The US has now asked for the Fox chemical protected personnel carriers as well. It now appears the U.S. may request all available vehicles. Before we agree to such a US request, I am offering to make such vehicles available to Canada should Canadian forces be deployed to a land base in a region threatened by chemical warfare.

If such is your desire, I would need to know as soon as possible.

I trust this is helpful to you.

As regards the Mohawk situation, I have been concerned for years, and have expressed this concern, about the known fact that certain Canadian Native groups received training in East German terrorist training camps, and I have reason to believe that some such groups may be in possession of armour-piercing weapons. There are in Shilo, Manitoba, at the Training Camp, a number of Marder personnel carriers vehicle, which offer protection against such weapons. They are being used for training the German forces

there. I could arrange, either from our company, or on a Nato country to country basis, to make these vehicles immediately available to your forces.

Karlheinz Schreiber

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

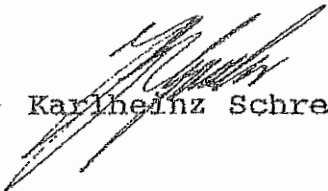
**PERSONAL CONFIDENTIAL
FOR HIS EYES ONLY**

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I trust this may be helpful to you as well.

Hopefully, these conflicts will be resolved peacefully, but I wanted you to know that I am available to help in this way should it be necessary.

Sincerely,



Karlheinz Schreiber

P.S. I am enclosing info on these vehicles. Obviously I am not trying to "sell" Canada anything by this offer, merely arranging to have the vehicle loaned to Canada to help protect Canadian soldiers.



**NUCLEAR, BIOLOGICAL, CHEMICAL
RECONNAISSANCE SYSTEM
(NBCRS)**


THYSSEN HENSCHEL

GENERAL DYNAMICS
Land Systems Division



WORLD CLASS TEAM

GENERAL DYNAMICS AND THYSSEN HENSCHEL HAVE TEAMED TO MEET THE U.S. ARMY'S IMMEDIATE OPERATIONAL NEED TO COUNTER THE GROWING NBC THREAT.

Airland Battle doctrine requires continuous operations on the contaminated battlefield. The ability to quickly detect, identify, and quantify a wide variety of contaminants, coupled with the ability to rapidly communicate this information to friendly forces, could decide the outcome of the conflict. That operational capability is missing today.

An operational vehicle system that can respond to this need is available now from a proven industrial team of General Dynamics Land Systems and Thyssen Henschel.

The FOX NBC Reconnaissance System (NBCRS) is the only operational system of its kind in the free world. Thyssen Henschel has produced more than 140 FOX NBCRS configured vehicles that are currently fielded and used by the West Germany Army. In addition, over 1000 FOX combat, combat support, and combat service support vehicles have been produced and fielded to support NATO forces.

The FOX NBCRS is a highly mobile, amphibious wheeled vehicle, tailored to meet the operational requirements for NBC Reconnaissance on the current battlefield. It is the only operational NBC Reconnaissance System in use by NATO forces today.

TRANSITIONING NATO TECHNOLOGY INTO THE U.S. ARMY PRODUCTION BASE

The FOX NBCRS meets today's demand for a high performance armored vehicle tailored to accomplish the NBC Reconnaissance Mission.

The FOX system is fully developed and proven. The integrated Non-developmental Item (NDI) nuclear, and chemical detection, identification, location, and marking system is currently playing a role in the defense of Western Europe. The current FOX system provides a baseline for evolutionary improvement with low technical risk.

For full rate production, the FOX NBCRS will integrate all of the developed and tested

The FOX NBCRS is already playing a key role in the defense of Europe.

Thyssen Henschel has a long history of combat vehicle development and production. Today the company designs and builds some of the most sophisticated armored combat, communications, missile, and command systems for the West German Army and other NATO allies.

General Dynamics brings the experience of decades of design, integration, and production of defense systems. GD has designed, built, and supports a wide range of advanced weapon systems including the F-16 aircraft, the Stinger Missile, and the M1 series Main Battle Tank.

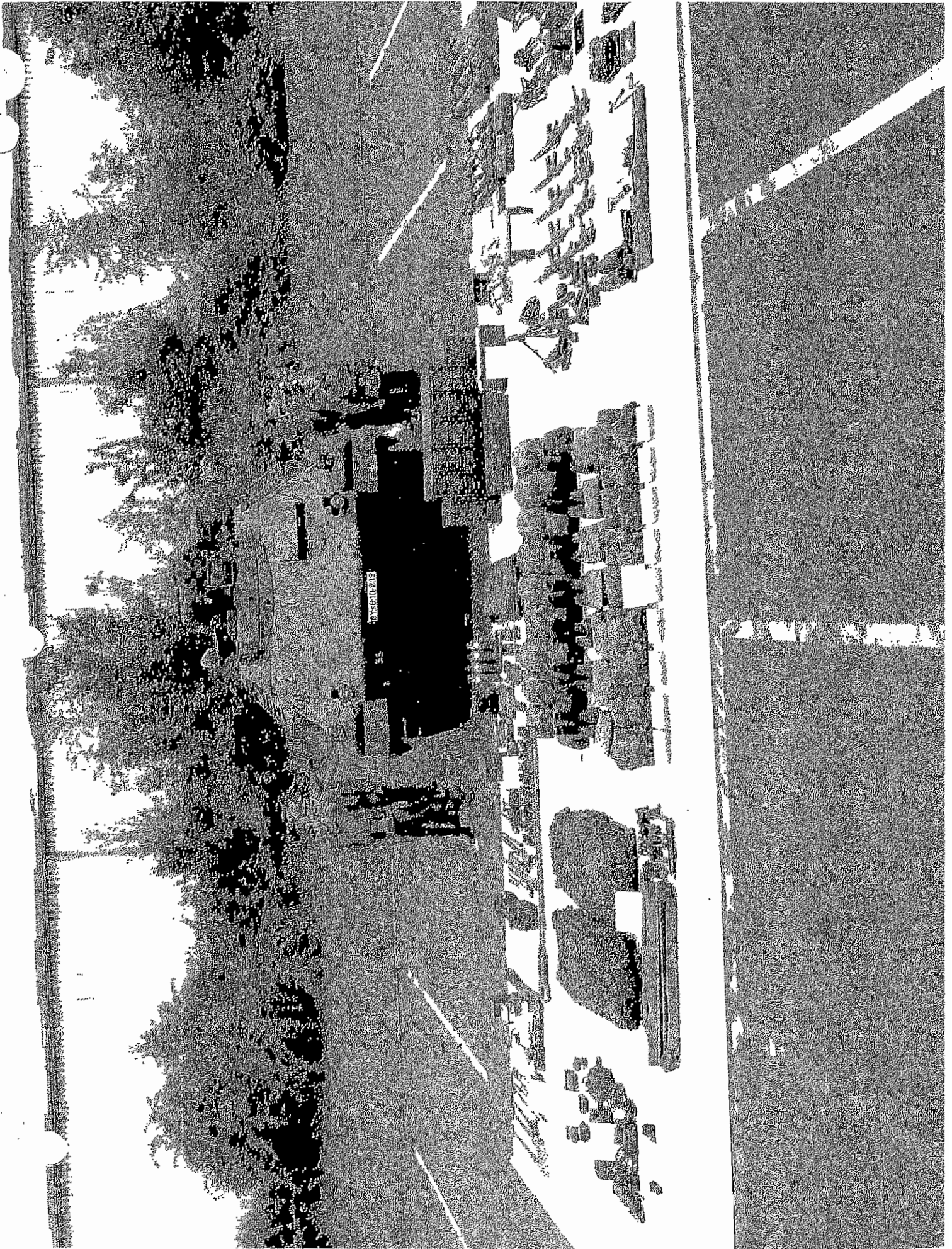
The combined resources of this team has resulted in a program to provide a proven NBCRS system that meets today's requirements with planned growth for future NBC defense requirements. The proposed program offers a low risk approach, based on using an NBCRS that has been fielded and in operation since 1984.

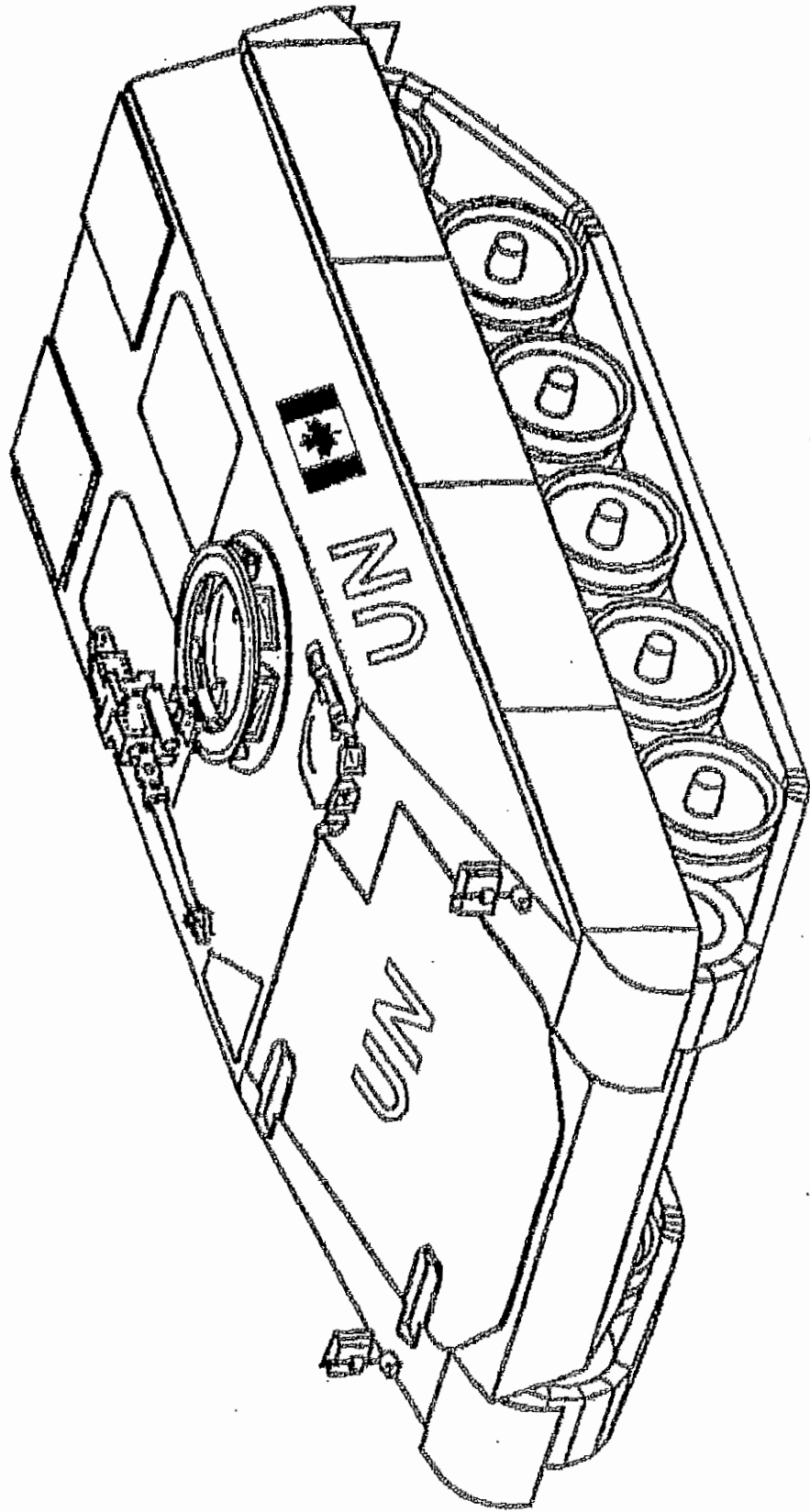
The baseline NBCRS will be expanded during a system improvement program that is based on current Army combat vehicle command and control electronics technology as well as the latest NBC detection technology.

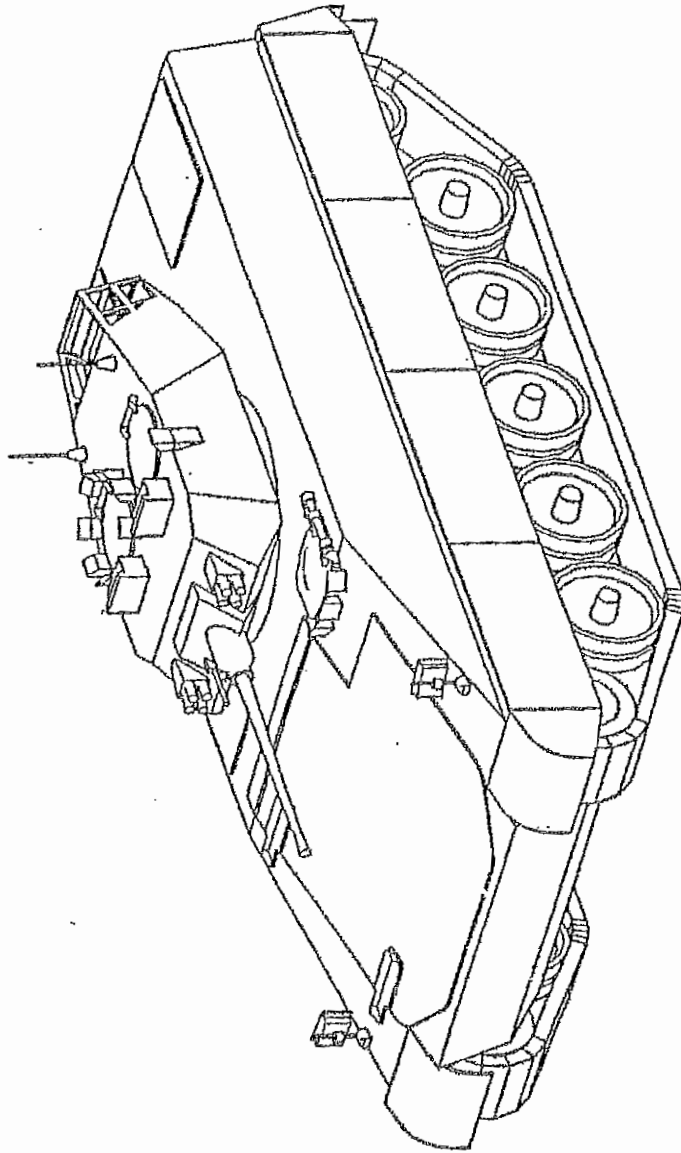
improvements necessary to provide a mobile standoff sensing capability for detecting, identifying, and reporting all NBC threats.

The improved FOX will be based on an electronics architecture that will integrate all NBC detectors, the Position - Navigation (Pos/Nav) system, and meteorological sensors, with a digital burst communications capability via an integrated computer processing unit.

System upgrades can be retrofitted to the current FOX NBCRS with no degradation to system performance or RAM characteristics.




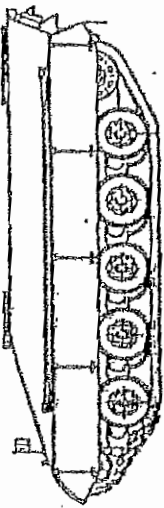




TH 495

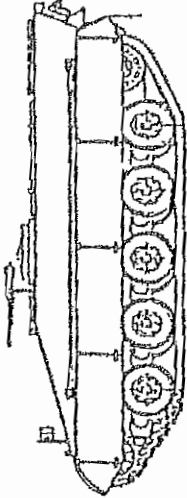
WITH TURRET LAV 25 MM

 BEAR HEAD INDUSTRIES LTD.
THYSSEN HENSCHEL



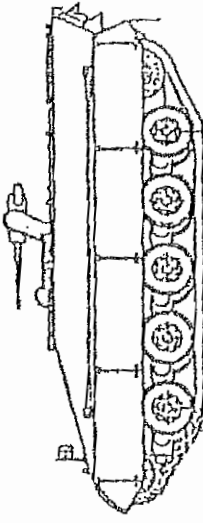
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CARRIER



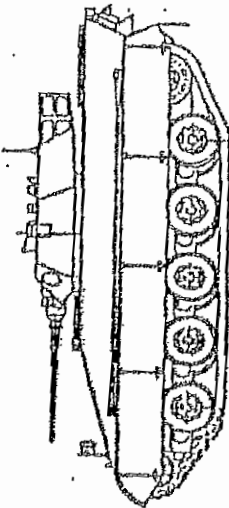
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INFANTRY-VEHICLE, WITH MG 7.62 PIN-MOUNTED



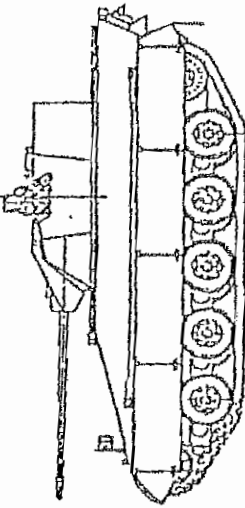
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INFANTRY-VEHICLE, WITH MG 12.7 CUPOLA



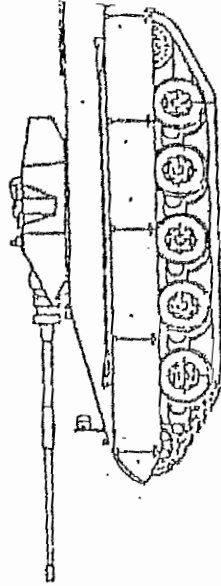
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INFANTRY-FIGHTING-VEHICLE, WITH MAIN GUN 25 MM



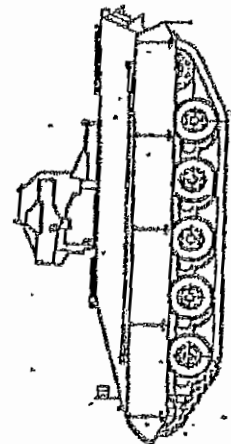
T H 4 9 5

INFANTRY-FIGHTING-VEHICLE, WITH MAIN GUN 35/50 MM



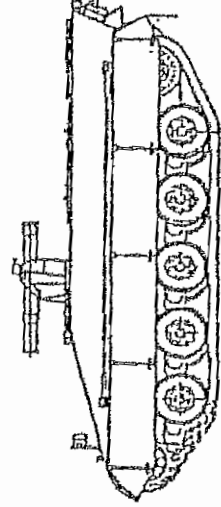
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INFANTRY-FIGHTING-VEHICLE, WITH BK 60 MM



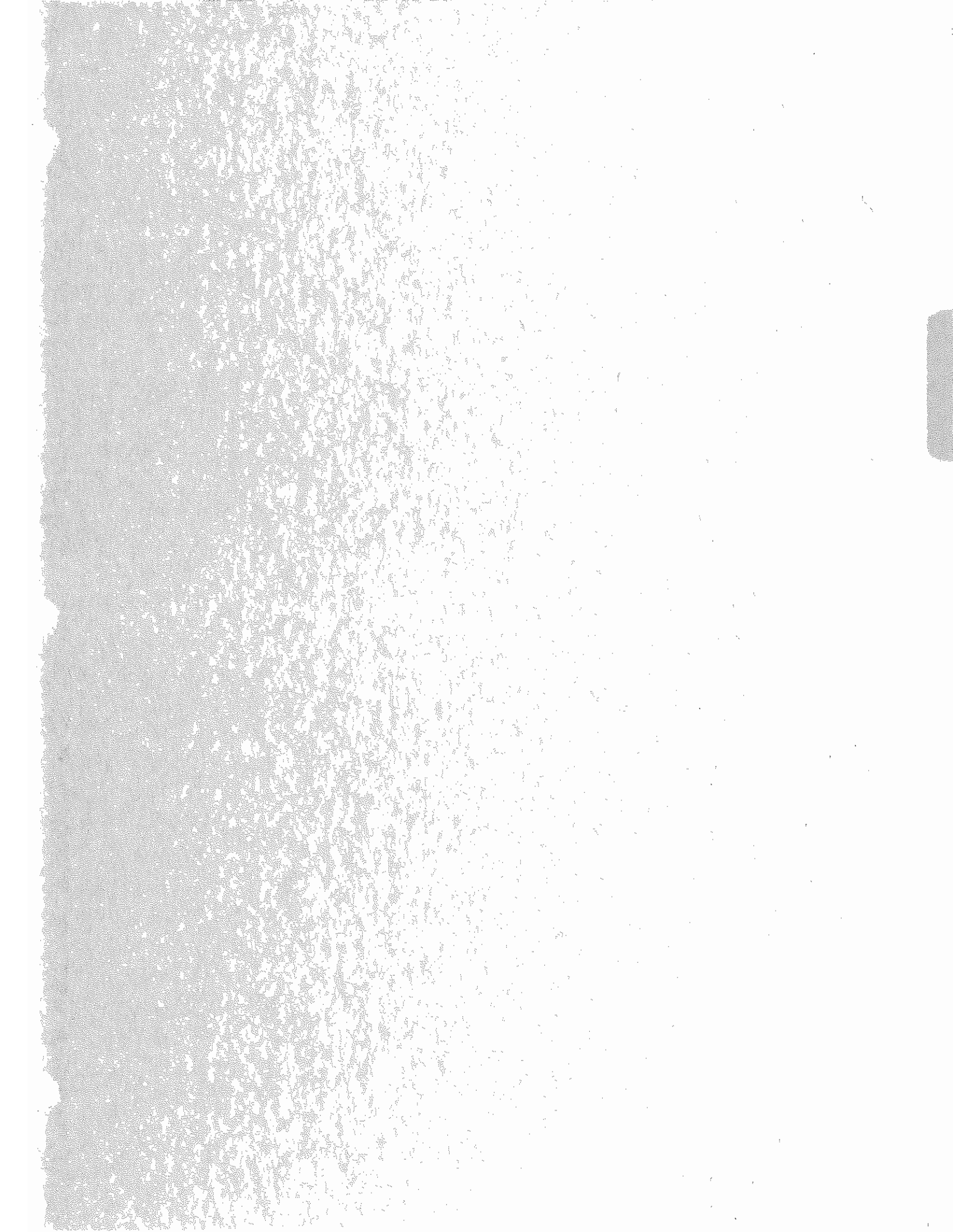
T H 4 9 5

INFANTRY-VEHICLE, WITH ARMoured launching turret for the TOW missile system



T H 4 9 5

TANK HUNTER, WITH TOW-LAUNCHER





BEAR HEAD INDUSTRIES LIMITED

Suite 908, 350 Sparks Street
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K1R7S8

TELEPHONE (613) 563-3321

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10 October 1990

The Hon. Bill McKnight
Minister of National Defence
Room 401
Confederation Building
Ottawa, Ont.
K1A 0A6

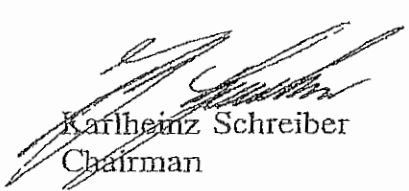
Dear Minister McKnight:

I refer to my letter to you of September 25, 1990, where I requested that the meeting recommended by the PMO with you and your colleague Minister MacKay be convened between October 9 and 13th. I write today to inform you that I will now extend my stay in Canada until October 17th and hope this extended time frame will be more acceptable to your schedule.

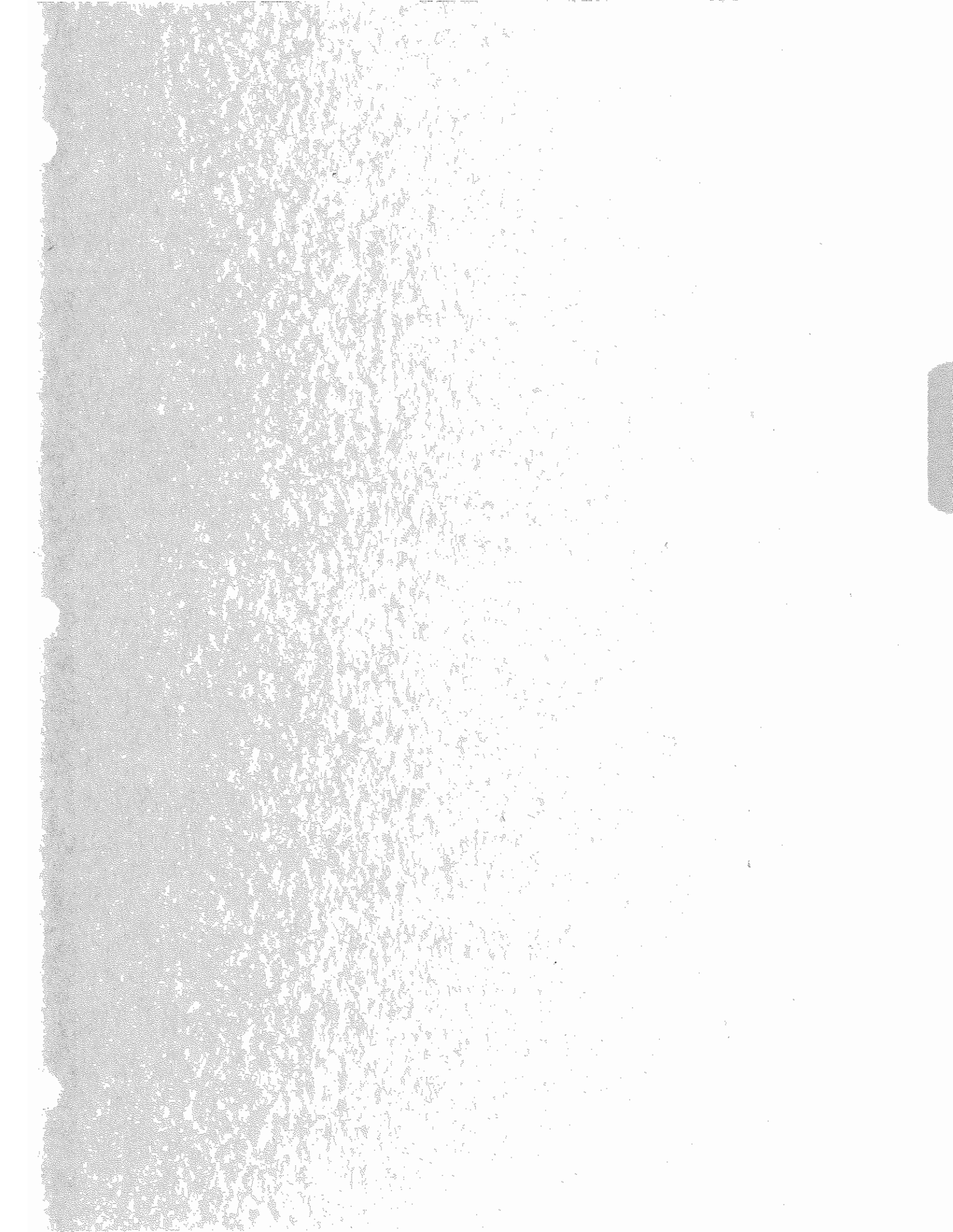
I would also like to inform you that Thyssen Henschel and MOD Bonn have so far been petitioned by the Governments of United States, the United Kingdom, Turkey, Saudi Arabia and most recently France, requesting provision of the Thyssen Henschel NBC Fox vehicle for urgent deployment to their respective Armed Forces in the Gulf Region. Deliveries to the US Forces have already commenced. Deployment will be to both troops stationed in defence of supporting bases, as well as to those troops stationed in the frontier zone. The vehicles requested are in both NBC reconnaissance and NBC protected troop and cargo transport configuration.

I will look forward to discussing these matters further when we meet.

With personal regards,



Karlheinz Schreiber
Chairman



Karlheinz Schreiber

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

CONFIDENTIAL, FOR HIS EYES ONLY

10 October 1990

The Right Hon. Brian Mulroney, P.C.,M.P.
Prime Minister of Canada
Ottawa, Ont.
K1A 0A2

Dear Prime Minister:

Many thanks for the most enjoyable meeting we had last month. What a great pleasure to recognize that old friends never change.

Congratulations on your great success in New York. I would like to inform you that you have been the only conference speaker who was shown on the television in Germany and Switzerland. I received several comments from friends in Europe who applauded your remarkable statements and their plainly evident sincerity.

I wish you could see Canada from an overseas perspective, where the country is viewed at such an advanced stage of evolution that the Prime Minister can turn to the issues that are truly important to this world, such as our children, our environment and our commitment to keep peace. Witnessing your leadership in this role from Germany reminded me of this and brings me to encourage you with all of my best wishes.

Turning back to discussions of our meeting last week, I would like to share some further thoughts which I have had on those matters.

In my opinion, the greatest opportunity for Canada is to achieve growth in the export of finished products. I am most familiar with the trade between Canada and Germany and while I am delighted to find Canadian exports to Germany in 1989 increased by 20.1%, I note the largest portion of that growth has been in unfinished resources.

Karlheinz Schreiber

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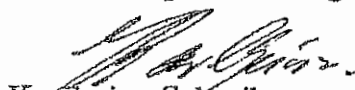
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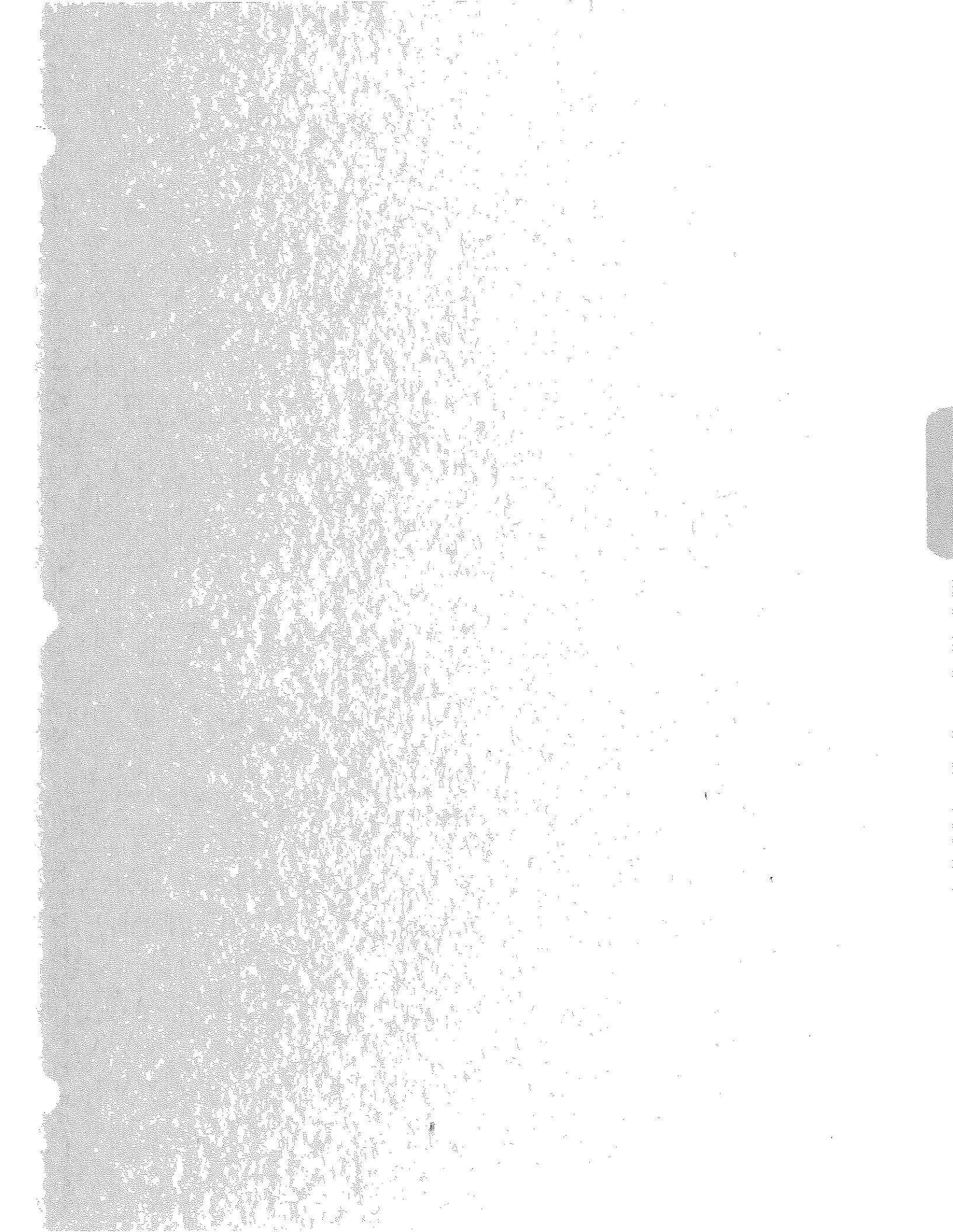
Therefore, the remaining challenge is to increase the proportion of finished products. I am confident that I can help you in meeting this challenge, but before I can do this, I must have in place the right tools with which to work. I should not withhold from you the fact that I face increasing pressure due to the newest development, where earliest production is urgently required. I am not able to explain to the United States customer why their vehicles should be manufactured in Canada where we have so far found no business with the Canadian Forces.

What is needed as soon as possible is the signed MOU as proposed by Minister MacKay, to solve the aforementioned problems as well as bring new and vital long-term activities in Trenton.

Thank you, and please be assured that I will do everything I can to meet your goals.

With best personal regards,


Karlheinz Schreiber





SUPERText



RCMP "A" DIVISION COMMERCIAL CRIME

File: A102
95A-517

EXHIBIT INFORMATION

DATE OBTAINED: _____
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Exhibit No.: 96 - 34
Item No.: _____
Location: _____

DOCUMENT CATEGORIZATION

Document Type: _____
Original: Yes _____ No

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COMMENTS HCOA documents extracted
from items 16 to 54
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MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding is an expression of intent, but it is a condition precedent to the requirement to perform hereunder, that the parties enter into a more detailed contract, more specifically outlining their terms of agreement. The parties agree to proceed forthwith to finalize such contracts.

This document signed this day of between:

THE GOVERNMENT OF CANADA, as represented by:

i) the Minister responsible for the Atlantic Canada Opportunities Agency (hereinafter called "the ACOA Minister"),

ii) the Minister of National Defence (hereinafter called "the National Defence Minister"); and

BEAR HEAD INDUSTRIES LTD., a company incorporated under the laws of Nova Scotia, a subsidiary which is one hundred (100%) percent owned by Thyssen Industrie AG of the Federal Republic of Germany (hereinafter called "the Company").

WHEREAS the Government of Canada desires to foster the economic expansion and industrial development of Atlantic Canada;

WHEREAS the Company must have in place a North American heavy-industry manufacturing facility on an urgent basis, and desires to establish such a facility in the Province of Nova Scotia;

WHEREAS the Government of Canada recognizes that the proposed facility represents an important economic development and diversification of the industrial base of Nova Scotia; and

WHEREAS the Company and the Minister of the Atlantic Canada Opportunity Agency, and the Minister of National Defence, on September 27, 1988 signed the document known as an "Understanding in Principle", which stated in clause 6 that it would be replaced at a later date by this Memorandum of Understanding (hereinafter MOU);

1. In accordance with this MOU the Company shall establish a diversified heavy-industry manufacturing facility in the Province of Nova Scotia, which will:

a) create in Nova Scotia a new and diversified activity in the Canadian civilian and defence industrial base, with access to the

2

North American markets, under the Canada/United States Free Trade Agreement and the Defence Production Sharing Agreement;

b) transfer to the facility, all technology necessary for the establishment and development of this facility and its respective specialized products in both the civilian and defence sector;

c) to the greatest extent possible, source its requirements from, and promote the establishment of source capabilities small business enterprises located in Atlantic Canada;

d) employ a minimum of 500 people on a permanent, full-time basis and, where necessary, train these individuals in required skills and knowledge, utilizing, where appropriate, local educational facilities.

2. In accordance with this MOU, the Government of Canada, in order to facilitate the establishment of the Company's heavy-industry manufacturing activity in Nova Scotia, will:

a) enter into negotiations with the Province of Nova Scotia, to put in place financial arrangements for the co-funding of required physical infrastructure, up to a maximum value of \$15 million;

b) entertain an application by the Company to the Minister of National Revenue for duty remission on the importation of machinery, parts, and components for the manufacturing of vehicles, under the Machinery and Equipment Tariff Program, consistent with this program at the time of such importation; and

c) entertain an application by the Company to the Minister of Employment and Immigration for Government participatory funding, for initial employee training.

3. In recognition of the need to proceed urgently, the Government of Canada and the Company agree to adopt a two-phased approach to the establishment of the facility.

PHASE I

4. The Government of Canada and Company agree that in Phase I, the respective parties will undertake the following:

a) the Company

(i) the Company will proceed forthwith with the construction of an initial plant, requiring an estimated initial capital investment of \$68 million, to manufacture defence products for the North American markets;

(ii) the Company will sub-contract manufacturing of major components for supply to the Thyssen Henschel - General Dynamics Land Systems joint venture which has recently been awarded contracts for the supply of TPZ Fox armoured vehicles to the United States Army.

b) the Government of Canada:

(i) The Minister of National Defence, will place a sole sourced order with the Company for 250 Fox (TPZ Fuchs) Armoured Personnel Carriers, from Canadian production at the Company's Nova Scotia facility.

[BHI estimates the cost for these 250 vehicles at approximately \$210 million Canadian, based on current and previous sales to the German and U.S. Armies. After DND specifications are established, final price will be determined using the principle of open audit of costs and agreed profit.]

provided the Company:

- a) manufactures in its Nova Scotia facility, these vehicles from its entire technology range according to the operational requirements of the Government of Canada,
- b) meets the Government's requirements for quality, delivery, and logistic support, including personnel training,
- c) provides acceptable regional and industrial benefits;
- d) agrees to announce and proceed immediately with construction of it's plant with the following schedule:

316

- Nov. 1990: Contract signed with Government of Canada
- Jan. 1991: Engineering finalization and commencement of construction contracts.
- Oct. 1992: Plant in operation and staffed.
- Oct. 1993: - Commencement of delivery of vehicle
- Commencement of Phase II diversification.
- May 1995: Completion of delivery of vehicles.

e) BHI agrees that DND may, until September 1991, cancel all or part of its order and replace it with an order of corresponding value for Multi Role Combat Vehicles (TH495 category).

PHASE II

5. The Government of Canada and Company further agree that in Phase II, the respective parties will undertake the following:

a) the Company

(i) the Company will proceed no later than twelve (12) months after the commencement of production under Phase I, with diversification into heavy civilian manufacturing production targeted at Canadian and international markets, for environmental protection technology; and

(ii) the Company will provide within six (6) months after the commencement of production under Phase I, financial details including product and market projections associated with Phase II; and

(iii) should Phase II not be proceeded with, the Company will reimburse the Government of Canada for a portion, to be determined in subsequent negotiations, of the infrastructure assistance provided under paragraph 2 (a) above, in the event that the employment level of 400 people for Phase I is not sustained for 5 years.

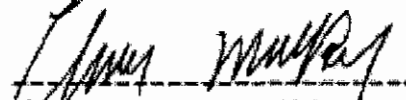
b) the Government of Canada:

the ACOA Minister, will consider assistance to the Company, under established regional and industrial development programming, consistent with such programs at the time the project becomes eligible for such assistance.

6. In recognition of the very considerable financial, technical, and other capabilities realized by Bear Head Industries, as a wholly-owned subsidiary of Thyssen Industrie AG, and the importance of such capabilities to the Government of Canada, by copy of the enclosed agreement between Thyssen Industrie AG and Bear Head Industries, Bear Head Industries hereby discloses a commitment by its parent to retain its one hundred percent ownership in Bear Head Industries, for a period of at least five years in duration, commencing from the date of the award of the contract (noted in paragraph 4b (i) above) to Bear Head Industries.

Should Thyssen Industrie AG wish to divest, in whole or in part, its holdings of Bear Head Industries, prior to 5 years, Bear Head Industries will in advance seek written consent from ACOA, and will remit to the Government of Canada a sum equal to fifty percent of the aggregate value of the federal contribution to infrastructure (noted in paragraph 2a above).

THE GOVERNMENT OF CANADA



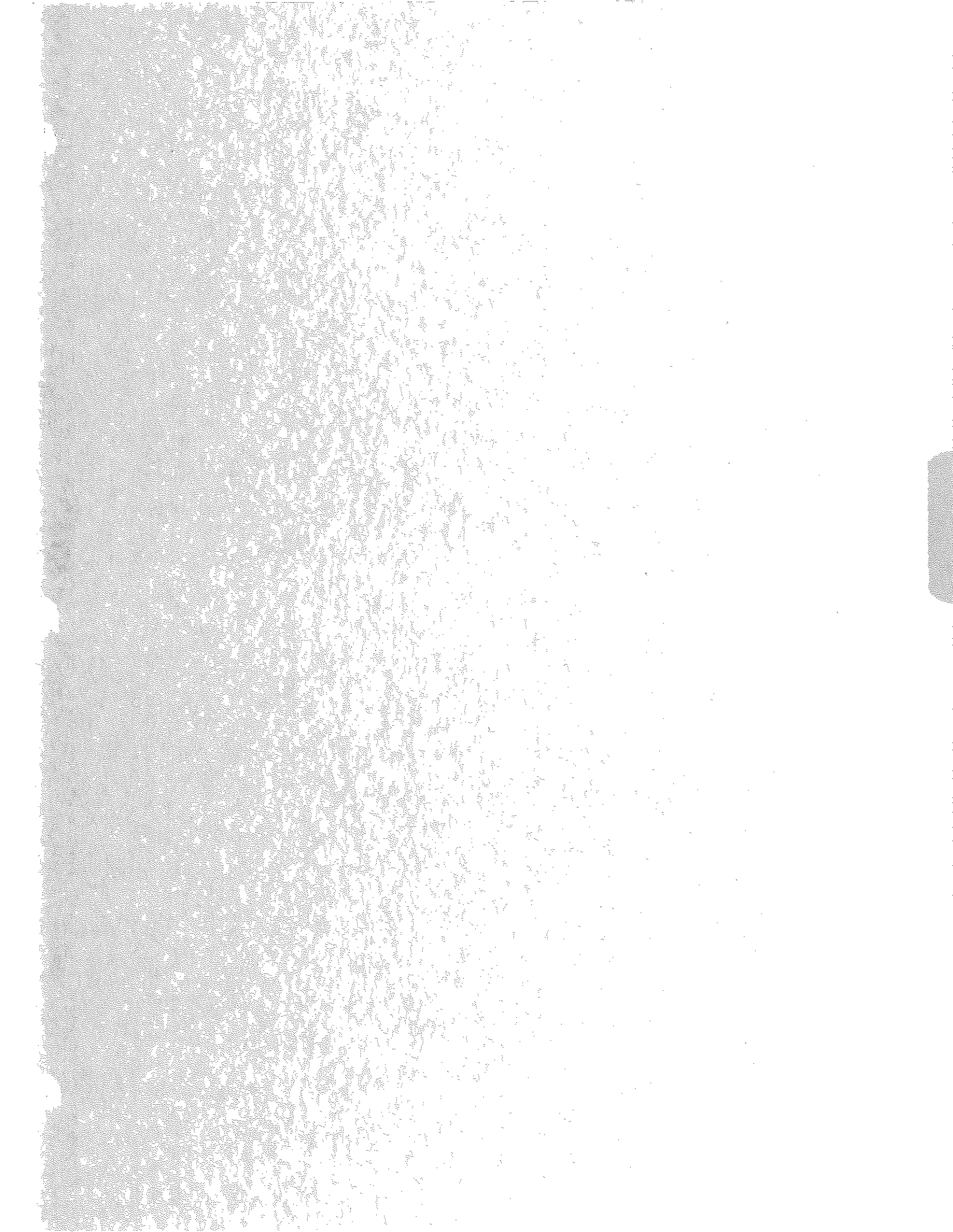
Minister responsible for the
Atlantic Canada Opportunities Agency

Minister of National Defence

BEAR HEAD INDUSTRIES LIMITED



Mr. Karlheinz Schreiber, Chairman



Karlheinz Schreiber

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

9 November 1990

Mr. Norman Spector
Chief of Staff
Prime Minister's Office
Room 231
Langevin Bldg.
Ottawa, Ont.
K1A 0A2

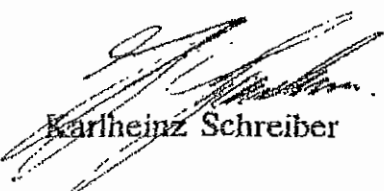
Dear Mr. Spector:

I did not want to leave Canada today without expressing my pleasure in having met you this morning. I found our exchange of view to have been very positive, especially in our discussion of Canada's economic opportunities. The frankness of that discussion was certainly appreciated.

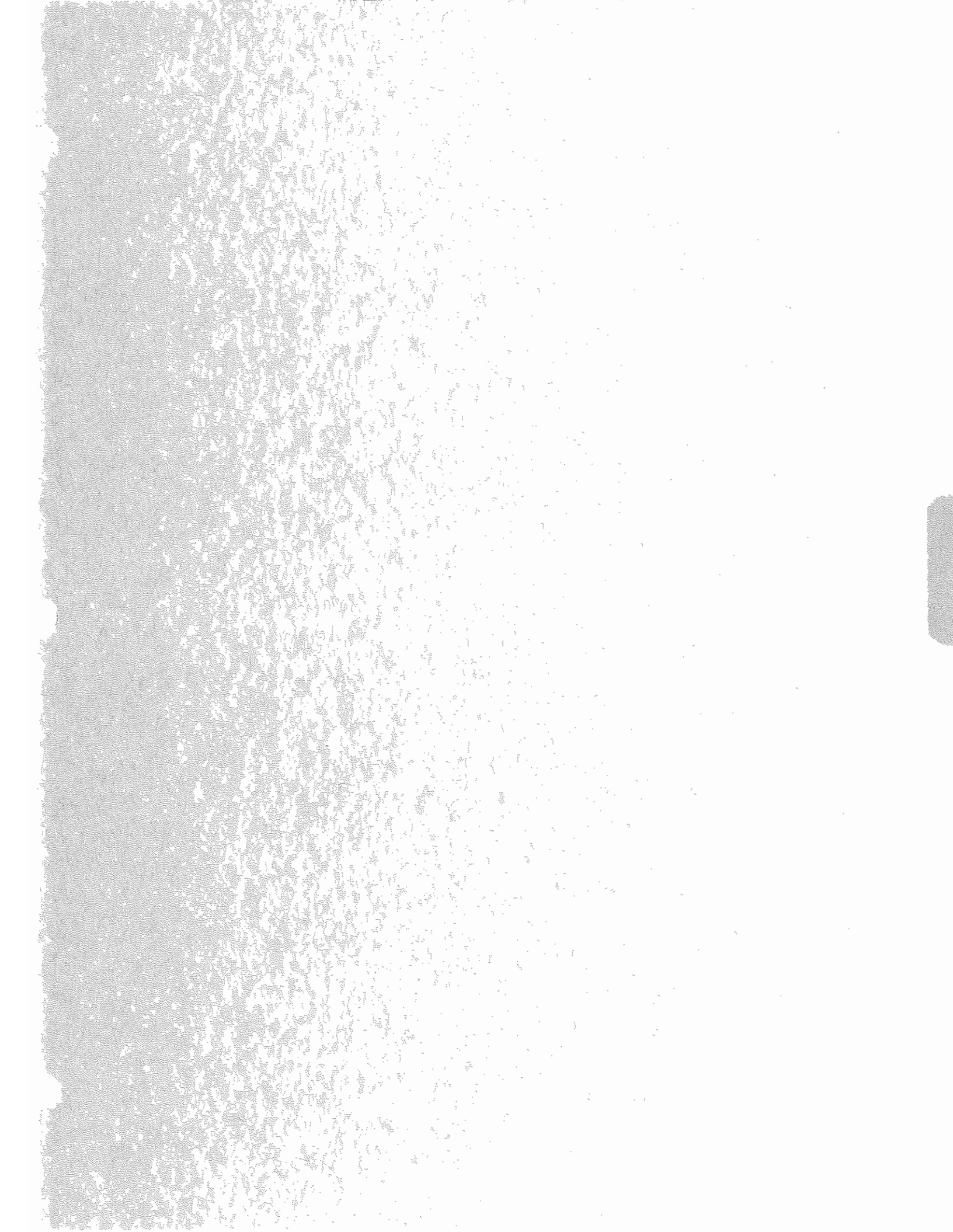
I believe I have found some understanding of how difficult your job is, to progress the objectives of the Government when faced with Federal bureaucracy and the Senate.

In closing, I wish you every success. My plans are to return to Ottawa in late November and I hope to see you again at that time, but should you wish to speak with me before then please do not hesitate to call.

Best regards,



Karlheinz Schreiber





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RCMP "A" DIVISION COMMERCIAL CRIME

File: A102
95A-517

EXHIBIT INFORMATION

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P.2



Government of Canada / Gouvernement du Canada

MEMORANDUM

NOTE DE SERVICE

To

Wynne Potter
c.c. Peter Smith
Peter Lesaux

From
De

John McDowell

Security Classification - Classification de sécurité
SECRET
Our File - Notre référence
JMC-87/2635-T2
Your File - Votre référence
Date
November 28, 1990

THYSSEN: DIRECTION FROM MINISTER OF NOVEMBER 26TH

Subject
Objet

Wynne, to assist you in discussions with the provincial government on the Thyssen-required infrastructure, you should know that:

- the Minister indicated the plant would be located on the mainland -- not on Cape Breton;
- the company is assuming that the province will stand by their 1987 commitments (letter attached). Obviously, however, the province may or may not own (and therefore may not readily be able to provide) land in a mainland location;
- with respect to site-establishment infrastructure, the company is seeking a government-funded package valued at \$12.2 million, for any "green fields" site, regardless of location (disaggregation attached);
- the Minister believes the province should fund some of this -- but understands that the original 70:30 ratio (fed/prov) was totally arbitrary and originated from the SCIDA and not from formal negotiations. Nevertheless, a 70:30 ratio would be acceptable to our Minister;
- the company would prefer (for countervail and other optics) that the infrastructure be "common user" -- i.e. through an industrial park -- this may or may not be possible, depending on the final location; and
- finally, with respect to delivery, while you will have your own views, the Minister, and the company are quite amenable to using a "one-off" (tripartite?) cooperation agreement to flow the infrastructure support. Moreover, in terms of the federal

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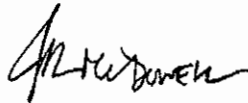
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SECRET

approval process, authority for signature, etc. could readily be sought by adding to the T.B. submission required for the directed contract. (This would also give us more control over the submission itself.)

In terms of timelines for the necessary formal authorities, if the Government is to resolve the Thyssen issue by end of year (as the company is insisting), the last confirmed Treasury Board meeting is December 6th, but there will likely be a further meeting on December 13th.

Wynne, I trust the above will be helpful. I am, of course, available to assist in any way possible.



John McDowell

Attachments

Honourable Brian Mulroney
Prime Minister of Canada
Ottawa, Canada

Dear Prime Minister:

We spoke recently about the proposed Thyssen-Lavalin project at the Strait of Canso. The bottom lines are as follows:

1. It would be a major employer and could be the start of a Defence Center of Excellence.
2. Thyssen have undertaken that they would start almost immediately if they obtain a Letter of Intent from DND for the sole sourcing of a 250 light armoured vehicle order for delivery starting in 1992.
3. I am concerned that Canada and Nova Scotia will lose this facility to the United States unless the project's catalyst, i.e., the DND Letter of Intent is obtained now.
4. In addition to its other major benefits, this project could help to give important diversity to the Trenton works.
5. ACCA need badly a high profile success. I am informed that Senator Murray and his people champion the Thyssen-Lavalin project. The project's realization would therefore deliver timely and badly needed ACCA credibility.
6. It would be tremendously helpful to Lawrence O'Neil and he is completely up to date on the project.

I am enclosing a copy of our letter of June of this year to Bear Head Industries (i.e. Thyssen) setting out the very substantial commitment of the Government of Nova Scotia to this project which was subsequently accepted by the Board of Thyssen A.G. in West Germany.

Sincerely,


John M. Buchanan

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01-03-91 10:13

NO. 755 P002/002

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96-34-23



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

Room 506 Confederation Building / Place of Commons / Ottawa, Ontario / Canada K1A 0A8

Pièce 506 Edifice de la Confédération / Centre des communes / Ottawa (Ontario) / Canada K1A 0A8

DEC 19 1990

SECRET

Mr. Norman Spector / Chief of Staff to the Prime Minister / Room 231, Langevin Block / 80 Wellington Street / Ottawa, Ontario / K1A 0A2

Dear Norman:

Last week, I received your personal assurances that the Thyssen issue would be considered imminently via an "alternative route", rather than being discussed at Operations as I and others had wished.

While the direction from your office has been uncertain, I am under the impression that our next steps in resolving the Thyssen issue include discussions between the Prime Minister and Michael Wilson on funding.

If DND purchases Thyssen's next-generation vehicle, under a directed contract of \$290 million, this would involve, by DND's own generous estimates, program funding of \$725 million (\$1990), not \$1 billion plus. Moreover, in light of the lasting and unique development for Nova Scotia to be gained, I am, as you know, fully prepared to use ACOA's lapsing funding to contribute to sourcing.

On timing, I would simply remind you that Thyssen - which has waited for five years, and was invited by our Government to locate in Canada - seeks a decision by year end. Moreover, I (as I'm sure you) would be most pleased if the Prime Minister was in a position to pronounce favourably on the Thyssen proposal during his visit to Germany next month.

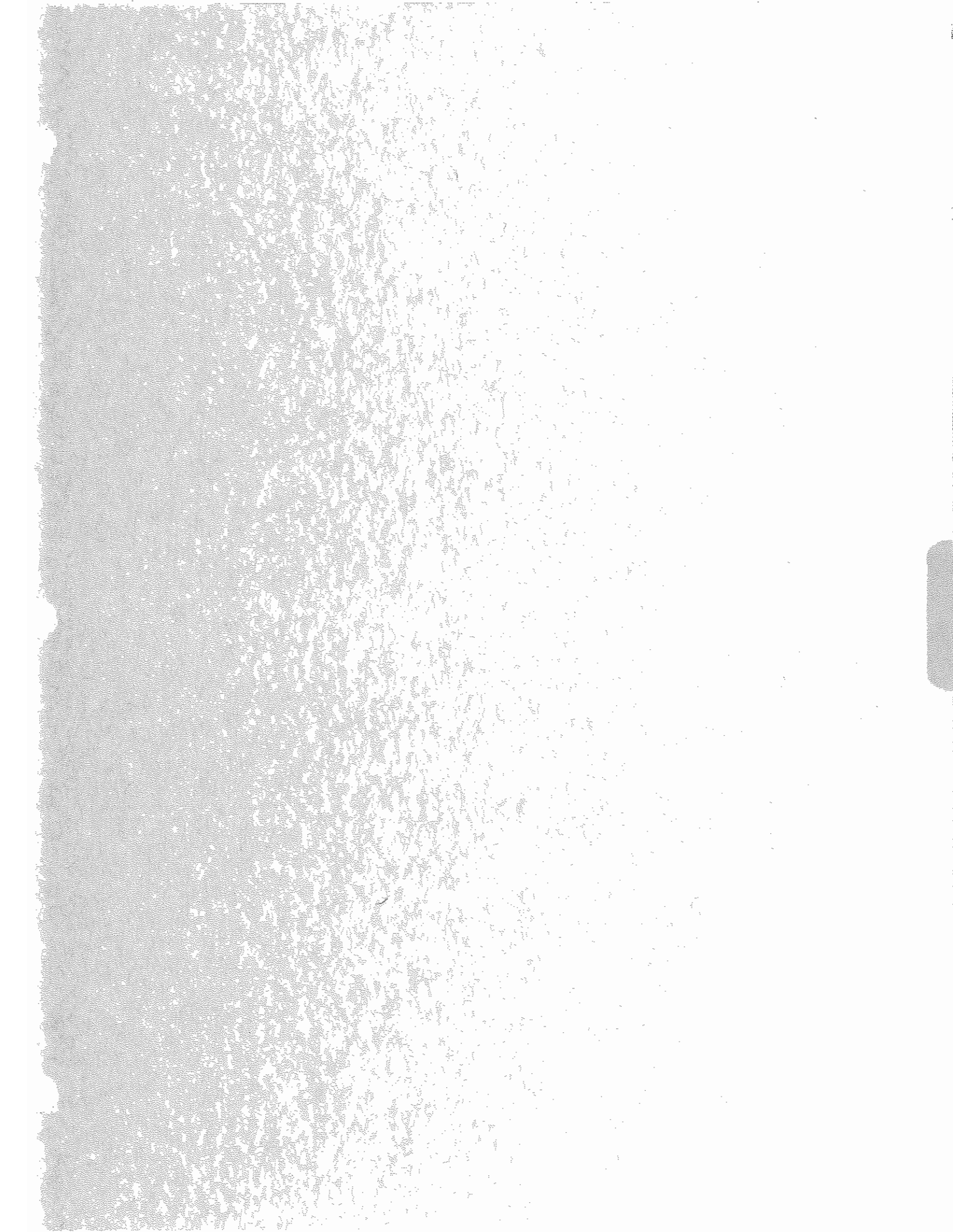
I remain hopeful that you and others can shortly bring the Thyssen issue forward for discussion by Ministers, in order to meet the wishes of the company and our Government.

Yours sincerely,

[Handwritten signature]

Canada

324



highlight

CLERK OF THE PRIVY COUNCIL AND
SECRETARY TO THE CABINET



CANADA

GREFFIER DU CONSEIL PRIVÉ ET
SECRÉTAIRE DU CABINET

SECRET

December 10, 1990

MEMORANDUM FOR NORMAN SPECTOR

Thyssen/Bear Head Industries

8470-5

Attached is an aide-memoire on Thyssen's Bear Head Industries proposal, prepared by the Atlantic Canada Opportunities Agency (ACOA) with input from National Defence, External Affairs and ISTC.

35825

JAM

39(2)(d)

Summary

Thyssen is proposing that the Government purchase 250 of its TPZ "Fox" military vehicles, at a cost of \$290 million, by means of a directed contract, with delivery beginning in 1993/94. In order to produce these vehicles, Thyssen would invest \$61 million in building a new, major facility in Nova Scotia which would employ on average 600 persons over the next seven years. In addition to the directed contract, Thyssen is asking for \$12.2 million in federal and provincial assistance and tax credits. Thyssen is looking for a decision by the end of 1990.

ACOA is strongly supportive of the Thyssen proposal on the basis of anticipated regional benefits and argues that the proposal is commercially viable. It points out that the Government has used directed contracts on a number of occasions to support regional growth and development, although in this instance the contract would involve a "green field" or new establishment.

DND notes that going ahead with this proposal would involve: additional costs of \$765 million over and above the \$290 million already budgeted; the need to fit the Fox into the not-yet-completed defence policy, and the loss of the potential for fleet rationalization. On operational grounds, among other concerns DND has indicated that the Fox is not air transportable. The Thyssen proposal does include an option for DND to purchase its next generation TH 495 vehicle; however, this vehicle is still on the drawing board and has been neither tested nor costed.

OTTAWA
K1A 0A3

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The paper also reflects comments from ISTC, on the fit with industrial policy and the ability to maximize industrial benefits with a directed contract of this nature, and from External Affairs on the likely impact of such a purchase on relations with the United States on defence procurement. It should be noted that the line departments have provided input only; they have not signed off on the document.

Comment

As you requested, the aide-memoire does lay out what would be necessary for this project to go ahead: the price is very high, with DND purchasing equipment it basically does not want in a time-frame that does not suit its needs. Although ACOA views the resulting facility to be viable, DND feels that there is not enough information within the Thyssen business plan to justify this conclusion. (No other departments have seen the plan.) At approximately \$2 million per job, the Government would want to be very sure the plant would succeed.

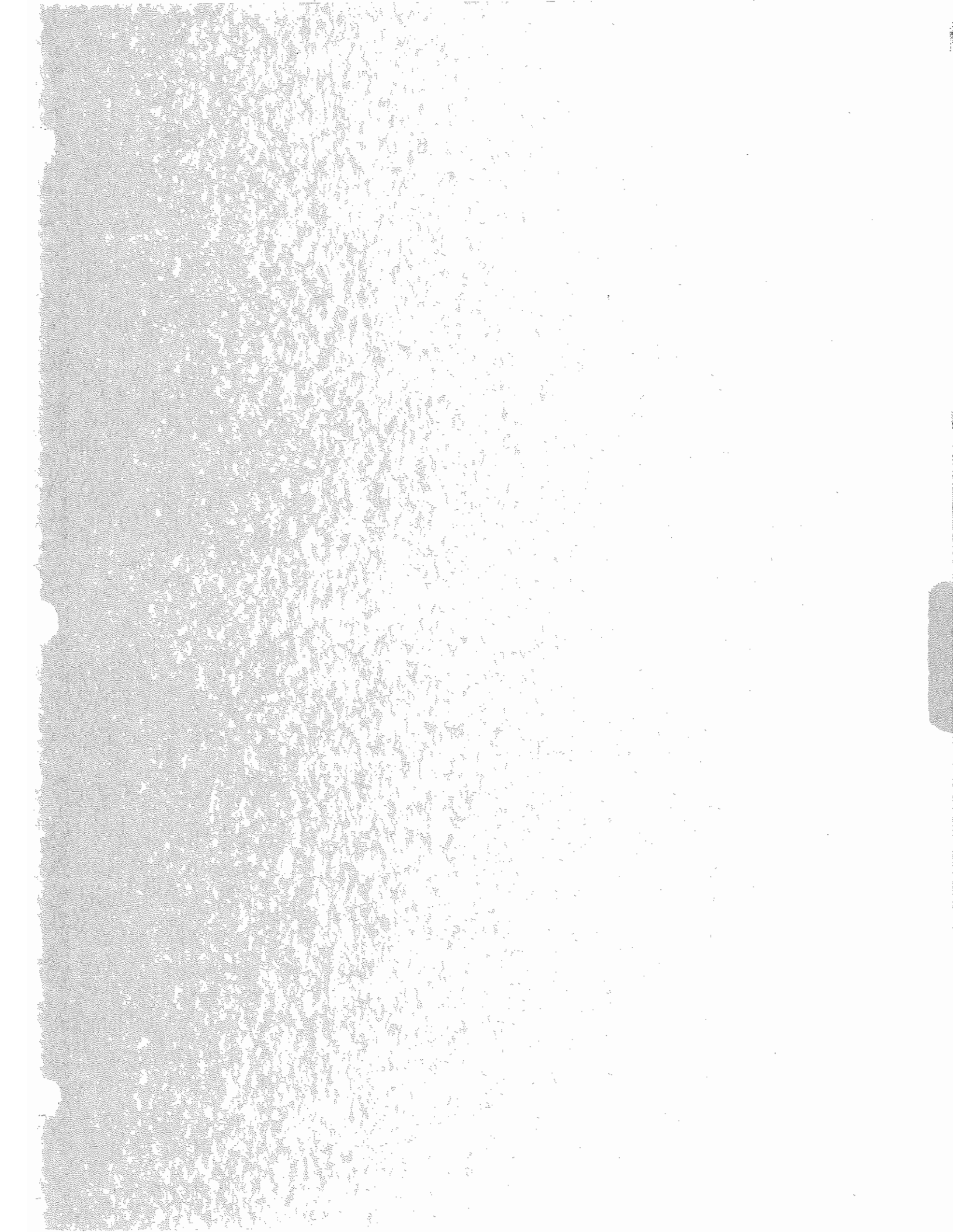
I understand that you will be discussing with Mr. MacKay how to proceed on this project.

39(2)(c)


Paul M. Tellier

Attachment

Billings/Bilodeau/de





BEAR HEAD INDUSTRIES LIMITED

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

TELEPHONE (613) 563-3321

TELEFAX (613) 563-7648

Peter Smith, V.P. ACOA
60 Queen Street
Ottawa, Ont.
K1P 5R5

11 December 1990

Dear Mr. Smith,

We write today to provide additional information with respect to the investment proposal which we have put forward for Atlantic Canada.

With respect to the TH 495, the alternative vehicle identified in our previous documentation as a candidate for Canadian DND's Multi Role Combat Vehicle (MRCV) requirement, we estimate the ceiling unit cost of this vehicle at \$ 1.4 M (1990 Canadian), in a base-line vehicle configuration which we believe to be consistent with the needs of DND . At this unit cost we could supply 207 units within the original \$290 M funding envelope required for 250 units of the Fox wheeled vehicle.

This unit cost estimate for the TH 495 is based on the assumption of production at our proposed facility in Nova Scotia. Furthermore, we propose to deliver this production under conditions of a "cost-plus agreed profit" contract, in which case, any efficiencies achieved in actual production would be passed on to the Government through reduced unit costs.

To review the TH 495 vehicle, it is a new development, light, tracked combat vehicle, well protected yet designed for deployment in the Hercules C-130 aircraft.



BEAR HEAD INDUSTRIES LIMITED

TH 495 is designed as a light family vehicle capable of accepting various armament and armour fits. THYSSEN has determined a strong emerging market for such an advanced and versatile design, as less capable or heavier equipments are replaced in response to evolving peace-keeping and force-projection roles.

THYSSEN will market these vehicles in North America and to other NATO countries. Export markets will be considered only where they are permitted within Canada's policy on export controls.

THYSSEN has entered into the prototype development stage for the TH 495. The vehicle is scheduled to be ready for production in early 1994, with engineering and military operational evaluations complete. This production schedule could, in our view, be in keeping with our understanding of DND's delivery requirements on the MRCV.

Embarking on the project in Nova Scotia, THYSSEN is committed to working closely with Canadian DND to ensure that the TH495 vehicle development fully meets the requirements of Canada's Land Forces.

Additionally, THYSSEN is willing to assist Atlantic Canadian firms achieve source qualification to supply appropriate subcontracting to both our defence and civil production requirements. With respect to Canadian regional industrial benefits requirements (RIB), it is the intention of THYSSEN to meet to the greatest possible extent with the Government's RIB objectives. In this regard, THYSSEN reaffirms its commitment to bring about viable economic activity in Nova Scotia (including Cape Breton) through direct and significant subcontract production activity.

Should any questions arise please do not hesitate to contact me.

Sincerely,



Karlheinz Schreiber

TOTAL P.02



Mr. Doucet
Mr. Rowat
I reviewed
pls
out
Mr. Tellier

12/14 July

FDCI
FRED DOUCET
CONSULTING
INTERNATIONAL

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(FDCI)

12 April 1991

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

PCO - FPRO	BCP - BRFP
Original: 8470-5	
Copies:	
Ident: 81014	

Dear Paul,

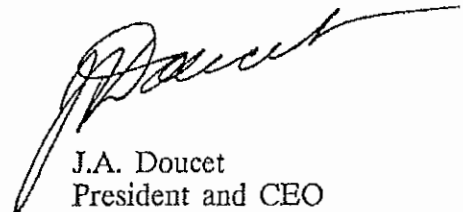
Karlheinz Shreiber and I appreciated the time you provided us yesterday and the leadership you are prepared to give to the Bearhead Industries project.

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

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

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

Yours sincerely,

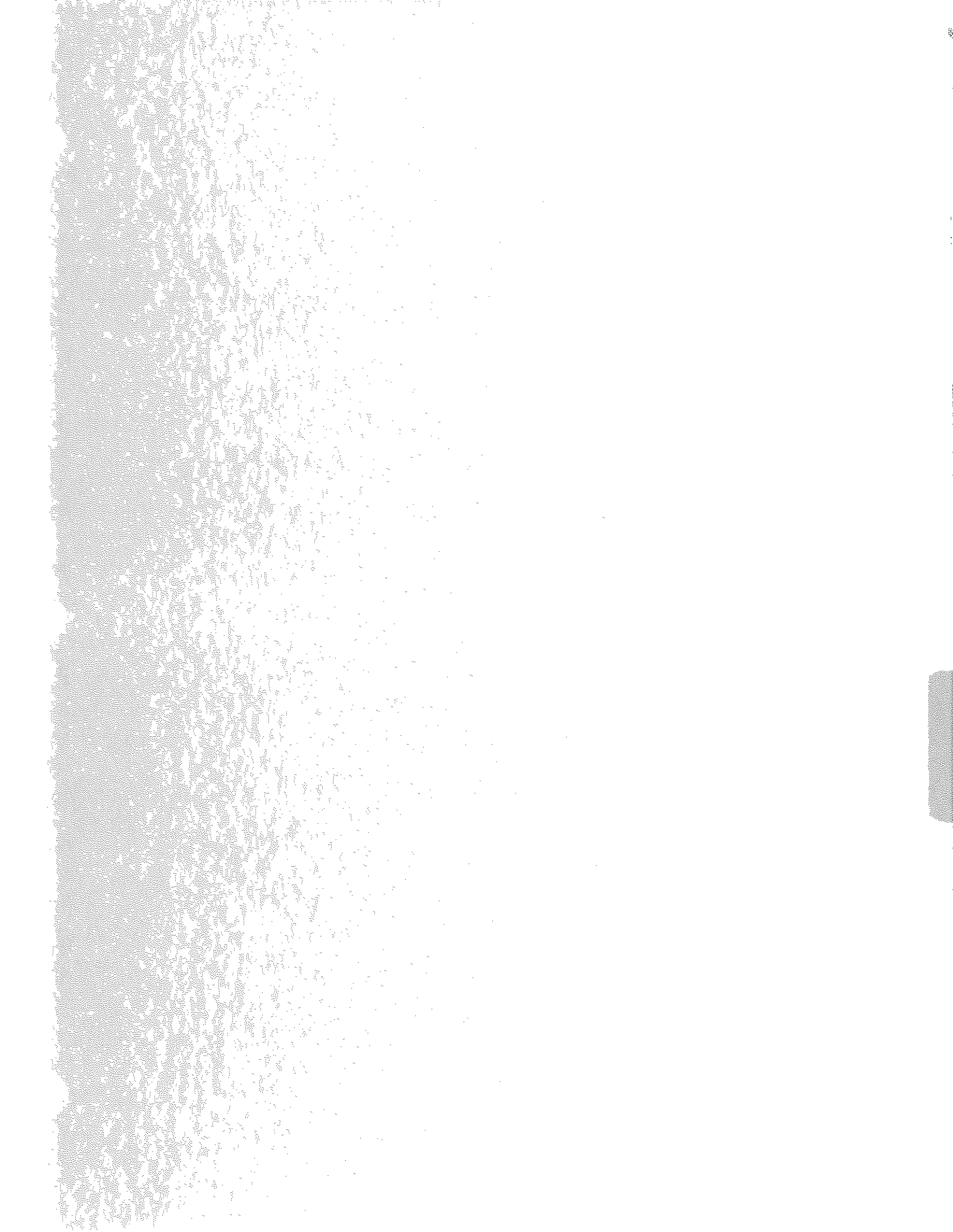


J.A. Doucet
President and CEO

encl.

SUITE 320, 440 LAURIER AVENUE WEST
OTTAWA, CANADA K1R 7X6
TELEPHONE (613) 782 2336 TELEFAX (613) 782-2428

SUITE 1702, 5151 GEORGE STREET
HALIFAX, NOVA SCOTIA, CANADA B3J 1M5
TELEPHONE (902) 429 1040 TELEFAX (902) 425-8492



MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding is an expression of intent, but it is a condition precedent to the requirement to perform hereunder, that the parties enter into a more detailed contract, more specifically outlining their terms of agreement. The parties agree to proceed forthwith to finalize such contracts.

This document signed this day of between:

THE GOVERNMENT OF CANADA, as represented by:

- i) the Minister responsible for the Atlantic Canada Opportunities Agency (hereinafter called "the ACOA Minister"),
- ii) the Minister of National Defence (hereinafter called "the National Defence Minister"); and

BEAR HEAD INDUSTRIES LTD., a company incorporated under the laws of Nova Scotia, a subsidiary which is one hundred (100%) percent owned by Thyssen Industria AG of the Federal Republic of Germany (hereinafter called "the Company").

WHEREAS the Government of Canada desires to foster the economic expansion and industrial development of Atlantic Canada;

WHEREAS the Company must have in place a North American heavy-industry manufacturing facility on an urgent basis, and desires to establish such a facility in the Province of Nova Scotia;

WHEREAS the Government of Canada recognizes that the proposed facility represents an important economic development and diversification of the industrial base of Nova Scotia; and

WHEREAS the Company and the Minister of the Atlantic Canada Opportunity Agency, and the Minister of National Defence, on September 27, 1988 signed the document known as an "Understanding in Principle", which stated in Clause 6 that it would be replaced at a later date by this Memorandum of Understanding (hereinafter MOU);

April 9, 1991

8470-5
Vol. 2

1. In accordance with this MOU the Company shall establish a diversified heavy-industry manufacturing facility in the Province of Nova Scotia, which will:

a) create in Nova Scotia a new and diversified activity in the Canadian civilian and defence industrial base, with access to the North American markets, under the Canada/United States Free Trade Agreement and the Defence Production Sharing Agreement;

b) transfer to the facility, all technology necessary for the establishment and development of this facility and its respective specialized products in both the civilian and defence sector;

c) to the greatest extent possible, source its requirements from, and promote the establishment of, small business enterprises located in Atlantic Canada;

d) employ a minimum of 500 people on a permanent, full-time basis and, where necessary, train these individuals in required skills and knowledge, utilizing, where appropriate, local educational facilities.

2. In accordance with this MOU, the Government of Canada, in order to facilitate the establishment of the Company's heavy-industry manufacturing activity in Nova Scotia, will:

a) enter into negotiations with the Province of Nova Scotia, to put in place financial arrangements for the co-funding of required physical infrastructure, up to a maximum value of \$15 million;

b) entertain an application by the Company to the Minister of National Revenue for duty remission on the importation of machinery, parts, and components for the manufacturing of vehicles, under the Machinery and Equipment Tariff Program, consistent with this program at the time of such importation; and

c) entertain an application by the Company to the Minister of Employment and Immigration for Government participatory funding, for initial employee training.

April 9, 1991

8470-5
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3. In recognition of the need to proceed urgently, the Government of Canada and the Company agree to adopt a two-phased approach to the establishment of the facility.

PHASE I

4. The Government of Canada and Company agree that in Phase I, the respective parties will undertake the following:

a) the Company

(i) the Company will proceed forthwith with the construction of an initial plant, requiring an estimated initial capital investment of \$61 million, to manufacture defence products for the North American markets;

(ii) the Company will sub-contract manufacturing of major components for supply to the Thyssen Henschel - General Dynamics Land Systems joint venture which has recently been awarded contracts for the supply of TPZ Fox armoured NBC (Nuclear Biological Chemical) detection vehicles to the United States Army. [Delivery of finished components are contracted to commence in 1993.]

b) the Government of Canada:

(i) The Minister of National Defence, will place a directed start-up order with the Company for 250 Multi Role Combat Vehicles (MRCV), from Canadian production at the Company's Nova Scotia facility. Representing approximately $\frac{1}{3}$ of the pending Canadian MRCV requirement.

[The Company estimates the acquisition cost for these 250 vehicles at \$350 Million Canadian (based on a conversion of known German costs to Canadian for baseline vehicles). After DND specifications are established, final price will be determined using the principle of open audit of costs and agreed profit.]

April 9, 1991

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provided the Company commits to:

- a) manufacture in its Nova Scotia facility, these and other vehicles from its entire technology range, according to the operational requirements of the Government of Canada,
- b) meet the Government's requirements for quality, delivery, and logistic support, including personnel training,
- c) provide significant regional and industrial benefits;
- d) provide independently or with the Government, bridge-financing arrangements in relation to the vehicles to be delivered to the Canadian MRCV program;
- e) agree to announce and proceed immediately with construction of it's plant with the following schedule:

June 1991:	Contract signed with Government of Canada. Announcement of project go-ahead
Oct. 1991:	Engineering finalization and commencement of construction contracts.
Mar. 1993:	Plant complete and staffed.
June 1993:	- Commencement of delivery of Fox NBC components to US Army Program
To be announced:	- Commencement of Production of Canadian TH 495 vehicles for MRCV program

PHASE II

5. The Government of Canada and Company further agree that in Phase II, the respective parties will undertake the following:

April 9, 1991

8470-S
Vol. 2.

a) the Company

(i) the Company will proceed not later than twelve (12) months after the commencement of Canadian MRCV production under Phase I, with diversification into heavy civilian manufacturing production targeted at Canadian and international markets, for environmental protection technology; and

(ii) the Company will provide within six (6) months after the commencement of Canadian MRCV production under Phase I, financial details including product and market projections associated with Phase II;

b) the Government of Canada:

the ACOA Minister, will consider assistance to the Company, under established regional and industrial development programming, consistent with such programs at the time the project becomes eligible for such assistance.

6. In recognition of the very considerable financial, technical, and other capabilities realized by Bear Head Industries, as a wholly-owned subsidiary of Thyssen Industrie AG, and the importance of such capabilities to the Government of Canada, by copy of the enclosed agreement between Thyssen Industrie AG and Bear Head Industries, Bear Head Industries hereby discloses a commitment by its parent to retain its one hundred percent ownership in Bear Head Industries, for a period of at least five years in duration, commencing from the date of the award of the contract (noted in paragraph 4b (i) above) to Bear Head Industries.

Should Thyssen Industrie AG wish to divest, in whole or in part, its holdings of Bear Head Industries, prior to 5 years, Bear Head Industries will in advance seek written consent from ACOA, and will remit to the Government of Canada a sum equal to fifty percent of the aggregate value of the federal contribution to infrastructure (noted in paragraph 2a above).

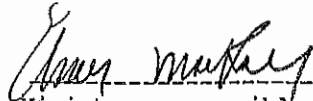
April 9, 1991

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CONFIDENTIAL

6


THE GOVERNMENT OF CANADA



Minister responsible for the
Atlantic Canada Opportunities Agency

Minister of National Defence

BEAR HEAD INDUSTRIES LIMITED



Mr. Karlheinz Schreiber, Chairman

April 9, 1991

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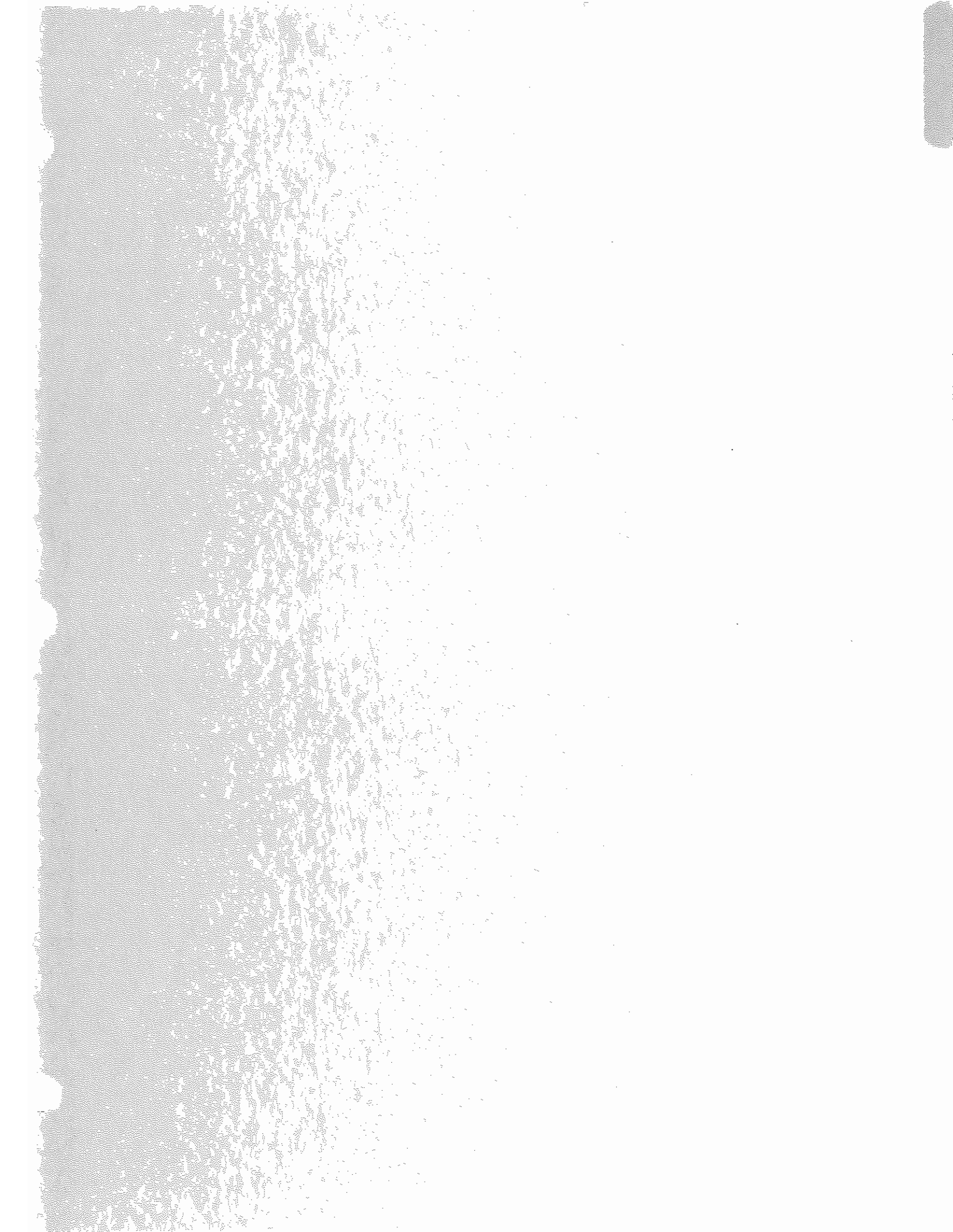
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Karlheinz Schreiber

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

**PERSONAL AND CONFIDENTIAL
HIS EYES ONLY!**

April 19, 1991

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

Dear Prime Minister:

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

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

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

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

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

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

Karlheinz Schreiber

2

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

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

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

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

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

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

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

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

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

Wishing you all the best and with

Warm regards,


Karlheinz Schreiber

AIDE MEMOIRE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A: Yes.

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

A: No.

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

A: Yes.

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

A: Yes.

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

A: Yes.

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

A: Yes.

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

A: Yes.

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

A: Yes.

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

A:

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

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

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

A: Yes, very likely.

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

A: Yes.

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

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

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

A: Unlikely.

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

A: No.

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

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

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

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

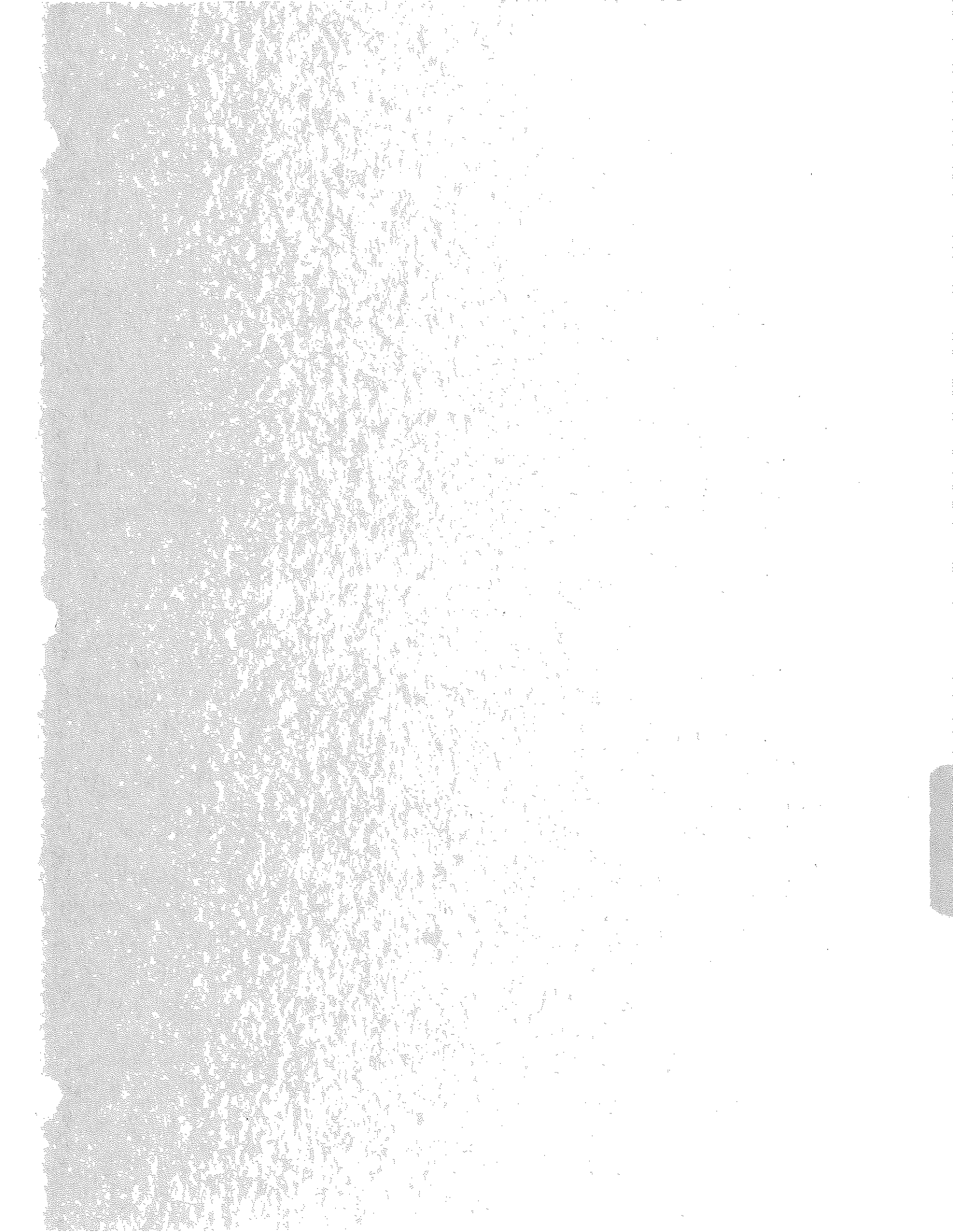
Lift capability of the aircraft determine limits on vehicle's transportation weight

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

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

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

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



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

SECRET

April 17, 1991

MEMORANDUM FOR MR. PAUL M. TELLIER

Analysis of the New Thyssen Proposal

FOO - CMRO - BCP - BRFP
Original <u>8470-5</u>
Copies _____
Identify <u>82917</u>

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

Background

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

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

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

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

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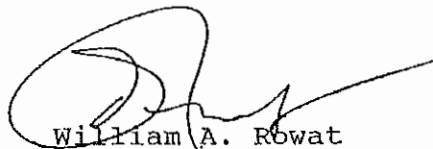
these extra costs come from Thyssen proposing to deliver the vehicles several years earlier than DND needs them. Thyssen has now indicated that it is prepared to be more flexible on the delivery date but has provided no specifics. With a firm DND contract, it would apparently go ahead with construction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

Comment

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

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

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


William A. Rowat

MacGillivray/lc





BEAR HEAD INDUSTRIES LIMITE

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

TELEPHONE (613) 563-3321

TELEFAX (613) 563-7648

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

May 7, 1991

PCO - FPRO BCP - BRFP
Original: 8470-5 <i>Reçu</i>
Copies: _____
Ident: 91023

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Dear Mr. Tellier:

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

not accurate

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

not accurate. Told Doucet would call back after my meeting would be over in a few days. Recall

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

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

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



BEAR HEAD INDUSTRIES LIMITED

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

The foundation of the proposition, first needs emphasizing:

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

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

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

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



BEAR HEAD INDUSTRIES LIMITED

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

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

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

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

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

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

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



BEAR HEAD INDUSTRIES LIMITE

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

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

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

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

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

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

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



BEAR HEAD INDUSTRIES LIMITE

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

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

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

*not
accurate*

All parties, with the possible exception of our competitors, seemed in favour of the project.

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

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

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



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

Army Requirements and Economic Growth Through Exports

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

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

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

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



BEAR HEAD INDUSTRIES LIMITE

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

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this*

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

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

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

Sincerely,


Karlheinz Schreiber
Chairman





BEAR HEAD INDUSTRIES LIMITED

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

TELEPHONE (613) 563-3321

TELEFAX (613) 563-7648

Right Hon. Brian Mulroney
Prime Minister of Canada
House of Commons
Ottawa, ON
K1A 0A6

May 9, 1991

Dear Prime Minister:

When we met in your office on April 10, 1991, you asked me to keep you informed of matters around our project. The copy of the letter that I now enclose is intended to do that.

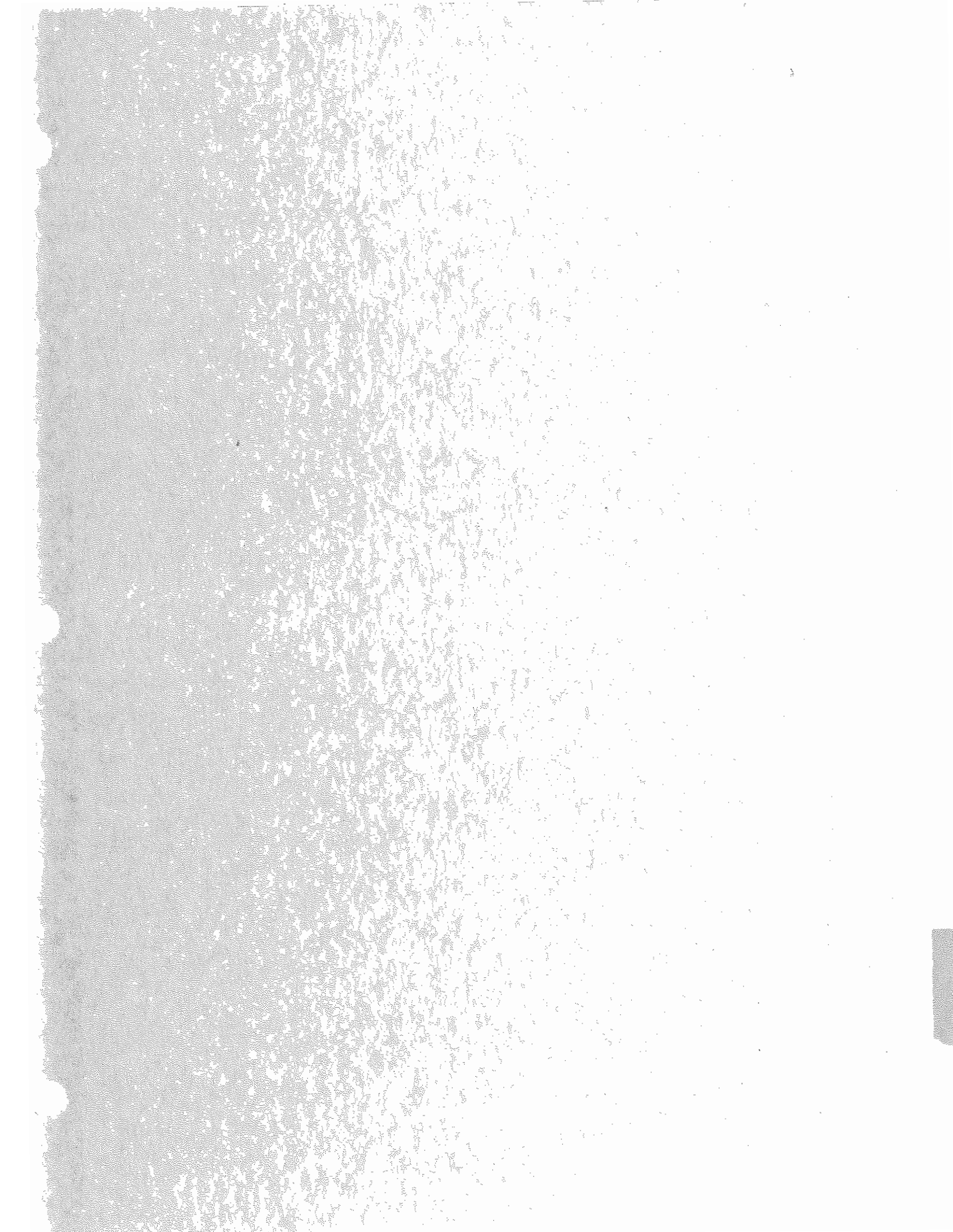
As you will sense readily, I continue to be astonished. I recall very well our breakfast meeting, when you told me how difficult it is to get things done. I understand the meaning of that statement more every day.

Yours sincerely,

Karlheinz Schreiber
Chairman

Enclosure

P.S. I trust your motto is finding a fast recovery.





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TELEPHONE(613)563-3321

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Hon. John Crosbie
Minister of Fisheries
and Oceans
Minister of ACOA
418-N Center Block
House of Commons
Ottawa, ON
K1A 0A6

May 9, 1991

Dear Minister:

Congratulations on your new portfolio assignment. I am sure you must be very pleased to lead these two Ministries, which are so important to Atlantic Canada.

As you are no doubt aware, I continue to pursue the establishment of the Thyssen-Bear Head Industries project in Atlantic Canada. Peter Smith, Vice President of ACOA is fully aware of our proposal as he had prepared the most recent documents for the intended consideration of this project by Cabinet in December 1990. Of particular importance as an economic benefit to the Atlantic region is the project's commitment of secure jobs, new technology transfers to Atlantic Canada, both to our plant and to our sub-contractors, and lastly the growth achievable through exports under the Canada-U.S. Free Trade and Defence Production Sharing Agreements.

The Clerk of the Privy Council, I understand, is ensuring that a meeting of the appropriate Ministers (DND, ISTC, Finance, ACOA) be convened.

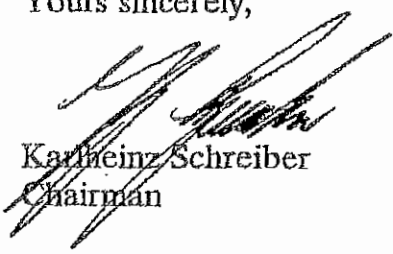
In view of the preparation time, and my own schedule, I am suggesting that the meeting be held in early June. In the interim, I enclose the annual report and a general brochure from Thyssen AG, which I believe will demonstrate the international potential of



BEAR HEAD INDUSTRIES LIMITED

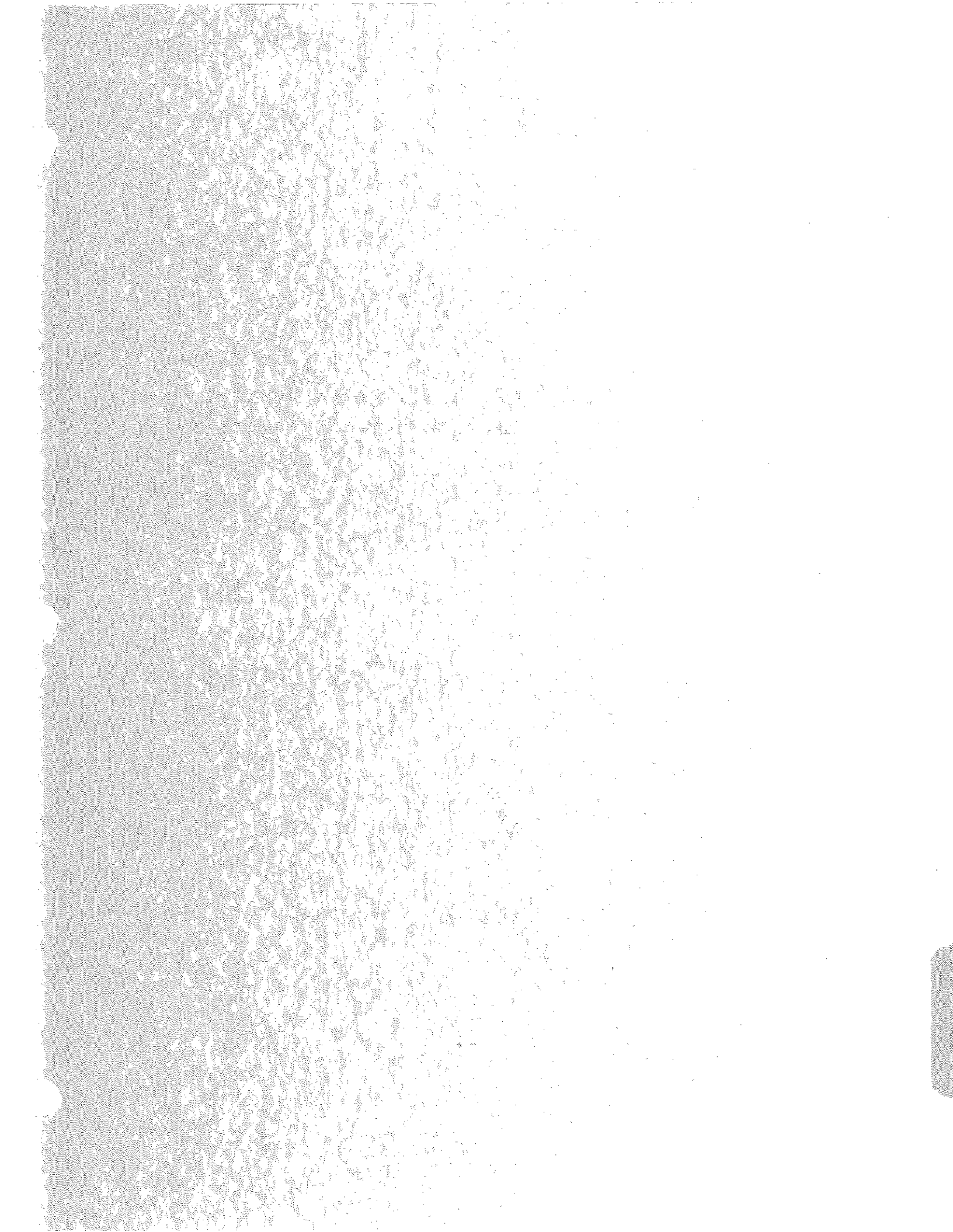
the intended new Thyssen investment in Canada. I stand ready to provide any further information you might wish.

Yours sincerely,



Karlheinz Schreiber
Chairman

Enclosures



FDCI FRED DOUCET CONSULTING INTERNATIONAL

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

COVER LETTER/PAGE COUVERTURE - TELECOPY/TELECOPIE

Date: May 9, 1991 TO/A: Mr. Karlheinz Shreiber
FIRM/SOCIÉTÉ: Bearhead Industries
FAX: 563-7648 FROM/DE: J.A. Doucet

WE ARE TRANSMITTING PAGES 2 INCLUDING THIS COVERING PAGE
NOUS VOUS TRANSMETTONS PAGES 2 INCLUANT CETTE PAGE

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Nancy

Original to: Follow by mail
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Message

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INTERNATIONAL

1991 / 5 / 4 / 11 / 11

May 9 1991

BY COURIER

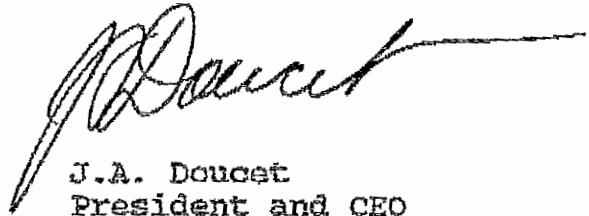
Mr. Paul Tellier
Clerk of the Privy Council
and Secretary to the Cabinet
Privy Council Office
Langevin Block
80 Wellington Street
Ottawa, Canada
K1A 0A3

Dear Paul,

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

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

Yours sincerely,

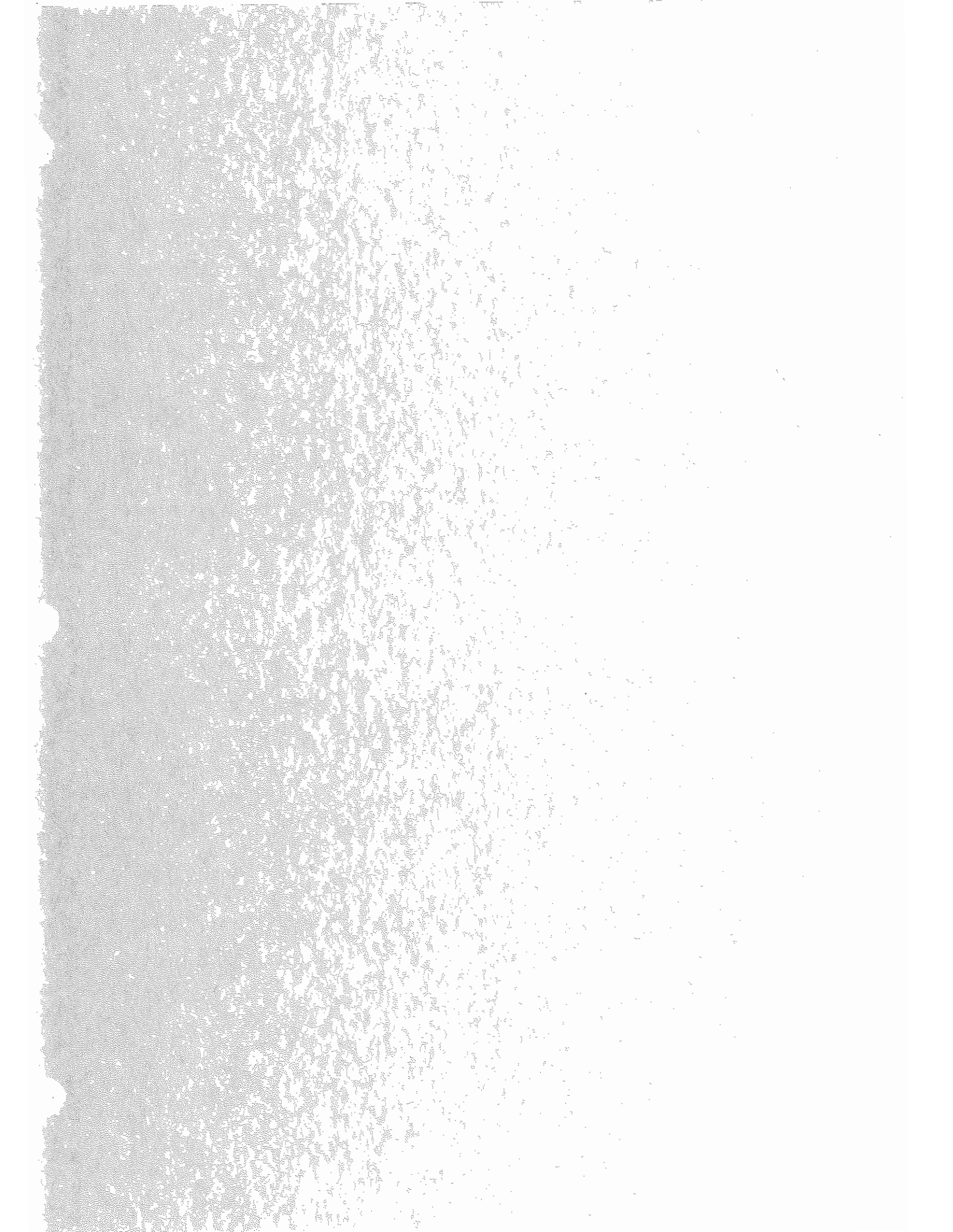


J.A. Doucet
President and CEO

c.c.: Karlheinz Schreiber

SUITE 320, 440 LAURIER AVENUE WEST
OTTAWA, CANADA K1R 7X6
TELEPHONE (613) 782-2336 TELEFAX (613) 782-2428

SUITE 1702, 5151 GEORGE STREET
HALIFAX, NOVA SCOTIA, CANADA B3J 1M5
TELEPHONE (902) 429-1040 TELEFAX (902) 425-8492



CLERK OF THE PRIVY COUNCIL AND
SECRETARY TO THE CABINET



GREFFIER DU CONSEIL PRIVÉ ET
SECRETÉAIRE DU CABINET

May 17, 1991

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

Dear Mr. Schreiber,

I acknowledge your letter of May 7th.

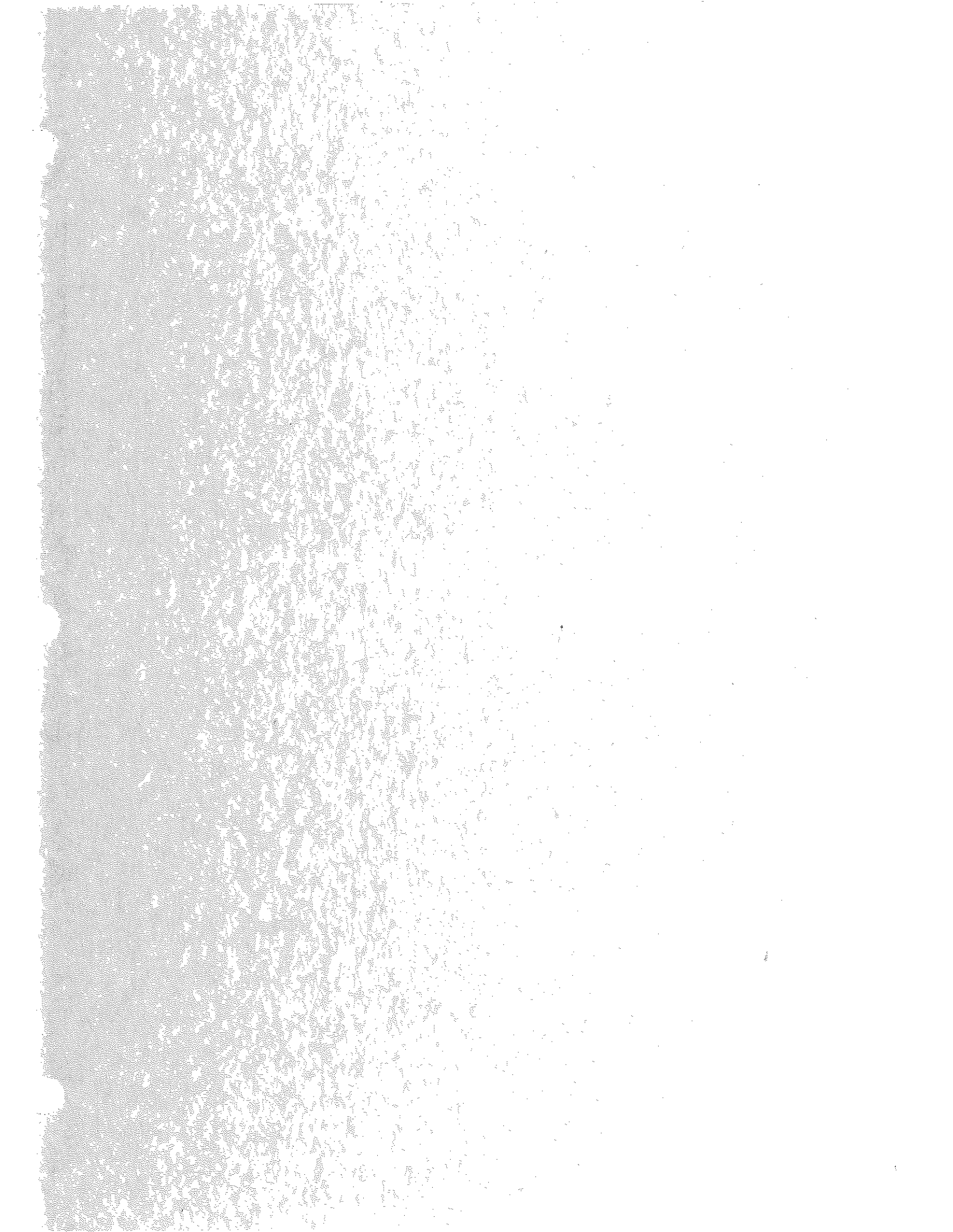
There are many statements in your letter which are either inaccurate, untrue or with which I do not agree. I do not think any useful purpose would be served at this point in getting involved in a lengthy exchange of correspondence. However, I do want to confirm with you that senior officials from the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

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

Yours sincerely,

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

Paul M. Tellier



KARLHEINZ SCHREIBER

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

Mr. Fred Doucet
Ottawa

Fax no. 001-613-782-2428

July 1st, 1991

Dear Fred:

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

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

Looking forward to seeing you Wednesday July 3rd,

Yours sincerely,



Karlheinz Schreiber

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



WORLDWIDE ASSOCIATES, INC.

ALEXANDER M. HAIG, JR.
PRESIDENT

SHERWOOD D. GOLDBERG
DIRECTOR

June 28, 1991

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

Dear Karlheinz:

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

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

Best wishes.

Sincerely,

KARLHEINZ SCHREIBER

B912 KAUFERING · RAIFFEISENSTRASSE 27 · TELEFON (08191) 7884 · TELEFAX (08191) 7888

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

Washington, DC. 2005

Fax no. 001-202-833-5296

July 1st, 1991

Dear Alexander:

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

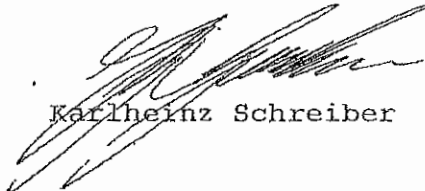
I very much enjoyed our Munich meeting and ask you to give my and my wife's best personal regards to Mrs. Haig and Mr. Goldberg.

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

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

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

Yours sincerely,



Karlheinz Schreiber





THYSSEN BHI

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

TELEPHONE (613) 563-3321

TELEFAX (613) 563-7648

August 21, 1991

The Hon. Michael Wilson
Minister of Industry, Science
and Technology
Minister for International Trade
515-S Centre Block
House of Commons
Ottawa, Ontario
K1A 0A6

Dear Minister Wilson:

I very much appreciate that you were able to make time from your extremely busy schedule on August 9, 1991, to meet with the Hon. Elmer MacKay and myself, allowing me to describe some of the background on the THYSSEN interest in establishing new industrial activity in Atlantic Canada.

Further to that meeting, I write to provide some additional information on our proposition. As you know, THYSSEN AG is a very large international company with over 150,000 employees worldwide, and over 200 subsidiaries. Within the THYSSEN AG GROUP, THYSSEN INDUSTRIE AG is the European centre of the capital goods and manufactured products business group.

For several years now, THYSSEN INDUSTRIE AG has held the view that the establishment of new heavy industrial manufacturing capacity in North America can be achieved from a Canadian base of operation. Critical to that conclusion was the existence of the Canada - United States Defence Production Sharing Agreement (DPSA) and the implementation of the Canada - United States Free Trade Agreement (FTA).

THYSSEN's Industrial Activity in North America

In general, the THYSSEN GROUP first established industrial activity in the North American market through the 1978 acquisition of Budd Automotive. Today, some 11,000 persons work



THYSSEN BHI

2

in the Budd operations in the United States, while just under 1,000 are active in Budd Canada at Kitchener, Ontario. Budd Canada Inc. produces chassis components and frames for cars and light trucks, including special corrosion protection and the development of weight-optimized components.

In 1988/89 THYSSEN INDUSTRIE AG acquired Northern Elevator of Scarborough, Ontario which employs some 900 persons in the manufacture of elevators and escalators.

THYSSEN's Plan to Increase North American Industrial Activity

The objective of initiating North American manufacture of selected THYSSEN INDUSTRIE AG heavy industry technologies is the "raison d'être" for the THYSSEN BEAR HEAD INDUSTRIES (THYSSEN BHI) proposal. THYSSEN BHI has a mandate to establish diversified industrial operations: Phase I is planned to commence with defence vehicle production for the Canadian and US markets, and then diversify this production activity to include some of THYSSEN's environmental protection technologies. After establishing operations on the environment and defence products, the Phase II target is to further diversify into manufacturing activity based on the variety of THYSSEN owned industrial technologies which are already established in Europe and not yet fabricated in North America. This range of technologies will include:

- Shears, presses and shredders
- Mixers applicable to the pharmaceutical, food and petro-chemical industry
- Industrial automation systems, conveyors and manipulators
- Machine tool system integration
- Maritime technology relating to off-shore oil industry and ice breaking

Industrial Benefits and Regional Source Development

We are confident that the THYSSEN BHI proposal offers valuable industrial benefits to Canada and particularly to Atlantic Canada. The company has already made a commitment to source locally where competitively possible, and to actively assist in source development through technological assistance to small and medium sized businesses in the Atlantic region which in turn will benefit our intended base of operations in Nova Scotia through increased local sources.

The Trenton Works facility at Trenton, Nova Scotia, is of particular interest to THYSSEN BHI as a local source of production associated with the Canadian defence work. It is the



THYSSEN BHI

3

intention of the company to cooperate with Trenton Works, bringing them necessary technical assistance to execute major subcontracts for THYSSEN BHI primed contracts. The range of technology brought to Trenton Works in this situation will start with the defence sector and extend into environmental and civil industrial activity in a time frame associated with the same diversification at THYSSEN BHI. Given the current uncertainty associated with Trenton Works, THYSSEN BHI is now also prepared to consider cooperation under a variety of ownership circumstances which could include direct THYSSEN BHI equity investment or technology partnership.

Other local manufacturers already contacted in the Atlantic region for preliminary discussions include Maritime Steel of New Glasgow, NS; CBM Technology, North Sydney, NS; and Industrial Rubber, Bathurst, NB.

Outside of Atlantic Canada, the automotive industrial sector mainly located in Central Canada will be an obvious source of supply.

Location

The THYSSEN BHI location decision is presently under re-evaluation. In 1988, THYSSEN BHI had intended to avail itself of the special tax incentives established under the Cape Breton Investment Tax Credit (CBITC) available for industry settling in Cape Breton and putting assets in place and in use before the end of 1992. This deadline is now impractical for consideration against the companies original intended "green field site" plans, therefore location options are being re-examined in light of this change to the financial conditions. Accordingly, THYSSEN BHI is prepared to be flexible as to its initial Atlantic location.

Start Up

The basic proposal developed by THYSSEN BHI has assumed the establishment of a facility in Nova Scotia based on the company providing the capital investment for plant and machinery, and extending production mandates and technology transfers to the new Canadian facility. THYSSEN BHI has asked that the Government of Canada negotiate a "start-up" contract with the company to supply the Canadian DND with a minimum of 250 multi-role combat vehicles (MRCV) needed to meet part of the Canadian Army's pending MRCV requirement.

The company acknowledges that the timing now projected for the Canadian DND MRCV program may not be consistent with the company's desire to start immediately, so the company is prepared to proceed in the Nova Scotia facility first with production of major



THYSSEN BHI

4

components for an order recently awarded by the United States Army to THYSSEN in joint venture with our US partner General Dynamics Land Systems. This is a contract to supply 268 Thyssen Fox reconnaissance vehicles, with North American production on 210 units starting in 1992/1993.

It is envisaged that production at the Nova Scotia Facility for Canadian DND's MRCV program would follow in 1993/94, and production activity associated with environmental protection products and systems would commence at about the same time.

THYSSEN Financial Highlights

In the prevailing business climate, THYSSEN AG is fortunate to enjoy a continuing profit position reaching \$976 Million (pre tax) on external sales of \$27.9 Billion at year end 1990. This positive result has been combined with significant capital investments of some \$2.5 Billion and expenditures on research and development of \$618 Million.

Within the above mentioned THYSSEN AG figures are the results from the THYSSEN INDUSTRIE AG manufacturing group with pre-tax profits of \$174 Million on sales of \$6.1 Billion. From this consistent profitable performance, the THYSSEN INDUSTRIE AG GROUP made capital investments of some \$536 Million in 1990. Additionally, expenditure on Research and Development is in the order of 3% of sales annually, which represents \$183 million at year end 1990.

I cite these figures to demonstrate that, in spite of the general international economic downturn, THYSSEN remains a strong and financially healthy entity, capable of fulfilling our commitments. This contrasts with the negative trends now being experienced by many other concerns. This strength has enabled us to maintain our investment aim in Canada to establish new industrial capacity to supply the North American market, as described previously to you.

This brings me to ask for your support among your cabinet colleagues for our proposal based on the remarkable industrial benefits which would accrue to Canada and the positive contribution which it will bring to Canada's balance of payments and prosperity through introduction of new technologies to create new high value-added manufacturing jobs in a traditionally chronically depressed area of the country.

Earlier this summer, I appreciated having had the opportunity of a meeting with your



THYSSEN BHI

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colleague, the Hon. Marcel Masse, Minister of National Defence, at which time I explained to him the essential aspects of our proposal. It is my understanding that the Government is now in the process of concluding its Defence Policy decisions which will be announced by Minister Masse in the near future, and at that time procurement intentions will become more clear.

I would be most grateful to meet with you and Minister Masse again, as soon after Minister Masse's announcement as possible, to reach an early decision on the issues around activation of our proposal for Atlantic Canada.

Thank you very much, and I look forward to our next meeting.

Sincerely,

Karlheinz Schreiber
Chairman



Industry Science and
Technology Canada

Industrie, Sciences et
Technologie Canada

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REMARKS - COMMENTAIRES:

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BB-SUP-1-44

Memorandum to H.G. Rogers

SUBJECT

Bear Head Industries Limited Cape Breton
Investment Tax Credit (CBITC) file.

ACTION REQUIRED

Your concurrence to forward the attached
memorandum to the Minister.

PURPOSE

To advise Mr. Wilson of our intention to
administratively close this file.

BACKGROUND

In April, 1990, five CBITC files were
forwarded to Minister Bouchard for decision. Of the
five, Bear Head Industries Limited is the only
outstanding file.

There has been very little departmental
activity on this file since that time and recent
conversations with the proponents indicate that the
file closure would not overly concern the company
although they will not withdraw the application.

.../2

OTT/SDC/CCS
22221231

- 2 -

RECOMMENDATION

That you forward the attached memorandum to
Minister Wilson.

R.A. Russell

Attachment

OTT/SDC/CCS
22221232

Memorandum to The Honourable Michael H. Wilson

c.c. The Honourable William C. Winagard
The Honourable Tom Hockin

SUBJECT

Cape Breton Investment Tax Credit (CBITC)
Program, Bear Head Industries Limited file.

ACTION REQUIRED

Your signature on the attached letter to
Minister MacKay.

PURPOSE

To advise you of the department's intent to
administratively close this file.

BACKGROUND

The CBITC Program attracted a number of major
projects (those with capital costs in excess of \$20
million), which were managed by ISTC. Applications for
these tax credits had to be submitted on or before June
30, 1988 and it was expected that reasonable business
plans supporting the application would be available on
or shortly after that date. For a number of reasons,
five of these large projects had been given extensions
to this timeframe.

.../2

OTT/SDC/CCS
22221233

- 2 -

At this time, only Bear Head Industries Limited, a subsidiary of Thyssen Industrie AG, is outstanding. This project, at a cost of \$98 million, would have seen the establishment of a plant in Cape Breton for the fabrication, assembly and testing of high-value, advanced technology, machinery, equipment and vehicle systems. A business plan commensurate with the size and scope of this application has not been received and it is thus not possible to undertake the necessary analytical work upon which to base a decision. The department is not aware of any activity that would produce this business plan in the foreseeable future. Because of this, the department intends to administratively close this file.

Minister MacKay has had an on-going interest in this project and it may be prudent to advise him of the department's intent. You may wish to consider using the attached letter for this purpose.

RECOMMENDATION

That you concur with the department's intention by signing below and by signing the attached letter to Minister MacKay.

H.G. Rogers

I concur

OTT/SDC/CCS
22221234

The Honourable Elmer MacKay, P.C., M.P.
Minister of Public Works
House of Commons, Room 509 CONF.
Ottawa, Ontario
K1A 0A6

Dear Colleague:

I am writing to inform you, given your interest with respect to the proposal by Bear Head Industries Limited to establish a facility at Point Tupper, Nova Scotia, of the decision this department has taken on this file.

As you know, there have been difficulties encountered in the preparation of a sound business plan that could support Bear Head's application for tax credits, and these difficulties are on-going and do not appear to be resolvable within the time frames surrounding the Cape Breton Investment Tax Credit (CBITC) Program. Officials of this department have worked with the project sponsors and considerable time has been given to prepare information in support of this project. It is now three years beyond the June, 1988 deadline for receipt of applications under the CBITC Program.

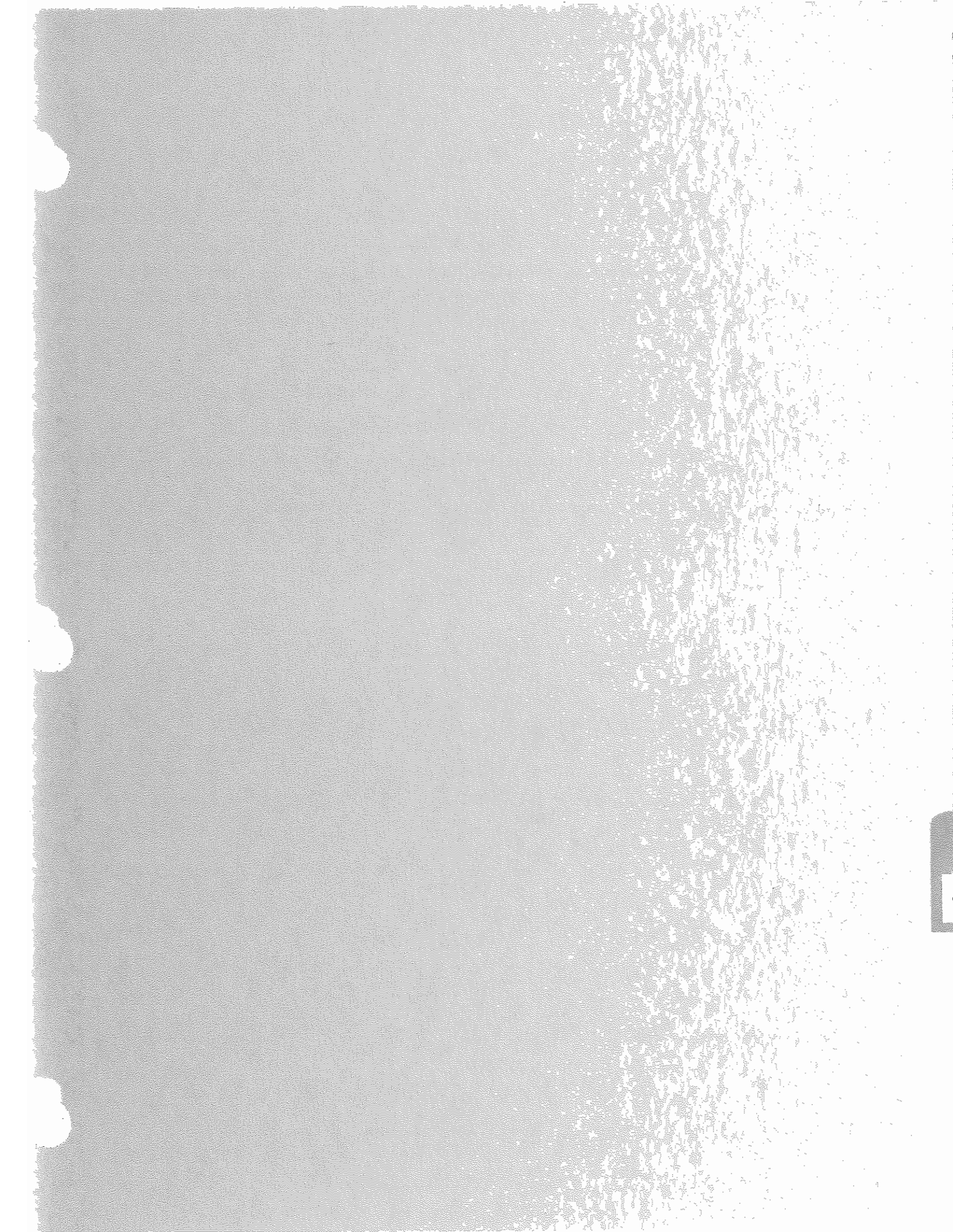
I am now satisfied that this company has had sufficient time to develop their project and based on the information that is now available, it has been determined that this case will be closed. This action does not signify the end of this project, merely that support under the Cape Breton Investment Tax Credit Program is no longer an instrument that can be used should the project proceed.

Yours sincerely,

Michael H. Wilson

OTT/SDC/CCS
22221235

552492





THE PREMIER
HALIFAX, NOVA SCOTIA
B2J 2Y9

August 23, 1991

Mr. Karlheinz Schreiber
Thyssen
Suite 908, 305 Sparks Street
Ottawa, Ontario
CANADA
K1R 7S8

Dear Mr. Schreiber:

It has come to my attention today that Thyssen has expressed an interest in pursuing the possible purchase of the Trenton Works Lavalin plant in Trenton, Nova Scotia.

As you are no doubt aware, the financial difficulties of the Lavalin Group have created a problem at the Trenton plant, which the Province is anxious to see resolved.

I can assure you that the Province will be supportive of your efforts to expand your North American interests into Nova Scotia.

Yours very truly,


Don W. Cameron
Premier

cc: The Honourable Thomas J. McInnis
Minister of Industry, Trade & Technology



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Quebec Gov.
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17 Rue Joly Louis Duprisne
Economy Advisor to Minister
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André Dory Dp. M
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News Release Communiqué

AFN: 21/92

April 7, 1992

COMPANY SELECTED FOR CANADIAN FORCES ARMORED VEHICLE

LONDON, Ont. -- The Honourable Mary Collins, Associate Minister of National Defence, in the presence of Tom Hockin, Member of Parliament for London West and Minister of State for Small Businesses and Tourism and accompanied by Terry Clifford, Member of Parliament for London-Middlesex, today announced that Diesel Division General Motors (DDGM) has been selected to produce up to 229 light armored vehicles for the Department of National Defence, at an estimated total project cost of \$800 million. The London, Ont. factory will supply the Canadian Forces with a reconnaissance-enhanced Light Armored Vehicle (LAV) to replace the aging fleet of Lynx light reconnaissance vehicles now in use.

Earlier plans to acquire other vehicles under the Multi-Role Combat Vehicle project have been changed because of budgetary constraints within DND.

"The LAV, enhanced for the reconnaissance role, meets the operational requirements of the Canadian Forces. It has a proven record and its domestic manufacture means investment in, and commitment to, Canadian industry," said Mrs. Collins.

The Lynx reconnaissance vehicles were purchased in the mid-1960s and are reaching the end of their useful life. Canada will soon be the only country in the world still using the Lynx, and the availability and cost of spare parts is expected to pose a serious logistics problem, as well as significantly increased operation and maintenance costs.

The LAV is similar in design to the Bison, Grizzly and Cougar combat vehicles which the CF is now using. DDGM has already sold the product to other countries, including the United States.

A contract is expected to be awarded later this year, upon completion of contract negotiations with DDGM.

.../2

For information (613) 996-2353
After Hours (613) 996-7811

Pour renseignements (613) 996-2353
Après les heures de travail (613) 996-7811



Canada

- 2 -

This announcement is in accordance with the government's commitment to accelerate the capital acquisition process as discussed at the last meeting on the economy with the provincial premiers.

- 30 -

For more information, media representatives may contact:

Department of National Defence
Media Liaison Office
(613) 996-2353



Backgrounder Documentation

LIGHT ARMORED VEHICLES

BACKGROUND

As a result of the federal government's efforts to reduce the deficit, the Department of National Defence, along with other departments, has had to reduce its planned spending. DND has found it necessary to make cuts to personnel, to operating and maintenance costs and to capital projects.

The Multi-Role Combat Vehicle (MRCV) project envisioned procurement of three types of vehicles for the Canadian Forces: reconnaissance vehicles, direct fire support vehicles and infantry carriers. At a projected cost of \$2.8 billion, the entire package is no longer feasible, and the project has been cancelled.

In place of the MRCV project, the Department of National Defence will use equipment which is being returned from Europe and will purchase a new reconnaissance vehicle now.

The current vehicle used for reconnaissance purposes - the Lynx - will not be supportable after 1996. Purchased in the mid-1960s, it has become extremely difficult and expensive to acquire spare parts. Indeed, the spare parts are no longer manufactured, and Canada will soon be the only user of this equipment. Further, the Lynx does not possess the required reconnaissance capability to function effectively in the kinds of operations which are foreseen for the land forces, including United Nations peacekeeping. As well, there is an ever-increasing safety concern as the vehicle nears the end of its useful life.

CURRENT SITUATION

Taking the aforementioned factors into account, DND has determined that purchasing replacement vehicles from Diesel Division General Motors (DDGM) Canada is the most cost-effective approach to address the requirement.

The DDGM Light Armored Vehicle (LAV) 25, enhanced for the reconnaissance role, is affordable and meets Canada's operational needs. Up to 229 of these Canadian-made vehicles will be purchased for an estimated total project cost in current year dollars of approximately \$800 million.

National Defence Headquarters
Ottawa, Canada
K1A 0K2

For information (613) 996-2353
After hours (613) 996-7811

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

Pour renseignements (613) 996-2353
Après heures (613) 996-7811

Canada

(TCCCS) will create a number of jobs in a new production facility in Calgary, Alta in 1993 and will foster additional employment through electronics and support subcontracts in Saskatchewan and Alberta. The privately contracted pilot training activities at Portage la Prairie, Manitoba, will be fully operational in September, 1992. The purchase of 15,000 C-7 rifles from Diemaco of Kitchener, Ont. will continue to provide industrial benefits for that region and enhance the ability of Diemaco to compete for international contracts.

The Atlantic region will benefit from a major portion of the half-billion dollar Maritime Coastal Defence Vessel project, in addition to the ongoing benefits derived from the Canadian Patrol Frigate (CPF) project and the Tribal Class Update and Modernization Project (TRUMP).

Quebec City and Montreal will continue to benefit from their major involvement in the CPF and TRUMP projects.

In view of budgetary restraint and recently announced force reductions, the Department has cancelled the \$2.8 billion Multi-Role Combat Vehicle (MRCV) project. There remains, however, a critical requirement for the Land Forces to replace the Lynx light reconnaissance vehicles before they become technically unsupportable. The Lynx will be replaced by 229 light armored vehicles at a total project cost of approximately \$800 million. London, Ont.-based Diesel Division of General Motors is the company selected to produce these vehicles, which have been proven in combat in the Gulf and are much in demand around the world.

As well, the Canadian Patrol Submarine Project will be deferred until 1994, when we will launch a program to replace the 30 year old Oberon Class submarines with conventionally powered boats.

The Department of National Defence will buy 100 Bell 412 helicopters from Bell Helicopter Textron Canada Ltd, in Mirabel, Que. for a total project cost of approximately \$1 billion. The Bell 412 will replace the current mixed fleet of 20-year-old CH-136 Kiowas, CH-135 Twin Hueys, CH-118 Iroquois and the recently retired CH-147 Chinooks. The aircraft will be used for a variety of national and international missions such as UN peacekeeping, lift of troops and equipment, inland search and rescue, medical evacuation and base rescue flight duties.

.../3

- 3 -

Last week, the government received proposals from EHI(L) and Paramax relating to a project to acquire 35 shipborne helicopters and 15 search and rescue helicopters. These proposals will be given careful consideration over the coming weeks and the government will announce a decision related to these proposals in the summer.

This announcement is in accordance with the government's commitment to accelerate the capital acquisition process as discussed at the last meeting on the economy with the provincial premiers.

The Capital Acquisition Program takes advantage of the proven capabilities of Canadian industry to redress longstanding equipment deficiencies while providing the Forces with the resources to meet the challenges of tomorrow.

- 30 -

For more information, media representatives may contact:
Department of National Defence
Media Liaison Office
(613) 996-2353



National Défense
Defence nationale

News Release

Communiqué

AFN: 22/92

7 April 92

COMPANY SELECTED FOR CANADIAN FORCES UTILITY TACTICAL TRANSPORT HELICOPTER

MIRABEL, Que. -- The Minister of National Defence, the Honourable Marcel Masse, in the presence of the Honourable Monique Landry, Minister for External Relations and Minister of State (Indian Affairs and Northern Development) and Member of Parliament for Blainville-Deux-Montagnes, Quebec, in the presence of Mrs. Lise Bourgault, Member of Parliament for Argenteuil-Papineau, today announced that Bell Helicopter Textron Canada Ltd., of Mirabel, Que. has been selected to provide up to 100 utility tactical transport helicopters to the Department of National Defence. The total project cost for this acquisition is estimated at about \$1 billion.

"The defence policy of September 1991 reaffirmed the importance of the Canadian Forces being equipped to take on demanding national and international tasks," said Mr. Masse. "The Bell 412 will provide the Canadian Forces with a modern helicopter capable of fulfilling many important roles. Furthermore, it will avoid significant upgrade costs and introduce improved efficiencies of common training, support and operation of a single fleet."

Tasks for the new utility helicopters will include base rescue flight duties, inland search and rescue, support to special emergency response teams (SERT), peacekeeping operations, medical evacuation and utility lift and transport of troops and equipment.

The Bell 412 is currently in production and requires minor equipment additions necessary for military operations. Acquisition of an off-the-shelf commercial helicopter will ensure that in-service support can be provided in an economic manner.

It is expected that successful negotiations with Bell will result in a contract later this year. Helicopter deliveries will begin in 1994 and will be completed by 1997.

.../2

For information (613) 896-2363
After Hours (613) 896-7811

Pour renseignements (613) 896-2363
Après les heures de travail (613) 896-7811



Canada

GENERAL

Q1 Will DND be able to meet its ultimate objective of devoting 30% of the defence budget to capital spending?

A1 In light of Budget '92, National Defence has had to review and adjust plans for its capital program to ensure that it remains affordable within revised reference and planning levels. Therefore, the Minister of National Defence has decided to cancel, defer or reduce a number of projects, and has identified those which should proceed. While there will be reductions in planned capital spending over the next two years, we will continue to pursue the target of 26% within five years, with the long-term goal remaining 30%. The current National Defence capital equipment procurement plans can be funded from within existing DND reference levels.

Q2 The decision to select the Bell 412 helicopter seems to have been made in the absence of a competitive procurement process. Why was this procurement sole-sourced?

A2 A number of helicopter manufacturers were examined including MBB Canada, Sikorsky USA, and Aerospatiale France. This examination revealed that MBB's BK 117 helicopter could not meet the critical requirements for load altitude, speed, hover and climb under load. As well, Sikorsky's Blackhawk and Aerospatiale's Super Puma exceeded our requirement, and both cost significantly more, than the Bell 412.

Q3 Why was there not a competitive process for the Light Armoured Vehicle requirement?

A3 In Canada, there is only one qualified and active manufacturer of suitable vehicles to meet the operational requirement. This company is Diesel Division of General Motors (DDGM). The competitive process is longer and not necessarily the only means by which to acquire a cost-effective vehicle. We believe that the directed procurement of a recce-enhanced LAV25 from DDGM will provide the requisite value for money.

Q4 The government could be accused of renegeing on its promise to Thyssen-Bearhead to let them compete for the provision of light armoured vehicles. Why was Thyssen not allowed to participate in this procurement?

A4 The government agreed to consider the participation of Thyssen-Bearhead in the context of the proposed major acquisition program for light armoured vehicles. The program evolved into MRCV which envisaged the ultimate acquisition of three vehicle variants. MRCV is now unaffordable and has been cancelled. Thyssen's right to compete was conditional on a broad scope, affordable, project. The operational, budgetary and international defence market environments which underlay the understanding in Principle have changed significantly.

In addition, there has been a world-wide contraction in the defence vehicle market due to the world economic and political situation. It is expected that this trend will be continuing for the foreseeable future. Canada cannot sustain a single manufacturer of armoured vehicles solely with its own orders. Thus, it would not make sense to create a new producer of military vehicles in Canada.

Q5 Given the 1991 government decision to cancel phase two of the Small Arms Replacement Project why is DND purchasing additional rifles.

A5 The purchase of up to 15,000 C-7 rifles will allow for expansion of the Canadian Forces during a crisis since a continued domestic production capability cannot be assumed, this acquisition is both prudent and necessary.

Q6 What employment impact will be generated with the rifle acquisition?

A6 The acquisition of the 15,000 rifles at an estimated cost in the \$20M-\$25M range - yet to be negotiated - will maintain the 400-500 direct and approximately 1500 indirect person years of work which would otherwise have been lost at the end of our earlier production requirement, scheduled to cease next month. Further, this acquisition will permit the company to maintain product levels and the critical skills necessary to secure additional orders.

**MULTI-ROLE COMBAT VEHICLE (MRCV)
LIGHT ARMoured RECONNAISSANCE VEHICLE (LYNX Replacement)**

Q1 In September 1991, in his statement on Defence Policy, the MND announced that money would be devoted to Multi-Role Combat Vehicles. Why has a decision now been taken to cancel the MRCV project?

A1 We have experienced major funding reductions of almost \$6 billion over the last three years. In addition, the changing world situation and our pending withdrawal from Europe have resulted in changed operational requirements for the Canadian Forces. Thus, the initial assumptions supporting the MRCV project have changed significantly. Acquiring three armoured vehicle variants is no longer affordable in the overall departmental program and cancellation of the project will allow us to focus on the more urgent requirement, the reconnaissance vehicle.

Q2 How much money has been spent to date on the MRCV project?

A2 Approximately \$1 million has been spent for project management associated costs. This expenditure will not be wasted as the work done to date can be fully transferred to the new Lynx replacement project.

Q3 How much money was saved by the Department's decision to cancel MRCV?

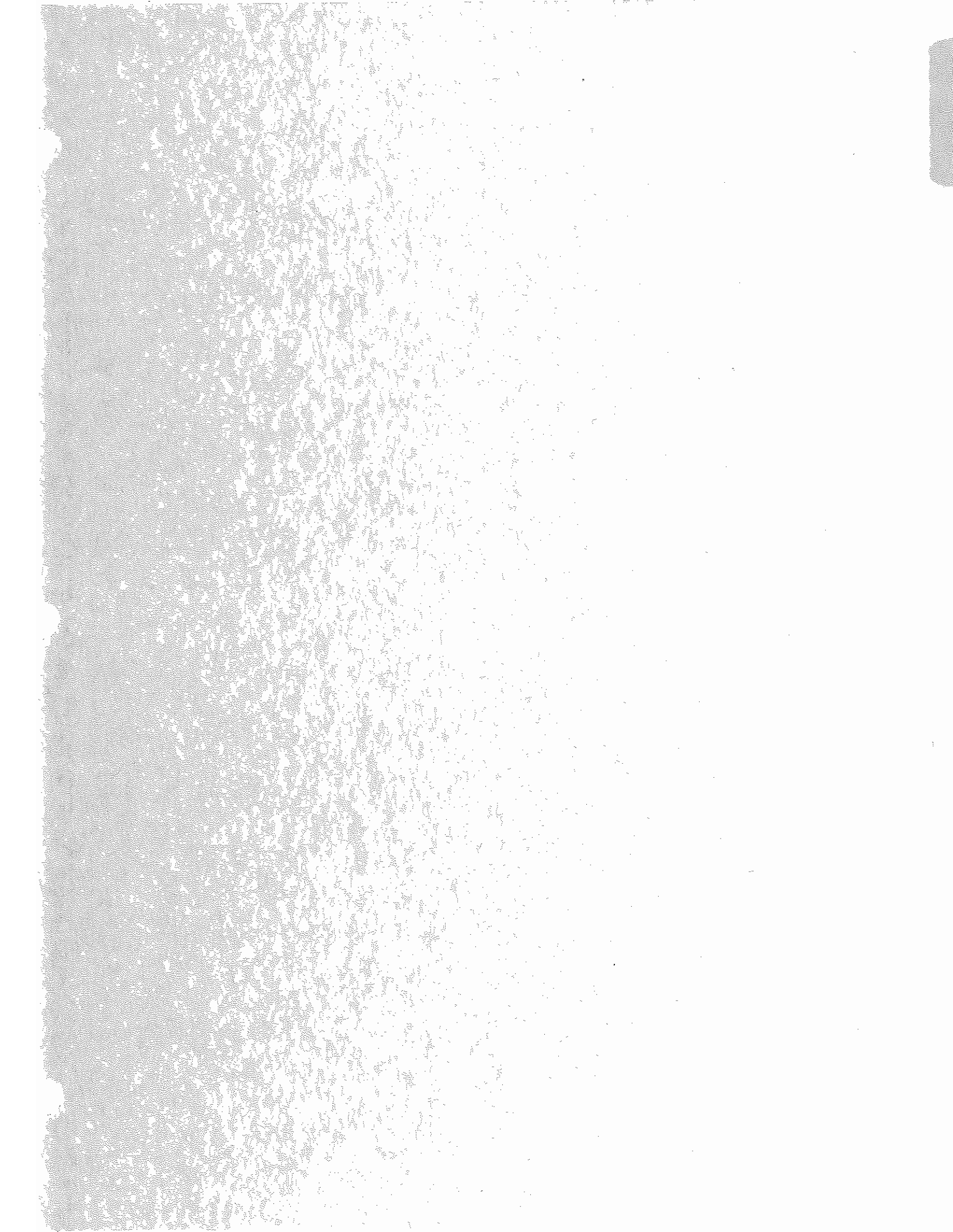
A3 As MRCV was estimated at \$2.8 billion and the Lynx replacement is estimated at \$800 million, the short-term savings will be in the order of \$2 billion.

Q4 The LAV 25 is replacing the Lynx reconnaissance vehicles. Is it the department's intention to use the LAV 25 as its future MRCV?

A4 No. Future armoured vehicle requirements will be dealt with as the need arises.

Q5 How many Lynx vehicles are in DND's inventory and what will happen to them?

- A5 We currently have 174 Lynx vehicles. They will be disposed of when their useful life expires.
- Q6 Why has the decision to replace the Lynx been left so late that operational readiness will be severely affected unless a replacement is found by 1996?
- A6 It has always been the department's intention to replace Lynx by 1996 at the latest. The reconnaissance vehicle was the variant first scheduled for procurement under the now cancelled MRCV project.
- Q7 It appears that the critical time frame of 1996 is responsible for the decision to sole-source this contract and not to follow the usual competitive bidding process. Will the taxpayer and the department get best value for money by going sole source to GM?
- A7 The competitive process is longer and not necessarily the only means by which to acquire a cost-effective vehicle. We believe that the directed procurement of a reconnaissance-enhanced LAV 25 from Diesel Division of GM will provide the requisite value for money. The contract will be negotiated in compliance with government policy. Furthermore, by using a Canadian company, jobs will be maintained in Canada, keeping Canadian tax dollars at home.
- Q8 What is the life expectancy of the Grizzly and Cougar variations of armoured vehicles? Will these eventually be replaced by the LAV 25 or a version thereof?
- A8 The currently estimated life expectancy of the Grizzlies and Cougars is about another 10 years. At this time it is far too early to identify what vehicle(s) are likely to replace them.



FDCI
FRED DOUCET
CONSULTING
INTERNATIONAL

19 April 1992

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

Dear Karlheinz,

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

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

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

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

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

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

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

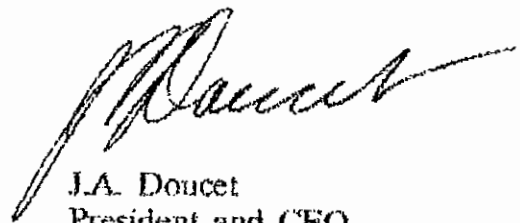
Either way you choose to go we can be helpful in view of our key associations in the U.S. and the advisory role we have played with Mexico.

I look forward to hearing from you and seeing you.

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

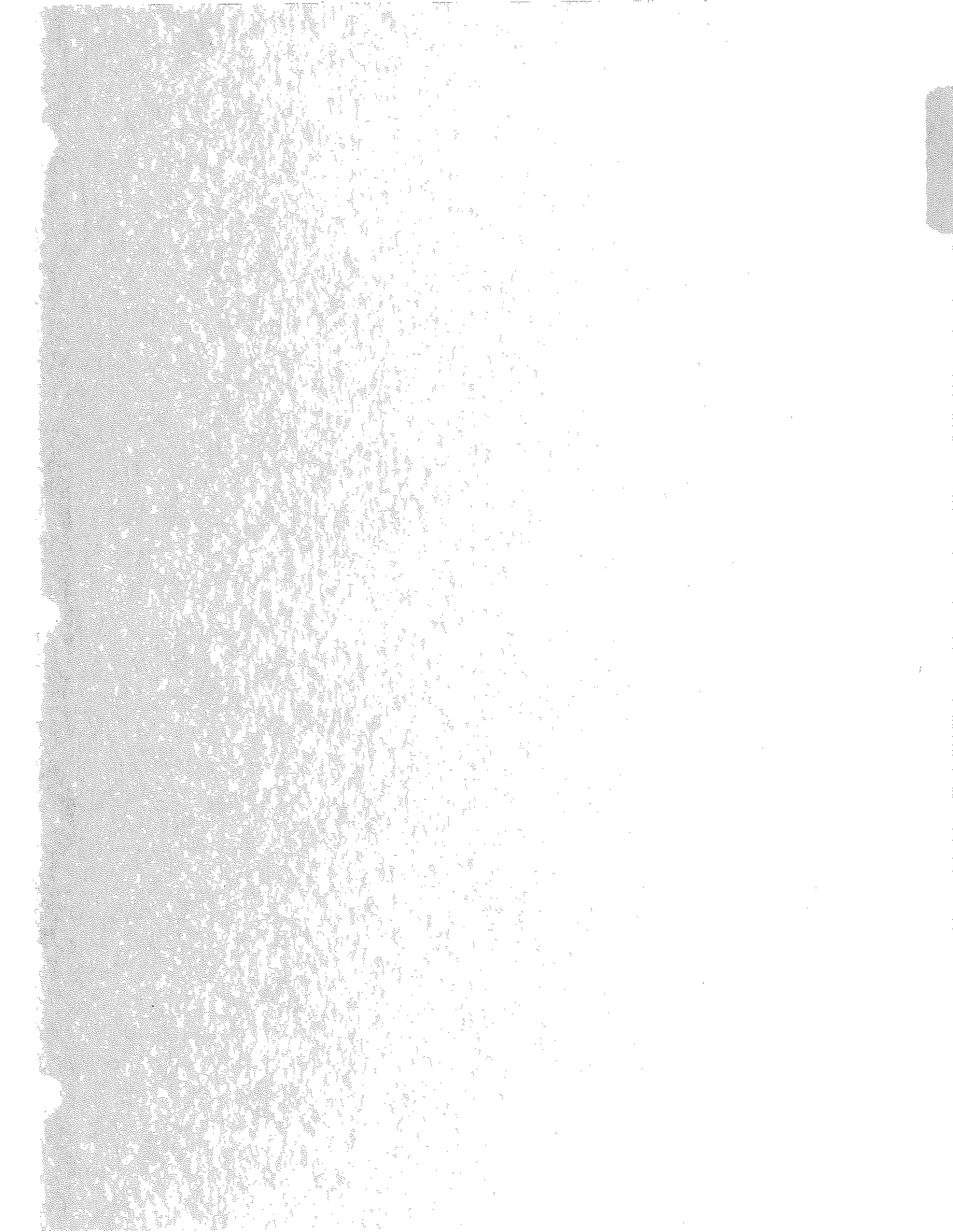
Every good wish.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'J.A. Doucet', with a long, sweeping horizontal stroke extending to the right.

J.A. Doucet
President and CEO

JAD/fe



Karlheinz Schreiber

Suite 908, 350 Sparks St., Ottawa, Ont. K1R 7S8
Telephone: (613) 563-3321 Fax: (613) 563-7648

May 6, 1992

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

Dear Prime Minister:

I would like to thank you very much for finding the time to meet with me yesterday especially when you are so busy with the constitutional issue. I was also greatly heartened by your sympathetic understanding of the situation and your determination to set things in train.

As you recommended, we are now working on a 2 page summary of the actions necessary to realize the project as you would like to see it. To deliver the exact figures will take a few days and we will present them to you next week. The activity we will engage in the next few days includes an investigation of the situation for establishment of the project in East Montreal.

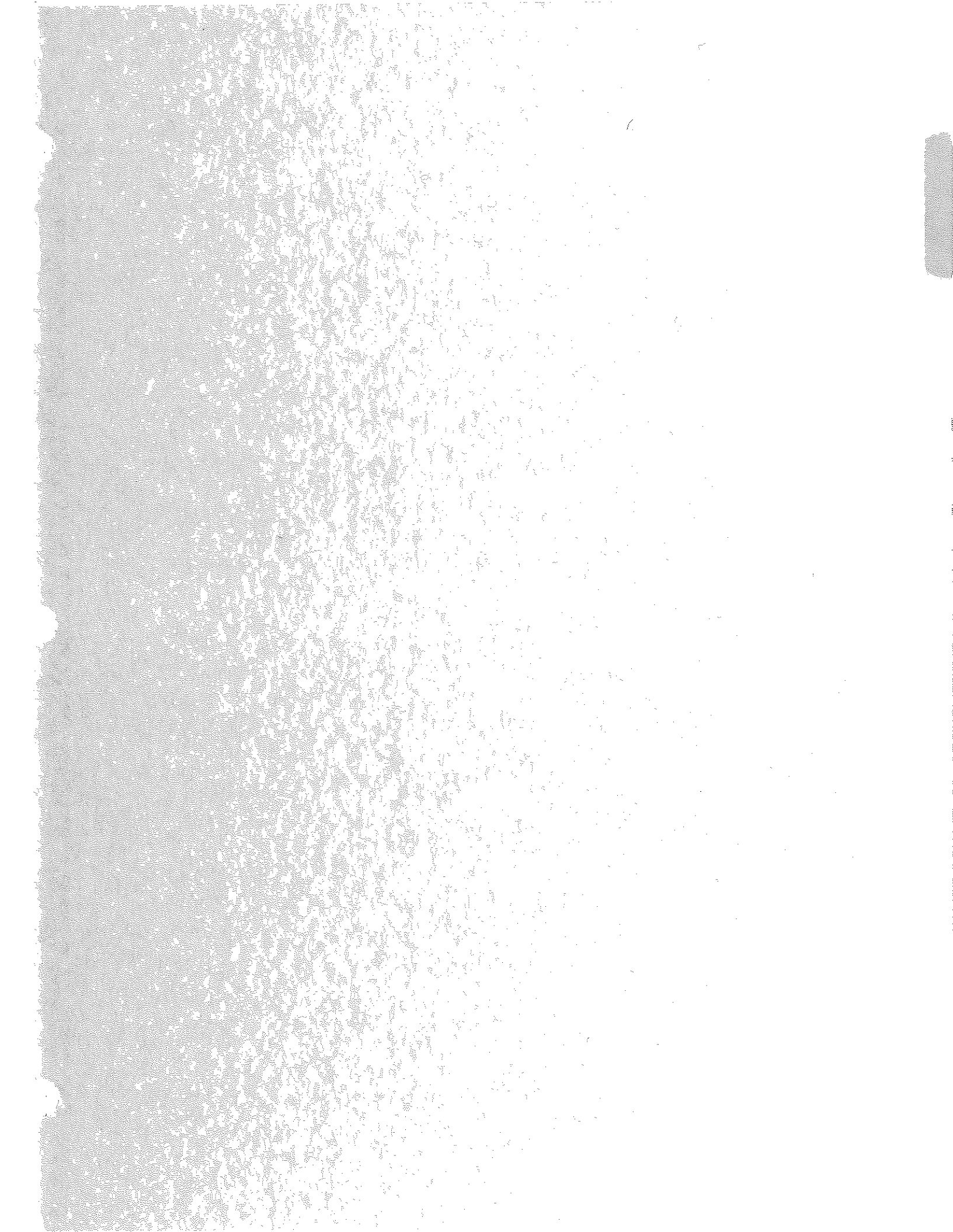
I would also like to inform you that after the meeting with you, Elmer and I had a very good meeting with Marcel Masse and I expect to meet with him again next week.

With regard to your suggestion that we get together when you are in Munich, perhaps you would ask one of your staff to give me information on your program, so that my family and I can help you and your family to enjoy your visit to our home city.

I look forward to seeing you again next week.

Warm personal regards,







SUPERText

**RCMP/GRC "A" DIVISION A
Commercial Crime
Délits commerciaux
Project/projet A102
File/dossier: 95A517**

EXHIBIT INFORMATION

Date Seized: 1996-10-30

Seized By: Cpl. DALLAIRE

Exhibit No.: 96-34

Item No.: 12a

Sub-file / Endorser Text: **3412a**

COMMENTS: Exhibit 96-34 item 12 consisted originally of "original photocopies" which had been turned over to Cpl. DALLAIRE by DND and marked as item 12. The exhibit was then returned to DND on 97-03-05 for the vetting of cabinet confidences. A portion of those documents were then returned to the RCMP on 97-09-05, becoming known as item 12a. On 97-11-25 photocopies of the remaining "original photocopies" which were not cabinet confidences were turned over to Cpl. DALLAIRE and became known as item 12b. On 98-03-12 DND returned the "original photocopies" of item 12b to the RCMP. These were then marked as item 12c. Thus 12a and 12c consist of the "original photocopies" given to DALLAIRE and are marked with his numbering. Item 12b consists only of photocopies.

These documents have been re-scanned in November of 2001 in order to accurately reflect what is contained in exhibits 12a, 12b and 12c. S/Sgt. N.J. ALEXANDER 2001-11-16.

Karlheinz Schreiber

Suite 908, 350 Sparks St., Ottawa, Ont. K1R 7S8
Telephone: (613) 563-3321 Fax: (613) 563-7648

021530199

13 May 1992

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


Dear Prime Minister:

Subsequent to our meeting of last week and the meeting with the Hon. Marcel Masse, I am pleased to inform you that I have now had very encouraging meetings with representatives of the Premier and officials from the Province of Quebec, and with four senior Army Generals.

The next important step in the whole process is to have a meeting as early as possible with l'Hon. Marcel Masse to discuss the areas of his very important involvement. A letter to Minister Masse is attached which will inform you of that proposal.

I will keep you informed on our progress, and will request a further meeting when the situation is more fully advanced. I know that I can count on your continuing support, although I appreciate that all our activities are greatly overshadowed by the tragic event in Nova Scotia, and Elmer's strong personal concern and involvement.

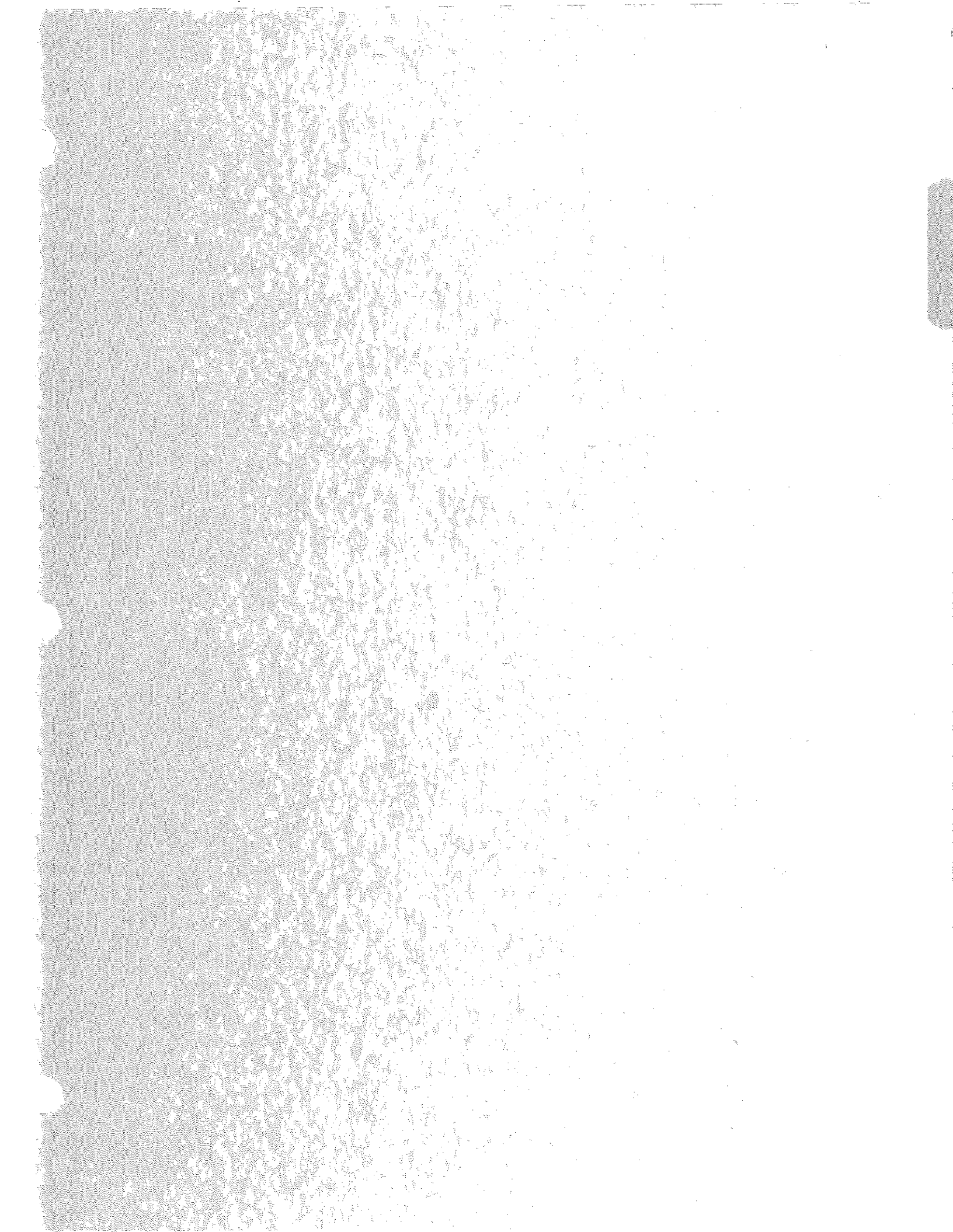
Sincerely yours,


Karlheinz Schreiber
Chairman

017/563/005

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623 940813 X
076-0892





THYSSEN BHI

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

TELEPHONE (613) 563-3321

TELEFAX (613) 563-7648

May 13, 1992

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

Dear M. Masse:

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

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

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

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

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



THYSSEN BHI

2

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

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

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

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

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

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

Sincerely,


Karlheinz Schreiber
Chairman

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



seen by



021530198

BEAR HEAD INDUSTRIES LIMITED

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

TELEPHONE (613) 563-3321

TELEFAX (613) 563-7646
TELEX 053-3981 bhl ott

The Right Honorable
Brian Mulroney
Prime Minister of Canada
Langevin Block
80 Wellington Street
Ottawa, Ont.
K1A 0A2

22 May 1992

Dear Prime Minister,

As promised I write to keep you informed of recent events which have occurred as I proceed to realize our project by the method which I agreed with you during our last meeting.

I am pleased to confirm the very positive support we have received for our proposal from Hon. Jean Corbeil as expressed through M. Richard Le Lay his Chief of Staff. Furthermore, I understand that it is intent of Min. Corbeil to solicit the support of Min. Benoit Bouchard.

That position fits in parallel with support expressed by the Province of Québec and I find it encouraging.


More recently, as a result of my May 13, 1992, letter to Min. Masse, a delegation from our Company was invited on May 20th to discuss the involvement being requested of DND by the Company.

-2-

The outcome of that meeting was completely unhelpful and I am dismayed by the lack of co-operation and understanding of the important economic benefits which this proposal offers to Canada. You will see by the attached report of the meeting that the DND position has been to simply "stone-wall" the Company's proposal. Though not a complete surprise, it was even more negative than I expected. //

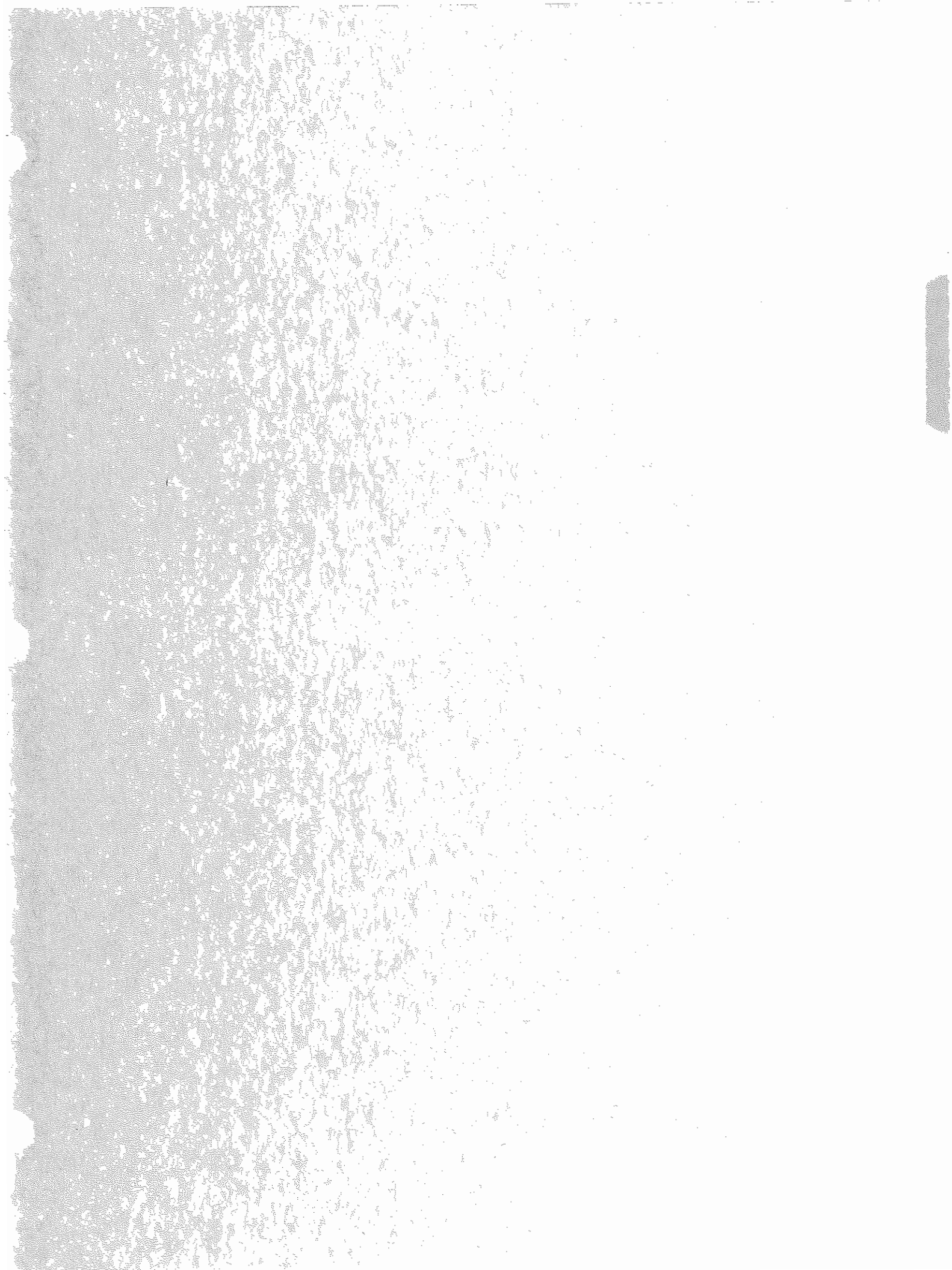
I have travelled to Germany for this week but will be back in Ottawa on May 31st. to resume my activity towards our project.

Most sincerely,



Karlheinz Schreiber
Chairman

Encl.



CLERK OF THE PRIVY COUNCIL AND
SECRETARY TO THE CABINET



GREFFIER DU CONSEIL PRIVÉ
SECRÉTAIRE DU CABINET

SECRET

June 24, 1992

PCO - 12103	NR - 0177
Original:	8420-5
Copies:	
Ident:	62283

MEMORANDUM FOR THE PRIME MINISTER

Thyssen BHI Proposal to Develop a "Peace-Keeping" Vehicle

I understand that in early May you met with Mr. Karlheinz Schreiber of Thyssen BHI to discuss his proposal to build eight prototype "peace-keeping" vehicles based on the TH 495, currently under development. Since your meeting, Mr. Schreiber has written to you twice, May 13 and May 22, outlining the progress he is making in gaining support for his project.

Background

Since 1986, Thyssen Industries of Germany has been negotiating with the Government to establish a plant in Nova Scotia to produce, inter alia, 250 Light Armoured Vehicles which was part of the Multi-Role Combat Vehicle Project (MRCV project) under a directed contract from DND. Thyssen proposed on September 27, 1988 an "Understanding in Principle" that was signed by the Ministers of DND, ISTC and ACOA. The only commitment made was to "consider participation of the Company in the Light Armoured Vehicle procurement program", planned by DND for the mid-nineties. This commitment was subject to certain conditions including that the Company meet various DND requirements, and that funding for the MRCV project be assured. Due to affordability, DND has cancelled the MRCV project and instead has directed a sole source contract to Diesel Division of General Motors an order for armoured reconnaissance vehicles.

The most recent proposal submitted to DND seeks a directed contract from the Government to build eight prototype "peace-keeping" vehicles. Thyssen would construct an R&D facility in Quebec, presumably the east end of Montreal, to carry out the work. Although the proposal does not seek financing by DND, it does assume that some other government department would provide DND with \$132 million for the contract. The position of the Quebec Government is not yet known. Thyssen claims Quebec's support; our officials will be in touch with the Province about this.

OTTAWA
K1A 0A3

105

Thyssen have also indicated that they would expect DND to test and evaluate the prototype vehicle. This is apparently to provide endorsement of the vehicle to assist Thyssen in marketing it abroad.

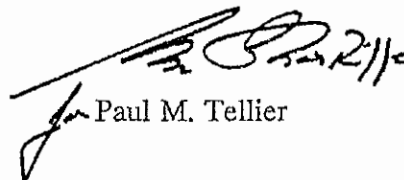
In meetings with the company, DND has indicated that it does not require this type of vehicle and has no budget for it. DND would be willing to test and demonstrate the vehicle on a cost-recovery basis to assist the company. DND officials suggested to Thyssen that the company approach the Department of Industry, Science and Technology to see whether the project could be considered as an industrial development project. Officials of ISTC indicate that Thyssen has not yet approached them. Although the project could be considered under the Defence Industry Procurement Program, it is unlikely to be approved unless there is solid evidence of strong export market potential. This is so far lacking and exports of this type of vehicle would raise issues of foreign policy and armament sales.

PCO COMMENT

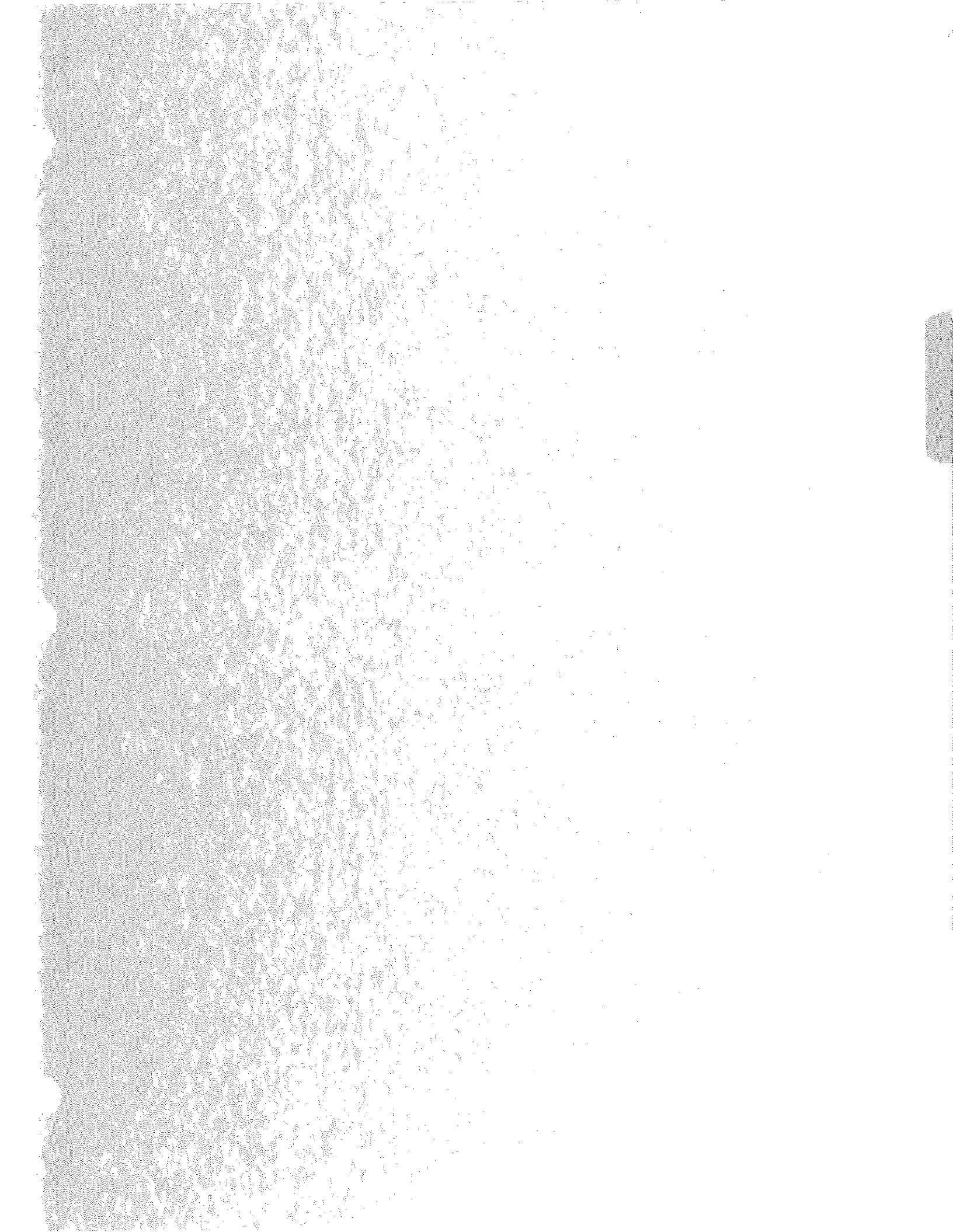
There is no defence rationale for the Thyssen proposal. It may be more appropriate for it to be considered as an industrial development although arms sales limitations would, as noted above, prove a difficult issue. We have met with officials of ISTC and FORD-Q. Using the criteria for their programs, their early assessment is that there is little rationale for such a project. However, more in-depth analysis is required before drawing final conclusions. In any case, there would likely be extreme political sensitivity if a Thyssen project were to proceed in Quebec, when, an earlier related Thyssen proposal did not proceed in the Maritimes.

Under the circumstances we suggest that you refer Mr. Schreiber to the Minister of Industry, Science and Technology and suggest that he explore the suitability of various industrial development programs. Attached for your consideration are two letters: one to Mr. Schreiber suggesting this step,

3a(2)(d)


Paul M. Tellier

Olver/Rowat



140-08

Office of the
Prime Minister

Cabinet du
Premier ministre

JUL 20 1992

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

Dear Mr. Schreiber,

Thank you for your letters of May 13 and 22 in which you outline the progress you have made to see the realization of your recent project to develop a "peace-keeping" vehicle in Canada.

I am aware of the concerns that Mr. Masse has expressed to you about the suitability of the project from the point of view of his defence needs. I must say I share some of his concerns. As a possible next step, I would suggest that you explore the potential for support for the project as an industrial development initiative. Since much of what you are proposing falls within the purview of the Minister of Industry, Science and Technology, I suggest that you contact the Honourable Michael Wilson to see whether any of the programs for which he is responsible would be suitable for your needs. His officials are aware of your proposal and should be able to respond in a timely fashion once you engage in discussions.

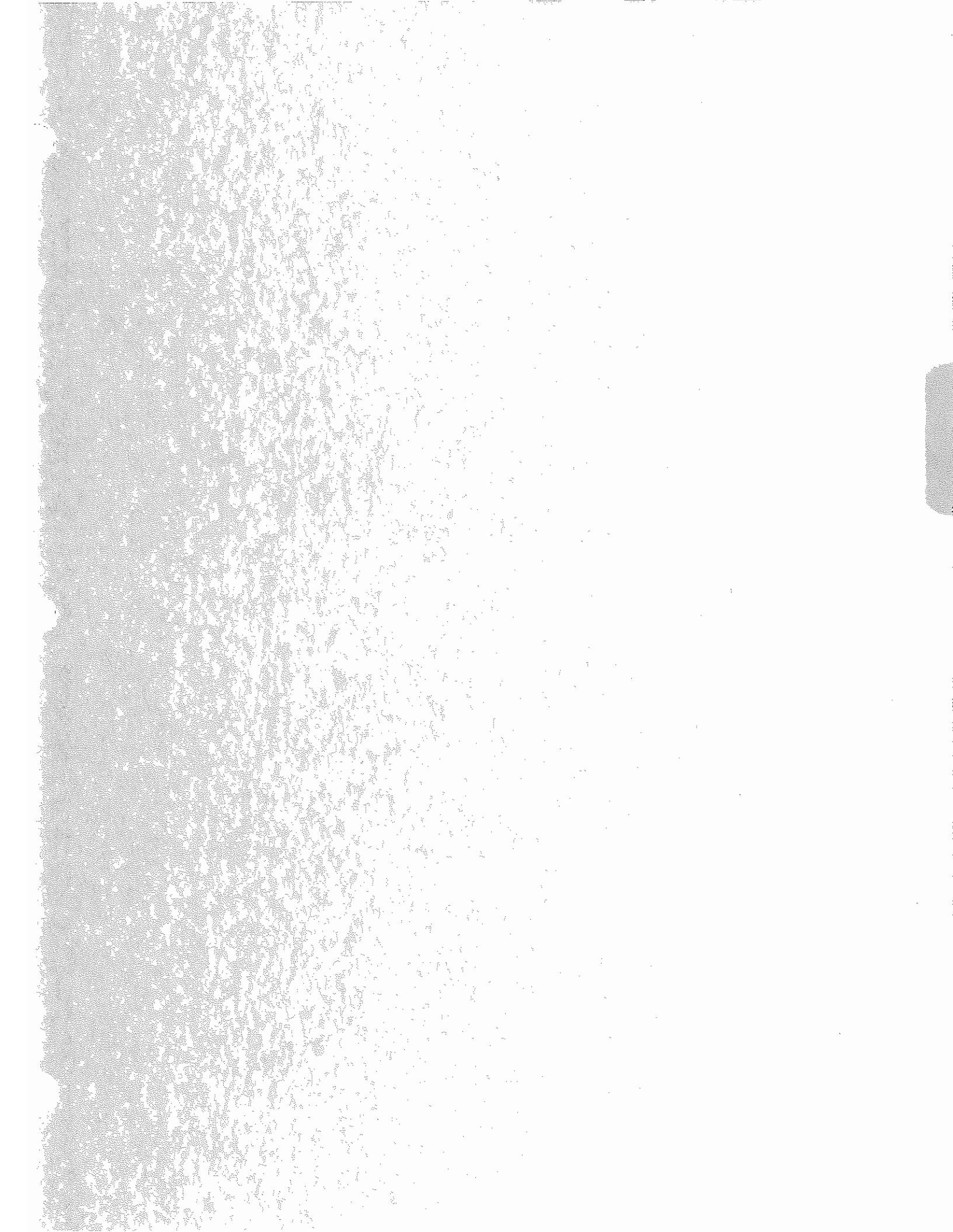
Thank you for your interest in doing business in Canada.

Yours sincerely,

ORIGINAL SIGNED BY
Hugh Segal
A SIGNÉ L'ORIGINAL

Hugh Segal
Chief of Staff

1 of 1



FDCI MEMORANDUM

August 27 1992

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

FROM: J.A. DOUCET

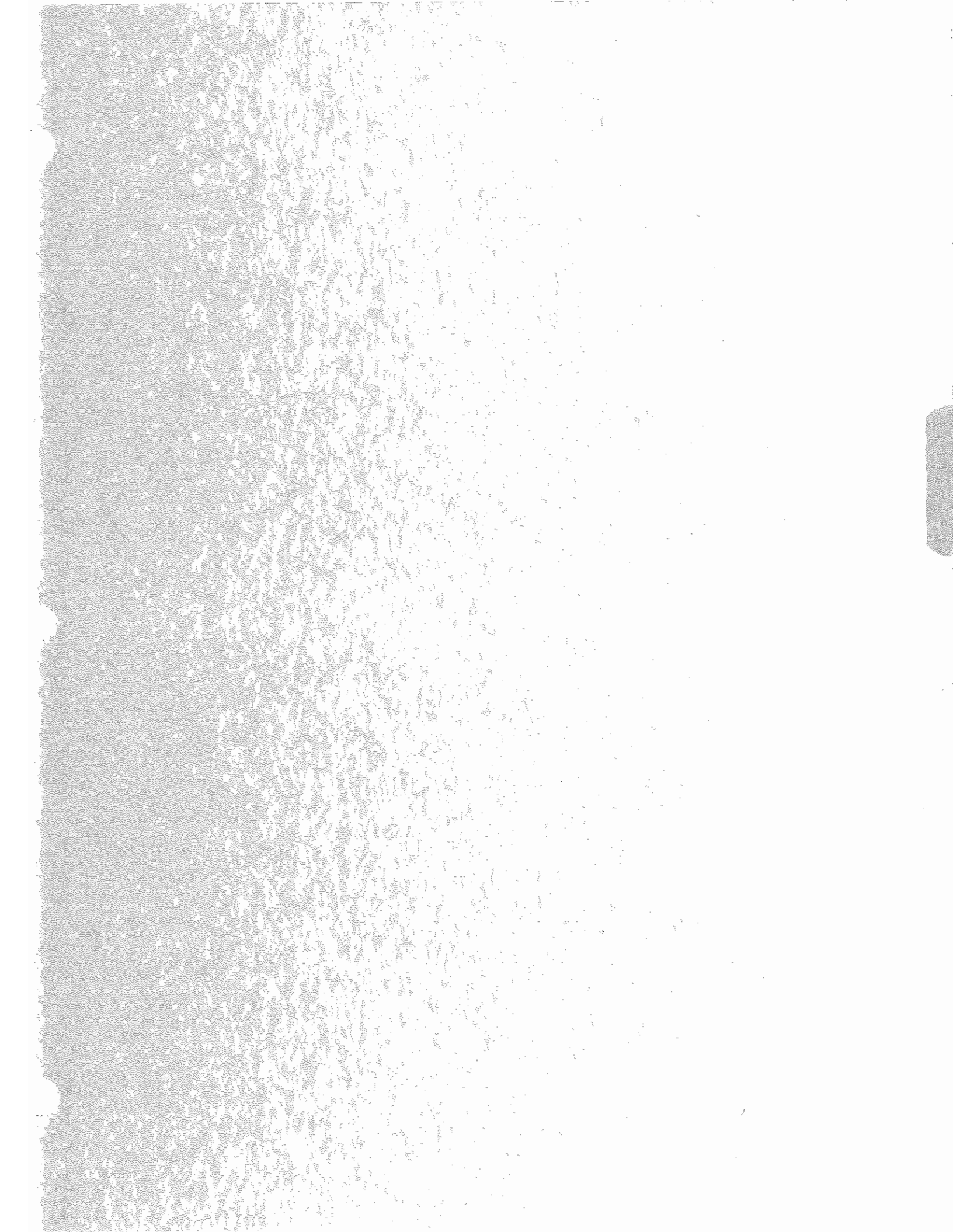
Meeting between Corbeil and Bouchard yesterday was 10 on 10.
Neither of them let me down.

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

Great stuff.

Stay tuned.

J.A. Doucet



Bureau fédéral de
développement régional (Québec)
Ministre



Federal Office of
Regional Development (Québec)
Minister

L'honorable The Honourable
Benoît Bochner, C.S., député

September 25, 1992

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

Dear Mr. Schreiber:

This refers to our previous meeting and to subsequent representations made to officials of the Federal Office of Regional Development (Québec) concerning your proposal for the establishment of a new heavy industrial manufacturing activity in North America and more specifically in the Montreal area.

It is noted that you have identified export market opportunities in the field of light armoured vehicles for peacekeeping missions and that you also intend to use the Canadian base of operation to develop activities in an extensive range of heavy industrial technologies.

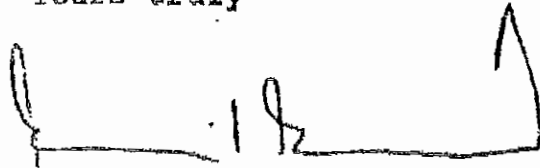
The prospects for a research and development of eight prototype vehicles which would be built under phase 1 of your project at an estimated cost of some 170 million dollars, and the construction of a new plant at a cost of 68 million dollars which would create 585 direct highly skilled jobs within the next five years would indeed constitute significant benefits for the Montreal region.

Based on the preliminary documentation and information which has been provided and on the eventual significant benefits which your project would represent and considering my mandate which is precisely the regional development in Québec, it has been concluded that the continuation of our analysis is fully justified and that further consultations with my colleagues and with the Québec government officials should take place, on a priority basis, with a view to reach a final decision on your proposal.

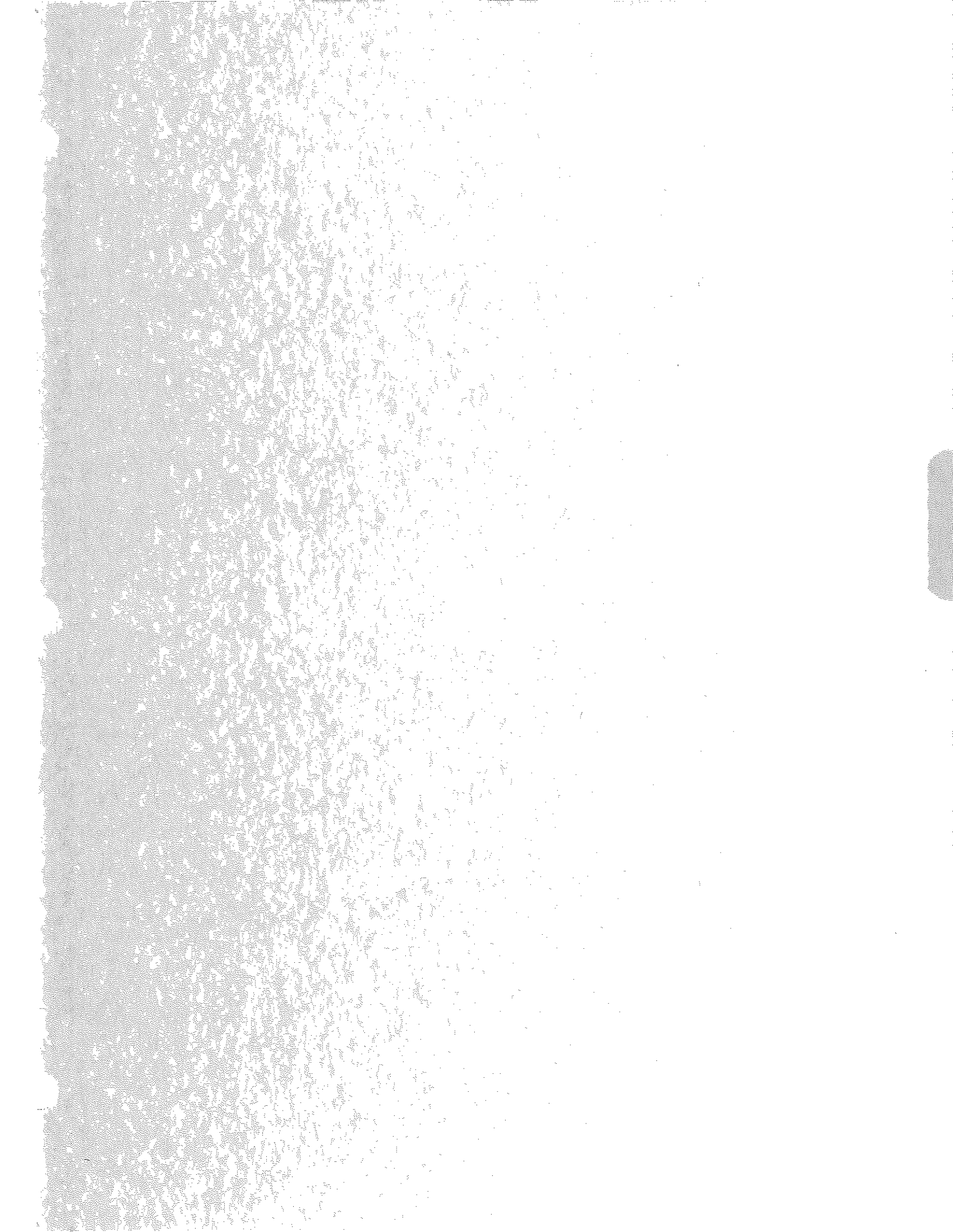
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Following the meeting which took place in Montreal Tuesday September 22, 1992, I am pleased to inform you that all the responsible officers from the departments which are involved in the review of your project, will meet in Ottawa next week. It is our hope that this letter is an indication of our solid interest in the proposal you have put before us and will find favor with your colleagues at Thyssen headquarters.

Yours truly

A handwritten signature in black ink, appearing to read "Benoit Bouchard". The signature is stylized with a long horizontal line and a large, pointed flourish on the right side.

Benoit Bouchard



Karlheinz Schreiber

Suite 908, 350 Sparks St., Ottawa, Ont. K1R 7S8
Telephone: (613) 563-3321 Fax: (613) 563-7648

December 3, 1992

The Right Hon. Brian Mulroney
Prime Minister of Canada
Langevin Block
80 Wellington Street
Ottawa, Ont.
K1A 0A2

Dear Prime Minister:

First I want to thank you for providing me the great honour of again being a guest at your home for a most delightful breakfast and constructive discussion.

Bärbel and I do very much look forward to the opportunity when we can host you and Mila in one of our homes, so that we may return your kind hospitality.

Enclosed you will find the promised "Echinaforce" from the renowned Dr. A. Vogel company of Switzerland. This herbal extract is the "secret weapon" of the medical doctors in Europe. As I mentioned, the medicine boosts the strength of the human immune system. I can confirm to you that my family is using this product and we are excited about the results. This particular medicine was obtained in Ottawa, and if you are interested you will find a whole line of Dr. Vogel products at the health food store the "Wheat Berry" at 206 Main Street. If you encounter any problems with obtaining the Echinaforce, please contact my office at 563-3321.

Thank you for asking David McLaughlin with overseeing the progress of the Thyssen BHI proposal on your behalf.

Also I have had a very constructive discussion with l'hon. Jean Corbeil, and I wish to express to you the confidence which I have in his support and involvement.

As December is already here, let me sign off with best wishes to you, Mila, and the children for a healthy and happy Christmas and New Year.

Best personal regards,


Karlheinz Schreiber

and warm wishes to you and your family from Bärbel.



Fiscal Office for Group Tax Audit
 Dusseldorf II
 for the fiscal offices
 in the financial district of Dusseldorf

Finanzamt NW * Postfach 11/12/13/14/15/16/17/18/19/20 Dusseldorf I

Mr. Karlheinz Schreiber
 Hiltistr. 22

8912 Kaufering

Tax number/Reference number
 S 1520 - 315/92 - V

Your ref.

Date
 December 14, 1992

Re: Bear-Head Project

Enclosure: 1

Dear Mr. Schreiber,

As discussed, I am sending you for your kind attention a memorandum dated December 14, 1992, about our discussion on December 9, 1992.

Sincerely,

(signed)

Beck

Please state tax number/reference number
 in your reply

Information provided by:

Mr. Beck

Telephone:
 (0211) 7815475

Room

Fiscal Office for Group Tax Audit
Dusseldorf II

Dusseldorf, December 14, 1992

Memorandum

on the discussion on December 9, 1992
at the Fiscal Office for Group Tax Audit, Dusseldorf II

I. Participants

Bayrische Bitumen Chemic)	Mr. Schreiber, Manager
Ferdinand Heinrich GmbH (BBC))	and President
Bitucan Holdings Ltd. (BH))	

Fiscal Office for Group Tax Audit,
Dusseldorf II

Mr. LRD Dr. Miese, Chairman
Mr. ORR Beck, field supervisor
Mr. ORR Mayr, audit supervisor

B. Subject of the Discussion

Loan and commission payments of Thyssen Industrie AG for the Bear Head Project.

C. Result of the Discussion

1. In the letter dated October 31, 1985, Mr. Schreiber, as President of Bitucan Holdings Ltd., was authorized by Thyssen Industrie AG to negotiate transactions for defence technology products. In particular, the Bear Head Project was supposed to push ahead through him. In this connection, Mr. Schreiber founded the Bear Head Industries Limited and sold these shares in December 1987 to Thyssen Industrie AG. The Chairman of this company from that time on was Mr. Schreiber. Mr. Massmann, chairman for defence technology at Thyssen Henschel, performed the tasks of the president in this firm.

- 2 -

2. To develop the Canadian and North American market, as well as to establish the relations required for this, Thyssen Industrie AG — apart from the agreements with Mr. Schreiber — enlisted through his brokering the services of third parties (see 2.1), for whom considerable payments were agreed on and paid.

2.1 The payment of the compensations required the availability of an *Arenal*¹ suitable as a production site and the necessary promotion and support of the public sector. According to Mr. Schreiber, this was evidenced by the conclusion of contracts dated October 30, 1987 (concluded between Her Majesty the Queen, in right of the Province of Nova Scotia, and the Bear Head Industries Ltd.) and September 27, 1988 (concluded between the government of Canada, represented by:

- the minister responsible for the Atlantic Canada Opportunities Agency,
- the minister for regional industrial expansion,
- the defence minister on the one hand, and the Bear Head Industries Ltd. on the other hand).

The contract dated February 10, 1992, which assures CAD 58 million in subsidies for the development of the armoured vehicle prototypes, is also to be considered proof of the brokering service.

2.2 As for financing the costs he incurs, Mr. Schreiber was granted an interest-free loan of CAD 1.5 million (DM 2,156,250.—) in the contract dated December 23, 1986. This loan was granted neither to Bayrische Bitumen Chemie Ferdinand Heinrich GmbH nor to Bitucan Holdings Ltd., but to Mr. Schreiber personally and was paid out to him. This is justified by the fact that in the early stages of the negotiations with Thyssen in 1985/86, Ms. Zechner still had a share in the BBC ... *(the sentence is incomplete)*.

Fiscal Office for Group Audit

Dusseldorf, December 14, 1992

¹ Translator's note: The meaning of the word could not be determined from any standard references.

2.3 As for the loan granted to the domiciliary company, International Aircraft Leasing Ltd. (IAL), Vaduz, (member of the board E. Frick), and the payments (= useful contributions) rendered to this company, Mr. Schreiber assumes that Mr. Frank Moores, whom he thinks is one of the shareholders of IAL, had received these sums and had carried out the allocation of the contributions in Canada.

Consequently, Mr. Schreiber was informed by the group tax audit that in order for the useful expenses (NA) to be recognized as operating expenses (§ 160 of the tax law) in payments to a domiciliary company, the local person liable to pay tax must provide the full name and address of the persons behind the domiciliary company (BFH from August 25, 1986, Federal Taxation Gazette, 1987 II, p. 481).

Also in view of the tax treatment of future payments, an agreement was made with Mr. Schreiber for him to take care of providing the names of the end recipients of the useful expenses of the IAL shareholders, and at the same time, to obtain confirmation that, of these payments, there was no reflux to persons or firms that are locally liable to pay tax.

Fiscal Office for
Group Tax Audit
Dusseldorf II

(signed)
- Dr. Miese -



Finanzamt für Konzernbetriebsprüfung

Düsseldorf II

für die Finanzämter
im Oberfinanzbezirk Düsseldorf

Finanzverwaltung NRW - Postfach 10 10 24 - 4000 Düsseldorf 1

Herrn
Karlheinz Schreiber
Hiltistr. 22

6912 Kaufering

Steuernummer/Geschäftszeichen
8 1520 - 315/92 - V

Ihr Zeichen und Tag

Datum

14.12.1992

Bitte Steuernummer/Geschäftszeichen
in der Antwort angeben

Auskunft erteilt	
Herr Beck	
Telefon 475 (02 11) 78 15	Zimmer

Betrifft: Bear-Head-Projekt

Anlage: 1

Sehr geehrter Herr Schreiber,

wie besprochen übersende ich Ihnen einen Aktenvermerk vom 14.12.1992
über unser Gespräch vom 09. Dezember 1992 zu Ihrer Kenntnisnahme

Mit freundlichen Grüßen

Im Auftrag

Beck

Finanzamt für Konzernbetriebsprüfung
Düsseldorf II

Düsseldorf, 14.12.1992

Aktenvermerk

Über die Besprechung am 09. Dezember 1992
im Finanzamt für Konzernbetriebsprüfung Düsseldorf II

I. Teilnehmer:

Bayrische Bitumen Chemie	}	Herr Schreiber, Geschäftsführer und Präsident
Ferdinand Heinrich GmbH (BBC)		
Bitucan Holdings Ltd. (BH)		

Finanzamt für Konzernbetriebsprüfung Düsseldorf II	Herr IRL Dr. Miese, Vorsteher
	Herr ORR Beck, Sachgebietsleiter
	Herr ORR Mayr, Prüfungsleiter

B. Gegenstand der Besprechung:

Darlehens- und Provisionszahlungen der Thyssen Industrie AG für das Bear Head-Projekt.

C. Ergebnis der Besprechung

1. Mit Schreiben vom 31. Okt. 1985 wurde Herr Schreiber als Präsident der Bitucan Holdings Ltd. von Thyssen Industrie bevollmächtigt, Geschäfte für wehrtechnische Erzeugnisse zu vermitteln. Insbesondere sollte durch ihn das Bear Head Projekt vorangetrieben werden. Herr Schreiber gründete hierzu Bear Head Industries Limited und veräußerte diese Anteile im Dezember 1987 an die Thyssen Industrie AG. Chairman dieser Gesellschaft ist von diesem Zeitpunkt an Herr Schreiber. Herr Massmann, Vorstand für den Bereich Wehrtechnik bei Thyssen Henschel, nimmt in dieser Gesellschaft die Aufgaben des Präsidenten wahr.

- 2 -

2. Für die Erschließung des kanadischen und nordamerikanischen Marktes sowie die Anknüpfung von hierfür erforderlichen Beziehungen hat Thyssen Industrie AG -abgesehen von den Vereinbarungen mit Herrn Schreiber- durch seine Vermittlung die Leistungen Dritter (vgl. 2.1) in Anspruch genommen, für die Zahlungen in erheblicher Höhe vereinbart und gezahlt worden sind.

2.1 Voraussetzung für die Zahlung der Vergütungen war, daß ein a) Produktionsstätte geeigneten Arenal vorhanden ist und das Projekt die erforderliche Förderung und Unterstützung von Se der öffentlichen Stellen erhalten wird.

Dieser Nachweis wurde nach Angabe von Herrn Schreiber durch den Abschluß der Verträge vom 30. Oktober 1987 (abgeschlossen zwischen Ihrer Majestät der Königin in Ausübung ihrer Rechte über die Provinz Nova Scotia und der Bear Head Industries Ltd.) und 27. Sept. 1988 (abgeschlossen zwischen der Regierung von Kanada vertreten durch:

- den für die Atlantic Canada Opportunities Agency verantwortlichen Minister,
 - den Minister für Regionale Industrielle Expansion
 - den Verteidigungsminister einerseits und der Bear Head Industries Ltd. andererseits)
- erbracht.

Auch der Vertrag vom 10. Februar 1992, der für die Entwicklung der Prototypen der gepanzerten Fahrzeuge 58 Mio Can \$ Zuschüsse zusichere, ist als Nachweis der Vermittlungsleistung anzusehen.

2.2 zur Finanzierung der bei ihm anfallenden Kosten wurde Herrn Schreiber mit Vertrag vom 23. Dezember 1986 ein zinsloses Darlehen in Höhe von 1,5 Mio Can. \$ (DM 2.156.250,-) gewährt. Dieses Darlehen ist weder der Bayerischen Bitumen Chemie Ferdina Heinrich GmbH noch der Bitucan Holdings Ltd. sondern an Herrn Schreiber persönlich gewährt und an ihn ausgezahlt worden. Begründet wird dies damit, daß zu Beginn der Verhandlungen mit Thyssen in 1985/86 an der BBC noch Frau Zechner beteiligt war, die weder das Risiko tragen, noch den Gewinn aus diesem Geschäft

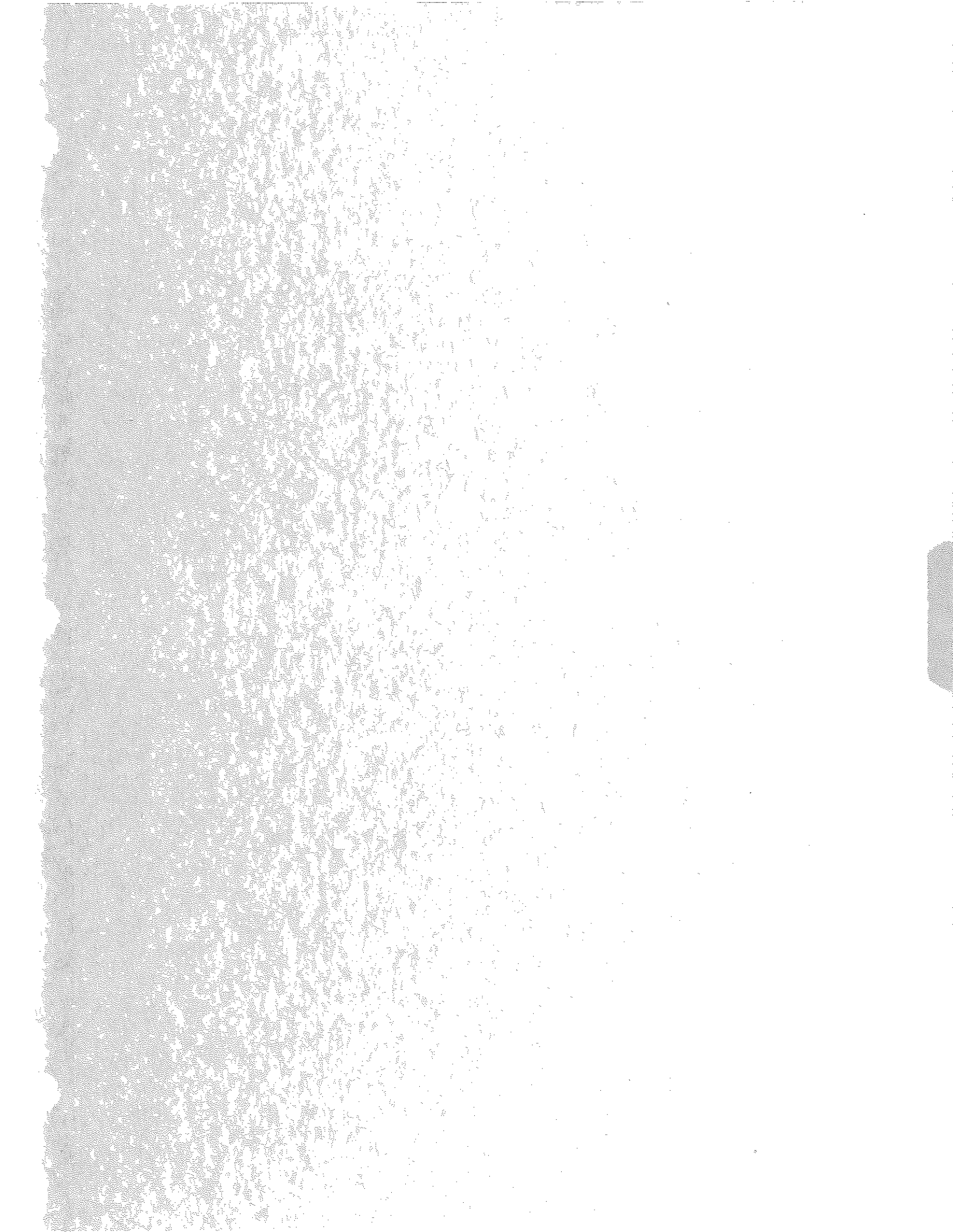
2.3 Bezüglich des an die Domizilgesellschaft International Airera Leasing Ltd. (IAL), Vaduz, (Verwaltungsrat E. Frick) gewährten Darlehens und der an diese Gesellschaft geleisteten Zahlungen (nützliche Abgaben) geht Herr Schreiber davon aus, daß diese Beträge Herr Frank Moores, der nach seiner Einschätzung einer der Gesellschafter der IAL sei, erhalten habe und die Verteilung der Beiträge in Kanada vornehme.

Herr Schreiber wurde durch die Konzernbetriebsprüfung daraufhin gewiesen, daß für die Anerkennung der nützlichen Abgaben (NA) als Betriebsausgabe (§ 160 AO) bei Zahlungen an eine Domizilgesellschaft der inländische Stpfl. den vollen Namen und die Adresse der hinter der Domizilgesellschaft stehenden Personen mitteilen muß (BFH v. 25.08.1986, BStBl 1987 II S. 481).

Auch im Hinblick auf die steuerliche Behandlung der zukünftige Zahlungen wurde mit Herrn Schreiber vereinbart, daß er für die Mitteilung der Namen der Endempfänger der nützlichen Abgaben der Gesellschafter der IAL Sorge tragen und sich gleichzeitig bestätigen lassen werde, daß von diesen Zahlungen keine Rückflüsse an im Inland steuerpflichtige Personen oder Gesellschaften erfolgt sind.

Finanzamt für
Konzernbetriebsprüfung
Düsseldorf II

H. Hiese 19/11/94
- Dr. Hiese -



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22. Woche
155-210

Max Steep / Felie

7
9:30 Bob Maden
403 266 1611

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Bob Charvat
Emp. Nr. 231.6368

Diana Tognari
514.458.4308

John Harding

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Frankfurt Brian. Max
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Frankfurt Brian. Max
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Jack Vance

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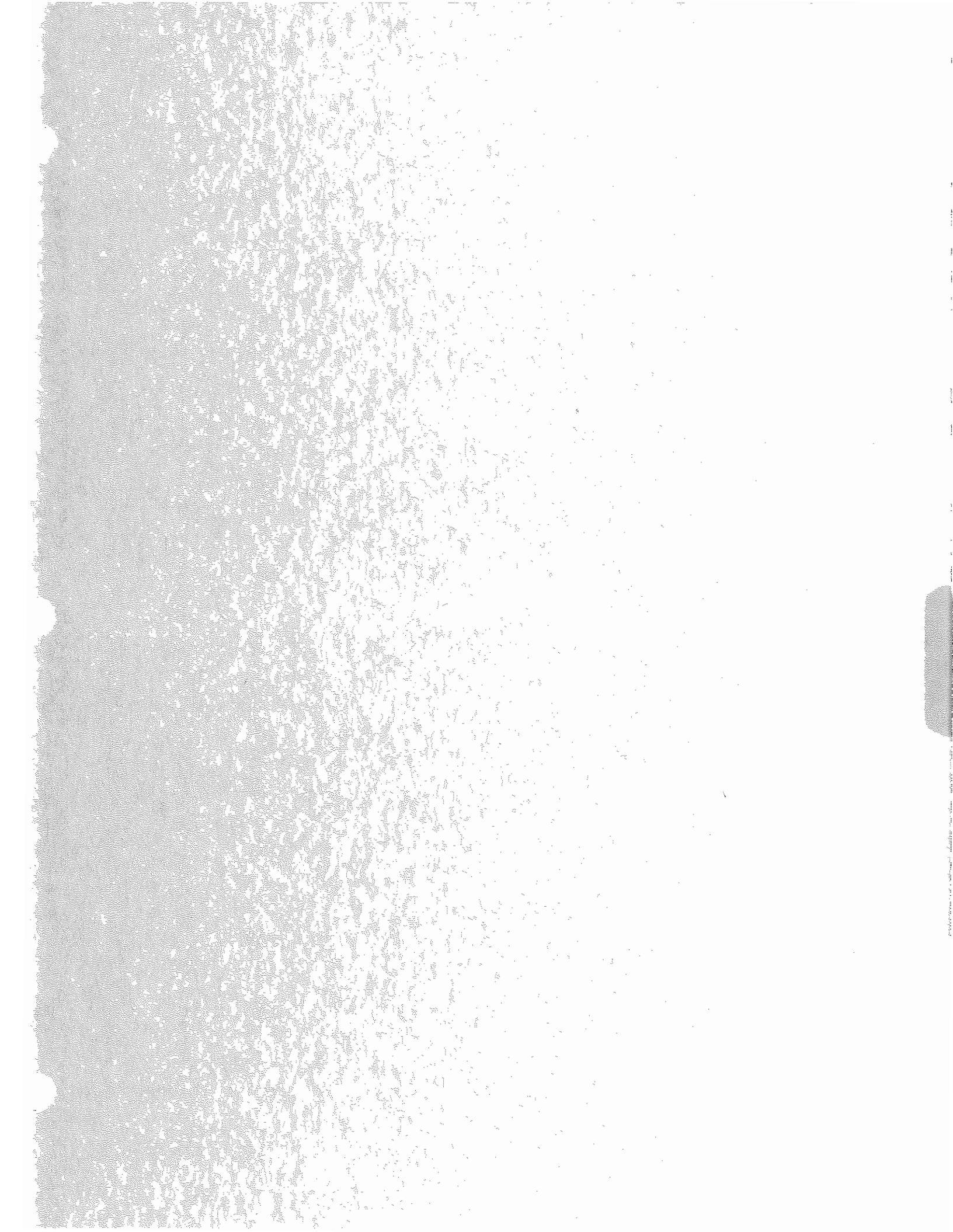
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Karlheinz Schreiber

Suite 908, 350 Sparks St., Ottawa, Ont. K1R 7S8
Telephone: (613) 563-3321 Fax: (613) 563-7648

PERSONAL AND CONFIDENTIAL

1/4

March 16, 1993

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

Dear Prime Minister:

For more than thirteen years I have had the privilege to call you my friend. In all of those years you always gave me the feeling of confidence that I could count on you, as you know you always could with me.

For nearly thirty years, I worked closely with my friend Franz-Josef Strauss; and it was not always easy to confront him with realities that he did not like. Living with the understanding that we shared a certain degree of intelligence we agreed that the greatest treasure between friends is the truth. That includes that true friends are aware that it would never be their intention to embarrass or to influence on unreasonable grounds. Keeping this in mind and looking at the situation in Canada, I have come to the conclusion that the philosophy "wash me but don't make me wet" is not going to work any longer.

If it is your understanding that Kim Campbell is the best choice to be the next Prime Minister

Attachment: File Separately. 8

Karlheinz Schreiber

PERSONAL AND CONFIDENTIAL

2/4

for Canada, with the capability to solve the enormous problems of the country, then it is my opinion that she should resign as Minister of Defence as soon as possible. The reason I say this is because I believe the pressure and problems she may face with the Ministry may harm her chances. I don't want to deal with the problems she may face with the anti-submarine helicopter, rather I put much more importance on the safety of Canadian soldiers in Yugoslavia and in other peacekeeping missions.

The strong feeling of friendship toward you tells me that I owe you the following report on the situation as I see it:

Today, Lewis Mackenzie (MGen Ret'd) in his first speech after his official retirement from the Canadian Armed Forces spoke out frankly and honestly without editorial control from the Department of National Defence. He spoke about the state of inadequate armoured protection of Canada's armoured personnel carriers, which he experienced first hand. He specifically criticised the cancellation of the Army's requirement known as the Multi Role Combat Vehicle (MRCV) as a primary reason for the inadequacy of equipment for Canada's soldiers who are the ones exposed to the very real and serious risks of peacekeeping.

You may also be aware of the ongoing hearings of the House of Commons Committee on National Defence and Veterans Affairs, where on the 17th of February 1993, during the appearance of Adm. Anderson, Chief of Staff to the Canadian Forces, it was confirmed by his technical assistant, LCol Peter Kenward, that the M-113 and the Grizzly and Cougar (basically all of Canada's Armoured Personnel Carriers) only have protection against 7.62 mm ball ammunition, which leaves them vulnerable to the commonly used 7.62 mm armoured piercing ammunition, and most varieties of machine gun ammunition.

You may already have known of the problems with Canada's armoured vehicles from the CBC's Journal of June 22, 1992 when they interviewed Canadian troops in Yugoslavia who when discussing the state of their armoured personnel carriers told The Journal "the bullets from one of their own guns can go through one of these things like butter and it's all the protection they have".

As far back as May 26, 1987, in testimony to the Senate Committee on National Defence, LGen J.A. Fox, Commander Mobile Command, described the desolate state of Canada's

Karlheinz Schreiber

PERSONAL AND CONFIDENTIAL

3/4

armoured vehicle fleet in comparison to the vehicles of the Warsaw Pact then and also in comparison to Canada's allies.

The German Ministry of Defence provided us with samples of the aluminum plate of an actual M-113 armoured vehicle which had been fired on and completely pierced by a basic 7.62 mm armoured piercing round. You will recall that I showed you those samples when we met at 7 Rideau Gate together with the Hon. Elmer MacKay. As a reminder of this I enclose a photograph of the pierced aluminum plate (1.75" thick) and the 7.62 ball and armoured piercing ammunition samples. I also informed the Hon. Bill McKnight, then Minister of Defence of this situation, and later did the same with the Hon. Marcel Masse when he was the Minister of Defence as well Mr. Fowler, Deputy Minister of National Defence.

In a letter dated February 10, 1992, Canadian Ambassador Delworth, on behalf of the Minister of National Defence, informed the Ministry of Defence in Germany of the pending Army project known as the MRCV, within which the lead procurement would be the RCV (Reconnaissance Combat Vehicle): "The armoured reconnaissance vehicle, RCV, must be equipped with an armour resistant against 30 mm piercing ammunition".

On April 7, 1992 in a Department of National Defence News release, we learned that GM Diesel Division was selected on a sole source basis to produce up to 229 light armoured vehicles "enhanced for the reconnaissance role". Without doubt, this vehicle will be unable to meet the stated armament requirement for resistance to 30 mm armour piercing ammunition and it is unlikely that it will achieve any higher level of protection than the Canadian Army has in the GM vehicles of the same design which they already have.

Finally, I would like to inform you that Norwegian and French Forces refused to send their soldiers to Yugoslavia with protection less than 12.7 mm (50 calibre) armour piercing. Canada is present especially in Yugoslavia now with nowhere near that level of protection. The constant threat is that Canadian peacekeepers in their outdated armoured personnel carriers could be killed by crossfire of rifles which use basic 7.62 armour piercing ammunition prevalent in the Yugoslav conflict.

With this situation, I cannot comprehend why Canadian DND will not accept a loan of

Karlheinz Schreiber

PERSONAL AND CONFIDENTIAL

4/4

appropriately protected equipment from their German ally especially when at present the German Forces cannot participate in the peacekeeping missions in Yugoslavia. Nevertheless, the American and British Forces were not too proud to accept such a loan from Germany of the NBC Fox reconnaissance vehicles during the Gulf crisis. I was heavily involved in the arrangements to supply those vehicles to the Americans, within 48 hours of their request.

I have no doubt that you share my real concerns on the situation of our Canadian soldiers in Yugoslavia. The question is no problem for those who are not involved or are not aware of the risk Canadian soldiers face, but we are and we know, therefore, I feel guilty that I may not have done all I could to protect those soldiers who take such risks for the preservation of peace. Let's pray that Canadian soldiers are not killed as a result of their poor equipment, because the blame for their death will rest on the inaction of the Canadian Government in not providing them with adequate equipment. Almost certainly that blame will fall on the shoulders of Mrs. Campbell, and she has had virtually no involvement in allowing this situation to go unaddressed.

If you feel that I could be of any assistance to help solve the problem, please feel free to call on me at any time.

Best regards,



Karlheinz Schreiber

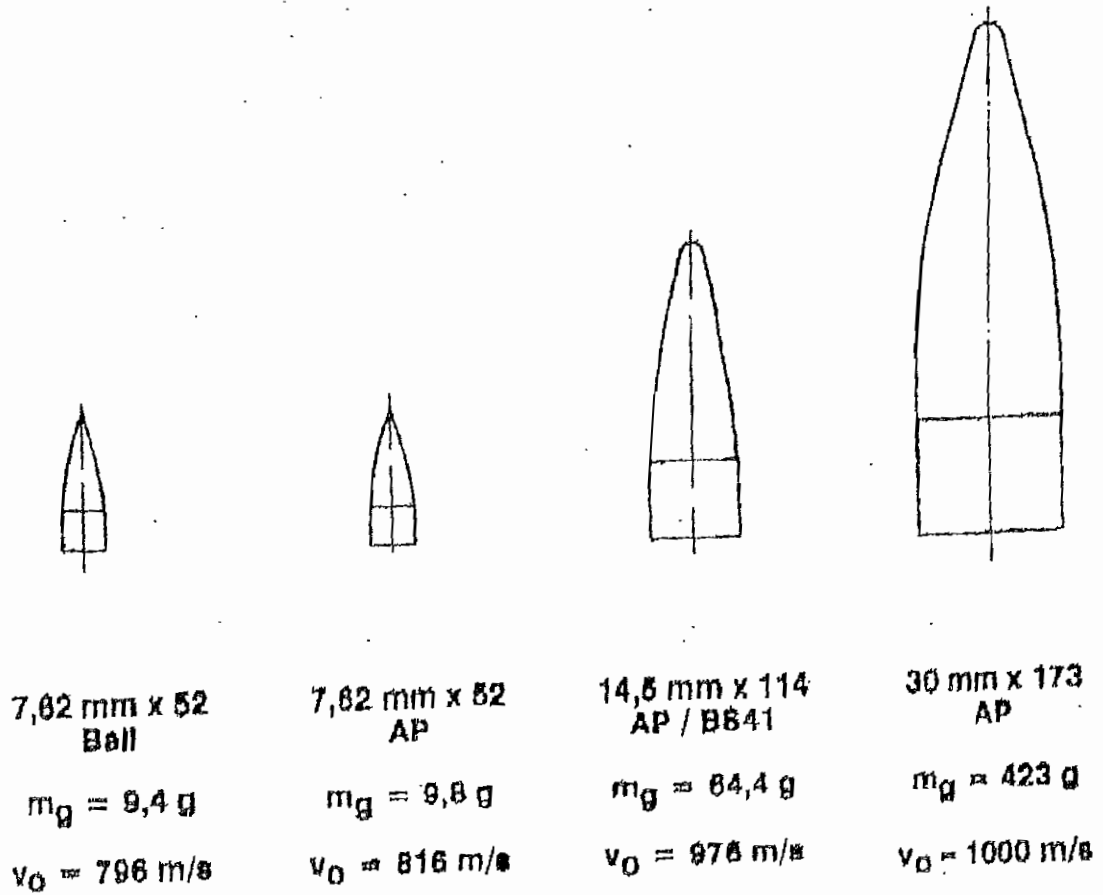


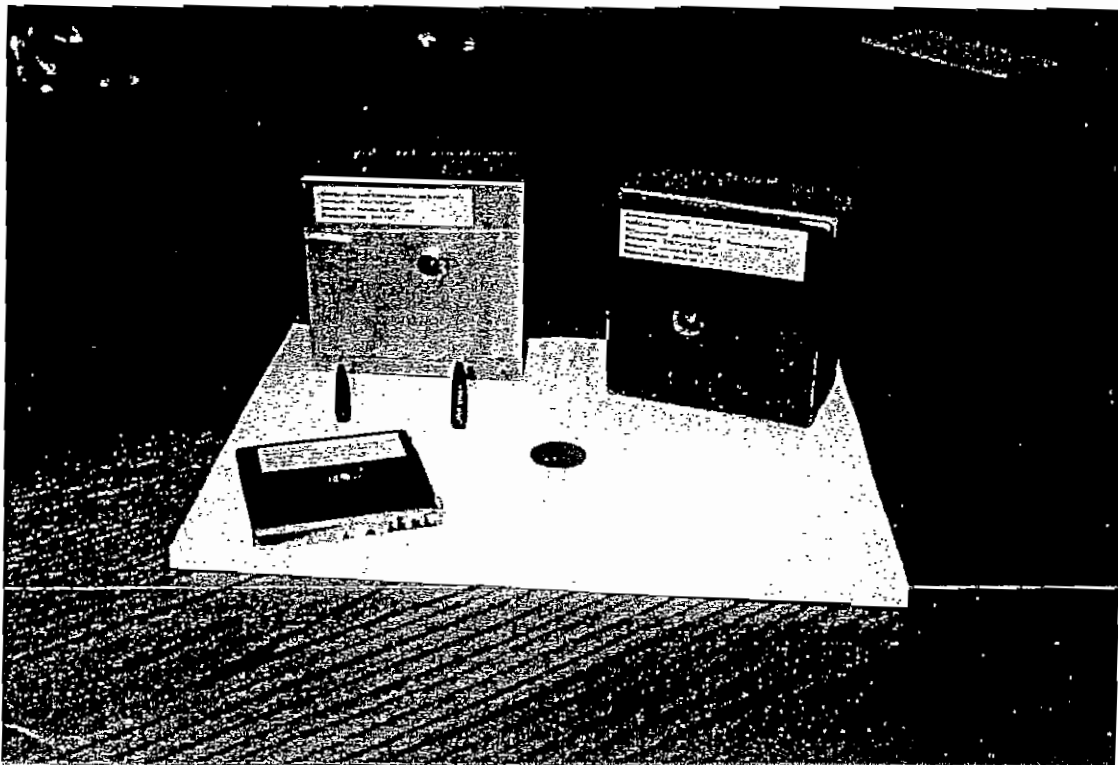
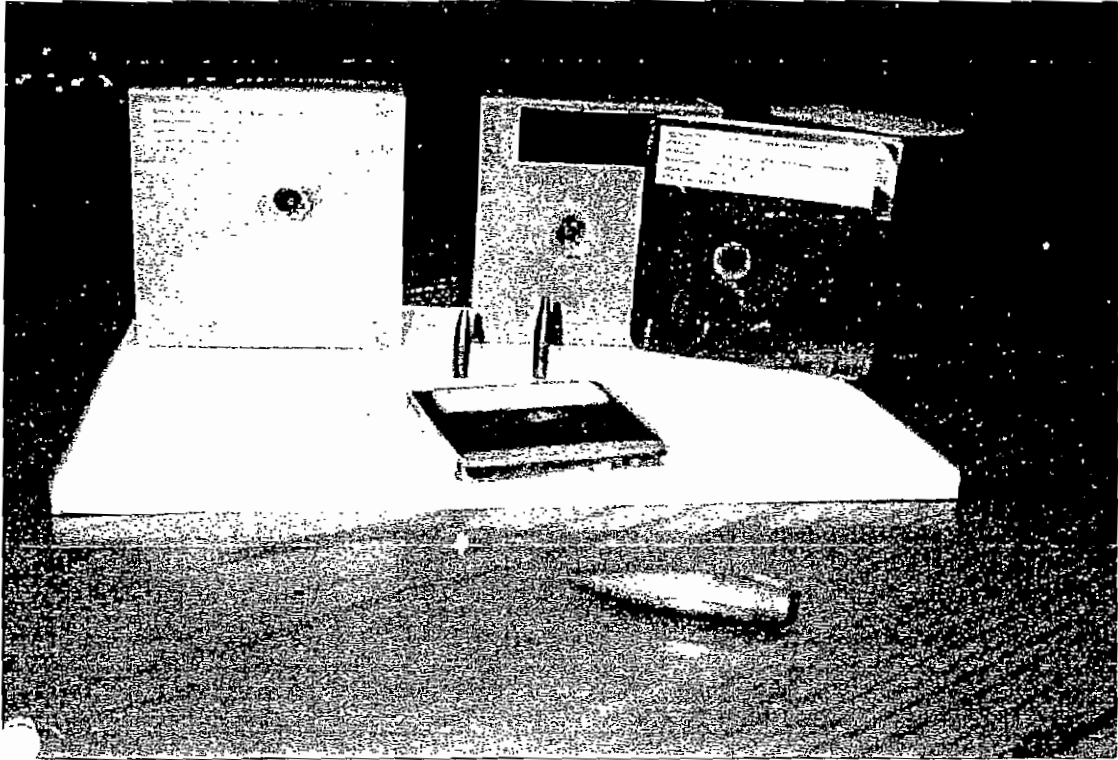
TH 495

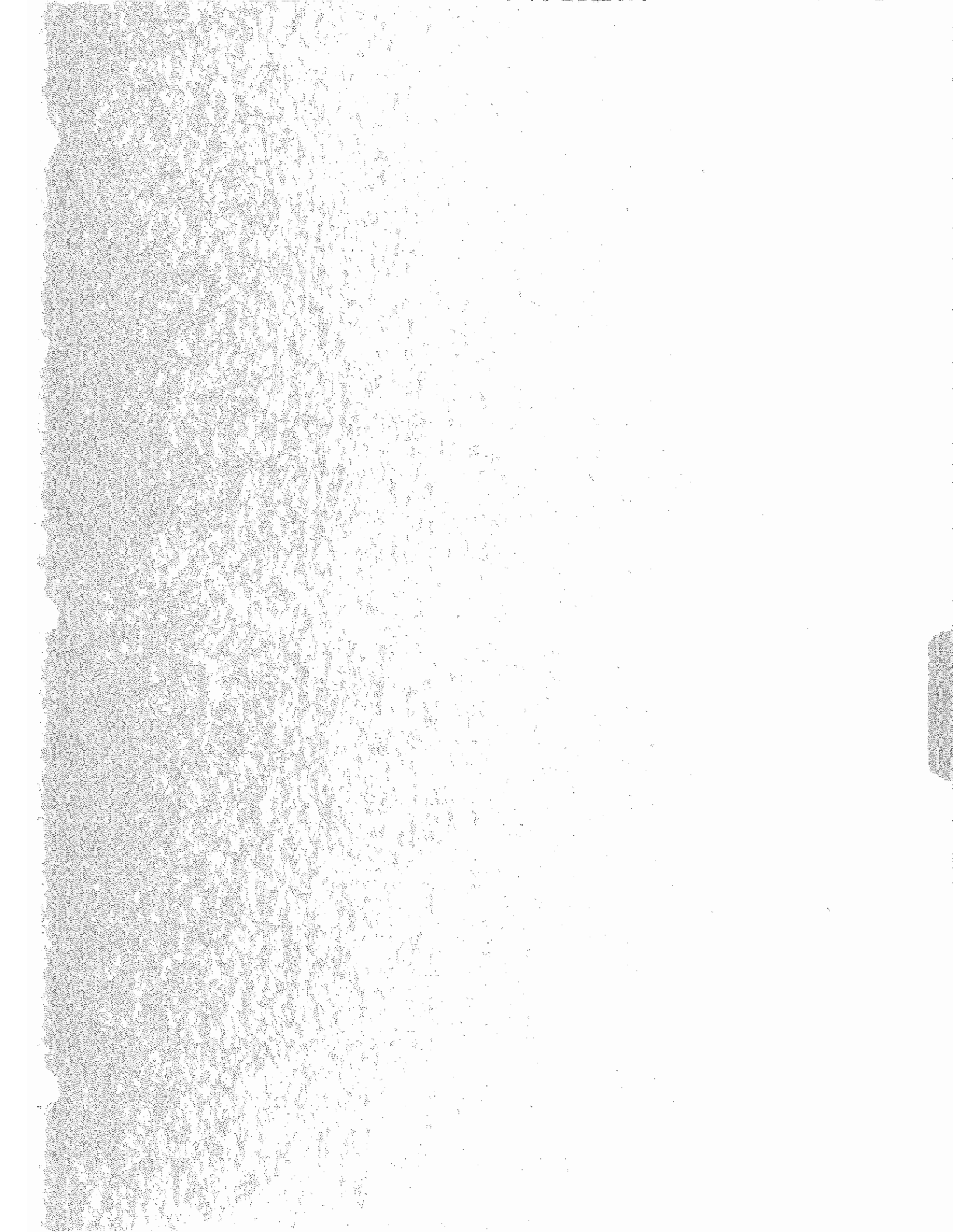
Date: 08. May 1992

No.

Figur 2: Comparison of Projectiles









THYSSEN BHI

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

PERSONAL AND CONFIDENTIAL

March 24, 1993

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

Dear Minister Campbell:

I refer to my personal letter to you March 17, 1993, in which I recommended that DND should seek a loan for Canada's soldiers of appropriate protected armoured vehicles from the German Government.

Please find attached information on the armoured vehicles Spz Marder and Tpz Fuchs which are currently in service in the German Army. The Spz Marder offers a very heavy level of armour protection and the Tpz Fuchs while lighter, still offers a greater level of basic armour protection than is found among the vehicles in Canada's Armoured Personnel Carrier (APC) fleet. The Tpz Fuchs was deployed to the Gulf region, to both the American and the British Armed Forces during Dessert Storm, as a gift from the German Government.

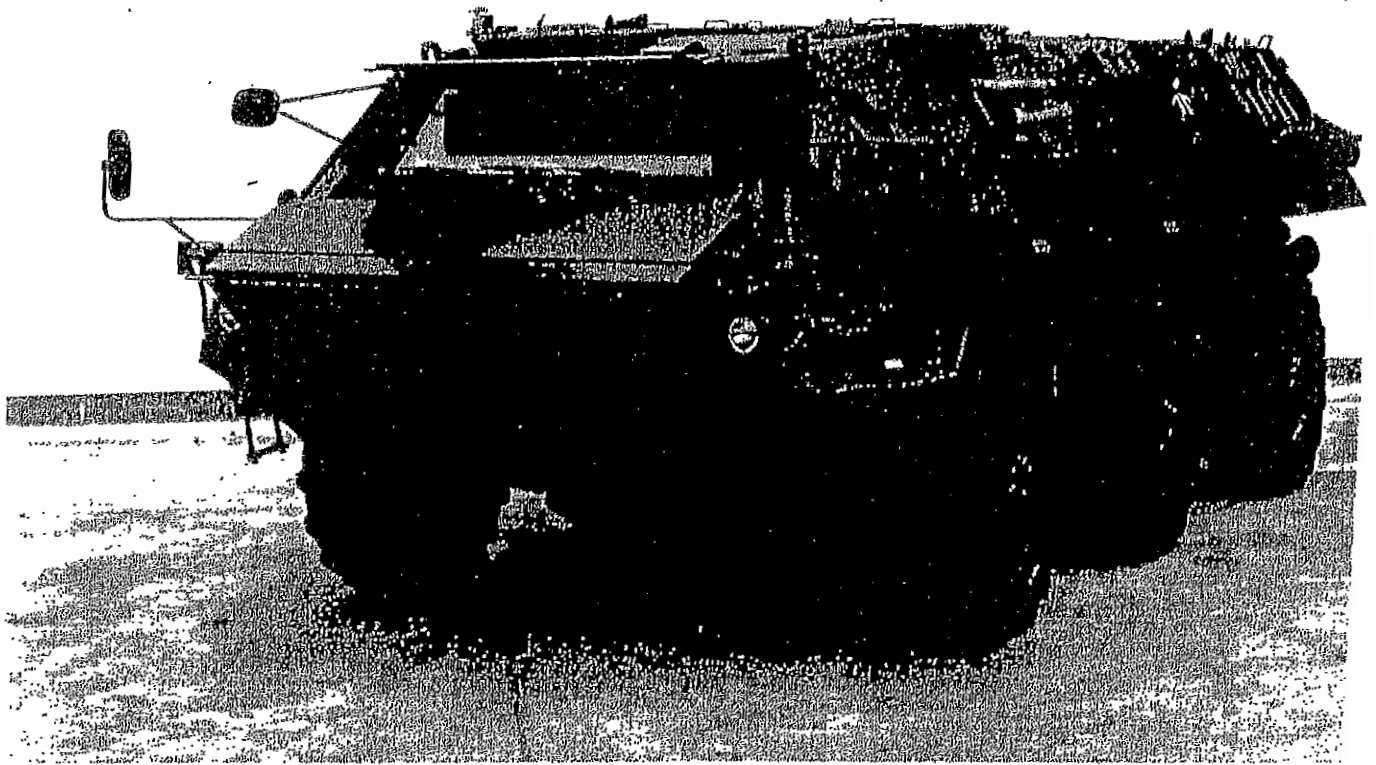
On March 22, 1992, I read the article in the Globe and Mail, describing the situation with respect to inadequately protected Canadian armoured personnel carriers in the former Yugoslavia and quoting the comments of the former Canadian/UN Commander there, Gen. Mackenzie, in his criticism of the decision to cancel that MRCV project. Therefore, I am also enclosing a brochure from the TH 495, a new Thyssen vehicle developed specifically for contingency and peace-keeping operations. This vehicle meets the performance requirements of the MRCV project, as was briefed to the German Government (DOD) in a letter dated February 10, 1992, from the Canadian Ambassador to Germany. (Copy attached)

Most sincerely,


Karlheinz Schreiber

HENSCHKE Wehrtechnik

TPz 1 FUCHS (6 × 6)



Der Transportpanzer FUCHS ist logistisch eng verwandt mit dem SpaePz LUCHS.

Durch den Allradantrieb und die Vierradlenkung ist der FUCHS ein sehr bewegliches, geländegängiges Fahrzeug.

Im Wasser realisiert er mit Hilfe der 2 schwenkbaren Ruderpropeller eine gute Manövrierfähigkeit und hohe Schwimgeschwindigkeit.

Der große Innenraum kann 10-12 voll ausgerüstete Soldaten aufnehmen oder für unterschiedliche Einsätze mit den entsprechenden Rüstsätzen umgebaut werden.

Neben 3 Fahrzeugausführungen (Grundmodell, Funk, elektronische Kampfführung) stehen folgende 6 Rüstsätze zur Verfügung:

- Rüstsatz Krankentransport
- Rüstsatz Panzerpioniergruppe
- Rüstsatz ABC-Erkundergruppe
- Rüstsatz Führung Funk
- Rüstsatz Radar

Logistically the armoured supply vehicle FUCHS is closely related to SpaePz LUCHS.

All-wheel drive and four-wheel steering make FUCHS a very mobile, off-road capable vehicle.

In the water it proves excellent amphibious capabilities thanks to the two steerable rudder propellers.

The spacious interior provides seating for a crew of 10-12, or may be converted for different operations by the use of conversion kits.

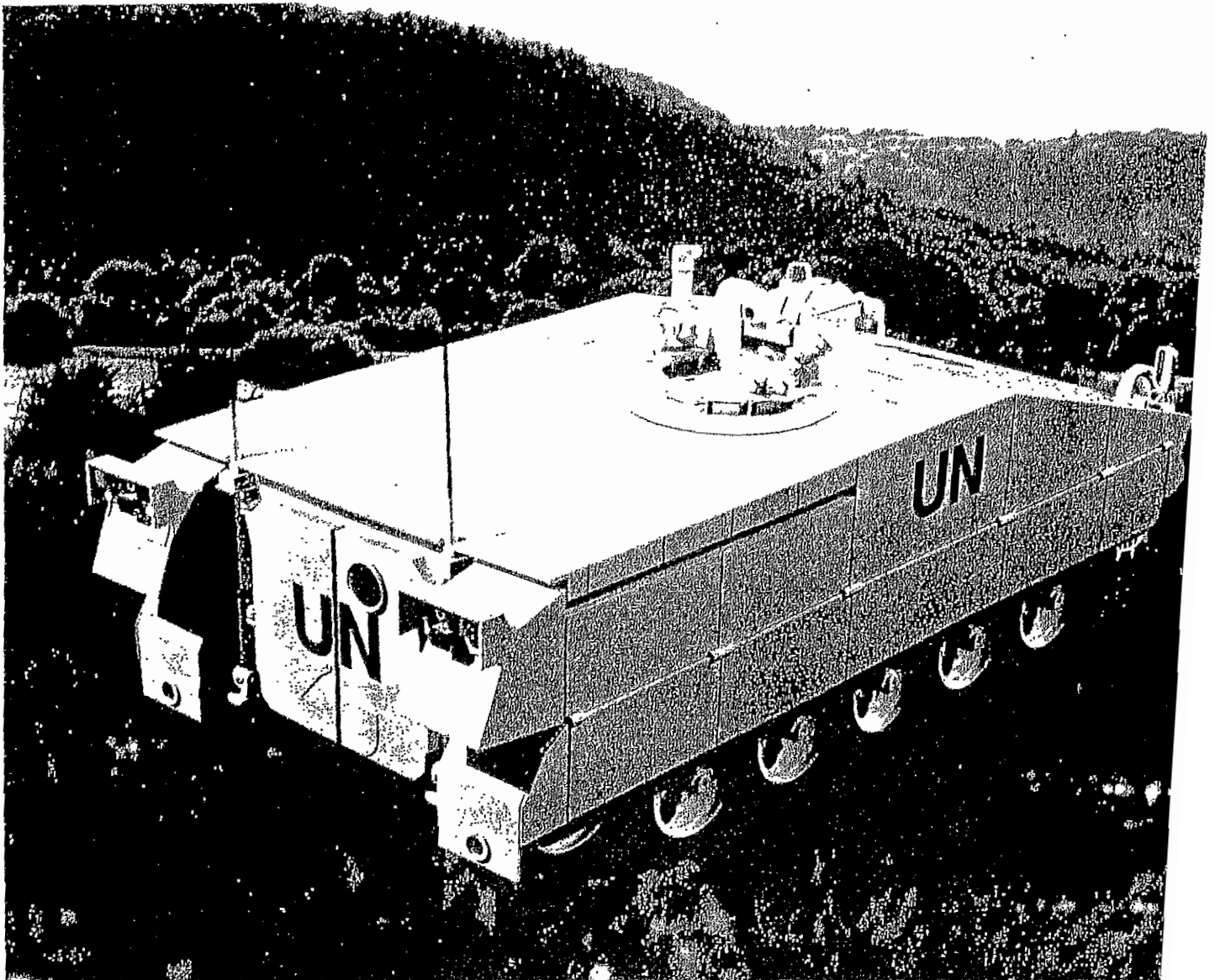
Besides three vehicle types (basic type, radio, electronic command) the following 6 conversion kits are available:

- conversion kit ambulance
- conversion kit armoured engineer vehicle
- conversion kit NBC reconnaissance and decontamination
- conversion kit radio command post
- conversion kit radar support vehicle



THYSSEN HENSCHEL

HENSCHEL Defense Technology
TH 495 Infantry Combat Vehicle (ICV)

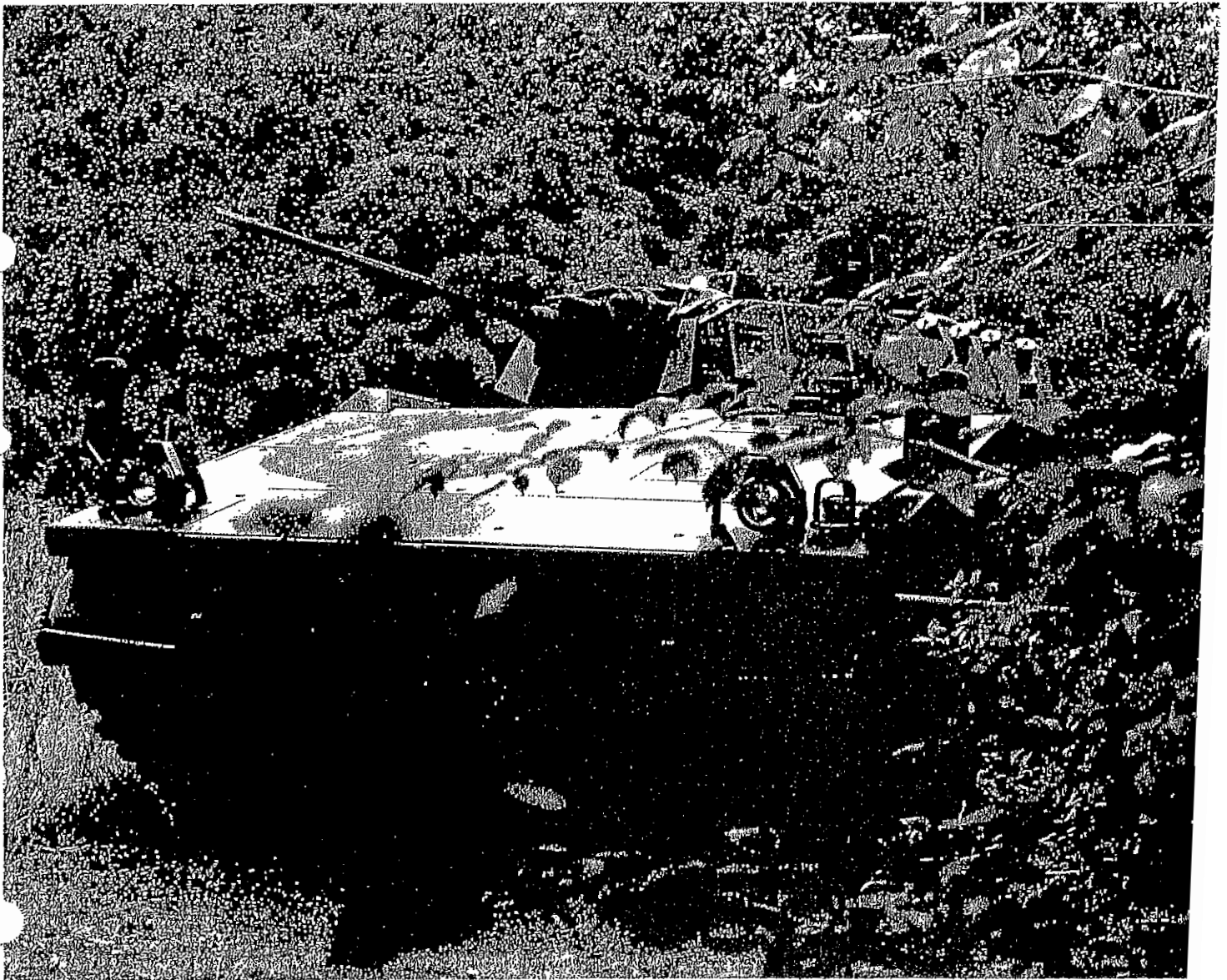




THYSSEN HENSCHEL

HENSCHEL Defense Technology

TH 495





THYSSEN HENSCHKE

HENSCHKE Wehrtechnik

SPz MARDER



Der MARDER – als Basisfahrzeug der Schützenpanzerfamilie – ist das Kampffahrzeug der Panzergrenadiere. Durch seine große Beweglichkeit und Schnelligkeit stellt er das geeignete Begleitfahrzeug zum Kampfpanzer dar. Der 2-Mann-Turm mit außenlafettierter Maschinenkanone, achsparallelem MG sowie die vom Kdt. bediente Raketenabschussanlage MILAN, verleihen dem Fahrzeug eine hohe Feuerkraft. Je 2 seitliche Kugelblenden für MPs und die Bewaffnung der Mannschaft erhöhen weiter die Kampfkraft. Für geschütztes Ein- und Aussteigen der Besatzung sorgt die große Heckklappe.

The MARDER – as basic vehicle of the mechanised infantry family – is the combat vehicle of tank grenadiers. It is very fast and mobile and hence, suitable to escort main battle tanks. The 2 men turret with externally mounted MK 20mm machine gun, machine gun as well as the missile system MILAN operated by the commander grant the vehicle a high fire power. Two lateral spherical firing ports each for MPs and the person in the turret provide for a further increase of the combat force. The large rear door ensures embarkment and disembarkment of the crew under protection.

Those responsible for weapons procurement in Germany were surprised by the rapid changes following the demise of the Soviet Union. For more than three decades, Germany's efforts concentrated on the development of high-endurance, versatile multi-purpose armoured fighting vehicles (AFVs).

These became bigger and increasingly complex, optimized for the defense of a Central Europe threatened by Warsaw Pact forces superior in both general combat and anti-tank capabilities. This resulted in clumsy, heavy tanks and infantry fighting vehicles exceeding 50 and 40t respectively.

Given recent emphasis upon UN-controlled crisis management, the unified German forces realized that they lacked an effective combat vehicle suitable for strategic movement. Even the 17t, 2.98m-wide M6 Fuchs is not air-transportable except by Starlifter or Galaxy aircraft. Faced with the possibility of significant politically led policy changes concerning Bundeswehr involvement with European rapid reaction forces, procurement planning has been suspended until a decision is made. Thus, despite limited funding, it was logical that the major German defense manufacturers should begin development of light AFVs suitable for crisis-management roles. Examples include the Diehl/Krauss Maffei Puma (as a possible M113 replacement) and the Krupp-MAK CV-90. Another interesting approach is the Thyssen Henschel TH 495, the first prototype of which recently had its roll-out in Kassel.

The first TH 495 prototype was built in a MICV configuration and forms the nucleus of a family of tracked vehicles able to meet all the requirements of an out-of-area mission. One of the main demands was that the vehicle should be transportable by C-130 Hercules. This limited weight to less than 20t, and both width and height to 2.72m. Nevertheless, it was decided to maximize protection by incorporating modular armour panels which could readily be altered to meet a specific threat. Otherwise, the MICV-version resembles the Marder 2, with the engine at the front, a rear troop-carrying compartment and a central cannon-armed turret to provide a favourable centre of gravity.

Good all-around (including overhead) protection is provided by spaced and/or special armour packages each of which can be removed or fitted by two crewmen within a few minutes. Spare or additional armour-modules could, for example, be transported in a second aircraft together with the crew, fuel, and ammunition to reduce vehicle weight, thereby increasing aircraft range. (In the prototype configuration seen at Kassel - mounting an OTO-Melara T 25 turret - the TH 495 has a combat weight of 26t. Thyssen Henschel pointed out that any other comparable turret can be fitted with the TH 495 according to customers choice). Without its add-on armour modules the vehicle is only 2.72m wide. An internal spall-liner, NBC system, fire-suppression system (optional), and

Thyssen Henschel's TH 495 MICV

by Wolfgang Schneider

explosion-proof fuel tanks also raise crew protection beyond the standard for light armoured fighting vehicles.

The MICV has a crew of three and carries seven in the troop compartment. The driver is on the left of the engine and is provided with three integral periscopes in the single-piece hatch, one of which can be replaced by an image-intensifier for night driving. The commander and gunner sit in the turret. In the spacious rear compartment an infantry section is seated in two rows facing inwards. Up to four soldiers can fire personal weapons from the two roof hatches; the side-hinged rear doors have two weapon-ports. When closed down, the section can view the battlefield on two monitors linked to side-mounted cameras.

Emphasis has been placed upon a low infrared signature which has been achieved by ventilating the gap between the spaced

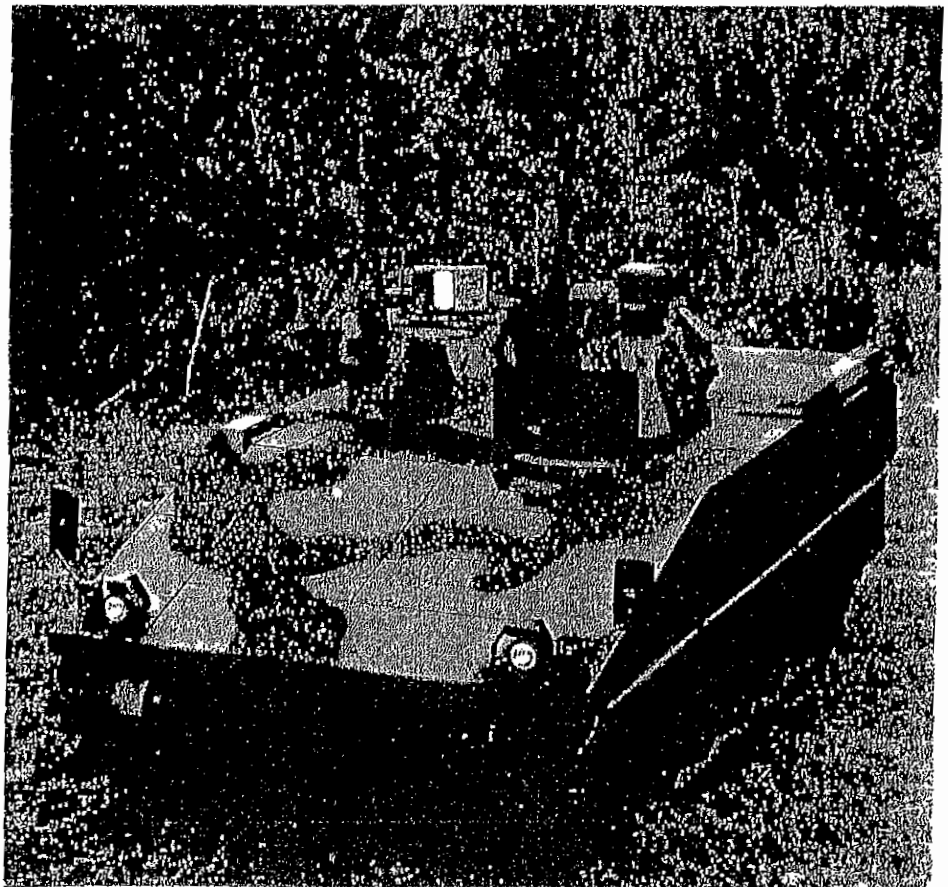
armour and the hull, as well as by careful layout of the exhaust and engine-cooling systems. Two cooling systems are located at the rear above each sponson; hot gases from the exhaust and cooling system are mixed with cold air in an "IR grating", and then vented downwards from a grill on the rear-right of the

vehicle. The hot spot usually easily visible through a thermal sight is not identifiable from the front. Radar reflection is reduced by a combination of the vehicle's smooth surface and an absorbent coating.

Mobility

The TH 495's mobility is also good. The prototype is powered by an MTU 183 TE 22, 441kW (600hp) diesel, giving a power-to-weight ratio of more than 17kW/t (23HP/t). The track width of 450mm makes for a ground pressure of 72.7kPa in the MICV configuration and considerably less as an APC. The Th 495 is easily driven thanks to the improved ZF LSG 1500 fully automatic transmission, good ergonomics, and high safety standards. The driver's station, together with all controls and information displays is vertically adjustable. When driving with the hatch open, driver information is displayed on a panel mounted between hull roof and add-on armour. A digital power supply is fitted; micro-processors control all systems currently fitted, as well as monitoring their

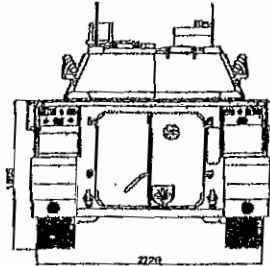
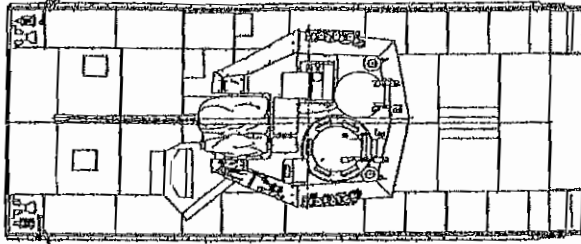
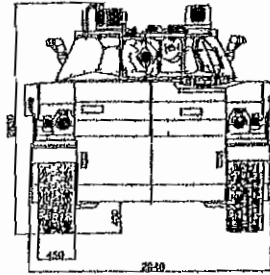
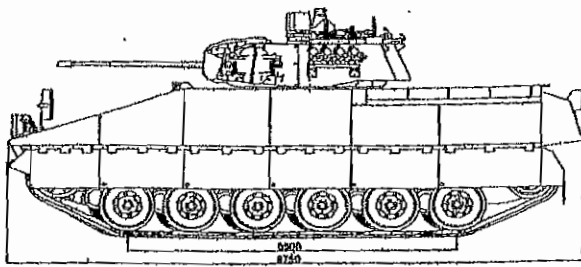
Thyssen Henschel seems to have anticipated the shift in German requirements away from heavy armoured vehicles towards more mobile modular designs with its private-venture TH 495 family.



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The TH 495 MICV forms the basis of the range; the layout is conventional, and a variety of turrets can be fitted. Spaced armour and exhaust coolers reduce the thermal signature, whilst the smooth hull and special coatings do the same for its radar signature.

and components already in series production and proven in non-military vehicles, thereby ensuring a high degree of reliability and reduced maintenance.

TH 495 armoured vehicle family

operation, reporting faults to a diagnosis system combined with an integrated control system. The vehicle uses subsystems

Construction is progressing on a second prototype with a hull 780mm shorter, and five instead of six road wheels. Roll-out is

scheduled for February 1993. The main features of the suspension (torsion bars, three return rollers, hydraulic shock absorbers on the two front and rear wheel stations of each side, Diehl double-track) remain unchanged. Depending on vehicle configuration, the weight can be reduced to under 15t. A potentially interesting variant would be an armoured cavity vehicle fitted with a 90 to 120mm anti-tank gun. The rest of the family is more conventional, comprising:

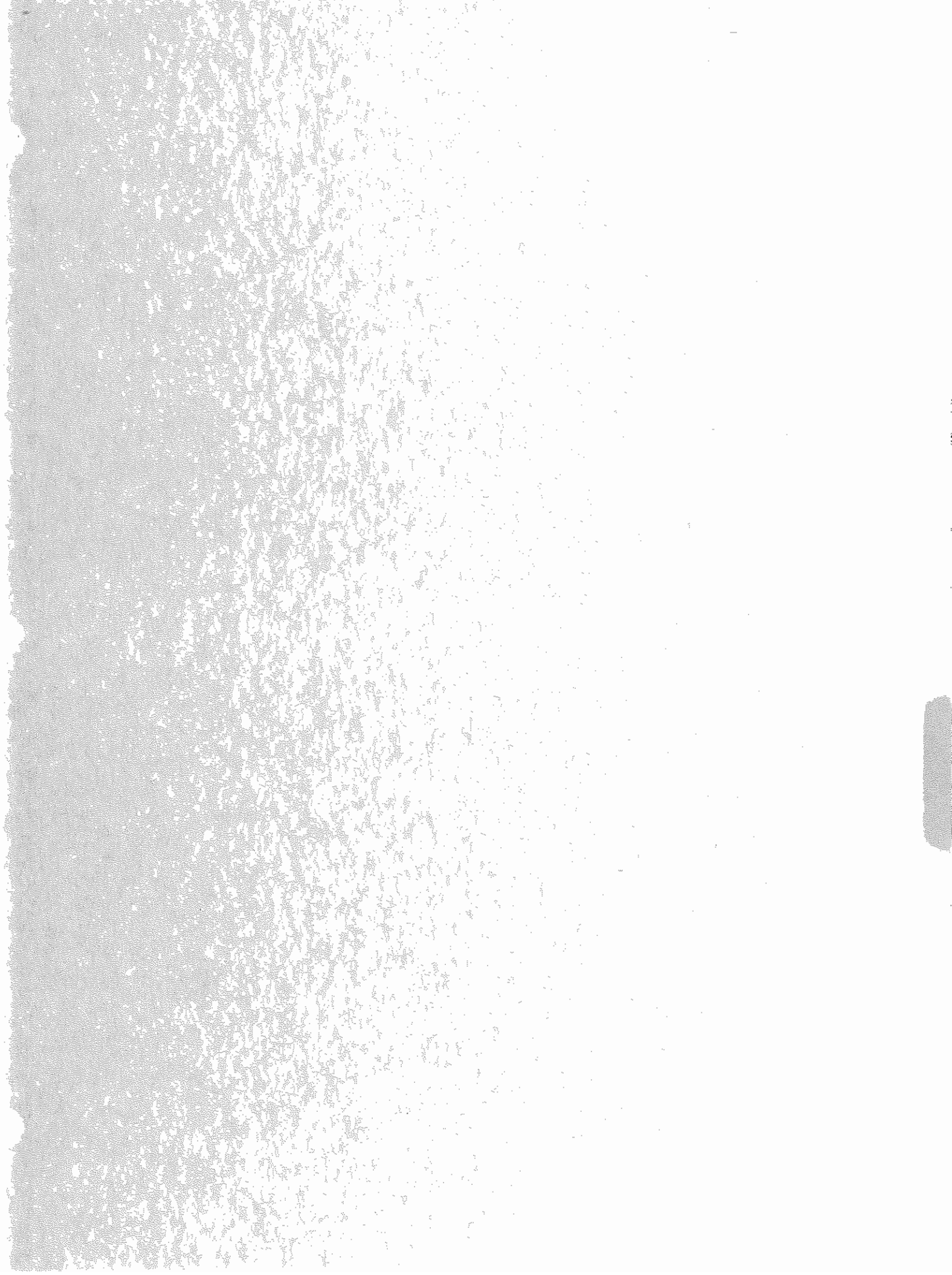
- TOW-based tank destroyer,
- Stinger anti-aircraft vehicle,
- radar carrier,
- APC,
- armoured ambulance,
- supply carrier,
- maintenance vehicle,
- and a command and communication vehicle.

Though this Thyssen Henschel project has involved considerable financial investment, the risk has been reduced by developing a promising AFV family which could be adapted to meet the needs of many potential customers. Compared with similar light AFVs, the TH 495 to some extent represents a "full-spectrum" fighting system with good growth potential. Nonetheless, competition is fierce, the attractions of buying alternative cheaper, off-the-shelf vehicles such as the French VAB or the Swiss Piranha are self-evident.

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April 13, 1993

PERSONAL & CONFIDENTIAL

VIA FACSIMILE TO (613)653-7648

Thyssen BHI
Suite 908
350 Sparks Street
Ottawa, Ontario
K1R 7S8



Attention: Greg Alford

Dear Sirs:

Re: Bear Head Industries

You have asked us for our opinion on whether the Government of Canada acted unlawfully in its dealings with Thyssen BHI in the circumstances set out below, and if so, what remedies Thyssen BHI may have.

In reaching our opinion, we have taken into account the facts which you have described to us, as well as various documents which you have provided us with. The documents are the following:

1. Proposed Memorandum of Understanding between DRIE and Thyssen, dated May, 1986.
2. Land Agreement between The Queen in Right of Nova Scotia and Bear Head Industries Ltd., dated October 30, 1987.

160 Elgin Street,
Ottawa, Ontario, Canada K1N 8S3
Tel: (613) 232-1781

50 Queen Street North
Kitchener, Ontario, Canada N2H 6M1
Tel: (519) 576-6910

19 Thorne Street
Cambridge, Ontario, Canada N1R 5W1
Tel: (519) 621-6910

Verhnaya Radishevskaya 1-2
Moscow 109240, Russia
Tel and Fax 011-7-095-227-1472

LAL00072

3. Understanding in Principle between Government of Canada and Bear Head Industries Ltd., dated September 27, 1988.
4. Letter from Minister of National Defence to Bear Head Industries Ltd., dated January 25, 1990.
5. Policy Statement of Minister of National Defence regarding MRCV Program, dated September 17, 1991.
6. News Release regarding "Sole Source" to GM of Reconnaissance Vehicles, dated April 4, 1992.
7. Minutes of Proceedings of Standing Committee on National Defence and Veterans Affairs dated March 9, 1993.

Facts

Thyssen is a highly diversified German-based international manufacturer, inter alia, of military equipment including Light Armored Vehicles ("LAVs"). Bear Head Industries Ltd. is a Canadian subsidiary of Thyssen. (Hereinafter Thyssen and Bear Head Industries Ltd. will be collectively referred to as "Thyssen BHI".) One of Thyssen BHI's competitors in the LAV market is General Motors Diesel Division, based in London, Ontario.

The Canadian Armed Forces are currently in the process of re-equipping themselves with Light Armoured Vehicles. Those which are currently in use, including the "Lynx" reconnaissance vehicle, date from the 1960s and are basically obsolete. At the time of its White Paper on Defence in 1987, the Federal Government planned a replacement program for Light Armored Vehicles. The White Paper, which primarily saw Canada's military needs

in terms of the cold war, foresaw Light Armoured Vehicles being used in a support role with heavy tanks.

The White Paper was overtaken by events. After the collapse of communism in Eastern Europe and the end of the cold war, the Light Armoured Vehicle program as it then existed was cancelled in the April 1989 federal budget. The flexibility of armoured vehicles has since assumed great importance in today's military and strategic climate, which is geared more towards rapid deployment in crisis situations, peacekeeping, and meeting of domestic needs, rather than the threat of heavy tank warfare in Northern Europe. To meet these needs, the Armed Forces began to develop a program in 1989 to equip themselves with "Multi-Role Combat Vehicles" (MRCVs). These vehicles, based on a common design, will meet a variety of needs. They will come in three forms, Reconnaissance Combat Vehicles (RCVs), Infantry Combat Vehicles (ICVs), and Armoured Combat Vehicles (ACVs).

For some years, Thyssen has been seeking a means of entering the U.S. market for LAVs. In 1984-85, Thyssen was approached by the Canadian Embassy in Bonn, and Investment Canada, as a potential investor in Canada. For a variety of reasons including the D.P.S.I., a sectoral free trade agreement in arms between U.S. and Canada, Thyssen was receptive to this approach. Thyssen entered into discussions with various ministries of the federal government, as well as the Nova Scotia government, with a view to building a manufacturing plant in a specific region recommended by the government, that being Cape Breton Island at Bear Head Cove, Nova Scotia. In the earlier phases of these discussions, it was foreseen that Thyssen might manufacture LAVs under the program in existence at the time of the White Paper. After 1989, the emphasis shifted to MRCVs.

In 1986, the Department of Regional and Industrial Expansion (DRIE) forwarded a draft Memorandum of Understanding to Thyssen (Tab 1), setting out some proposed terms and conditions. No agreement was concluded at this time, although various proposals and

counter-proposals were discussed. Thyssen was opposed to the draft Memorandum because it required a large Thyssen investment combined with large government grants and tax incentive package, but lacking was any assurance of participation in the supply of the pending LAW requirement, which was seen by Thyssen as important to justify the selection of Canada over the United States as a base for North American operations. Thyssen continued to negotiate with a view to concluding an agreement based on a "start up" order of approximately 250 vehicles, combined with various tax incentives. Thyssen preferred this approach to receiving direct subsidies or grants.

In 1987, Bear Head signed a Land Option Agreement (Tab 2) with Nova Scotia, giving Bear Head the option to buy land required for the manufacturing facility. This was followed by an Understanding in Principle in 1988 (Tab 3), between Bear Head and various federal ministries, under which the Defence Minister promised to "consider the participation of" Bear Head in the Light Armoured Vehicle Procurement Program. Article 7 of this Understanding specifically provides that it does not create any enforceable legal or equitable rights.

As noted, the LAV Procurement Program was cancelled in the April, 1989 budget. However, discussions continued between the government and Thyssen BHI. Thyssen BHI was reassured that its possible participation in re-equipping the Armed Forces was still being considered, but with the focus shifting to the need for MRCVs rather than tank-supporting LAVs. In 1990, the Defence Minister (Bill McKnight) wrote to Bear Head (Tab 4), and explicitly undertook to give Bear Head an opportunity to participate in the tendering for the contract to supply MRCVs. This undertaking, while subject to the proviso that whether or not the MRCV program was proceeded with was in the government's "sole discretion", was to remain valid for five years. This letter mentioned that Thyssen's TH495 (which you inform us was developed in part with Canada's MRCV needs in mind) might satisfy Canada's requirements as then defined. In September, 1991, the new Defence Minister,

Marcel Masse, gave a speech confirming the Defence Department's intention to equip the army with MRCVs.

In April, 1992, the federal government announced that it had cancelled the MRCV program, and would order 229 LAVs from GM at a cost of some \$800 million (Tab 6). The reason given for the cancellation of the MRCV program was that at its projected cost of \$2.8 billion, and in light of efforts to reduce the deficit, it was no longer affordable. This document and the Minutes of the Veterans and National Defence Committee make it clear that the GM LAV contract is basically the same as the RCV component of the MRCV program.

Operationally, you have advised us that the Thyssen TH495 vehicle design is clearly technically superior to the GM LAVs. While the MRCV program was being developed, the Department of National Defence produced a draft Statement of Requirements ("SOR"), which was never formally released to industry. Nonetheless the key elements would have formed the basis of the MRCV Project Management Office (PMO) briefings to industry, of which Thyssen BHI was a recipient during October, 1991. While the PMO prefaced their remarks that they were unofficial, it was known that the key elements of the MRCV requirement described were serious because they were the product of the PMO's considerable efforts over their two years of existence and that the MRCV project had been specifically cited in the Minister of National Defence's Policy Statement of September 17, 1992. Further, the Canadian Ambassador to Germany wrote to the German Staatssekretär des Bundesministerium der Verteidigung on February 10, 1992, stating that Canada would proceed with the MRCV project and describing the same essential requirements as had been outlined by the MRCV PMO.

With respect to the armour protection requirements from the three MRCV variants, they were stated as follows:

RCV (Reconnaissance Combat Vehicle)

"it must be equipped with armour resistant against 30mm armour piercing ammunition..."

ACV (Armoured Combat Vehicle)

"it should have the normal protection against 30mm rounds and should offer the possibility of add-on armour".

ICV (Infantry Combat Vehicle)

"The requirement for protection against 14.5mm is considered essential given the prevalence of that calibre around the world".

In addition to providing these high levels of armour protection, it was also expected that these vehicles, especially the RCV and ICV would be of a weight and external dimension to permit air transportation via C-130 Hercules. The GM vehicles do not meet these requirements as has been confirmed in testimony by DND officials before the House of Commons Standing Committee on National Defence and Veterans Affairs, March 9, 1993, (Issue 37, pp.21, 22). In general, the GM vehicles offer much less protection than the Thyssen TH495.

From the circumstances of the GM announcement, you infer that the LAVs were sole-sourced for political reasons, as a price to obtain political support from Ontario MPs for the simultaneous sole-source awarding of a contract to Bell Helicopter of Mirabel, Quebec, in Marcel Masse's area of political interest as a Quebec Minister. It is assumed that the Ontario MPs would have defended the interest of the Ontario helicopter company, Eurocopter of Fort Erie, to have them included as bidders in a competition for the

helicopter requirement, but the offer to offset the sole source to Bell with a sole source to GMDD at London, Ontario appears to have prevented any Ontario protest.

You have advised us that Thyssen BHI would have been able to put in a competitive bid on the contract that the government appears to intend to award on a sole source basis to GM.

Separately you advised that in August, 1989, after cancellation of the LAV project, GMDD obtained an order on a sole sourced basis for 199 LAVs for the militia. That project was named MIL-LAV, the vehicle involved was GMs BISON 8x8 wheeled vehicle, and the announced contract value was \$100 million.

The DND press release of April 7, 1992 makes specific reference to the similarity in design of the planned procurement of the GMDD reconnaissance enhanced LAV to the BISON, and the other 6x6 GM vehicles Grizzly and Cougar, already in Canadian Forces service. While the intent of that comparison is to suggest benefit through familiarity and some common parts among the GM vehicles, the comparison also highlights the dramatic difference of unit prices between the 1989 MIL-LAV contract at approximately \$500,000 versus the announced project value for the reconnaissance enhanced LAV of 229 vehicles for \$880 million, which must be adjusted by the standard DND project factor of 2.5:

\$800 million	
divide by 229 units	= \$3.5 million
to adjust for project factor, divide by 2.5	
	<hr/>
	= \$1.4 million unit
	contract cost (estimated)

Units Cost Comparison:

LAV August, 1989	\$ 500,000
LAV April, 1992	\$1,400,000

Legal Claims

From the above, it appears that the federal government may have breached its undertaking to Thyssen BHI. If it has, the question arises as to what recourse Thyssen BHI might have. In our opinion, there are various possibilities for legal claims by Thyssen BHI against the government. These are the following:

1. **Breach of contractual undertaking.** If Tab 4 (the Minister's letter dated January 25, 1990) is regarded as a contractual undertaking by the Minister, which was subsequently breached, then Thyssen BHI may sue for damages which it incurred as a result of the breach. Since its loss was not the loss of an actual contract, but rather the loss of the opportunity to compete for the contract, this comes under the doctrine of "loss of chance" under which Thyssen BHI may recover some portion of the profits it might have made.
2. **Tort of Misfeasance in Public Office.** If Thyssen BHI can show that the Minister acted for a purpose which he knew to be unlawful in breaching the undertaking, Thyssen BHI may recover "loss of chance" damages.
3. **Tort of Misrepresentation (intentional or negligent).** The Minister's misrepresentation that Thyssen BHI would be allowed to tender may be regarded as an intentional or negligent misrepresentation. If this is shown, Thyssen BHI could recover for out-of-pocket expenses. This, obviously, is a much smaller claim than those above.
4. **Restitutionary claim for expenditures in anticipation of contract.** To the extent that Thyssen BHI can show that it was led on by the Government's promises, it may recover for out-of-pocket expenditures.

5. **Improper exercise of statutory authority in sole-sourcing contract.** If Thyssen BHI can show on the evidence that the Government's decision to sole-source was not within the statutory requirement that this be done only when "the nature of the work is such that it would not be in the public interest to solicit bids" or "only one person is capable of performing the contract" (Government Contracts Regulations, S.O.R. 87-402, s.6), the sole-sourcing decision may be declared to have been unlawful, which would likely result in a reopening of the tender.

We will discuss each of these legal claims in turn.

1. Breach of Contractual Undertaking

Thyssen BHI obviously never got to the stage of executing a formal contract with the government of Canada. Nevertheless, there would appear to be the basis of a contractual relationship between Thyssen BHI and the federal government. In particular, Defence Minister McKnight's undertaking to Thyssen BHI to allow it to participate in the tender process for the MRCV for a period of five years can be seen as the basis of a contract. All of the ingredients of a contract are present. The Defence Minister made a promise to allow Thyssen BHI to participate in the tender process. In return, Thyssen BHI entered into discussions and expended funds with a view to bidding for the contract which was foreseen by both parties. Thyssen BHI's actions in response to the undertaking may be seen as both its acceptance of the contract and the consideration flowing from Thyssen BHI which is necessary to make the undertaking binding. As set out on page 2 of Tab 4, Thyssen BHI was to participate in more detailed discussions "if the foregoing [the undertaking] is acceptable as a basis for the commencement of discussions".

It appears equally clear that the Minister had the capacity to make a contractual undertaking of this kind. While certain formal requirements must be met in order for an actual contract

for goods or services to be binding on the Crown, including the fact that the contract was made by an authorized agent of the Crown, case law has held that a Minister may bind the Crown even if not expressly authorized to conclude a contract: J.E. Verreault et Fils Ltee. v. A.G. Quebec [1977] 1 S.C.R. 41. Moreover, it would appear that the Minister was acting within the normal scope of his duties to do so.

More difficult issues arise as to whether there was an intent to enter into contractual relations on behalf of the Crown, what the terms of the contract may be, and whether the contract has been breached. The federal government would undoubtedly argue that the promise made by the Minister was not in the nature of a contractually binding promise, but was rather a purely political commitment. In its support, the government could point to the understanding in principle, which is drafted in very similar terms to the Minister's undertaking, and which contains an express term that it is not intended to create legally or equitably enforceable obligations. There have been cases in which recipients of promises made by Ministers have sought to enforce these promises in the courts, but the courts have held that they are non-justiciable matters for which the only remedy is the political process: see for example the various commonwealth authorities on the subject reviewed by Hogg, in Liability of the Crown (1989) 2nd ed. at 162-63.

Our counter-argument would be that unlike vague assertions made in political contexts, the undertaking given by the Minister is framed in terms which make it appear contractual. For example, a specific time limit of five years is given. Furthermore, reference is made as to whether this is "acceptable" to Thyssen BHI, and, if so, what actions are to follow (the further detailed discussions). Moreover, the comparison to the understanding in principle would in fact be an argument in Thyssen BHI's favour. Unlike the understanding in principle, in Minister McKnight's letter the legal effect of the undertaking is not ruled out. Had the Minister wished to specify that his undertaking had no legal significance he had the opportunity to do so, but chose not to. A court reviewing this would likely infer from this

omission an intent to create legal obligations. In our opinion, the arguments in favour of Thyssen BHI's interpretation are the stronger ones.

The next question is, if the undertaking was contractual in nature, what the terms of the contract may be. This is primarily a matter of interpretation of the letter itself. There is no uncertainty as to the time length of the commitment, which specified as being five years. There is also little uncertainty regarding the extent of the federal government's obligation under the undertaking. It has not committed to give Thyssen BHI the contract. Rather, it has simply committed to give Thyssen BHI an opportunity to tender in the event that the MRCV project goes ahead. The qualification "subject to Bear Head Industries Ltd. satisfying in all respects the specification and design requirements of the call for tenders and all contractual matters" may be surplusage, in that this would normally be part of the tender process itself and the undertaking is only to allow Bear Head to participate in the tender process. By implication, however, there is a promise that a tendering process will be held in the event that the project goes ahead. Finally, the letter specifies that no decision has yet been reached on the project and that the decision on whether or not to proceed with the project "will remain in the sole discretion of the government". In short, in our opinion the Government has committed to Thyssen BHI to allow it to participate in the tendering process (and by implication, the government has committed to put to the contract to tender) in the event that the MRCV project is proceeded with within five years of the date of the undertaking.

This analysis would be supported by a fairly substantial body of case law finding implied contracts in tender situations. These cases begin with the Supreme Court of Canada's decision in Ron Engineering & Construction (Eastern) Ltd. v. Ontario, [1981] 1 S.C.R. 111. In that case, a tender was submitted with a deposit to the Government of Ontario. The tender price had been miscalculated, and the tenderer purported to withdraw the bid prior to its acceptance, and attempted to reclaim the deposit. The tenderer argued that since no

formal contract had been entered into, the government had no right to retain the deposit. The Supreme Court disagreed. In its analysis, the Court found that an implied contract regarding the conduct of the tender came into being with the submission of the bid, which was separate from any contract that might be entered into at the conclusion of the tender process. Under this implied contract the government had certain obligations, including running the competition in accordance with the tender documents, and the tenderer had certain obligations, including the obligation to forfeit its deposit if the bid were withdrawn.

That case has been followed in many cases since, and has specifically been used to hold government bodies to their obligations in the tender process. The existence of such a cause of action against the federal government was recognized in Best Cleaners v. Canada (1985) 58 N.R. 295 (F.C.A.). More recently, there appears to be a trend in at least some courts to hold that such an implied contract is a significant constraint on government discretion in awarding contracts in tender situations. For example, in Chinook Aggregates Ltd. v. Abbotsford (1989) 40 B.C.L.R. (2d) 345 (C.A.), a municipality passed over the lowest bid in favour of a local contractor's bid that was within 10% of the lowest bid, pursuant to an internal policy of favouring local bids if they were within 10%. This policy never formed part of the tender documents (and were therefore not part of the implied contract), though these did contain a clause reserving to the municipality the privilege of not accepting the lowest tender. The Court found an implied obligation to treat all bidders fairly (based in part on industry custom), and awarded the lowest bidder compensation for its wasted expenses in submitting a bid. To similar effect is Kencor Holdings Ltd. v. Saskatchewan, [1991] 6 W.W.R. 717 (Sask.Q.B.), in which the out-of-province plaintiff submitted the lowest bid for construction of a bridge, but did not win the contract. Again, the lowest bidder was successful (based in part on evidence of industry custom), despite a clause in the tender documents allowing the minister to refuse to accept any tender or to accept any tender which he considered to be in the best interests of the province. Similar recent Ontario decisions reach opposite results on the issue of whether the lowest bidder must win: see

Acme Building & Construction Ltd. v. Newcastle (1990) 38 C.L.R. 56 (Ont. Dist. Ct.) and Megatech Contracting Ltd. v. Carleton (1989) 34 C.L.R. 35 (Ont. H.C.). However, Ron Engineering is still the leading case and it would seem to be only a small extension to apply the analysis of Ron Engineering to the Minister's undertaking.

To prove a breach of the undertaking, Thyssen BHI will have to show that the government did proceed with the MRCV project. Here the government is likely to argue that no such decision was made, that the decision was in the sole discretion of the government and the government simply decided for budgetary reasons that the MRCV program would not be proceeded with. On the surface, the government appears to have done exactly this.

Generally, however, in interpretation of contracts, courts will look at the substance of the transaction rather than mere form. If, on a fair review of the evidence, a court is satisfied that the government did in fact proceed with the MRCV project and that the re-naming of the acquisition at the time of the announcement that it would be sole sourced to GM was merely a sham, then the court will find in Thyssen BHI's favour. From the material which we have available, it appears to us that the evidence does indeed lead to such a conclusion. As set out in the DND's backgrounder documentation, the cancellation of the MRCV was explained as follows:

"The Multi Role Combat Vehicle (MRCV) Project envisioned procurement of three types of vehicles for the Canadian Forces: reconnaissance vehicles, direct fire support vehicles and infantry carriers. At a projected cost of \$2.8 billion, the entire package is no longer feasible, and the project has been cancelled.

In place of the MRCV Project, the Department of National Defence will use equipment which is being returned from Europe and will purchase a new reconnaissance vehicle now."

The accompanying news release states that the projected cost of the LAVs will be \$800 million.

In our opinion, the explanation offered by the DND is not convincing. The new release and backgrounder are extremely sketchy on the remaining two thirds of the MRCV program, saying only that the return of equipment from Europe was planned in its place. Moreover, the attempt to contrast the \$800 million cost of the LAVs with the \$2.8 billion cost of the MRCV program, when it is clear that the LAV component is only a portion of the total MRCV program, is a rather transparent game of numbers. Finally, in the excerpt from Hansard there is an admission that the LAV order is the same as the reconnaissance component (RCV) of the MRCV and that it has simply been "broken out".

The argument may be made that even if it is established that the LAVs are identical to the RCV component of the MRCV, the government was still acting within its discretion in cancelling the MRCV project. The government line would be that the essence of the MRCV program was to use the same vehicle for all three roles. Once it has been decided for technical, budgetary, or other reasons that the same vehicle will not be used, then there is in fact no MRCV program, regardless of the fact that the GM LAVs fulfill the same role as the RCV component of the MRCV project would have.

This argument cannot be dismissed lightly. However, it would appear to us to depend in part on the government being able to make some showing that valid technical and budgetary reasons did exist for abandoning the single vehicle concept. None of the materials with which we have been provided give any details on what those considerations might have been. Assuming that such a showing cannot be made, we think it likely that a court could regard the decision as purely arbitrary, and not be swayed by the change in terminology. In other words, absent a showing by the government that valid technical or operational considerations supported abandoning the single vehicle concept, there would be a strong inference that the

reason for the change was simply to escape contractual or equitable obligations owed to Thyssen BHI. In these circumstances, a breach will be made out by Thyssen BHI.

One further matter which is relevant to whether Thyssen BHI has a cause of action based on breach of contract is the existence of an old and much-criticized doctrine of "executive necessity". Under that doctrine, despite its contractual obligations, the Crown may unilaterally breach a contract if it is in the public interest to do so. In the leading case, The Amphitrite [1921] 3 K.B. 500, the British Crown gave an undertaking to a foreign shipowner during the First World War that if he delivered a particular cargo to Britain, his ship would not be seized. The government subsequently seized the ship in breach of the undertaking, and the Court upheld its right to do so. While the case has not been directly followed in Canada, a related line of cases holds that statutory powers may not be fettered by a contract: see The King v. Dominion of Canada Postage Stamp Co., [1930] S.C.R. 500, where a license to a company selling stamps that was renewable in perpetuity was held to be inconsistent with the powers of the Postmaster General to award the contract to another party if the public interest so required. Here, the government could argue that the undertaking to Thyssen BHI was ineffective to fetter the discretion of the minister to award the contract without tender under the Government Contract Regulations. However, many regard these older cases as somewhat anachronistic, and they may be of dubious authority: see e.g. Hogg, Liability of the Crown (2d ed., 1989) at 169-72; Law Reform Commission of Ontario, Report on the Liability of the Crown (1989) at 42-44.

Assuming that a breach is found, a court would have to decide what damages, if any, were suffered by Thyssen BHI as a result. This is where the doctrine of "loss of chance" becomes relevant. Having lost its promised opportunity to tender, Thyssen BHI lost a chance of making profits under the contract. It cannot claim that these profits were a certainty, because it is not in a position to claim that it would inevitably have been awarded the contract. However, a court will award damages where the chance of being awarded the

contract in such circumstances is more than merely speculative. The court's approach would be to estimate Thyssen BHI's chances of having secured the contract, and used this as a guideline in assessing the damages. For example, if the court believes that Thyssen BHI would have had a 50% chance if given the opportunity to tender, it may award 50% of Thyssen BHI's lost profits. There is no doubt from what you have told us that Thyssen BHI's chance of being awarded the contract was very good, and that damages would be calculated on that basis.

There is much case law on this subject, including tendering cases. The leading case, Chaplin v. Hicks [1911] 2 K.B. 786 (C.A.) involved a beauty contest in which the twelve contest winners would be given three years worth of theatrical engagements. The plaintiff was selected to be among the fifty finalists from whom the twelve successful applicants would be chosen, but was wrongfully denied the opportunity to compete in the final selection. The court awarded damages on the basis that the plaintiff had established that she had a one in four chance of winning the prize. This case was applied to a loss of opportunity to compete for contracts in Stan's Power Tong Service Ltd. v. Argus Machine Co. Ltd. (1988) 64 Alta. L.R. (2d) 150 (C.A.). The principle has also been fairly widely recognized in other contexts: see for example Multi-Malls v. Tex-Mall Properties, (1976) 14 O.R. (2d) 49 (C.A.); Gravbriar Industries Ltd. v. Davis & Company (1990) 46 B.C.L.R. (2d) 164 (S.C.); Webb & Knapp (Canada) Ltd. v. Edmonton [1970] S.C.R. 588.

On this issue it would appear that Thyssen BHI's evidence would be quite persuasive. If Thyssen BHI can show that, had the contract been put to tender it would likely have been successful based on its technical superiority in accordance with the government's own draft statement of requirements, as outlined above, then its measure of damages may be quite substantial. Proving technical superiority would not be sufficient to show that it would have received the contract, but it would put the government in the anomalous position of having to argue that it likely would have violated its own requirements for the tendering process in

order to make the case that Thyssen BHI would not or might not have been awarded the contract. In these circumstances, Thyssen BHI would likely be awarded a substantial portion of its lost profits.

2. Mifeseance in Public Office

As set out above, the inference may be drawn from the circumstances surrounding the decision to sole source to GM that the decision was made for political rather than operational reasons. On the purely documentary evidence which is available at this stage, it is difficult to say whether Thyssen BHI has enough to be able to convince a court of this. However, evidence in respect of claims such as this is often not available until the government is forced to produce it as part of the litigation process. A trial or discovery process may well turn up relevant information in support of this contention. Assuming that such a case can be made out, Thyssen BHI would have a cause of action based on the tort of misfeaseance in public office.

Under this tort, a right of action lies in damages where a public official has exercised his or her authority for an improper purpose. The leading Canadian case is Roncarelli v. Duplessis [1959] S.C.R. 121. In that case damages were awarded against the Premier of Quebec for arbitrarily cancelling the liquor license of a Jehovah's Witness in Quebec, out of animosity towards the plaintiff's religion. Not surprisingly, this was held by the court to be outside of the proper scope of the Premier's powers, even though the Premier's discretion was not specifically limited by statute. A more recent example occurred in Gershman v. Manitoba Vegetable Producers Marketing Board [1976] 4 W.W.R. 406 (Man.C.A.), where the defendant Board blacklisted the plaintiff, forcing him out of the vegetable wholesaling business, in retaliation for various acts, including his challenge to the Board's constitutional validity.

Thyssen BHI's argument would be that by sole sourcing the order to GM for the purpose of obtaining the political support of Ontario MPs, the federal government was acting in an equally improper manner. While there is not true malice towards Thyssen BHI in such a decision, in the sense that Premier Duplessis acted with malice towards Mr. Roncarelli, recent case law suggests that the mental element of this tort is made out if it can be shown that the defendant knew that his purpose was unlawful: Burgoin S.A. v. Minister of Agriculture, Fisheries and Food [1986] Q.B. 716 (C.A.). There may be some issue as to whether the awarding of a contract for political as opposed to technical or financial reasons would be held by the courts to be an improper purpose in this sense. While such behaviour may be widely regarded as unethical, the courts may fear a "floodgates" situation if such a claim were allowed to succeed. However, there is at least some authority for the proposition that a decision made for purely political reasons is an improper exercise of authority in the legal sense. Arrowsmith, in her text Government Procurement and Judicial Review (1989) suggests that the question is an open one in Canadian law: see pages 197 to 205. And in the case of Wilfred Nadeau Inc. v. The Queen [1980] 1 F.C. 808 (F.C.A.), allegations were made that a contracting decision was made on the basis of political influences. In dismissing these allegations on the evidence before him, the trial judge noted as follows:

"The situation might be different if it had been proved that the recommendation was made in the present case because of the improper motives involving political influences or patronage rather than solely on the basis of comparing the financial and technical capacity, and experience of the two lowest bidders and the unit prices submitted by them, but the plaintiff was unable to make any such proof." [1977] 1 F.C. 541 at 557

If liability is found on this basis, then the analysis in terms of damages will be similar to the one above. Thyssen BHI will be entitled to put in the same position as if the improper decision had not been made. Therefore, if it can show that but for the sole sourcing decision it would have had a good chance of obtaining the contract, it may recover damages on the principle established Chaplin v. Hicks, as described above.

3. Tortious Misrepresentation

Thyssen BHI may also have a cause of action based on the fact that the Defence Minister's representation that it would be allowed to bid for the contract was untrue. To be actionable, this misrepresentation must have been made either with knowledge of its falsity (fraudulent misrepresentation), or alternatively in circumstances where he ought to have known that it was false (negligent misrepresentation). Thyssen BHI must also show that it relied on such misrepresentations.

Making this case will turn on very similar considerations to those set out above under the heading "Breach of Contractual Undertakings" above. The government would argue that it fully disclosed the risk that the MRCV project would not go ahead, and Thyssen BHI would counter that the decision not to go ahead was not bona fide. One further consideration will be that either fraudulent or negligent misrepresentation must be based on the state of affairs as it then existed, at the time the misrepresentation was made. There is even some suggestion in the case law that a representation about how the tendering process is to be conducted is not a misrepresentation of fact which is capable of founding a tort claim: Canamerican Auto Lease & Rental Ltd. v. Canada (1978) 20 N.R. 438 (F.C.A). However, in principle there is no reason why a representation as to how the tender process will work cannot be a factual misrepresentation for these purposes, as long as it was untrue at the time it was made. In other words, Thyssen BHI would have to show that the decision not to put the contract to tender had already been made at the time of the Defence Minister's undertaking, and the Defence Minister either negligently or fraudulently neglected to convey this information to Thyssen BHI. If the government simply changed its mind after giving the undertaking, then breach of contractual undertaking is the more appropriate cause of action.

For this cause of action, the measure of damages will not be the profits which Thyssen BHI would or might have made, but rather then money that it spent after receiving the

undertaking. This is because it should be put in the position it would have been in had the misrepresentations not occurred, i.e., had the government properly disclosed its intention to sole source all along. If this had been the case, Thyssen BHI would still not have got the contract, but it would have been spared the expenses that it undertook in the hopes of getting the contract.

4. Restitution

Thyssen BHI may also have a similar claim for refund of monies spent on the equitable principle of unjust enrichment. Even if a court were to find no contractual undertaking, and no fraudulent or negligent misrepresentation, it may still award restitution for wasted expenditure under this principle.

To establish a claim on this basis, Thyssen BHI must show that it would be unjust for the federal government to retain the "benefit" of its work. It does not matter that the government derives no actual benefit from the money that Thyssen BHI spent, because benefit will be presumed where the money was spent on the government's request. The issue, rather, will be whether Thyssen BHI would have spent the money anyway. If it would have, then the enrichment is not unjust.

In a standard tender situation, bidders expect to spend a certain amount of money preparing a bid, and clearly take the risk that this money will be thrown away if their bid is unsuccessful. In this situation, the bidding party is normally without a remedy: see William Lacey (Hounslow) Ltd. v. Davis [1957] 1 W.L.R. 932 (Q.B.).

However, in this case it could be argued that unjust enrichment has occurred because Thyssen BHI, having spent money in anticipation of a contract, was denied even the opportunity to compete for it. If a court is of the view that the government's decision to

sole source was somewhat arbitrary, then it may be prepared to order relief on this ground. As similar case arose in Lachance v. Wilson [1908] 7 W.L.R. 647 (Sask. Q.B.), where an architect prepared preliminary plans for a hotel on the understanding that he would be given a contract if they were satisfactory, but the owner subsequently failed to proceed with the project. In that case, the court held that the architect was entitled to rely on his expectation that the contract would proceed if his work was satisfactory. Similarly, Thyssen BHI could argue that it was entitled to rely on the expectation that any decision not proceed with the MRCV project would be bona fide, and not based on political considerations.

5. Judicial Review Based on Statutory Breach

Still another possibility is that Thyssen BHI could apply to court for judicial review of the decision not to put the contract to tender. Unlike the causes of action mentioned above, this would not depend on a finding that the promise made to Thyssen BHI was breached. Rather, the court would simply decide whether the decision was made in conformity to the standards set down in the Government Contracting Regulations. Moreover, the relief sought would not be monetary compensation, but rather a declaration that the decision was wrong, and/or an injunction preventing the GM contract from going ahead. The idea would be to force the federal government to open the contract up to tender.

It would appear that the Federal Court of Canada, Trial Division, would have jurisdiction to hear such a claim. Under recent amendments to the Federal Court Act, the decision of a "federal board, commission or tribunal" may be reviewed. "Board, commission or tribunal" are now defined as including "anybody or any person or persons having, exercising or purporting to exercise jurisdiction or powers conferred by or under an act of Parliament or by or under an order made pursuant to prerogative of the Crown". The previous definition, excluding the reference to prerogative powers, has been held to apply to Ministers acting pursuant to statutory powers. A further amendment to the definition excludes "the Senate,

House of Commons or any committee or member of either House", which might be read as excluding Ministers, though judicial review of ministerial acts is so entrenched that this would seem unlikely. If Ministers are excluded, then the Ontario Court (General Division) will have powers of review.

The basis for review would simply be that the Minister (whom we assume was responsible for deciding to sole source) erred in law in determining that the criteria set out in s.6 of the Government Contracts Regulations had been met. In practical terms, this would force the Minister to justify the decision and state the reasons for failing to tender. Section 6 sets out clear standards, and there is no reason in principle why a court should not look into the merits of whether the standards have been met.

There does not appear to be a great deal of case law on whether judicial review can be sought of a decision of this nature, though we see no reason in principle why it should not. There is one case, Quasar Helicopters Ltd. v. The Queen, [1983] 1 F.C. 536 (T.D.) in which the Court held that an action seeking a declaration that a contract decision was void because of errors in process was in the nature of judicial review under s.18 of the Federal Court Act. In that case, the plaintiff had submitted the lowest bid for a contract prior to the deadline, as evidenced by a Canada Post meter imprint. The tender rules specified that a meter imprint was unacceptable, but the Ministry's practice (known to the industry) was to accept such evidence. The Ministry enquired of Canada Post as to whether the meter was a Canada Post meter, and was erroneously told that it was not. By the time the mistake was discovered, the contract had been awarded to the next lowest bidder. The Court found that the procedure followed was fair, and declined to give the relief requested.

The lack of case law in this area may be due to the fact that, traditionally, courts have held that procurement decisions are not amenable to judicial review. Conversely, however, we are not aware of any authority which would preclude judicial review in the circumstances of

your case. (One case holding that judicial review of a procurement decision was not available, Re Midnorthern Appliances and Ontario Housing Corp., (1977) 17 O.R. (2d) 290 (Div.Ct.), in which the respondent decided not to consider a tender submitted by a former supplier that was threatening legal action, turned on the specific point that the respondent was not exercising a "statutory power of decision" as required by the Ontario Judicial Review Procedure Act.) Moreover, the assumption that procurement decisions are not reviewable may be based on administrative law concepts that are now out of date, such as the view that the exercise of an administrative power is not reviewable by the courts. The Supreme Court of Canada, however, has greatly eroded the distinction between judicial and administrative functions: see for example Martineau v. Matsqui Institution Disciplinary Board [1980] 1 S.C.R. 602. The courts are likely to be quite deferential towards the Minister in interpreting s.6, but if, on the evidence, it appears that the standards were not met, then Thyssen BHI may well be entitled to relief. In a different context, the Supreme Court of Canada in an old case held that a contract entered into without tender, when tender was required by statute, was invalid: see The Queen v. Woodburn [1899] 29 S.C.R. 113.

Thyssen BHI's case that the sole-sourcing decision was not in conformity with the government contracting regulations would be bolstered by reference to the Treasury Board's own Contracting Manual, excerpts from which are appended to this opinion. For example, Article 9.1.1 states that "the objective of government procurement contracting is to acquire goods and services and to carry out construction and leasing in a manner that results in best value or, if appropriate, the optimal balance of overall benefits to the Crown and the Canadian people". Similarly, Article 10.7.1 provides that "in accordance with the policy statement to reflect fairness in spending public funds, the method of procurement used for a particular acquisition must, within the limits of practicality, give all qualified firms an equal opportunity for access to government business". These passages clearly indicate that the government considers itself bound to conduct the procurement process in a fair and equitable way, and may not arbitrarily dispense with a tendering process. Specifically on the

issue of sole sourcing, the Manual provides in Article 10.7.18 that when a contracting authority sets aside the competitive requirement and awards a contract on a directed source basis, "this decision should be recorded, together with the justification". The justifications themselves are commented on, including explanations of the exceptions that the government would be likely to rely on. In Article 10.2.4, it stated that the "public interest" exception should normally be reserved for dealing with security considerations or to alleviate some significant socio-economic disparity. Article 10.2.5 explains that the "one person or firm" exception "is quite definitive and should be invoked only where patent or copyright requirements, or technical compatibility factors and technological expertise suggest that only one contractor exists". Reference to this Manual, although it is not necessarily legally binding, may put the government on the defensive and force it to go some distance in attempting to justify the sole sourcing decision.

If judicial review is sought, then timeliness of the application could be an issue counting against Thyssen BHI. Assuming that an application would be brought in the Federal Court, such application must generally be made within 30 days after the time the decision is first communicated, which in this case would be from April, 1992. However, the court does have a discretion to extend this time limit in an appropriate case.

One further avenue which might be possible is an application to the Federal Government's Procurement Review Board, which is a tribunal set up under the Free Trade Agreement. We are in the process of determining whether this Board would have jurisdiction over your claim, but it appears from the Free Trade Agreement itself that it does not. Under the FTA procurement of certain items by the Department of National Defence, including "tracked combat, assault and tactical vehicles", is specifically excluded. Assuming the vehicles at issue have tracks and not wheels, the PRB would not have any jurisdiction in your case. In any event, it does not appear that the existence of this Board, even if it does have jurisdiction, has any effect on your other legal remedies.

Conclusion

As set out in the preceding paragraphs, there are several grounds on which Thyssen BHI may choose to pursue its legal remedies against the federal government. While it is impossible for us at this stage to estimate with any degree of precision what Thyssen BHI's chances of success would be on some or all of these claims, it is clear that Thyssen BHI has an arguable case for each of the causes of action listed above. To review the various causes of action outlined, it is our opinion that the action based on a breach of contractual undertaking is probably the best chance, and would have a reasonable prospect of success. Furthermore, this action would potentially allow you to recover a portion of lost profits which may be seen as the most desirable remedy. The next best alternative, in our view, would be judicial review of the sole sourcing decision. While such an action may be somewhat untested, we are of the view that it would be allowed to proceed through the courts, and it would have the advantage of forcing the government to set out the reasons for its decision on the merits. This option also provides a useful remedy, in that a declaration by the court that the sole sourcing decision was unlawful would force the government to re-open the contract. Furthermore, this kind of proceeding does not depend on a finding that the Defence Minister's undertaking formed a valid and binding contract. It exists independent of that undertaking. As for the remaining possibilities, we are of the opinion that the restitution claim is potentially a good one, but we recognize that the remedies available under this claim are of more limited use to you. Based on the evidence which is currently available to us, actions based on misfeasance in public office or negligent or fraudulent misrepresentation would appear to be significantly less likely to succeed.

- 26 -

If Thyssen BHI elects to proceed to litigation, it would likely do so on the basis of most or all of the above claims, despite the fact that some may be more likely to succeed than others. It may also be possible to combine them in a single action in the Federal Court, Trial Division. We have not addressed this in any detail at this stage, but if you should decide to proceed with litigation then we will give further thought to these procedural aspects of the case.

We hope the above is of some assistance to you. Please do not hesitate to contact us if you have any questions.

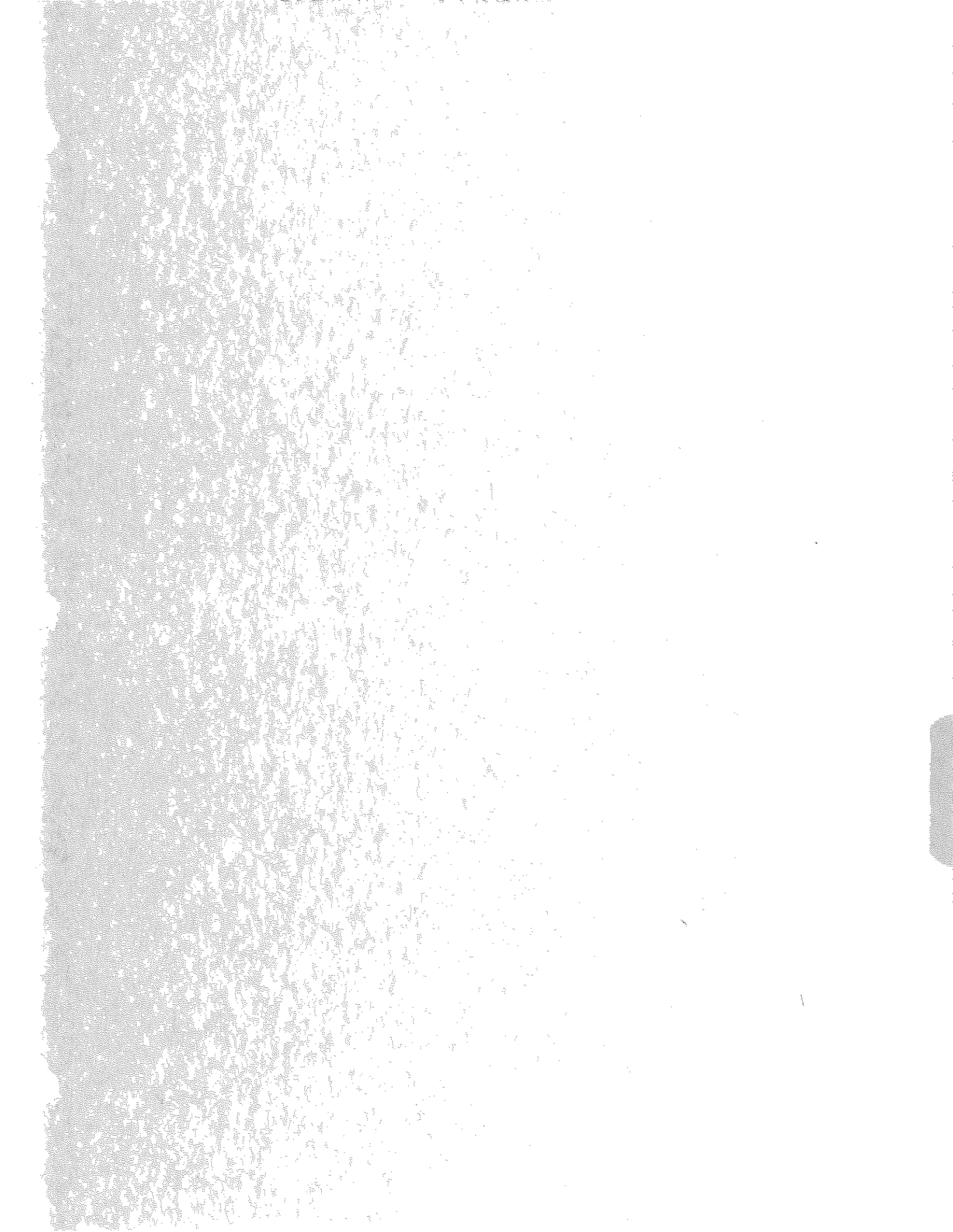
Yours very truly,

GOWLING, STRATHY & HENDERSON



Ian Scott

IGS/sb



Court File No.

**ONTARIO COURT OF JUSTICE
(GENERAL DIVISION)**

BETWEEN:

**BEAR HEAD INDUSTRIES LTD. and
THYSSEN INDUSTRIE HENSCHEL AG**

Plaintiffs

- and -

**HER MAJESTY THE QUEEN IN RIGHT OF CANADA,
THE ATTORNEY GENERAL OF CANADA,
WILLIAM McKNIGHT and MARCEL MASSE**

Defendants

STATEMENT OF CLAIM

TO THE DEFENDANTS

A LEGAL PROCEEDING HAS BEEN COMMENCED AGAINST YOU by the Plaintiff.

The claim made against you is set out in the following pages.

IF YOU WISH TO DEFEND THIS PROCEEDING, you or an Ontario lawyer acting for you must prepare a statement of defence in Form 18A prescribed by the Rules of Civil Procedure, serve it on the Plaintiff's lawyers or, where the Plaintiff does not have a lawyer, serve it on the Plaintiff, and file it, with proof of service, in this court office, WITHIN TWENTY DAYS after this Statement of Claim is served on you, if you are served in Ontario.

If you are served in another province or territory of Canada or in the United States of America, the period for serving and filing your statement of defence is forty days. If you are served outside Canada and the United States of America, the period is sixty days.

Instead of serving and filing a statement of defence, you may serve and file a notice of intent to defend in Form 18B prescribed by the Rules of Civil Procedure. This will entitle you to ten more days within which to serve and file your statement of defence.

IF YOU FAIL TO DEFEND THIS PROCEEDING, JUDGMENT MAY BE GIVEN AGAINST YOU IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO DEFEND THIS PROCEEDING BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

IF YOU PAY THE PLAINTIFF(S) CLAIM, and \$1,000.00 for costs, within the time for serving and filing your Statement of Defence, you may move to have this proceeding dismissed by the Court. If you believe the amount claimed for costs is excessive, you may pay the Plaintiff(s) claim and \$100.00 for costs and have the costs assessed by the Court.

Date:

Issued by:

Local Registrar

Address of Court Office:

145 Queen Street West
Toronto, Ontario
M5H 2N7

TO:

CLAIM

1. The Plaintiffs claim:
 - (a) damages in the amount of \$100,000,000.00;
 - (b) a declaration that the decision of the Defendant Marcel Masse that a contract (the "Contract") to produce up to 229 Light Armored Vehicles ("LAV"s) be awarded to Diesel Division of General Motors ("DDGM") without tender is null and void and in violation of the Undertaking referred to herein;
 - (c) its costs of this action; and
 - (d) such further and other relief as to this Honourable Court seems just.

2. The Plaintiff Bear Head Industries Ltd. ("BHI") is a company incorporated under the laws of Nova Scotia, formed to engage in the business of the design, manufacture and servicing of military equipment in Canada. The Plaintiff BHI is a wholly-owned subsidiary of Thyssen Industrie AG ("Thyssen Industrie"), a German-based diversified international manufacturer, and carries on business in Ontario.

3. The Plaintiff, Thyssen Industrie AG Henschel ("Thyssen Henschel") is a German-based wholly-owned subsidiary of Thyssen Industrie, engaged in the business of the design, manufacture and servicing of military equipment.

4. The Defendant William McKnight ("McKnight") was Minister of National Defence between January, 1989 and April, 1991.
5. The Defendant Marcel Masse ("Masse") was Minister of National Defence between April, 1991 and January, 1993.
6. In or about 1984, Thyssen Industrie was approached by representatives of the Canadian government, as a potential investor in Canada. Between 1984 and 1988, Thyssen Industrie entered into negotiations with the governments of Canada and Nova Scotia, with a view to building a manufacturing plant at Bear Head Cove, Nova Scotia, and incorporated BHI in 1985. It was foreseen in these negotiations that BHI would manufacture LAVs for the Canadian military.
7. In or about 1987, the government of Canada, through its White Paper on Defence (the "White Paper"), announced its intention to procure new LAVs. This became known as the "LAV Procurement Program".
8. On or about September 27, 1988 the Plaintiff BHI entered into an Understanding in Principle (the "Understanding in Principle") with the Crown in Right of Canada (the "Federal Government"), as represented by the Minister of National Defence (Perrin Beatty), the Minister of Regional Industrial Expansion (Robert De Cotret) and the

Minister responsible for the Atlantic Canada Opportunities Agency (Gerald Merrithew).

9. It was a term of the Understanding in Principle that the Minister of National Defence would consider the participation of BHI in the LAV Procurement Program established pursuant to the White Paper. In addition to the Understanding in Principle, in discussions held in or about 1987 and 1988 it was represented orally to BHI by various Ministers and agents of the Federal Government that BHI would have the opportunity to compete for the planned LAV Procurement Program (the "LAV Representations"). These representations constituted a promise on behalf of Her Majesty The Queen in Right of Canada to BHI that was relied upon by BHI to its detriment, as set out below.
10. In or about April, 1989 the Federal Government cancelled the LAV Procurement Program. As a result of perceived changes in Canada's defence needs, the Federal Government began to consider instead a multi-purpose vehicle which would both replace the obsolete LAVs and fulfill other military functions.
11. This multi-purpose vehicle, known as the Multi-Role Combat Vehicle ("MRCV"), would come in three forms based on a common design: the Reconnaissance Combat Vehicle ("RCV"), the Infantry Combat Vehicle ("ICV"), and the Armoured Combat

Vehicle ("ACV"). It was foreseen that the MRCV would be acquired by the Department of National Defence in three phases, commencing with the RCV.

12. In or about 1989 to 1991, negotiations continued between the Federal Government and BHI, but with the focus shifting to manufacture of MRCVs by BHI. During this period the Department of National Defence released information regarding the Department's pending technical requirements to BHI and others in the industry. Based on this technical information, Thyssen Henschel developed a new model of armoured vehicle known as the TH-495.

13. On or about January 25, 1990 the Defendant McKnight expressly gave his undertaking in writing to BHI, on behalf of the Federal Government, that in the event the Canadian military decided to acquire MRCVs, BHI would be given an opportunity to participate in the tender for the contract to supply such vehicles (the "Undertaking"). The Undertaking was to remain valid for a period of five years. The Undertaking was both a legally binding contract between Her Majesty the Queen in Right of Canada and BHI, and a promise on behalf of Her Majesty the Queen in Right of Canada to BHI that was relied upon by BHI to its detriment, as set out below.

14. The Undertaking was based in part upon the Department of National Defence's assessment of the experience and technical competence of Thyssen Henschel as an

armoured vehicle developer and producer, and in part upon the design concept of the new TH-495 vehicle intended to satisfy the Department of National Defence's requirements as advised to industry.

15. It was an implied term of the Undertaking that the tender process would be conducted fairly and in good faith, and that subject to BHI satisfying the relevant specifications and design requirements, if BHI quoted the lowest contract price BHI would be awarded the contract.

16. It was also an implied term of the Undertaking that the Minister of National Defence would comply with the Federal Government's own Contracting Manual, a publicly-available manual produced and distributed by Treasury Board to guide those who have authority to enter into contracts on behalf of the Crown. In particular, articles 9.1.1 and 10.7.1 of the Contracting Manual provide as follows:

9.1.1 The objective of government procurement contracting is to acquire goods and services and to carry out constructing and leasing in a manner that results in best value or, if appropriate, the optimal balance of overall benefits to the Crown and Canadian people.

10.7.1 In accordance with the policy statement to reflect fairness in spending public funds, the method of procurement used for a particular acquisition must, within the limits of practicality, give all qualified firms an equal opportunity for access to government business.

17. In return for and in reliance on the Undertaking and the LAV Representations, the Plaintiffs continued with discussions with a view to building manufacturing facilities at Bear Head, Nova Scotia. The Plaintiffs also incurred expenses, particulars of which will be given before trial. These expenses included costs associated with the development of the various configurations of the TH-495, and also costs associated with the administration and management of BHI.

18. Subsequent to the Undertaking, the Defendant Masse succeeded McKnight as Minister of National Defence. On or about September 17, 1991, Masse, in a policy statement on defence, publicly repeated the Department of National Defence's commitment to the MRCV program. Furthermore, on or about February 10, 1992 the Canadian Ambassador to Germany wrote to the German Staatssekretar des Bundesministerium der Verteidigung (Deputy Minister of Defence) reiterating that Canada would proceed with the MRCV program.

19. In or about March or April, 1992, Masse decided that Bell Helicopter Canada Ltd., of Mirabel, Quebec would be selected to provide up to 100 helicopters to the Department of National Defence (the "Bell Helicopter Contract"). This decision was made without calling for tenders.

20. In or about March or April, 1992, Masse decided further that the MRCV acquisition would be cancelled, and that the RCV phase would be replaced by the acquisition

of up to 229 reconnaissance-enhanced LAVs from DDGM. The selection of DDGM was also made without calling for tenders.

21. On or about April 7, 1992, on the same day as Masse announced the Bell Helicopter Contract, it was announced that DDGM had been selected to provide the reconnaissance-enhanced LAVs at an approximate cost of \$800 million for 229 vehicles.
22. The reconnaissance-enhanced LAVs are in substance equivalent to the RCV phase of the MRCV program, and the Defendant Masse breached the Undertaking in failing to provide the Plaintiff the opportunity to participate in a tender before selecting DDGM. Moreover, the cancellation of the MRCV program was a sham, for which the sole purpose was to avoid or circumvent the Undertaking.
23. In giving the Undertaking in return for the Plaintiff's continued participation in negotiations to build a manufacturing facility in Nova Scotia, and in return for the Plaintiffs' incurring expenses in contemplation of building such a facility and in contemplation of participating in the tender process, the Defendant, McKnight, contracted on behalf of Her Majesty the Queen in Right of Canada to be bound by the terms of the Undertaking. The Defendant, Her Majesty the Queen in Right of Canada, is therefore in breach of contract for failing to honour the terms of the Undertaking.

- 11 -

24. In addition and in the alternative, the Undertaking and the earlier LAV Representations were intended to be relied upon, and were actually relied upon by the Plaintiffs to their detriment. The defendant, Her Majesty the Queen in Right of Canada is therefore estopped from breaching the terms of the Undertaking and the LAV Representations.
25. In the further alternative, the Defendant, Her Majesty the Queen in Right of Canada has been unjustly enriched by the expenses incurred by the Plaintiffs in reliance upon the Undertaking and the LAV Representations of Beatty, and the Plaintiffs claim restitution of these expenses.
26. Furthermore, the decision to award the Contract to DDGM without calling for tenders was based on improper considerations and was not in compliance with the *Government Contract Regulations*, SOR 87-402, s.6, nor the provisions of the *Contracting Manual*. In particular, the decision was made for the purpose of obtaining the political support of elected representatives from Ontario for the Bell Helicopter Contract, in light of the fact that one of Bell Helicopter's competitors, Eurocopter, was based in Fort Erie, Ontario.

27. In deciding to award the LAV Contract to DDGM, Masse therefore erred in law, exceeded his jurisdiction, and exercised his statutory authority in an improper manner.

28. In the alternative, the LAV Representations and McKnight's subsequent Undertaking that BHI would be permitted to participate in the tender process for the MRCV program were representations that the Defendants knew or ought to have known were false.

29. The Defendants had a duty to the Plaintiffs to exercise due care to ensure that their representations were accurate, and the Defendants breached this duty.

30. At all material times the Defendants McKnight and Masse were acting as Ministers and/or agents of the Crown, and the Defendant Her Majesty the Queen in Right of Canada is in law responsible for their actions.

31. In the alternative, the Defendants McKnight and Masse were acting outside the scope of their Ministerial authority and so are personally liable to the Plaintiffs for their actions.

32. At all material times, BHI was better able to meet the design and technical specifications set by the Department of National Defence than DDGM. Had BHI

been able to participate in a tender process for the Contract, BHI would likely have been awarded the Contract.

33. In particular, in the context of the RCV phase of the MRCV, the Department of National Defence required that RCVs be equipped with armour resistant against 14.5mm armour piercing ammunition and desired that they be equipped with armour resistant against 30mm armour piercing ammunition. This was regarded as essential by the Department of National Defence for the protection of Canadian troops in a combat situation. The TH-495 meets this requirement, while the LAVs manufactured by DDGM do not.
34. In addition, the Department of National Defence required that RCVs be transportable by Hercules aircraft. This was regarded as essential to the Canadian Forces' ability to transport and deploy its LAVs quickly and effectively in a situation calling for a rapid military response. Despite the much higher ballistic protection level of the TH-495 as compared to the DDGM LAVs, the TH-495 remains transportable by Hercules aircraft.
35. In addition, the unit price per vehicle under the Contract with DDGM is inflated and excessive, and the Plaintiff would in all likelihood have been able to submit a lower bid had there been a tender process. At an approximate cost of \$800 million for 229 vehicles, the unit price per vehicle is some \$3.5 million.

36. As a result of the actions of the Defendants, the Plaintiffs have suffered losses, which losses include expenses incurred in reliance on the actions and representations of the Defendants in the total amount of \$40 million and the profits BHI could reasonably have expected to realize had BHI been given the opportunity to participate in a tender for the Contract, in the total amount of \$60 million.
37. The Plaintiffs plead and rely on the provisions of the *Financial Administration Act*, R.S.C. 1985 c. F-11, and the *Government Contract Regulations*, SOR 87-402.
38. The Plaintiffs propose that this action be tried in Toronto.

August 20, 1993

GOWLING, STRATHY & HENDERSON
Suite 4900, Commerce Court West
Toronto, Ontario
M5L 1J3

Ian G. Scott
Christopher M. Dassios
Andrew K. Lokan

(416) 862-7525

Solicitors for the Plaintiff

BEAR HEAD INDUSTRIES LTD. - and - HER MAJESTY THE QUEEN IN RIGHT OF CANADA, ET AL.

Court File No.

**ONTARIO COURT OF JUSTICE
(General Division)**

Proceedings Commenced at TORONTO

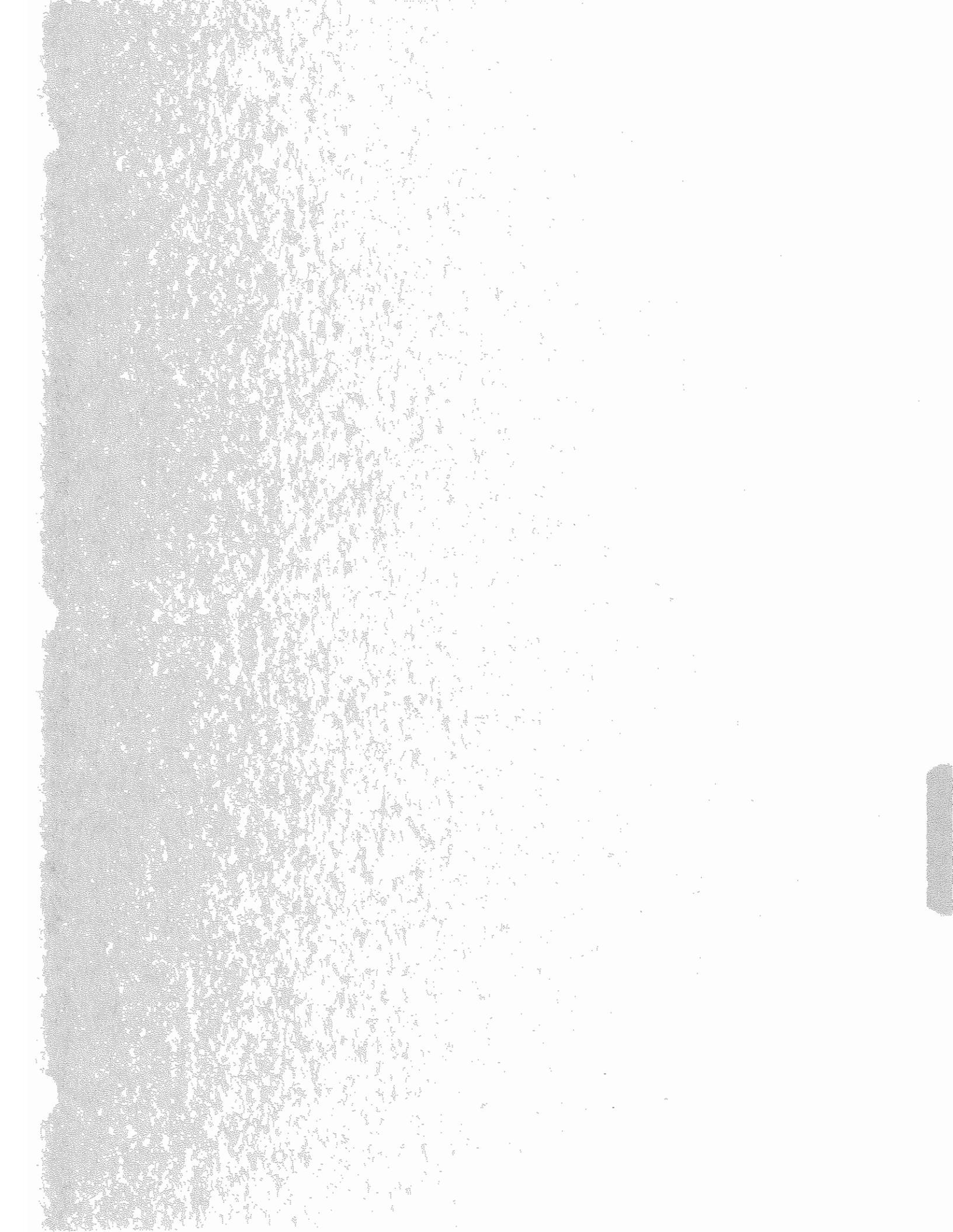
STATEMENT OF CLAIM

GOWLING, STRATHY & HENDERSON
Barristers and Solicitors
Suite 4900, Commerce Court West
Toronto, Ontario
M5L 1J3

Ian G. Scott
Christopher M. Diassios
Andrew K. Lokan

(416) 862-7525

Solicitors for the Plaintiff



THYSSEN PROJECT IN CANADA

Proposal

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

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

Market

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

Employment

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

Additional Doubling of Employment through Diversification

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

Canadian Situation

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





SUPERText



RCMP "A" DIVISION COMMERCIAL CRIME

File: A102
95A-517

EXHIBIT INFORMATION

DATE OBTAINED: _____
Obtained By: _____
Exhibit No.: 96-34
Item No.: _____
Location: _____

DOCUMENT CATEGORIZATION

Document Type: _____

Original: Yes _____ No

COMMENTS and entry Cdn. documents
extracted from items 58 to 95.

Stapled

Clone: X-10-12-19-26-34-41-45-50-
54-58-63-67-69-73-77-81-88-
90-92-95-97-101.

5063-B15
86-34-76
41 51

COMPANY/PROJECT NAME: BEAR HEAD INDUSTRIES (THYSSEN)

LOCATION: Montreal East, Quebec

ISSUE:

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

BACKGROUND:

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

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

KEY FACTORS:

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

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

CURRENT STATUS:

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

PRESS LINE:

Thyssen Industries proposal is being given further review.

Contact: Helmut Zankl, 954-3769
Dick Krajewski, 954-3388

September 9, 1993

42 58

FROM: Krajewski, Dick

TO: nkl, Helmut

DATE: 09-03-93

TIME: 11:48

CC: Krajewski, Dick

SUBJECT: THYSSEN/BHI - TH 495

PRIORITY:

ATTACHMENTS:

5063-815

Here is an ancient but very important note from EXAFF indicating that they concur in our market analysis and strategy of dealing with the company on this issue. It is also is a record that we consulted with others. Please zerox and file this as appropriate on the official Departmental file.

Thank You.

FORWARDED FROM: Krajewski, Dick

FROM: Mahar, Robert

TO: KRAJEWSKI, DICK

CGSI ISTC/I6E

DATE: 13/05/93

TIME: 10:52

CC: Conway, Charles A.

Mahar, Robert

Murata, Kenny

Sotvedt, J.S.A.

SUBJECT: THYSSEN/BHI - TH 495

PRIORITY:

ATTACHMENTS:

Draft letter to FORD - Q reviewed by LAV team, consider questions all "right on the money", no additions or deletions. Recommend forwarding to FORD-Q in present format.

Cheers,

Bob

SOG3-B15
↑
43

STATUS OF

BEAR HEAD INDUSTRIES (A DIVISION OF THYSSEN INDUSTRIE AG)

ISSUE

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

BACKGROUND

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

KEY FACTORS

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

CURRENT STATUS

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

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

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

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

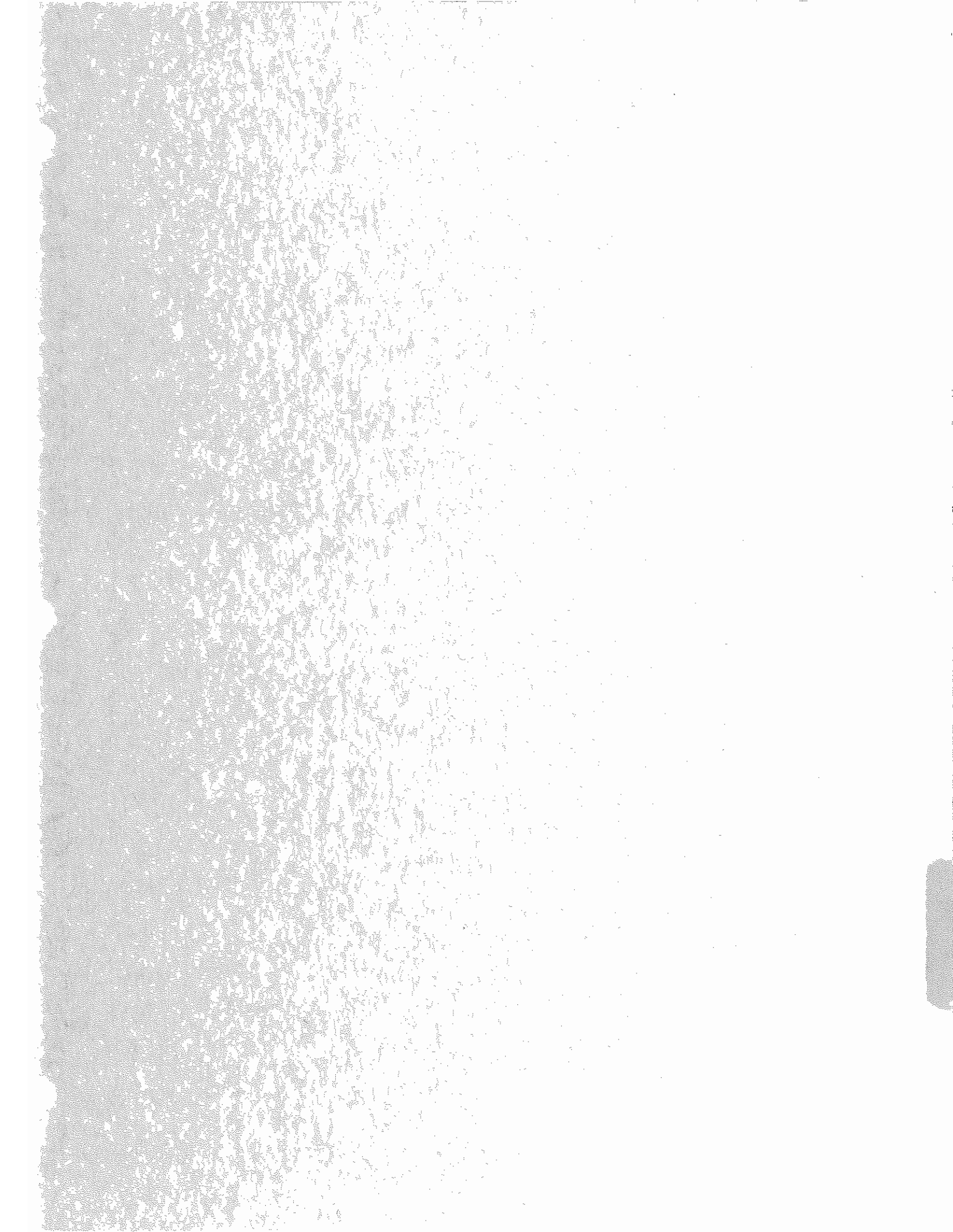
1. BEAR HEAD INDUSTRIES (A DIVISION OF THYSSEN INDUSTRIE AG)

Further to Minister Charest's and Corbeil's meeting August 26, 1993, with Messrs K. Schreiber, President and Legal Counsel F. Ducet on the company's proposal to locate a manufacturing facility for military vehicles in Montreal East, the following actions are underway:

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

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

August 31, 1993.





SUPERText



RCMP "A" DIVISION COMMERCIAL CRIME

File: A102
95A-517

EXHIBIT INFORMATION

DATE OBTAINED: 96-11-06

Obtained By: C.P. Paul Dobbins

Exhibit No.: 96-34

Item No.: 13

Location: _____

DOCUMENT CATEGORIZATION

Document Type: _____

Original: Yes _____ No

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

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



Government of Canada

Gouvernement du Canada

MEMORANDUM

NOTE DE SERVICE

To File

TO
A

FROM
DE
Helmut Zankl
Sr Proj Manager
Marine & Land Def Systems

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

SUBJECT
OBJET Thyssen visit August 26, 1993

Present: Ministers Charest and Corbeil

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

Purpose:

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

Summary of Discussions:

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

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CONFIDENTIAL

- 2 -

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

Observations:

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

Attach: Relevant DND/NATO background material.

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

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

NOT USUALLY DONE

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

EXTERNAL

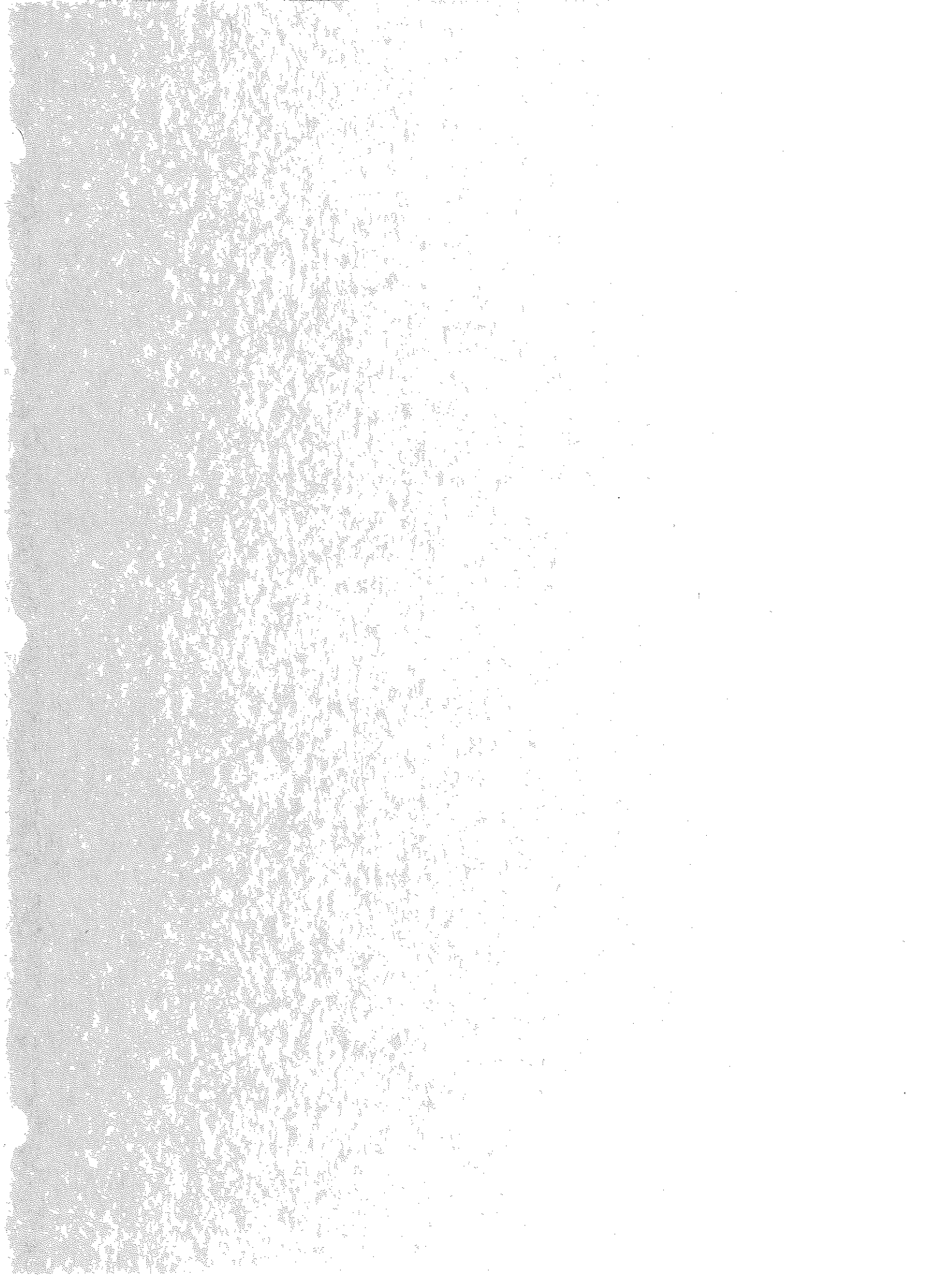
With respect to NATO plans for a peace keeping vehicle, DND informs us that although NATO member countries have discussed possible requirements for approximately 12,000 units, this is in no way binding. Also, there are no guarantees that the Thyssen vehicle would be chosen nor is it known when procurement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

Appended is a copy of DND's Ministerial briefing.

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

September 8, 1993

5063-B15



P R O T E C T E D

MINUTES

MEETING, SEPTEMBER 17, 1993, OTTAWA

THYSSEN BHI
and
CANADIAN GOVERNMENT DEPARTMENTS

=====

1. Introductory Remarks, Bruce Deacon

Mr. Deacon welcomed the participants and thanked Mr. Massmann for his offer to have company and government officials meet, even on short notice. He went on to suggest that the objectives of the meeting were to develop a better understanding of Thyssen BHI's proposal and to agree to the follow-up steps.

2. Introduction of Participants

All participants introduced themselves. (Refer to listing of participants, Attachment #1).

3. Presentation, Thyssen BHI

Mr. Massmann, gave a slide presentation on Thyssen AG; its subsidiaries and product lines worldwide. (Refer to copy of presentation, Attachment #2).

Mr. Alford then presented those aspects of the company's proposal related to testing and evaluation of the two existing (ICV and AIFV variants) prototypes and the development, prototyping and pre-production of an ACV variant in Canada. (Refer to copy of presentation, Attachment #3)

Mr. Reid briefed the group on Thyssen's TH 495 family of tracked vehicles, technical specifications and design parameters, including armour protection and developments. (Refer to copy, Attachment #4).

4. Discussions

The forenoted presentations invited many questions. Of particular interest were those related to why Thyssen has selected Canada to establish production; how the Thyssen BHI Canadian products would be marketed internationally; the rationale for global demand for the TH 495 family of tracked vehicles; the approach to prototyping the ACV variant

.... /2

P R O T E C T E D

-2-

in Canada; the criteria for test and evaluation of the two existing (ICV and AIFV variants) prototypes by DND; and the approach to Canadian content and production off-sets to meet customer requirements.

The following summarizes the Company's responses to the major questions raised:

- a. Canada is considered attractive for the production of the TH 495 family of vehicles because of potential investment assistance for the project; perceived Canadian marketing advantages, including special relationships with the USA, the Commonwealth, Francophone, NATO and NATO countries; Canada's unique mix of experience and technology developed by Canadian peace keepers over the years, their reputation and traditions in peace keeping efforts worldwide;
- b. In general, marketing of the TH 495 family of vehicles is currently a corporate (Thyssen Henschel) function with assistance from Thyssen BHI as required. Thyssen BHI would assume more of the marketing functions as the project, production and rationalization of parts and components, including market demand develop;
- c. Thyssen BHI will have the world product mandate for the entire TH 495 family of tracked vehicles once the Canadian facility is established. Principally, this means that Canada will have the only production line (sole source) for the TH 495 family of tracked vehicles. The amount of production work done in Canada would be dependant on the procurement agreements reached with customers and would be primarily based on sound economic principles;
- d. Once in production, Thyssen BHI Canada could be considered sole source (production and distribution) supplier for certain parts and components as may be agreed to by the governments supporting the proposed project;
- e. Any foreign participation in the production of the TH 495 family of tracked vehicles would be considered on the basis of sound economics and in accord with government(s) agreement;
- f. The Thyssen TH 495 variant designs would include North Americanization of major components such as engines, transmissions, suspension and steering components.

.... /3

P R O T E C T E D

-3-

The company is expected to offer customers a choice of proven (off the shelf) major components;

- g. Turrets for the TH 495 would be offered in accordance with customer requirements. Current suppliers are Delco, Kuka, Diehl, ATC, Giat, and other major manufacturers of gun systems and turrets;
- h. Thyssen/BHI would design and apply armour protection to the Th 495 family of tracked vehicles destined for export markets to suit customer requirements. Furthermore, the company's protective armour technology could be licensed to Canadian firms to meet the demand for domestic needs only. *general - by Thyssen - do not re govt approval*
- j. Design and development of the ACV prototype ^{could?} would be done in Canada. This phase of the project could take up to two years. Canadian engineers and technicians would be trained by Thyssen Henschel prior to commencing the ACV variant development and prototyping in Canada;
- k. Constructing the ACV prototype would involve make-shift tooling and testing equipment, initially in a small workshop site in Canada, yet to be determined. The first two (ICV and AIFV variants) prototypes were also built with similar non-production tooling at the Thyssen Henschel plant;
- l. Production line tooling and set-up for assembly of TH 495 family of tracked vehicles is to commence on the basis of sound economics. The decision to proceed with production of the TH 495 vehicles is contingent upon a favourable climate as defined by 1) receipt of a major order and reasonable prospects for follow on orders from other customers; 2) test and evaluation of the two (ICV and AIFV variants) vehicles by DND; and 3) a signed Canadian Government Thyssen/BHI establishment agreement. *2) is optional?*

5. Next Steps, Follow-up Actions, Bruce Deacon

Mr. Deacon summed up the meeting and the consensus was to proceed as follows:

- a. The scope and details related to testing of the two existing Thyssen (ICV and AIFV variants) prototypes were to be discussed between DND and Thyssen/BHI officials in the near future; and

.... /4

P R O T E C T E D

-4-

- b. ISC was to map out steps on how to proceed with the project and get this information to the company at the earliest opportunity, including decision bench marks.

Mr. Deacon thanked everyone for having taken the time to attend the meeting on such short notice and adjourned the meeting.

Helmut Zankl
September 30, 1993



MESSAGE FOR

M. KHS
WHILE YOU WERE OUT

M. Fred Doucet's office

OF _____

PHONE NO. _____

TELEPHONED		RETURNED YOUR CALL	
CALLED TO SEE YOU		PLEASE CALL	
WANTS TO SEE YOU		WILL CALL AGAIN	

MESSAGE: Risem Mulrowey
47 Forden Cresc.
Westmount Montreal

Tel: 514-369-8111

DATE 14.12.93 TIME _____

RECEIVED BY _____

L26-88216
RECYCLED PAPER



GRAND & TOY



1994

Pelosi

Montag 3. Oktober

SU 17.52

40. Woche
276-89

UHR 7

Tag der deutschen Einheit

Zel. Strosc.

Zel. Waldstr. 79 B.A.S.
Pelosi Giorgio
Via Gaggina da Bissonet
548042

8 Bos Hladar
Wg. Karl-Leg. Krenzsch.

F.M.T.
Via S. Balestra 2
6901 Lugano.
23.65.12

10 Kitter

Vicla Tape Meme
Famseher. (Boh?)

12 Stein / Kh.

13 Koohtil?

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Therese Strosc Ges.

Dienstag 4. Oktober

SU 17.54

UHR 7

Zänick

Hofen Geep Ge.
Kendrig 2 Platz, senk!
Audi Gate Cappelen

Bellefont. 40. Woche
Ränjh. - 11.10
Voll Rungel
Kirehe Plinken

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Zentham zur Waage / Jm.

Andu.

200 CASH
50 Japand
100 Dm.

4088 CASH

Herald Giesner
Dienstag 8. November

SA 727
45. Woche
31253

Dr. Stein

Friedr. W. Meyer
Lisch. - Häuser

Vertrag Panama
Liebherr

H. Jäger Wg. Böhm #

Primus-Financel SA
Panama

EN Calle 53 Urbanizacion
Oberrio Torre
Swiss Bank

Obolus Financel SA
Piso 16

Republica de Panama

Primus Financel SA

EN Calle 5-3

Urbanizacion Oberrio Torre

Swiss Bank

Piso 16

Republica de Panama

75 Jahre
Mittwoch 9. November

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Bird Baumrit

Bird Parks Ruppel

Dr. Jegen Zürich

Tel. Yip/hg Bas

Microrechn. Linsen

Tel. Giesner

Notar?

:45 D-Schuld

Jus Kennad.

Reg Wg Bank Ende
1993

Blumen-Hoh Renate 19:30
Mittwoch 9. November

SU 1649

45. Woche
31352

Yip

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Schlagel

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14 30 Michaela Giger!

15 Party mit Thyssen
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16 And. Mannenbrlager!

17 Michaela Giger

18 B. Kudevann

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SA 7.44

Freitag 18. November

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Samstag 19. November

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Sonntag 20. November

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Amstade bezahlen

Miguela Guigo

Fox 3

Arthel Handelsblatt

Chas Altford

FA Augsburg -
Steuerfahndungs-

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Lanz

Alwin

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30 Baumann

Lein

Jürgen + Brigitte

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Häthi Pierre NY

Andi Böhn Fax

882 3806-7684
Arthel Handelsblatt

Höhl Heinrich

Miguela Rüst.

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Dienstag 22. November

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Brigitte Mg. Mancke
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Offo Mg. Simon

Mittwoch 23. November

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H. Brufe: Hermann,
Nanda, Späth, Mijala

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Spulle, Waig, Wagon,
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Tal. Baumgartner
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Diana Sandmann
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Elma Mockay

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Freitag 2. Dezember

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8 H. Schatz / Kapp
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15 Tel. Greg. Wessing
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Spegetti Samstag 3. Dezember

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Montag 5. Dezember

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Gregor Thyssen

D. Salina

Greg

Sjarna & Ume

Troutmann, et al.

Ulmer / Gokky + DB

30 D. Salina Tel.

Frank/Bell Hotel

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Freitag 9. Dezember

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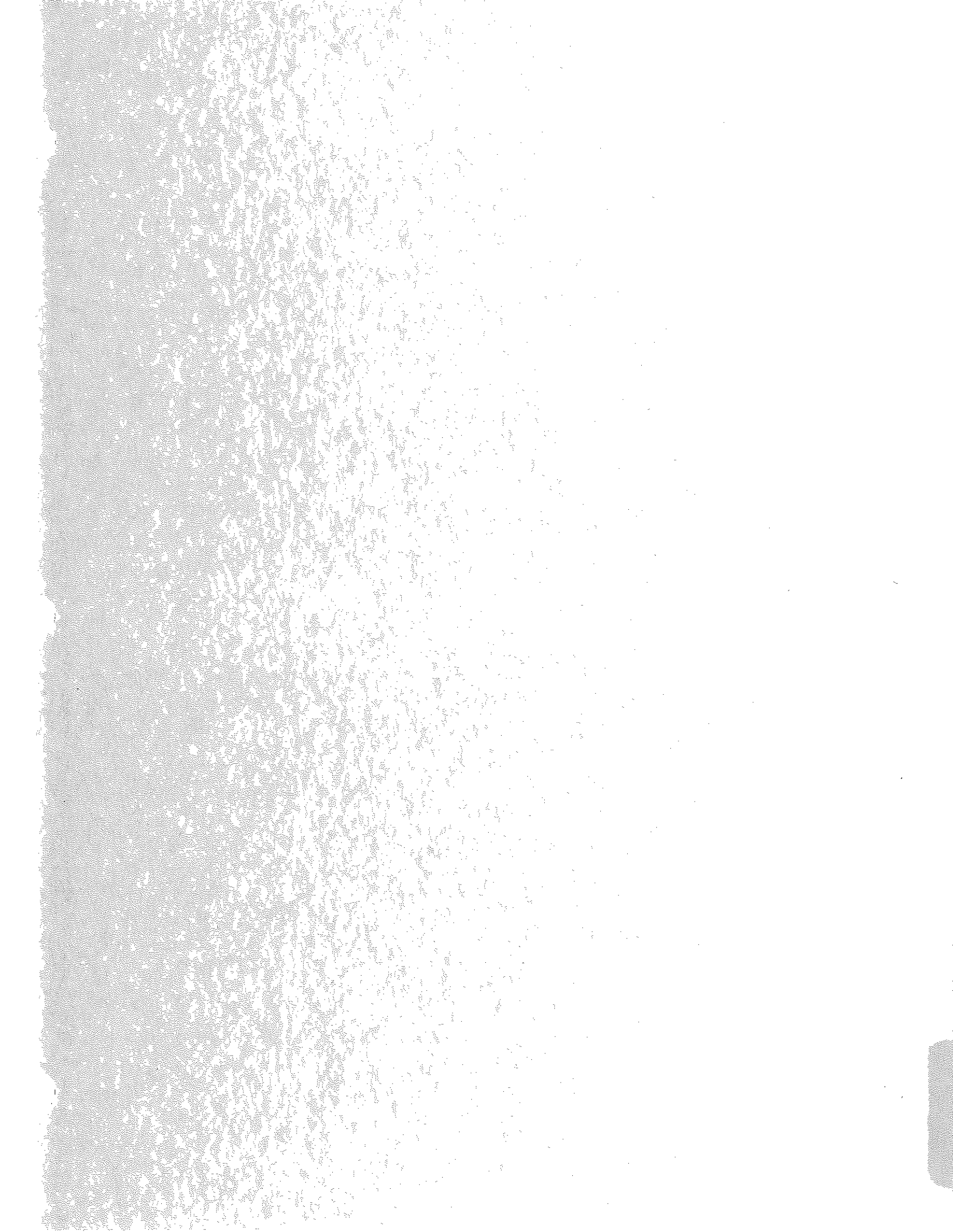
13 Deputy Prime Minister?

Gug. Franci Lellani

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Edmont Brief. PM?

16 BOS Horden.





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

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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.

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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

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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

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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 if 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	3905
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 bataillons, 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.

474

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.

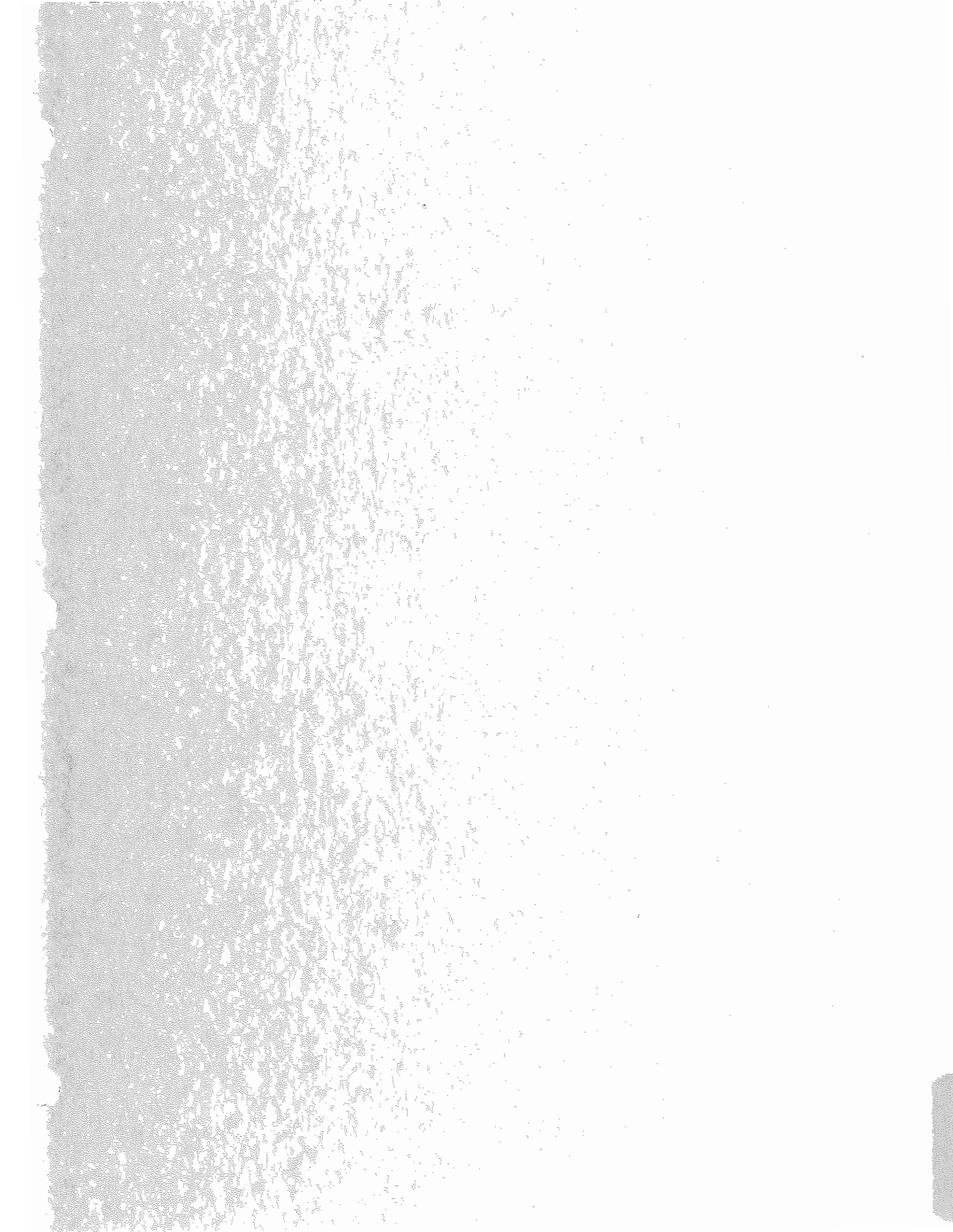
On the topic of M 113, Mr. Lagueux acknowledged the vehicle's advanced age, and the inevitability of at least some part of it being replace. Further, he agreed with Mr. Massmann that M 113 are presently operating in specific roles that can only be fulfilled by tracked vehicles, and therefore it is a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

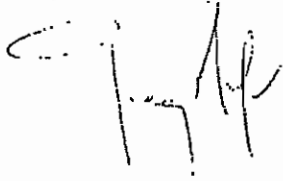
The large difference in forecast sales is further explained by the inability of Government officials to assess competitive potential on the same level as the Company, this was acknowledged by Industry Canada at the outset of the exercise.

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.

2

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 'H. H. H.', written in a cursive style.

CONFIDENTIAL
CONFIDENTIAL

-4-

TRACKED LAV MARKET FORECAST SUMMARY*

07/20/1994 09:52 THYSSEN BHI

6135637648 00704015 P.03/04

SCENARIO 2

MARKET SEGMENT	BHI FORECAST 1996-2015		GOVT FORECAST 1996-2020		GOVT AS % OF BHI	
	GROSS UNIT SALES	% OF TOT	GROSS UNIT SALES	% OF TOT	GROSS	UNIT SALES
1. SPEC. NATO	3960	1131	4700	515	119	46
2. UNSPEC. NATO	8280	1656	5800	270	70	16
3. SPEC. NON-NATO	6660	1845	6320	676	95	37
SUBTOTAL	18900	4632	16820	1461	89	32
4. UNSPEC. NON-NATO (5)	18500	3700	12950	592	70	16
TOTAL	37400	8332	29770	2053	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

CONFIDENTIAL
CONFIDENTIAL

--3--

TRACKED LAV MARKET FORECAST SUMMARY*SCENARIO 1

MARKET SEGMENT	<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>	<u>UNIT SALES</u>
1. SPEC. NATO	3960	1131	14	4700	515	35	119	46	46
2. UNSPEC. NATO	8280	1656	20	5800	270	18	70	16	16
3. SPEC. NON-NATO	6660	1845	22	6320	676	47	95	37	37
SUBTOTAL	18900	4632	56	16820	1461	100	89	32	32
4. UNSPEC. NON-NATO (5)	18500	3700	44	0	0				
TOTAL	37400	8332	100	16820	1461	100	45	18	18

NOTES

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

1 GERMANY, NORWAY AND TURKEY (USA REMOVED)

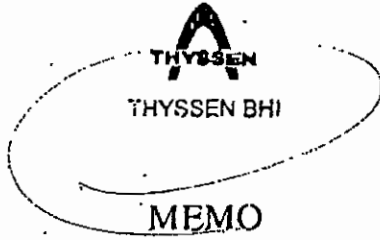
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4 CONSISTS OF 30 OTHER COUNTRIES (ORIGINALLY M113 REPLACEMENT MARKET) NOT ANALYSED IN THE SAME METHODOLOGY

5 GOVERNMENT FORECASTS ZERO SALES FOR THIS SEGMENT BECAUSE OF THE MANY UNKNOWN FACTORS.

TOTAL P. 04



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

*full 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

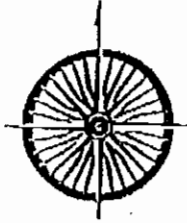
1994 DEFENCE WHITE PAPER

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.

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



5 Dec 01 11 57 AM

TO/À: Francine Colin

COMPANY/SOCIÉTÉ: _____

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

INCLUDING THIS PAGE/INCLUANT CETTE PAGE: 8 PAGES

ORIGINAL/ORIGINALE: 514-286-5474

MESSAGE: Dear Francine:

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

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

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



MEMO

TO: Fred Doucet

FROM: Greg Alford

TEL: 613-563-3321

FAX: 613-563-7648

DATE: December 1, 1994

SUBJECT: Defence White Paper Release and Letter

PAGES: 6

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

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What are the
Strategy

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Suite 908, 350 Sparks Street, Ottawa, Ontario, Canada K1R 7S8
Telephone: (613) 583-3321 Telefax: (613) 583-7848

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 (APCs). We now note that this deficiency is identified in your 1994 Defence White Paper which declares in part the intention to "acquire new armoured personnel carriers for delivery commencing in 1997"

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

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



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

Sincerely,

Jürgen Massmann
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%.

next meeting (In addition, Thyssen has remained sensitive to government priorities in terms of regional economic development priorities which are consistent with the commercial viability of the operation. Thyssen has been able to remain flexible on this issue because there are currently no tracked armoured vehicle manufacturing facilities in Canada. As such, the creation of such a capacity would not detract from an established capability in Canada. While such an operation would be economical to establish, it would require a different production facility than for wheeled vehicles. In fact, Thyssen itself utilizes separate facilities for the manufacture and assembly of its tracked and wheeled variants.)

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



THYSSEN BHI

2

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 inherent 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



KARLHEINZ SCHREIBER

88918 KAUFERING · RAIFFEISENSTRASSE 27 · TELEFON (0 81 91) 78 84 · TELEFAX (0 81 91) 78 88

December 28, 1994

The Hon. Allan J. MacEachen P.C.
 381 S Center Block
 The Senate of Canada
 Ottawa, Ontario
 K1A 0A4

PERSONAL AND CONFIDENTIAL

Dear Allan,

It's been quite a long time since we have heard from one another. The year 1994 brought the pleasures of my 60th birthday in March 25 and a very unpleasant car accident in May. The birthday celebration was terrific but the accident caused a few injuries that prevented my joining you in the Vancouver meeting of Atlantik-Brücke at the end of October. Walter Leisler Kiep and Beate Lindemann kept me well informed about the proceedings in Vancouver and I understand that beautiful city was greatly enjoyed by all of the participants.

Allan, for many years we have shared a common interest through the Atlantik-Brücke. You have supported in a most outstanding way the goals of the Atlantik-Brücke to cherish and expand the friendly relationship between North America and Germany.

To honour your great achievements, in October 1993 you were awarded the, Bundesverdienstkreuz (Distinguished Service Cross) of Germany by Premier Dr. Kurt Biedenkopf on behalf of the Bundespräsident. All of us in the Atlantik-Brücke were very pleased that you received this award, and I considered it a special honour to be the host of the festive dinner.

I spoke with our mutual friend Premier Biedenkopf (King Kurt) at the Atlantik-Brücke gala "Youth for Understanding" event in New York, and learned from him that the next meeting will be in Germany at the Erzgebirge. I look forward to seeing you then and hope that you may be able to spend an extra day to visit Bärbel and I at our home.

-2-

One year ago December 15th I met with you at your office and expressed great concern for the deficient equipment of the Canadian Army in their peacekeeping assignments. Last month, I read the Report of the Special Joint Committee on Canada's Defence Policy - Security in a Changing World 1994, and found that the Committee recognized this same problem and recommended early action to procure new armoured personnel carriers (APC's) for the Canadian Army.

I am glad that the Government in its subsequent White Paper on Defence showed great resolve to address that equipment shortfall with its announced priority procurement of new APC's with better armour protection, for delivery commencing in 1997. I know that you strongly supported these efforts and commend you and the Liberal Government in the House, for such positive action.

I would like to bring to your attention events that occurred over the past ten years and which are in direct contradiction to the goals of the Atlantik-Brücke.

History

At the end of 1985 and the beginning of 1986 the Canadian Government, represented by your Ambassador in Bonn, and the Department of Regional Industrial Expansion (DRIE) Minister Sinclair Stevens and his senior officials, tried to increase German investments to Canada. They expressed the special interest of the Government of Canada in alleviating the unemployment in Nova Scotia and especially Cape Breton, hoping to establish a new economic infra-structure and industrial base. They even proposed a free trade zone for that region. Your former constituency including Port Hawkesbury was particularly affected through the shutdown of the Gulf Refinery and the closing of the Heavy Water Plants which resulted in a considerable loss of jobs.

The Thyssen Group of Companies - which has now been established in Canada for over twenty five years presently employs almost 3,000 Canadians - was among the German industrial groups invited to consider increasing investment in Canada. Thyssen was invited to Canada by the Government to consider increasing manufacturing activities in Canada as a base not only for Canadian but also global markets. The interests of the Canadian Government were naturally taken very seriously by Thyssen, and by 1986 discussions commenced on the potential to establish a new plant for military and non-military products at Port Hawkesbury.

-3-

Apart from some aid in the provision of a site and basic infrastructure, Thyssen did not request traditional financial assistance through establishment grants on the necessary capital investment, but preferred instead to secure an order for about 250 light armoured vehicles, which would have meant a production load of one year.

At this time a DND requirement was being developed for 2000 + armoured personnel carriers (APC's). The 1987 White Paper on Defence, confirmed this requirement. DND actually stated that sole sourcing orders was not Canadian procurement policy and on that basis, placement of an order for 250 light armoured vehicles with Thyssen Bear Head Industries as a start up order was impossible.

In order to start-up the project earlier, based on export markets, Minister Stevens asked the Department for External Affairs to identify its export policy with respect to armoured vehicles. The answer was negative with regard to Saudi Arabia and this position was accepted by Thyssen. However, a few days later a damaging press story based on a "leak" of information from the External Affairs Department appeared in the Canadian Press which misrepresented Thyssen's position in this regard and damaged the firm's image.

Some weeks later, the then Minister for External Affairs, Joe Clark, was reported in the Canadian media to have been in Saudi Arabia, promoting the sale of LAV's produced by GM in Canada. Naturally, Thyssen felt they were observing a double standard that supported an American investor in Canada while obstructing German investment.

On September 27, 1988 an Understanding in Principle between the Government of Canada, represented by the Ministers responsible for ACOA, Regional Industrial Expansion and National Defence and Thyssen B.H.I. was signed. On January 25, 1990 Thyssen B.H.I. received a letter from the Minister of National Defence again stating the Government's interest in establishing a new industrial plant in Cape Breton, Nova Scotia and granting the Government's approval to Thyssen B.H.I. to participate in the tendering process for DND's armoured vehicle requirements.

-4-

Despite these promises DND has placed two sole sourced orders with GM Diesel Division at London, Ontario; the first for 199 Bison vehicles in 1989, and again another order for 229 LAV reconnaissance vehicles in 1992.

You will recall that during our discussions over the years I have informed you of these events. Francis LaBlanc MP has a familiarity with this project and often made efforts to support it. Edmond Chiasson, the secretary of the Thyssen B.H.I. since its foundation until 1992 had been frustrated by these twists and turns. Thyssen B.H.I.'s lawyer, Marc Lalonde, has also expressed his amazement at the inconsistent procurement practice of the Progressive Conservative Government over the years. Together I think we have all been surprised by the extraordinary contradictions of policy that the previous Government has made.

Legal Point of View

In 1993, Ian Scott of the law firm Gowling, Strathy & Henderson, examined the situation between the Government of Canada and Thyssen B.H.I. in a formal legal opinion and finding grounds for a legal claim prepared a Statement of Claim which the company intended to pursue at the time. You will recall that I shared these documents with you on December 15, 1993 for your confidential information. Though our lawyers advised we had a sound legal case, we refrained from entering an action in the summer of 1993 because by that time the Progressive Conservative Party was expected to lose the coming Federal election, and the company felt that with a Liberal Government such proceedings were unlikely to recur. This decision was taken by Thyssen B.H.I. with complete confidence that the new Liberal Government elected October 25th, 1993, would give the project a fair hearing and every opportunity to proceed on a "level playing field".

Current Discussions with Government

On December 14, 1993, Thyssen B.H.I. submitted a detailed export market analysis for the Thyssen TH495 light armoured vehicle to a Government committee led by Industry Canada and including representatives from National Defence and Foreign Affairs and International Trade. That committee then carried out an independent analysis of the export market described for TH495. The Company's market analysis

-5-

estimates a total market of some 35,000 units, with a market share for TH495 of approximately 20%, leading to Canadian exports approaching \$10 billion over the next 15 to 20 years.

There was extensive consultation between the Company and the Government committee over the next several months leading to the point when Industry Canada began in July 1994 to confirm their conclusions verbally in formal meetings with our company. Those discussions with the company are summarized as follows:

With respect to total market for the tracked TH495, the company and Government agreed that the market could be examined in four segments: i) Specific Nato Nations Projects, ii) Non specific NATO Demand, iii) Specific non NATO Nations Projects and iv) additional non NATO Demand. On the first three of those segments there was general agreement that a gross market of between 17,000 units (Gov't estimate) and 19,000 units (Thyssen estimate) exists. The forecast of TH495 market share was estimated in a range from 9% (Gov't estimate) to 25% (Thyssen estimate).

With this important agreement on a basic market existing, and a further agreement that TH495 can be expected to win a share of that market, it is then reasonable to expect that the probable market which will be achieved will fall in the range between 9% and 25%.

The fourth market segment dealing with non-NATO markets accessible within Canadian export policy is estimated by the Company at approximately 6,000 units from which is forecast a market share of about 20%. Timing of this market segment is generally later with its peak being reached in 2008 - 2014.

Industry Canada officials have indicated they have now finished their review of this segment and are expected to provide a written acknowledgement of their views on this as well as the earlier agreed segments. Given the goodwill extended on all sides we hope any obstacles to providing acknowledgement of this market opinion have been overcome and we can look forward to receiving this any day now.

-6-

International MarketNATO

In 1991, the NATO working group of experts (WGE), which included Canadian participation tabled a report on the state of light armoured vehicles in service among its members, recognizing the problems of aging fleets and the impracticality of upgrades due to their increasing costs and risk of being unable to meet escalating demands for protection and mobility in comparison to newer technology. The recommendation of this group was for the design of a new Multi Purpose Base Armoured Vehicle (MBAV) concept which could offer high protection, mobility, capacity and growth potential in a vehicle which was airportable by C130 Hercules aircraft. The objective of the MBAV initiative was to promote a vehicle concept(s) which could achieve high acceptance in NATO and non NATO fleets thereby lowering unit and logistic cost and achieving the benefits of interoperability among fleets.

The NATO Industrial Advisory Group (NIAG) for armoured vehicles, was tasked with the development of the MBAV concept with an Outline NATO Staff Target (ONST) listing 20 essential characteristics. The NIAG study brought together traditional competitors to make generic recommendations for new armoured vehicle concepts which define the most cost effective solution to meet the ONST requirements for a new generation MBAV, utilizing affordable, modern but proven technologies in order to avoid developmental risk.

-7-

The ONST for the MBAV understandably was very similar to the Canadian Multi Role Combat Vehicle (MRCV) which was postponed in 1992, since both had very similar objectives to cost effectively acquire modern equipment with high protection, high tactical mobility, C 130 airportability and high growth potential. I base that observation on the MRCV requirements as they had been briefed by DND to industry, as well as the written outline from the Minister of National Defence via the Canadian Ambassador to the German Department of Defence. Returning to the NATO MBAV study, it is now a fact that there cannot be a singular NATO MBAV solution due to a variety of national programs which will be pursued beforehand, causing NATO to cease the MBAV program with the conclusion of the NIAG concept definition. Nonetheless, the essential target of promoting joint programs has been achieved, since among most national programs there is a commitment to buy systems consistent with the MBAV concepts #1 and #3 and to seek participation in multi lateral programs based on common chassis types. As an example, Germany has plans to participate in two joint programs, on their requirements for their GTK project. For the tracked portion of GTK they are co-operating with the U.K. and focusing on the newly developed Thyssen TH495 as the platform, which fully meets the MBAV concept #1 design. For the wheeled portion of GTK they will cooperate with France to acquire a new wheeled vehicle design which is being jointly developed, and is similar to MBAV concept # 3 which defines a large 8 wheeled vehicle without the ability to air-transport by C130. In both of these projects Canada has been invited to participate, in order to enjoy the benefits of lower costs and equipment interoperability. To my knowledge, the Canadians have looked at the wheeled project, but were waiting until announcements of the White Paper before joining the discussion on the joint program for tracks.

Another proposed option is to retrofit or "upgrade" the old in-service M113s. As I mention above, the NATO MBAV Study dismisses this as impractical due to the rising costs of upgrades and the inability of these old vehicle designs to meet requirements for protection and mobility and given its age and the large numbers in service, this criticism was in particular aimed at M113.

-8-

While on the surface the idea of upgraded M113 may sound good, and may improve protection, one must understand the complexity of the work involved and the compromises it requires. First, to carry the weight of additional armour protection the engine and transmission have to be replaced, which entails a virtual tear down and rebuild of the entire vehicle. In addition to the new power train, high cost conversion components supplied by the U.S. manufacturer must also be incorporated. This leads to costs that approach the acquisition price of a new vehicle, but still leaves short comings in protection from land mines which have caused some of the most serious and frequent injuries to Canadian soldiers on peacekeeping missions. Also, the "good as new" argument for upgrades leaves some doubt when one considers the basic hull and operating systems which are retained in the upgrade, are on average already some 20 years old.

Lastly, one must recognize that upgrading old vehicles can achieve no economic benefit to Canada through exports since every nation would expect to do this work domestically with kits supplied from the United States. I believe the alternative of buying new vehicles, which fully serve the long term needs of the Army in terms of protecting growth potential etc., and offer strong new opportunity for exports is a better national economic choice when fully examined.

Foreign Affairs and Trade

For 30 years I have been able to note how much defence and peacekeeping interests, foreign policy and economic investments, and the placement of industrial orders are connected. I support the recent Report of the Special Joint Committee reviewing Canadian Foreign Policy, in their recommendations to broaden and liberalize Canada's trade relations. I bid our friends from Atlantik-Brücke Andre Ouellet and Roy MacLaren every success and hope that they are able to implement these recommendations quickly and strengthen Canada's economic base.

-9-

German Investment in Canada and USA

Allan, you will recall the recent Atlantik-Brücke meeting in Freiberg when Uwe Harnak from the Canadian German Chamber of Commerce mentioned the problem of the decline in German investments to Canada. Not to mention the lack of interest found in Frankfurt when Premier Rea visited this November, I would like to recall a disappointing experience I have had trying to assist Quebec for a German automotive investment.

In 1992, at the personal request of Premier Bourassa and Minister Tremblay, I tried to assist the Government of Quebec in its already fading efforts to attract the BMW automobile company to establish its North American production plant in Quebec. What I found was that their efforts had been ineffective due to inadequate interest being shown by their own Federal Government. In contrast the U.S. offer had support at the highest level of Federal and State government. It has been my experience that pivotal international deals like that only come with "hands on" involvement of top leaders.

During the summit at Munich in July 1992, President George Bush and the Governor of South Carolina went to BMW and secured the final decision in favour of South Carolina. Meanwhile, Daimler-Benz established a new automobile plant in Alabama.

My colleagues at BMW and Daimler-Benz tell me that a great number of their auxiliary suppliers are launching additional investments for plants in the same region of the United States in order to supply to BMW and Mercedes.

From the perspective of the Thyssen Group, Canadian investments are significant and positive but since the late 1980's there has been disappointment at the treatment received from the government on the Thyssen B.H.I. project. On the other hand, Thyssen US investments grow at a very positive rate and most recently sales have exceeded \$1.5 billion, with a workforce of some 10,000. New plants have been built in Indiana, Kentucky and Michigan.

-10-

In concluding this letter, I think it a catastrophe if foreign investors can no longer rely on written agreements and approvals of the Canadian Government and have to be afraid that signed agreements are simply ignored. For more than ten years Thyssen has tried through the B.H.I. project to create new, and most importantly, lasting jobs through a new industry producing equipment for peacekeeping and general purpose military use. So far these efforts are in vain since although the elected Government has changed we have yet to see any change in the way in which our proposal is treated.

I do hope that Thyssen will get a fair chance to bid against the APC requirements now planned for the Canadian Army. DND always told Thyssen, that Canadian procurement policy is based on fair competition and that sole sourcing is not the policy of the Canadian Government.

If for any reason the Government does not want to consider competitive offers on its APC requirement, then at best, I hope they will not limit themselves only to the acquisition of more wheeled vehicles from General Motors. I would urge consideration of a solution which can also include the tracked TH495 vehicle in the new equipment purchases, since this will carry the economic benefit of manufacturing the TH495 in Canada for both the domestic and export market. Thyssen projects a market share for TH495 approaching \$10 billion over the next 15 to 20 years. This new export business for Canada will create qualified technical jobs for young Canadians and that not only meets the objectives of Canada but also the objectives of Atlantik-Brücke.

The splitting of the APC requirement will most importantly benefit the Canadian Army since presently they operate a mixed fleet of wheels and tracks. While much of that fleet is aging and inadequate in protection, it still provides the specific all terrain mobility of tracked

-11-

vehicles that continues to be essential for multi purpose capability. This has been particularly proven in the difficult terrain of Bosnia where tracks have been essential in winter conditions or circumnavigating road blocks.

With regard to me personally, you know that I do not need a job with Thyssen as I am economically independent with my own companies. I accepted this position as Chairman of Thyssen B.H.I. because I believed in the commitments of elected Canadian politicians and because I liked the challenge to establish a new industrial operation with lasting jobs and exports for Canada. Most of all I hoped to create economic return for Canada's generous contribution to the world through peacekeeping with the export of peacekeeping vehicles made in Canada as a first step to establishing an industry to manufacture an entire range of equipment used for peacekeeping.

Allan, I would appreciate it very much if in the interest of Canada's image as a fair international trading partner, you could check into this matter, perhaps discussing with Andre Ouellet and Roy MacLaren. Also if you would like to share a copy of this letter with them that would be fine with me.

Thank you for your interest. Barbel and I look forward to seeing you again soon and send you our warmest season's greetings. May the year 1995 be a happy, successful and healthy one for you.

Sincerely,



Karlheinz Schreiber