

Documents in support of Mr. Gregory Alford's testimony

GREGORY ALFORD

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TAB	Document
1	AGC00935. May 12, 1988 , Fax from Greg Alford to John McDowell.
2	AGC00286. May 20, 1988 , Fax from Greg Alford to Wynne Potter.
3	AGC00101. September 26, 1988 , Memorandum from John McDowell to Don McPhail, Jaffray Wilkins and Wynne Potter, Subject: "Thyssen: September 25 th Meeting." AGC00348. September 27, 1988 , Understanding in Principle.
4	AGC00202. December 22, 1988 , Memorandum from Jim Burkimsher to Wynne Potter, Subject: "Bear Head Industries- December '88 Business Plan."
5	AGC00300. January 31, 1989 , Letter from Wynne Potter to Greg Alford.
6	AGC00936. March 1, 1989 , Letter from Greg Alford to Wynne Potter.
7	AGC00912. July 18, 1989 , Telefax from Greg Alford to John McDowell.
8	AGC00971. July 19, 1989 , Letter from Greg Alford (indicates for Jurgen Massmann) to the Honourable Bill McKnight.
9	Third Party Document. September 21, 1989 , Letter from the Honourable Bill McKnight to Jurgen Massmann.
10	Third Party Document. September 28, 1989 , Briefing from Greg Alford to Karlheinz Schreiber.
11	AGC00267. November 16, 1990 , Letter from Greg Alford to Peter Smith (includes attachments).
12	Third Party Document. April 30, 1991 , Memorandum from Greg Alford to Jurgen Massmann and Karlheinz Schreiber, Subject: "Attached is a memo on the background and status of BHI's offer, as requested by the Hon. Elmer MacKay."
13	AGC00116. May 21, 1992 , Letter from J.E. Vance to Karlheinz Schreiber.
14	Third Party Document. September 28, 1992 , "TH 495 Roll-Out, Thyssen Henschel Kassel, Germany."
15	AGC00354. October 29, 1992 , Letter from John Bryson to Leah Clark.
16	AGC00940. December 23, 1992 , Letter from Greg Alford to Michael Ash (includes attachments).
17	Third Party Document. August 26, 1993 , Proposal "Thyssen Project in Canada."
18	AGC00942. September 17, 1993 , Minutes, "Meeting...Thyssen BHI and "Canadian Government Departments."
19	AGC00318. October 14, 1993 , Letter from J.A. Doucet to Bruce Deacon, cc: Jurgen Massmann and Greg Alford (includes attachments).
20	AGC00943. December 14, 1993 , Letter from Greg Alford to Dick Krajewski

	(includes attachments).
21	AGC00945. December 18, 1993 , Email from John Banigan to Harry Swain, cc: John Banigan, Bruce Deacon, Diana, Dick Krajewski, Kevin Lynch, Margo Street, Subject: "Thyssen meeting with Minister."
22	Third Party Document. February 1, 1994 , Letter from Greg Alford to the Honourable Marc Lalonde.
23	AGC00951. May 11, 1994 , Memorandum from Greg Alford to The Canadian Government Departments for Industry, National Defence and Foreign Affairs and International Trade, Subject: "Thyssen BHI Market Analysis."
24	Third Party Document. June 13, 1994 , Memorandum from Greg Alford to Karlheinz Schreiber, Klaus Sonneck, the Honourable Marc Lalonde, Jack Vance, Subject: "Minutes of Meeting with Industry Canada Department June 3, 1994."
25	Third Party Document. July 15, 1994 (date appears only on pages 3 and 4) , Briefing, "Status of the TH 495 Development."
26	Third Party Document. July 19, 1994 , Memorandum from Greg Alford to Jurgen Massmann, cc: Karlheinz Schreiber, Marc Lalonde, Jack Vance, Ian Reid, Subject: "Industry Canada."
27	AGC00954. September 22, 1994 , Letter from Bruce Deacon to Jurgen Massmann.
28	Third Party Document. September 26, 1994 , Letter from Greg Alford to the Honourable Marc Lalonde (includes attachments).
29	AGC01002. September 28, 1994 , Email from Dick Krajewski to Bruce Deacon, cc: Dick Krajewski, Subject: "Thyssen/BHI."
30	Third Party Document. October 11, 1994 , Minutes, "Meeting between Thyssen BHI and IC...Summary of Discussion."
31	Third Party Document. October 20, 1994 , Memorandum from Greg Alford to Jurgen Massmann, Subject: "Meeting with Industry Canada (IC) on October 20, 1994."
32	AGC00323. October 24, 1994 , Letter from Greg Alford to Dick Krajewski, (includes various letters and market information).
33	AGC00324. October 25, 1994 , Letter from Greg Alford to Dick Krajewski.
34	Third Party Document. November 24, 1994 , Telefax from Greg Alford to the Honourable Marc Lalonde.
35	Third Party Document. December 1, 1994 , Memorandum from Greg Alford to Jurgen Massmann, Karlheinz Schreiber, Jack Vance, the Honourable Marc Lalonde, Subject: "Defence White Paper Release and Letter."
36	Third Party Document. December 5, 1994 , Fax from Fred Doucet to Francine Colin.
37	AGC00957. December 14, 1994 , Letter from Greg Alford to Honourable David Collenette.
38	Third Party Document. December 19, 1994 , Telefax from Greg Alford to the Honourable Marc Lalonde cc: Jurgen Massmann and Karlheinz Schreiber.
39	AGC00283. December 23, 1994 , Letter from Greg Alford to John Banigan.
40	AGC00958. Undated, (fax date stamp is 1-11-95) , Letter from John Manley to Greg Alford, cc: the Honourable David Collenette, the Honourable André

	Ouellet and the Honourable Paul Martin.
41	AGC00326. January 19, 1995, Letter from Greg Alford to Diana Durnford.
42	AGC00327. January 23, 1995, Letter from André Ouellet to Greg Alford, cc: the Honourable Roy MacLaren, the Honourable David Collenette, the Honourable John Manley and the Honourable David Dingwall.
43	AGC00959. January 26, 1995, Email from Diana Durnford to Dick Krajewski, cc: Bruce Deacon, Annie Desgagne and John Banigan, Subject: "Re: Thyssen BHI/Talking Points."
44	Third Party Document. February 10, 1995, Briefing "Considerations for Thyssen TH 495 Proposal."
45	AGC00960. February 10, 1995, Letter from Greg Alford to Randy McCauley.
46	Third Party Document. March 8, 1995, Telefax from Greg Alford to Karlheinz Schreiber, the Honourable Marc Lalonde, Jamie Deacey, Daniel Despina, Jack Vance.
47	Third Party Document. March 17, 1995, Telefax from Greg Alford to the Honourable Marc Lalonde.
48	Third Party Document. March 27, 1995, Memorandum from Greg Alford to Karlheinz Schreiber and the Honourable Marc Lalonde, Subject: "Update on Thyssen Political Support."
49	Third Party Document. March 29, 1995, Memorandum from Greg Alford to Jurgen Massmann, Karlheinz Schreiber, the Honourable Marc Lalonde, Subject: "Release of Market Study."
50	Third Party Document. April 10, 1995, Telefax from Greg Alford to the Honourable Marc Lalonde.
51	Third Party Document. April 20, 1995, Letter from Greg Alford to the Honourable Marc Lalonde.
52	Third Party Document. July 21, 1995, Draft Briefing "For internal Thyssen Discussion Only... Export Potential."
53	Third Party Document. September 1993, October 1993. Agenda –Mr. Karlheinz Schreiber.



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 Prince St, Ott., Ont.
Account office

DOCUMENT CATEGORIZATION

Document Type: exhibit

Original: Yes No

COMMENTS File 2080-T-2, Vol. 1

Thyssen - Deer Head identification

June 1987 to May 1988.

P. 1 to 258.

MAY 12 '88 18:42

GCI OTTAWA P01

→ J. WILKINS
15

GCI Government
Consultants
International

Suite 1300, rue 50 O'Connor Street
Ottawa, Ontario Canada K1P 6L2
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Fax: (613) 236-3496

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Mr. [unclear] 76
MAY 13 1988
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P.D.
W

April 26, 1988

COPY

Via Telefax

Mr. McPhail
Atlantic Canada Opportunities Agency
270 Albert Street
14th Floor
Ottawa, Ontario
K1P 6N5

Dear Mr. McPhail:

As promised, I write to inform you of the outcome of the Thyssen Henschel meeting with Dr. Scully, the Assistant Under Secretary of the United States Army, responsible for Army procurement.

Mr. Scully has informed us that the Army acquisition plans for our TPZ Fuchs Light Armoured Vehicle (LAV) will be presented to Congress on May 25, 1988. He has also set a deadline of May 15, 1988 for Thyssen Henschel to submit a white paper describing our production plan for the U.S. 564 unit requirement in the Fuch TPZ LAVs.

He specifically required that this white paper explain Thyssen Henschel's cooperation plans with American companies, specifically detailing a team of American component suppliers, system integrations and final assembly.

Thyssen Henschel personnel are now working to respond to Dr. Scully's request by meeting with American teaming partners with goal of negotiating and concluding their relationship before May 15. A positive response from the Government of Canada, with respect to the Bear Head Industries proposal, will naturally be timely.

Sincerely,

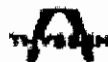
Signed on Mr. Schreiber's behalf
Ian Reid, Bear Head Industries

KHS/lad

TPz 1 FUCHS (6x6)

001 0174081 700

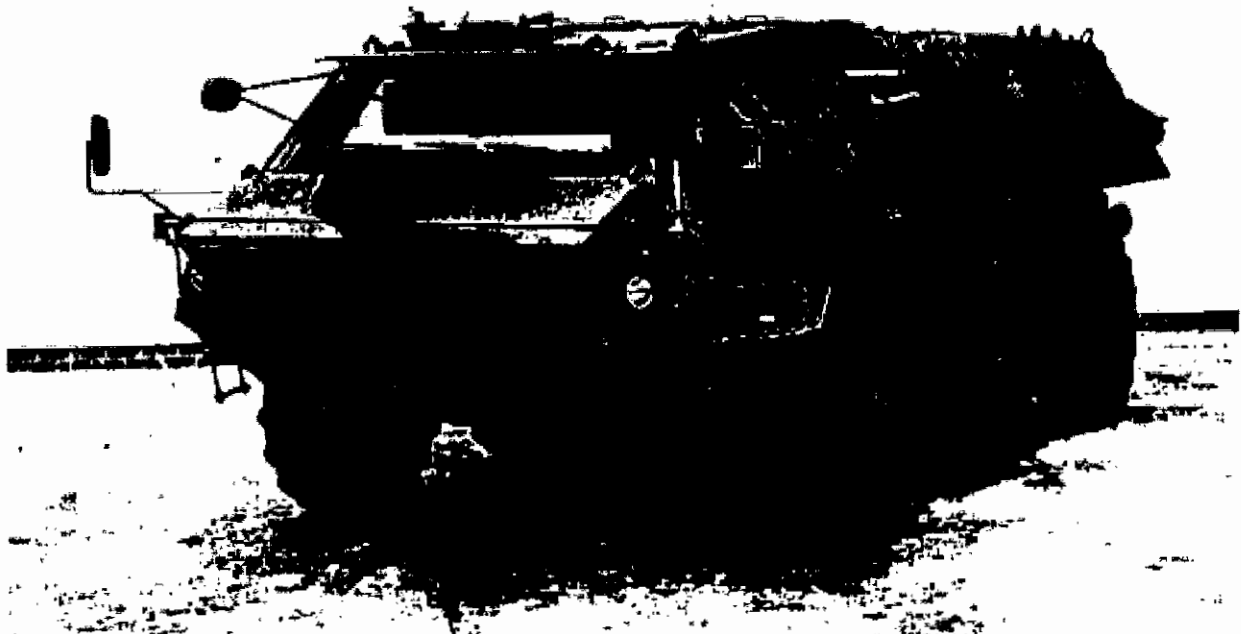
97



THYSSEN HENSCHEL

HENSCHEL Wehrtechnik

TPz 1 FUCHS (6 x 6)



Der Transportpanzer FUCHS ist logistisch eng verwandt mit dem Sattelzug LUCHS.

Durch den Allradantrieb und die Vierachslenkung ist der FUCHS ein sehr bewegliches, geländegängiges Fahrzeug.

Im Wasser reagiert er mit Hilfe der 2 schwankbaren Ruderpropeller und guter Manövrierfähigkeit und hoher Schwimmgeschwindigkeit.

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-Erkundungsgruppe
- Rüstsatz Führung/Funk
- Rüstsatz Radar
- Rüstsatz Störsender

Logistically the armored supply vehicle FUCHS is closely related to the Sattelzug LUCHS.

All-wheel drive and four-wheel steering make FUCHS a very mobile vehicle with good off-road performance.

In the water it proves excellent amphibious capabilities and good manoeuvrability thanks to the two steerable rudder propellers.

The spacious interior provides seating for a crew of 10-12 men, fully equipped, or may be converted for different operations by the corresponding conversion kits.

Besides three vehicle types (basic type, radio, electronic warfare) the following 6 conversion kits are available:

- conversion kit ambulance
- conversion kit armored engineer vehicle
- conversion kit NBC reconnaissance and decontamination vehicle
- conversion kit radio command post
- conversion kit radar support vehicle
- conversion kit vehicle for electronic warfare



SUPERText



RCMP "A" DIVISION COMMERCIAL CRIME

File: A102
95A-517

EXHIBIT INFORMATION

DATE OBTAINED: 97-02-28

Obtained By: Cd. Paul Delleaire

Exhibit No.: 96-24

Item No.: 55

Location: 60 Queen St. East, Ont.
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DOCUMENT CATEGORIZATION

Document Type: exhibit

Original: Yes No

COMMENTS Black binder containing information
at BA and Treasury

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Message

CONFIDENTIAL

Dear Wyal
While we are proceeding as with our
thoughts internally only - I
am sending this proposed MOU
which was intended to accompany
the draft ^{letter} you received yesterday.

Wyal
Have a good weekend
Greg

*Jim B
1/24/88
WD*

253

ACOA/BHI MOU**Background:**

The original industrial investment proposal put forward by BHI was conditional on the combined levels of government providing the following major items: land, infrastructure, shared training, and a start-up order of 250 units from pending LAV requirements; BHI provided: Building for LAV manufacturing, manufacturing machinery to produce LAV's, other fixtures and training equipment, ~~shared training~~, commitments to diversify in civilian and non-DND related work, and work sharing with Lavalin/ Trenton on DND LAV order.

It is recognized that firm commitment of the start-up order may take a considerable length of time, so an alternative offer might be considered by ACOA to secure early activity on Cape Breton and limit the extent to which Thyssen commitments are made to US production sites when Thyssen respond to the US Army and the Congress with their "second source" final assembly plans, due May 25, 1988.

The essential difference in approach would be to propose the addition of a grant component to the ACOA package in lieu of the DND start-up order while Thyssen would be requested to let their initial production activity be from their US Army LAV order.

Proposed Framework of a new ACOA/BHI understanding

ACOA will provide support to the project in two categories:

1) **Infrastructure investment**, that will provide general services to the site. It is recognized that these costs are not incurred to the sole and exclusive benefit of BHI; they also support other facilities which may exist now or in future in the Strait of Canso region. The single largest item of expense is the common - user wharf which because of its non-exclusive status should be considered as a separate item independent of the BHI infrastructure package.

2) **Capital Contributions**, this category of contribution would be limited to a phase 1 grant attributed to the establishment of the building for the start-up manufacturing on the US Army order. These capital contributions would be limited to a ceiling of \$ 20 Million in Phase 1. Further Capital contributions would be based on progress to future phases 2 and 3, requiring expansion of facilities and creating associated increased employment. Cam 102
do

BHI will provide to the project:

1) Production activity from a non-DND related order which is adequate to start the BHI facility in Cape Breton.

2) Manufacturing equipment and machinery to produce the BHI content on

the US Army LAV order

- 3) Other fixtures and training equipment
- 4) Shared training
- 5) Technology transfers in civilian and military activities.
- 6) A commitment to diversity in civilian activity.
- 7) Work sharing with Lavalin/Trenton Works on a DND LAV order.

SUMMARY OF ESTIMATED COSTS

ACOA

Capital contribution:

Phase I Building only \$ 20.0 Million

BHI

Capital Contribution:

Manufacturing machinery;
Other fixtures;
Training Equipment;
Shared Training;
Engineering, development
design and testing to
production "unit one"

\$ 35.0 Million
approximate

Infrastructure:

Services + Utilities;
water, sewage, electrical,
road and rail

Heavy civil construction

All above as is exclusive
to BHI \$ 18.0 Million
approximate

Common-user Wharf estimated cost is not
applicable due to its non-exclusive status.



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RCMP "A" DIVISION COMMERCIAL CRIME

File: A102
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355 - 359 - 361 - 364 - 368 -
370

COMMENTS VCOA documents extracted
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96-34-20



Government of Canada

Gouvernement du Canada

MEMORANDUM

NOTE DE SERVICE

TO
A

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

FROM
DE

John McDowell

SUBJECT
OBJET

THYSSEN: SEPTEMBER 25TH MEETING

SECURITY - CLASSIFICATION - DE SÉCURITÉ	
DRAFT "C"	
OUR FILE - N / RÉFÉRENCE	
JMC-949	
YOUR FILE - V / RÉFÉRENCE	
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/REÇU
11565
SEP 26 1988

Referred to
Référé à:
File
Dossier: 3080-2



Atlantic Canada
Opportunities
Agency

Agence de
promotion économique
du Canada atlantique

*1. D.S. McPhail
96-54-20 info.*

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TO - A <i>D.S. McPhail - H.O.</i>	FROM - DE
<i>WYANNE POTTER - N.S.</i>	<i>John Mc Dowell</i>

REMARKS - COMMENTAIRES:

Inc. 949

SIGNATURE

DATE

96-34-20

67



Government of Canada

Gouvernement du Canada

MEMORANDUM

NOTE DE SERVICE

TO
A

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

FROM
DE

John McDowell

SUBJECT
OBJET

THYSSEN: SEPTEMBER 25TH MEETING

SECURITY - CLASSIFICATION - DE SECURITE	
DRAFT "C"	
OUR FILE - N / REFERENCE	
JMC-949	
YOUR FILE - V / REFERENCE	
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Attachment

John McDowell
ACOA/APA
John McDowell RECEIVED/RECU
11565
SEP 28 1988

Referred to / Référé à: 108
File / Dossier: 3080-2



76-34-20

70

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

109

96-34.70

- 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

5063 - 8
B15

UNDERSTANDING IN PRINCIPLE

This document signed this 27 day of September, 1988,
between;

1
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

OTT/SDC/CCS
22221217-

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:

OTT/SDC/CCS

22221218 -

(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;

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(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:

(i) 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

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(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(i) 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.

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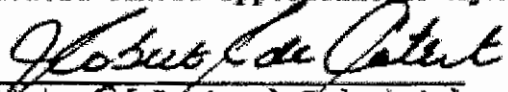
7. The understandings in principle set out in this Understanding in Principle do not create any enforceable, legal or equitable rights, nor obligations, but merely serve to document the:

- (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.

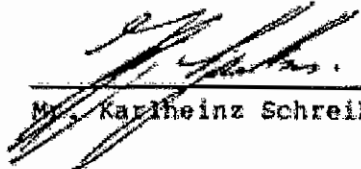
THE GOVERNMENT OF CANADA


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

OTT/SDC/CCS
22221222



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 14 COA documents extracted

from items 16 to 57

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225 - 228 - 236 - 240 - 245 - 247 - 247 - 253

Bear Head 17



Government of Canada

Gouvernement du Canada

MEMORANDUM

NOTE DE SERVICE

96-34-57

TO
A

Wynne Potter

FROM
DE

Jim Burkinsher

SECURITY - CLASSIFICATION - DE SÉCURITÉ
OUR FILE - N / RÉFÉRENCE
YOUR FILE - V / RÉFÉRENCE
DATE December 22, 1988

SUBJECT
OBJET

Bear Head Industries - December '88 Business Plan

Further to yesterday's meeting with Greg Alford, you asked for comments on the BHI Business Plan.

Overall, my impression is that things have not progressed very far over the past 6 months or so. The latest plan is far from adequate and does not contain sufficient information to allow the project to be properly evaluated and recommendations developed for consideration by Ministers. In addition, it seems clear that the construction of the proposed facility is still dependent upon BHI securing the LAV contract.

More specifically, my comments relate to the following areas:

- market projections,
- products,
- financial data,
- capital costs,
- infrastructure, and
- level of government contribution.

1. Market Projections

- no detailed market forecasts,
- no marketing strategy/analysis,
- environmental products not specified.

2. Products

- other than LAVs and other military products it is not clear what BHI will produce.
- wide-range of possible environmental products listed but the plant equipment would likely vary significantly depending on which sub-set of products are produced.
- split between military and environmental products not identified.

.../2

WP

191

3. Financial Data

- no detailed financial projections (pro-forma operating statements),
- no demonstration of financial viability,
- not even basic financial data provided.

4. Capital Costs

- only ball park estimates of costs provided,
- costs could vary significantly depending on specific products (environmental) and thus specific equipment and machinery required,
- no equipment list provided.

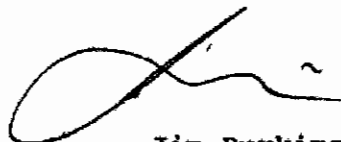
5. Infrastructure

- off-site infrastructure needs not specified nor costed,
- \$27 million figure was a guesstimate.

6. Government Assistance

- no analysis of project viability nor government assistance required to make the project feasible,
- implied assumption that government assistance will be provided at maximum levels for both military and commercial products.

To sum up, the Business Plan is inadequate and one wonders why a sophisticated, major corporation like Thyssen is not applying its skills and expertise to produce a plan which would enable a proper assessment of the project to be conducted. Surely the Board of Thyssen would not commit considerable financial and human resources to a project of this size without having first undertaken a very thorough analysis of the proposed facility.



Jim Burkimsher

JB/cc

96-34-57

17

Government
of CanadaGouvernement
du Canada

MEMORANDUM

NOTE DE SERVICE

TO
A

Wynne Potter

SECURITY - CLASSIFICATION - DE SÉCURITÉ

OUR FILE - N / RÉFÉRENCE

YOUR FILE - V / RÉFÉRENCE

DATE

December 22, 1988

FROM
DE

Jim Burkimsher

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.../2

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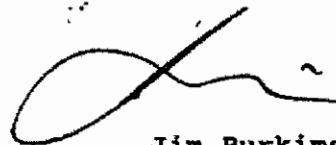
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Jim Burkimsher

JB/cc



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

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

EXHIBIT INFORMATION

Date Seized: 2001-06-27

Seized By: S/Sgt. ALEXANDER

Exhibit No.: 95-27

Item No.: 222

Sub Location No.: 24

Location: Industry Canada, 236 Queen St., Ottawa

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

These documents are from a file labelled:

5400-8, B-REG-2
MAJOR DEVELOPMENT PROJECTS.
THYSSEN.



Atlantic Canada Opportunities Agency

Nova Scotia Office
Suite 3000, The Brewery
1483 Hollis Street
Halifax, N.S.
Canada B3J 3M5

(902) 426-8361
FAX: (902) 426-2054

Agence de promotion économique du Canada atlantique

Bureau de la Nouvelle-Écosse
Suite 3000, The Brewery
1483, rue Hollis
Halifax (N.-É.)
Canada B3J 3M5

(902) 426-8361
FAX: (902) 426-2054



Bob Russell
to [unclear]
31
April 30

JL

January 31, 1989

Mr. Greg Alford
Senior Vice-President
Corporate Affairs
Bear Head Industries Ltd.
Suite 908
350 Sparks Street
Ottawa, Ontario
K1R 7S8

Dear Mr. Alford:

Thank you for your December 21, 1988 presentation to me, and my colleagues from Enterprise Cape Breton, the Department of Regional Industrial Expansion, and the Government of Nova Scotia, on the interim Bear Head Industries (BHI) business plan for the heavy-industry facility planned for Cape Breton.

As you know, the business plan was shared with these and other departments, and as a result, the views outlined below are the combined concerns of key federal departments.

As we indicated to you on December 21, in general, the business plan, as submitted, is underdeveloped, inadequate in key information areas, and does not yet meet established standards.

As you will appreciate, prior to reaching a decision on a project of the magnitude of the BHI heavy-industry facility, Ministers will require detailed information, not only on the financial viability of the facility itself, but also on the projects' anticipated draws on Government funding, its implications for Canadian suppliers, and so on.

Accordingly, in order to develop the BHI proposal more fully, the business plan will require strengthening in a number of areas. (In this context, I have attached a series of detailed comments as Annex A.)

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Canada

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- 2 -

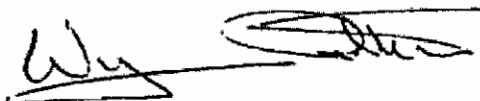
In addition, I believe it might be helpful for you to clarify further the relationship between the Government's planned acquisition of light armoured vehicles (LAVs) and the intentions of BHI for its Cape Breton facility. As you know, under the agreement reached by the company and the Government last fall, the company pledged to proceed in Cape Breton, provided, inter alia, that the company, having met the Government's various requirements, was considered for participation in the LAV procurement program. The nature of this agreement should therefore be expressed in your business plan.

As a separate matter, while I recognize that your anticipated materiel requirements are at a very early stage, you may wish to consider incorporating into your revised business plan, a section on sourcing in which you discuss potential sub-contracting from other regions, including Western Canada.

Having visited the Thyssen group of companies in Germany, and seen first hand the company's depth, its extremely broad range of activities, and Thyssen's obvious commitment to excellence, I am confident that BHI is more than capable of providing a fully-strengthened business plan. In order to begin further development of the BHI initiatives, I suggest that a revised business plan be submitted by March 1, 1989 if at all possible.

Please get in touch if I can be of assistance.

Sincerely,



Wynne Potter
Vice-President

Attachment

c.c.: D.S. McPhail
T. Merriam
K. MacVicar
B. Russell

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ANNEX A

Assessment: Bear Head Industries Business Plan

In general, the Bear Head Industries business plan, while containing a variety of information, requires strengthening in the following areas:

I. Financial

Basic financial data. For example, the plan lacks detailed financial projections (including five-year pro-forma statements), sufficient financial analysis, and does not demonstrate the financial viability of the Cape Breton facility.

The source and application of funds, the facility's cash flow forecasts, and operating statements, are similarly lacking, and must be included.

Capital Costs

While estimates for capital costs are provided, more disaggregation is required on the nature of equipment required for military production, and that required for civilian manufacturing. In this regard, a costed equipment list is a necessity, and the plan should incorporate a strong rationale to support the increase in estimated plant cost from the \$58 million contemplated by the company in 1988, to the \$95 million cost currently envisaged.

Infrastructure

The business plan should include an assessment of the facility's off-site physical infrastructure requirements, and the estimated costs of this infrastructure.

Government Assistance

The original business proposal, submitted by the company one year ago, sought, in addition to the 250 vehicle contract, government assistance for infrastructure support only. The current proposal seeks a considerably-enhanced level of government assistance. Accordingly, the business plan should

OTT/SDC/CCS

22224118 -

provide clear details of government assistance contemplated, and a strong rationale, based on return on investment, and other factors, to support the government aid -- including direct financial assistance, training and so on -- that is being requested.

II. Products

The business plan lists a wide range of environmental products. This list should be supported by detailed references to specific products, their components and associated production volumes at the Cape Breton facility. This analysis should also provide further clarification of the proportion of military versus commercial production envisaged by BHI.

Markets and Marketing

The final business plan will require detailed market forecasts, supported by a market strategy and analysis. Markets for specific products will have to be identified, including long-term export markets for both military and commercial products.

III. Milestones

The business plan would benefit from a listing of key dates associated with plant construction, training, and production activities.

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RCMP "A" DIVISION COMMERCIAL CRIME

File: A102
95A-517

EXHIBIT INFORMATION

DATE OBTAINED: 97-00-08
Obtained By: C.P. Paul Dallaire
Exhibit No.: 96-24
Item No.: 23
Location: 60 (Dundas St.) 041, Ont.

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Document Type: _____

Original: Yes No

COMMENTS C. 26.35-71, Vol. 3

ACCA Defense - The case. January 89 - May 91.

P. 1 to 100.



BEAR HEAD INDUSTRIES LIMITED

Suite 208, 350 Sparks Street
Ottawa, Ont., Canada
K1R 7S8

TELEPHONE (613) 563-3321

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

March 1, 1989

Mr. Wynne Potter
Vice President ACOA
Nova Scotia ACOA
Suite 3000, 1489 Hollis St.
Halifax, Nova Scotia
B3J 3M5

Dear Wynne,

Thank you for your letter in which you outlined the concerns of ACOA and key federal departments who have also reviewed our plan and also for our recent meeting with you.

In response to the areas where you have requested additional information be assembled to complete the Business Plan, we have proceeded to broaden our activities to collect the details necessary.

With respect to concluding a formal market analysis in the commercial product areas listed in our plan, we intend to apply to ACOA in a few days for assistance under the Action Program for funding an appropriate study by recognized business and marketing research specialists.

After such a study is approved, we will be able to propose an accurate schedule for our full response to your letter.

We continue to appreciate very much the ACOA interest and support for our Nova Scotia project, without which we could not have progressed to where we are now.

Regards,

Greg Alford



Page 1 of 1



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 Bureau - Subject Sub. #2

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BEAR HEAD INDUSTRIES LIMITED

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

TELEPHONE (613) 563-3321

TELEFAX (613) 563-7648
TELEX 353-3861 blil ott

Datum/Date:

July 18/89

An/To:

*John McDowell
Fax # 954 0429*

CONFIDENTIAL

Von/From:

GRBG A-FORD

*Copied to - Patler
- McNeil
- Bernier*

Bemerkung/Comments:

*Attached is a background note prepared
for Fred's pending meeting with Fowler. 7/21*

Seiten/Pages to follow:

14 July 1989

THYSSEN/BEAR HEAD INDUSTRIES LIMITED

BACKGROUND:

Thyssen AG is a major West German corporation, employing 130,000 worldwide. THYSSEN INDUSTRIE AG is the principal component responsible for diversified heavy engineering manufacture with a world-wide presence and reputation. THYSSEN INDUSTRIE AG has decided to significantly increase its manufacturing base in North America. BEAR HEAD INDUSTRIES LTD. has been established by THYSSEN INDUSTRIE AG as a Canadian subsidiary to permit the transfer of investment and technology to Canada to supply the North American commercial and defence markets from a proposed manufacturing facility, Nova Scotia. The Free Trade Agreement and the Canada United States Defence Sharing Agreement have positively influenced the selection of a Canadian site to establish this North American base of operation and production.

GENERAL DESCRIPTION OF BUSINESS:

The Bear Head plant is intended for the fabrication, assembly and testing of high-value, advanced technology, machinery, equipment and vehicle systems. These products will initially be mainly manufactured from existing THYSSEN design. The activity of new product design and development will be added to reflect increased capability and changing market requirements.

DIVERSIFICATION:

While the planning of BEAR HEAD INDUSTRIES has always included defence production as an essential activity in the first phase of establishment, the commercial production of THYSSEN environmental protection equipment has now been determined as an activity which will also commence in the first phase. THYSSEN companies are well established as international technology leaders in both of the defence and environment fields.

DEFENCE PROGRAMS:

BEAR HEAD INDUSTRIES plans participation in the Canadian and US light armoured vehicles markets, offering tracked and wheeled vehicle designs, produced in the Nova Scotia facility.

The Canadian program of greatest interest to BEAR HEAD INDUSTRIES has been the ALAV, which previous to the April 1989 Federal budget was near finalization of a Statement of Requirement for some 1500 light armoured vehicles.

Recognizing that the budget announcements have put the ALAV project "on hold", BHI now awaits decisions expected in the fall which will indicate the revised status of this program.

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17930
JUL 18 1989



BHI is also interested in the requirements for armoured training vehicles for the Reserve Forces. BHI understands that this program is also "on hold".

Given that these two programs are now undoubtedly under reconsideration in light of the severe funding revisions since the April budget, BHI is developing a proposal that will:

1. Offer a cost effective, built in Canada approach to the Regular Forces and Reserves requirements while avoiding the large scale capital outlays contemplated in the original program.
2. Deliver a modern family concept light armoured vehicle to the regular force which will meet the operational requirement throughout the variety of future roles that may be assigned to the regular forces.
3. Make available the vehicles for the Reserves through subsequent redistribution.
4. Secure for Canada a significant industrial technology and production facility for defence and commercial manufacturing with a mandate to supply both the Canadian and the American market. Based in Atlantic Canada, BHI will also sub-contract in the Western provinces, as well as the central provinces.

BHI intends to present this alternative concept to the Department of National Defence once requirements are redefined.





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RCMP "A" DIVISION COMMERCIAL CRIME

File: A102
95A-517

EXHIBIT INFORMATION

DATE OBTAINED: 97-00-28

Obtained By: Cp. Paul Sullivan

Exhibit No.: 96-34

Item No.: 26

Location: 60 Queen St. W. O.S.
ACOA's office

DOCUMENT CATEGORIZATION

Document Type: exhibit

Original: Yes No

COMMENTS File 2635-70 Vol. 1

Thruout January 1, 89 - December 31, 89.

p. 1 to 94.



BEAR HEAD INDUSTRIES LIMITED

Suite 605, 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

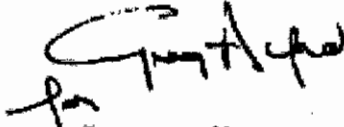
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consistently supportive of our investment plans and would be able to provide additional information on the positive economic impact that our project will bring to regional industrial development in the Atlantic region through the plant establishment, 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 Kassmann
President

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,

A handwritten signature in dark ink that reads "Bill McKnight". The signature is written in a cursive style with a large initial "B".

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,



SUPERText



RCMP "A" DIVISION COMMERCIAL CRIME

File: A102
95A-517

EXHIBIT INFORMATION

DATE OBTAINED: 97-00-08
Obtained By: Cpl. Paul Desjardins
Exhibit No.: 96-34
Item No.: 27
Location: 60 Queen St. W. Ont. Ord.
Rec'd. Office

DOCUMENT CATEGORIZATION

Document Type: exhibit

Original: Yes No

COMMENTS 6.9x 2435ITD Vol. 2

Thompson / 347

Jan. 1, 1990 - Dec. 31, 1992

P 1 to 306



BEAR HEAD INDUSTRIES LIMITED

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

TELEPHONE (613) 563-3321

TELEFAX (613) 563-7648

Mr. Peter Smith
Vice President ACOA-Ottawa
4th Floor
60 Queen Street
Ottawa, Ont.
K1P 5R5

16 November 1990

John
I've read and others
in some meetings
mentioned in how to
enhance your forecast
with respect to:

- 1) Total Sales*
- 2) Forecasting Group*
- 3) Budgeted Growth*

1) Total Sales
included other projects
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Dear Peter:

In response to your letter of November 7, 1990, I am pleased to enclose the financial, technical and marketing detail which you requested.

The material enclosed is an extension to the discussions held in your office last week.

The format of information has followed that which you used in the annex of your letter, plus the supply of 3 key charts which demonstrate markets and employment. I ask that when you review these charts you consider the notes which are attached to each, as these explain the assumptions and modifications used in estimating to ensure a conservative forecast.

I will be at your disposal to discuss any of this information in further detail. Please contact me if I can be of any assistance.

Sincerely,

Greg Alford
Senior Vice President

at this time no problem
no DND copies or a quality
check is needed to start
1995 not 1997

COMMERCIAL CONFIDENTIAL

**DO NOT: A) REPRODUCE
B) DISTRIBUTE
C) RECORD
WITHOUT SPECIFIC
COMPANY PERMISSION**

ANNEX

1.0 Assistance Package

A comparison of 1988 to 1990 will be provided November 19, 1990

2.0 Plant

2.1 Summary Data and Aggregate Cost Estimates will be provided November 19, 1990

**2.2 Construction and Production Schedule
Please refer to Table 3.1 and 3.2**

CONFIDENTIAL**2.3. Employment During Construction and Phase I Operations**

The attached charts/Table 3.1 and 3.2 show employment projections for main activities. The projections are based upon:

- a. Plant construction estimate
- b. Sales projections (see Table 1)

It should be noted that the noticeable employment "peak" between 1994/98 is based upon current best estimates of certain US defence projects. Should these predictions accurately materialize, then it would be likely that the activity could be more evenly spread throughout contracting and work-sharing with program partners.

The aggregate of total direct jobs is 662 per year (averaged over 7 years). This should represent a reasonable basis to provide sustained employment for between 400 and 500 people.

2.4. Employment Profile During Phase II

Phase I activity at BHI now includes environmental products previously scheduled for Phase II. Their projected revenue and employment profiles are therefore reflected in Phase I charts (table 3.1). It is Thyssen's firm intention to bring in further commercial diversification at the earliest possible date, and as specifically required to maintain profit and employment at BHI during Phase I. It is not thought possible to predict Phase II commercial sales past 2000 with sufficient accuracy to project employment. It is however intended to maintain plant activity at Phase I levels.

2.5. Sources of Labour

BHI essentially intends to employ local people in the majority of production and administrative jobs. It is appreciated that many of the employees will initially be in need of technical training or upgrading. We wish also to offer employment to Nova Scotians with appropriate skills who are working outside the Province and would like to return. (We know that a number of Boud employees have expressed an interest in transferring, should BHI become established.) Key management and supervisory personnel will be recruited in accordance with normal Canadian business hiring practice (from within Canada where possible). Due to the need to transfer of technology, and production "know-how" for specialty product lines, Thyssen will initially provide key personnel from the parent company in a number of management, engineering and supervisory positions. These

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Personnel will represent a very small fraction of the Company's employees and their number will be progressively reduced as the plant is "run-in". BHI will also establish and maintain its essential R+D activities through continual close liaison and likely cross-staffing with corporate affiliates.

*ed. 11
has the
meeting
now
5:00
Thursday*

2.6. Investment (Final estimate will be provided Nov. 19)

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3.0 DIRECTED CANADIAN CONTRACT

3.1 TPZ I FUCHS (FOX):

Number of vehicles	-	250			
Delivery profile	-	FY 93/94	94/95	95/96	<i>Apr to March assumption to start file</i>
		30	110	110	
Cash-flow profile (\$ M)		34.8	127.6	127.6	
Contract price (\$)	250 M				
Currently in use:	NATO, Germany, Netherlands, US (NBC) Other: Venezuela etc.				
Purchase forecast:	see table 1				

3.2 TH 495:

Development timelines: TH is proceeding with development of the base-line vehicle
Milestones currently scheduled are:

- full scale mock-up March 91
- 1st prototype April 92
- 2nd/3rd prototype June 92
- 1st prototype test May-Aug. 92
- 2nd prototype test July-Oct. 92
- 3rd prototype test July 92 - Feb. 93
- Military trials involving all three (3)

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prototypes should be completed by	Dec. 93
- Vehicle ready for production	Jan. 94

also refer to table 1

Unit Price

As the TH 495 is a "family" vehicle, its price will depend not only on the overall quantity contracted, but also on the types, and the numbers of variants included - and on the configuration options selected. Once DND's essential performance requirements are confirmed, then a target estimate could be made on the baseline vehicle.

Future Markets

In contrast to some competitors, Thyssen Henschel has continued to show considerable strength in the armoured vehicle market. Sales have doubled in the past two years, and this favourable situation has permitted the company to finance the TH 495 project.

This new development is for a light, tracked combat vehicle family, well protected, yet capable of deployment by C-130 aircraft. It is designed to accept various armament and armour fits and for adaption to a number of battlefield roles. Thyssen foresees a strong future market for such an advanced and versatile design, as outdated, less-capable, - or heavier - equipments are replaced in response to evolving force-protection or peace-keeping requirements. A projection of some of these US and NATO markets is shown on the attached Sales Projection Chart (table 1). Thyssen consequently believes that there is no real risk to the Canadian Government that BHL will require further support in order to maintain employment.

4.0. US Contract

Thyssen Henschel and General Dynamics Land Systems in a teaming arrangement on the Thyssen Henschel designed NBC Fox Reconnaissance vehicle have been selected in March 1990 to further develop to US Military spec and supply 268 Fox vehicles to the US Army. The competitor in this program was the team of TRW - GM Diesel Division.

Total contract value is estimated at 500 million. Production schedule is specified to commence in FY 1993/94 and complete in FY 1998/99 at a delivery rate of 42 units per year.

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The first 2 phases of the program are funded and in progress:

Phase I - delivery of 8 interim vehicles is complete and 40 additional under production at Thyssen.

Phase II - development of system improvements is also under way.

These phases will be built on the Thyssen Henschel production line in Germany.

Note: During this phase - the US Army have requested supply of 60 NBC FOX on an emergency basis - drawing from the German Army stocks for deployment to the US Forces in Saudi Arabia - Thyssen Henschel has converted these vehicles to US communication and operating specifications for the conditions in the Gulf. Most of these 60 vehicles have now been delivered and are in use by the US Army and the US Marines.

Final phase for 210 units will be built in the US on the GDLS production line in Michigan. In this phase Thyssen controls a share of production and within that share intends to supply the vehicle hulls from BHI.

4.2. Formal Relationship with GDLS

Thyssen Henschel is bound in joint venture for a US program known as NBC Reconnaissance system (NBCRS) through a Memorandum of Understanding (MOU).

This MOU is specific to the NBCRS program but provides for extended co-operations between the two firms where mutually agreed.

The technological expertise of the two firms is regarded as complimentary and therefore promises to bring continued competitiveness and success to both sides.

4.3.

Within the ~~case~~ ^{phase} of the NBCRS program when production moves from Thyssen in Germany to a GDLS line in Michigan, Thyssen will retain a share of production value, which specifically includes the supply to fully fabricated and finished hull units. It is the intent of Thyssen to execute that fabrication at BHI.

4.4.

For a demonstration of the revenue stream associated with the US NBC Fox program please refer to table 1.

CONFIDENTIAL**5.0 TECHNOLOGY TRANSFER****5.1 Transfer of Fuchs/TH 495 Technology***To Canada BHL?*

Thyssen intends to transfer the full production technology for both Fuchs and TH 495 during the preparatory phase of production contracts. It is further intended that design and development in response to customer requirements, and the appropriate product improvement work, will be conducted at BHL.

5.2. North American Mandate**Fuchs**

BHL will hold the production mandate of this vehicle for supply to the Canadian Forces. In compliance with the joint production agreement with GDLS, Thyssen cannot transfer US market mandate to BHL. However BHL can receive work from the Thyssen retained share of work in this joint venture as is the case under the current NBC Fox Program.

TH 495

It is intended to transfer the North American mandate to BHL, as well as a share in other markets. It must, however, be appreciated that a US partner may be deemed essential for successful competition in some US projects. In such cases, co-production will likely be negotiated - with the object of retaining a maximum share of full-systems production in Canada.

5.3 Major Sub-Systems

Thyssen is not a primary producer of armament nor of fire-control systems. However, the important technology for integration, test and service support will be transferred to, or developed at, BHL. This is also true of power-packs and other installed sub-systems. Thyssen intends nonetheless, to identify and assist sub-contractors capable of conducting licensed production where no existing Canadian capability exists. In many cases, Thyssen will cooperate in systems development with established Canadian sub-systems manufacturers, with a view to incorporating such systems into Canadian vehicles at the same time exposing those systems to U.S. and European markets.

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6.0 ENVIRONMENT6.1 ENVIRONMENTAL PROTECTION TECHNOLOGY

Thyssen Industrie AG holds a variety of environmental technologies, mainly through its Thyssen Engineering division.

Thyssen Engineering has placed a marketing executive on assignment to BHI's Ottawa office since October 1989. In this time direct marketing activities have been carried out as well as a general market study conducted by the company with Price Waterhouse, Halifax.

Both activities have confirmed a significant demand opportunity exists for the establishment of an environmental technology unit within the BHI facility.

Specific Products

Priority has been established for projects in the fields of:

1. Flue Gas Desulphurization (FGD) treatment for coal fired power industry utilizing Thyssen's wet limestone injection process which is currently in operation in some 40 stations in the US and Europe.

FGD market share and revenue forecasts are provided in Table 2

2. Organic Composting Systems for the treatment of municipal solid waste. This process delivers safe reduction of waste stream volume while producing safe agricultural by-products. Organic composting is an integral step in the process of a total municipal solid waste solution which Thyssen is capable of offering to municipalities in Canada and the US.

6.2. Estimated MarketsFGD

In preparation of these market forecasts for Flue Gas Desulphurization (FGD) the following observations were made (shown in Table 2.1):

3 major FGD customers exist in the Canadian market, Ontario Hydro, New

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Brunswick Power Commission, Nova Scotia Power Corporation.

Each customer is a provincially owned Crown Corporation and consequently mandated to promote economic development within its home Province.

Nova Scotia Power Corporation and New Brunswick Power Commission will be BHI's priority markets for Canadian FGD sales. Each operate coal fired power stations which will require FGD systems to meet the sulphur dioxide emission ceilings targeted for their respective province. With BHI's location in Nova Scotia it is assumed the highest share of BHI work will be secured on projects in that province, and minimizes the risk in contract award, due to the absence of any other domestic process technology for FGD.

While Nova Scotia has declared its intention to delay acquisition of FGD systems until about 1993-94, rising public pressure for environmental protection may force earlier acquisition.

Ontario Hydro is an owner of FGD technology which although unproven, is expected to influence their procurement pattern in FGD systems, and therefore is not targeted as a priority.

All figures in Table 2.1. are based on a Price Waterhouse, Halifax, Market Study 1990, as commissioned by BHI, and share funded by ACCOA

Composting

No market estimates are available at this time, as the overall market is still being surveyed. However, Thyssen is currently engaged in responses to Requests for Proposal from:

- Greater Vancouver Area (Consortium member to total solution)
- Edmonton Region (unsolicited proposal - handling and composting)
- Halifax Dartmouth Metropolitan Region (total solution proposal)
- Toronto Metro and Region (Technology subcontractor to overall project bidders)

6.3. Estimated employment forecasts are provided in Table 3.1.

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6.4. Technology Transfers

Environmental protection technology contemplated for transfer is owned by the parent Company **THYSSEN INDUSTRIE AG.**

No royalty or license fees will be charged by the parent for technology received by BHI.

*Legal
Counsel*

BHI will receive complete production and process technology transfer for the following products:

- Flue Gas Desulphurization Process (FGD)
Thyssen's Wet Limestone Injection Process
applicable to coal fired power generating stations
- Biological Composting Process
converts the organic component of municipal solid waste (MSW) to a safe by-product for use as a soil stabilizer.
- Fluidized Bed Incineration - Energy from Waste
utilizing refuse derived fuel (RDF) from either sewage sludge and/or MSW
this incineration process burns cleanly with integrated scrubber to capture gaseous emissions at the same time as generating steam which can be converted to electric power.
- A range of other processes and systems exist within Thyssen environmental activities and as a demand is established in North American markets accessible from BHI, these processes will be transferred to BHI to market and manufacture.

✓
✓
✓
Blue

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MARKET FORECAST TABLES AND NOTES

DEFENCE - TABLE 1

ENVIRONMENT - TABLE 2

EMPLOYMENT - TABLE 3.1

and TABLE 3.2

CONFIDENTIAL**RISK MODIFICATION OF SALES PROJECTIONS****DEFENCE** (shown in Table 1)

In order to reflect a realistic and conservative assessment of sales potential the following guidelines were observed during chart preparation:

- Gross volume of project was significantly reduced, and possible BHI share assessed with a further reduction (Clims A and B)
- % risk of securing contract was then assessed (Clims C) and value again reduced.
- Projects listed only if closely matched to existing or developmental Thyssen products
- Projects listed only where serious sales effort and/or commercial discussion already underway
- * - Balance of Canadian MRCV requirement not reflected
- US Army NBC FOX projected only on contracted quantity of 268 vehicles, not the stated Army requirement for 564
- * - No military markets listed outside of North America and NATO
- No projections made on US FFAV (Future Family of Armoured Vehicles) as the project is presently on hold
- No inclusion of Thyssen Henschel current overflow of orders for airport loading bridges which could be placed at BHI, if plant is in operation.

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ASSUMPTIONS AND RISK MODIFICATION TO FLUE GAS DESULPHURIZATION FORECASTS

(shown in TABLE 2.1)

In order to reflect a realistic and conservative assessment of sales potential, the following guidelines were observed during chart preparation:

Thyssen/BHI will not secure significant environmental activities until establishment of production and engineering facilities in North America. ✓

Necessity of teaming and sub-contracting in the region of each project is recognized in the BHI Revenue Forecast for each region. ✓

% risk of securing contract was then assessed (risk column) and value for BHI revenue then forecast.

Only Atlantic Canada and the North Eastern U.S. markets accessible by barge transport are forecast for market share. ✓

Canadian projects listed only if required to meet existing SO₂ Flue Gas emission ceilings

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2/11/90

BHI DIRECT EMPLOYMENT (Phase 1)

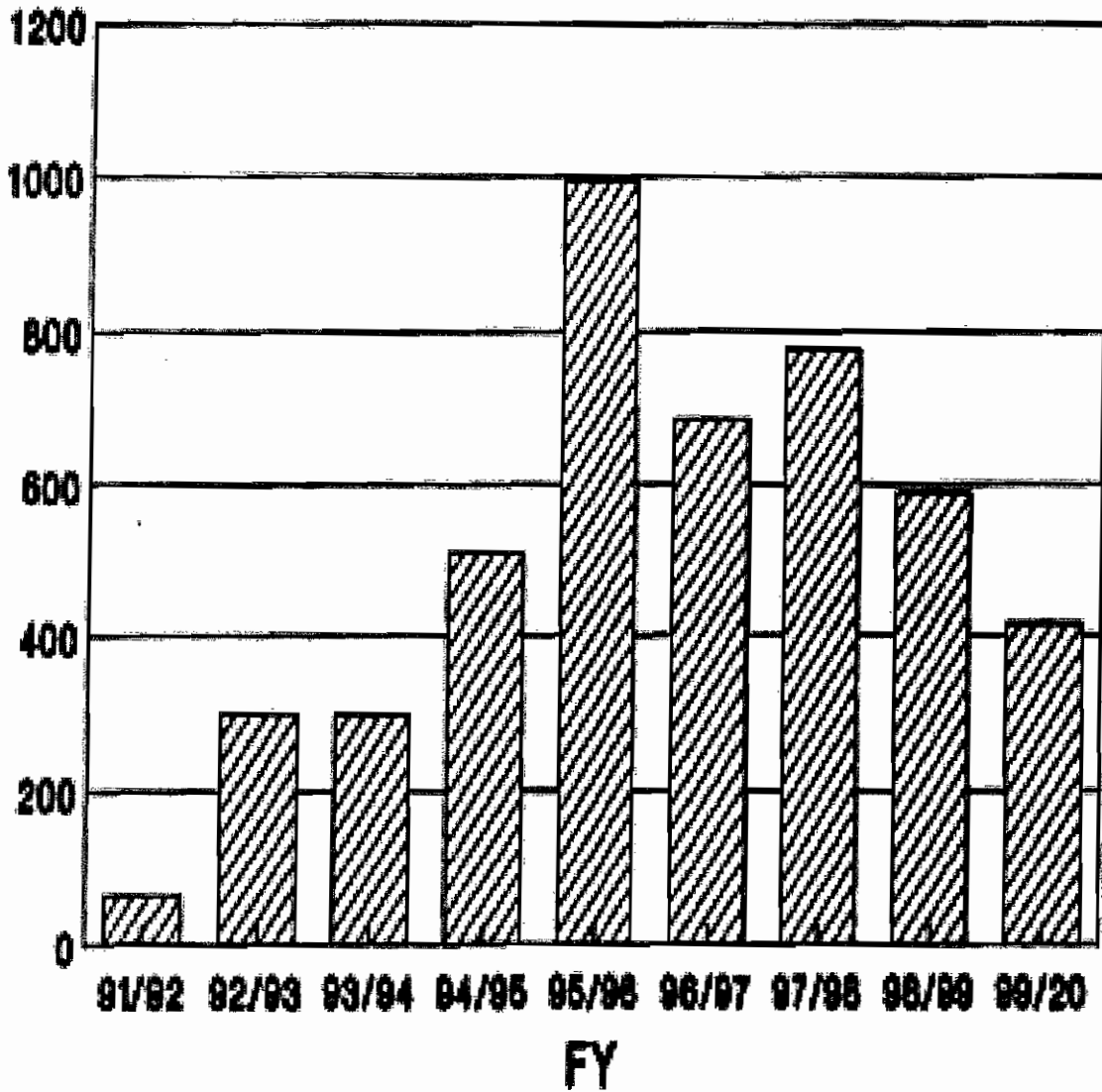


Table 3.1

P:\P157\980000\23 3407 01000178 - Form

Millions of Dollars Canadian (1990 Constant)

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	A	B	FY89	94	95	96	97	98	99	Q1 90	C Risk	Forecast Revenue	Tonks Excluding Cdn Forces Prog.	
TFE For Canada	$\frac{230}{230}$ 100%	Vehicle Qty Revenue-BHT	30 34.8	114 127.6	118 123.6						5 \$700M	20		
TFE For U.S. MILC	$\frac{210}{210}$ 100%	Vehicle Qty Revenue-BHT	42 18	42 18	42 18	42 18	42 18				111 \$500M	60%	\$41.4M	
U.S. National Guard	$\frac{590}{1700}$ 30%	Vehicle Qty Revenue-BHT	50 18	108 25	200 58	200 58	200 58	200 58			850 \$2100M	50%	\$1.01M	
ASV	$\frac{750}{3000}$ 25%	Vehicle Qty Revenue-BHT			50 1	100 10	200 20	200 20	200 20		750 \$1400M	40%	\$41.6M	
U.S. Air Force ECO + Others	$\frac{300}{1800}$ 30%	Vehicle Qty Revenue-BHT			40 1	40 1	40 1	40 1	40 1		300 \$450M	35%	\$21.7M	
AGS	$\frac{120}{300}$ 40%	Vehicle Qty Revenue-BHT			20 67	40 110	60 200				120 \$4000M	40%	\$140M	
													US 344	
Europe (Norway, Germany)	$\frac{1200}{2400}$ 50%	Revenue-BHT			27 40	40 60	40 60	40 60	40 60		187 \$2000M	55%	\$180M	Est 200
Environment Canada and U.S.				11	29	30	31	36	34		D	\$1800M	Est 180 225	
										1,700M		1834M	724M	

Note: A: Expected Vehicle Quantity
Based on Project Requirements in Vehicles

B: Vehicle Quantity
BHT Revenue Share

C: Risk

D: Risk Factor on Environment
Built into Forecast

Forecast:	Canadian For	200	
	US + Euro + Japan	724	= 0.4
	Canadian For	200	
	Japan	180	= 1.1
	Environ	180	
	Defense	724+396	= 0.18

Please see attached additional notes.

Handwritten notes:
A lot of this is not clear
...
with respect to the environment

BHI Direct Employment (Phase 1)

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Table B3

AGC 00267 20030122 2407 0000110 FRANK

Defense Production FY	81/82	92/93	83/84	84/85	95/96	96/97	97/98	98/99	99/00	Peak # Applied			
TP2 For Canada			47	175	173					100%			
NBC For U.S.			32	32	32	32	32			90%			
U.S. Nat. Guard			28	38	75	75	75	75		50%			
U.S. ASV					17	34	69	68	68	40%			
U.S.A.F. BOD & others					11	11	11	11	11	35%			
U.S. AGS					21	41	83			40%			
NATO Europe (Norway & FRG)					12	48	46	46	46	35%			
A) Total Defense Production			99	343	366	295	295	308	315				
B) Management & Administrative jobs	15	108	99	136	438	281	333	230	312	Calculated @ 1.3 Less 30 jobs per year (Milit. Serv.)			
C) Total Defense Jobs (A + B)	15	108	198	379	804	576	628	400	317				
D) Environmental & Jobs				81	144	136	79	129	129				
E) Construction & Maintenance	36	306	180	36	30	36	30	36	30				
F) Total Direct Jobs	61	306	286	513	994	686	777	589	416	Average over 7 years 662 jobs			

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Summary of Forecast Project and Revenues from Fluegas Desulphurization Projects

Revenues in \$1990 Dollars / Canadian

CONFIDENTIAL

Table 2.1

Projects	87	88	89	90	91	92	93	94	Risk	Forecast Revenue
1.0 New Brunswick Power										
1.1 Bellefleur 1st Phase	74 EHD									
1.2 2nd Phase: Value \$50M 30% EHD Revenue Share			1	8					25%	8
1. Dalhousie: Value \$30M 30% EHD Revenue Share				4.5	4.5				40%	18
2.0 Nova Scotia Power										
2.1 Lisops 640 MW Project Value \$70M 30% EHD Revenue Share			10	14	15				80%	30
2.2 Point Tupper Project Value \$20M 30% EHD Revenue Share						4	5	3	80%	13
3.0 Forecast Cdn Project Revenue			18.75	46.8	33.3	3.6	4.5	4.5		87
4.0 U.S. Projected FGD Contracts (millions)			1750	1900	1900	2000	2000	1900		
4.1 EHD Target Market Share (U.S. FGD)			0.5%	0.6%	1.0%	1.1%	1.0%	1.0%		
4.2 Forecast Revenue at EHD from U.S. Emission Market			18.5	12	33	26	32	38		125.5
5.0 Total FGD Project Revenues (Ser. 1.0 + Ser. 4.2)			21.25	28.8	30.3	29.6	36.5	34.5	80%	110 125.5

Note 1) All Canadian Project Forecasts are adjusted to reflect local region learning and subcontracting.

2) U.S. projects are forecast in dollars only, based from a target market share assuming penetration from EHD Canada, learning with strategic partners in project regions.

3) Overall market size estimated by Price Waterhouse, Halifax, 1990.

Please see additional notes attached

Handwritten signature and initials

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1 2 1



BEAR HEAD INDUSTRIES LIMITED

MEMO

**TO: Jürgen Massmann
Karlheinz Schreiber**

FROM: Greg Alford

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

DATE: April 30, 1991

**SUBJECT: Attached is a memo on the background and status of BHI's offer, as requested
by the Hon. Elmer MacKay**

All information is based on the papers written during the last visit to Ottawa by Karlheinz, and the letters to ACOA during November-December 1990.

I believe the Minister intends to use it as background in his discussions with his cabinet colleagues.

Regards,

Greg

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

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

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

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

1. Land and Infrastructure Establishment

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

2. An Order for 250 Armoured Vehicles

DND has determined a need for a Multi-Role Combat Vehicle (MRCV) capable of a variety of missions including peace-keeping. THYSSSEN-BHI would propose to manufacture a variant of their new design TH 495 which is being designed in parallel with the DND program.

(The contract for 250 vehicles needed to "kick-start" the BHI facility will represent about 1/3 of the proposed MRCV requirement).

3. TH 495 highlights:

- weight class: 16 metric tonnes
- air transportable: via Hercules C-130 aircraft
- protection: armour, basic: 7.62mm AP (armour piercing)
armour, add-on: against 30mm (AP)
environment, NBC protected (Nuclear, Biological, Chemical)
- family concept design: variants include - reconnaissance, combat and infantry

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

OPTIONS:

i) Should it be agreed necessary, the Company could offer bridge-financing in association with the Canadian MRCV program.

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

PRODUCTION FOR EXPORT:

In March 1990, THYSSEN - in a joint venture with General Dynamics Land Systems - won an order from the United States Army for supply of 268 Armoured NBC (Nuclear Biological Chemical) Reconnaissance vehicles, with the THYSSEN Fox NBC vehicle.

THYSSEN holds a significant share of the manufacturing content committed for the North American production, and intends to place this work at the BHI facility in Nova Scotia.

To justify the choice of Canada as the North American base for the facility, THYSSEN needs the 250 units order (equivalent of one year's production) as a start-up order.



BEAR HEAD INDUSTRIES LIMITED

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Regards,

Greg

THYSSEN-BEAR HEAD INDUSTRIES

BACKGROUND

The Company:

THYSSEN AG is one of Germany's largest industrial concerns, employing some 147,000 persons worldwide, in broadly diversified industrial activity.

THYSSEN INDUSTRIE AG, in response to the regional development objectives of the Federal Government, has been endeavouring since 1985 to establish a manufacturing capability in Nova Scotia.

THYSSEN-BEAR HEAD INDUSTRIES (BHI) is a Canadian subsidiary, wholly owned by THYSSEN, and mandated to establish a North American "heavy industrial" production facility, drawing on the entire range of technology within THYSSEN.

Among the initial commercial activities targeted for this facility will be environmental protection technologies for the treatment of coal fired power plant's flue gases, and the composting of organic components of municipal solid waste. Other commercial areas of activity targeted include: industrial automation, and offshore oil exploration and recovery equipment.

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

THE PROPOSAL

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

The estimated direct employment is expected to reach 500 by 1994

Indirect employment has been estimated at 750 to 1000 .

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

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

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

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- weight class: 16 metric tonnes
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- protection: armour, basic: 7.62mm AP (armour piercing)
armour, add-on: against 30mm (AP)
environment, NBC protected (Nuclear, Biological, Chemical)
- family concept design: variants include - reconnaissance, combat and infantry

- unit price: \$1.4 M (Canadian)
estimates based on conversion of known German costs to Canadian for baseline vehicle

- logistic costs: based upon Thyssen experience as prime contractor on a variety of armoured vehicle programs, a factor can be applied to unit cost to estimate the associated costs of tools, spares, technical documentation, training, operation costs and maintenance costs.
For a program of 250 TH 495 for Canadian DND, we would estimate the logistic costs factor:
1.17 over a 3 year life cycle
1.30 over a 10 year life cycle

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

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

add + 59.5 M logistic costs over first 3 years

Total program cost \$ 409.5 M over 3 years

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

add + 101 M logistic costs over 10 years

Total program cost \$ 451 M over 10 years

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

FEDERAL EXPENDITURES FY: (1990 Dollars)	1991/92	92/93	93/94	94/95	95/96	96/97 TO 2001	TOTAL:
FEDERAL INFRASTRUCTURE (ASSUMES 30% BORN BY PROVINCE)	8 M						8 M
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THYSSEN holds a significant share of the manufacturing content committed for the North American production, and intends to place this work at the BHI facility in Nova Scotia.

To justify the choice of Canada as the North American base for the facility, THYSSEN needs the 250 units order (equivalent of one year's production) as a start-up order.

Further Diversification:

THYSSEN intends to progressively introduce through this Canadian operation varied technologies of THYSSEN INDUSTRIE AG.

Market:

Primary market envisaged is North America using Canada as a base for participation in the Canada-US Free Trade Agreement and the Canada-US Defence Sharing Agreement.

Timing:

With a commitment for 250 MRCVs from the Government of Canada, THYSSEN will commence construction of the THYSSEN-BHI facility in Nova Scotia. The time required to establish the plant is about 24 months, therefore a commitment to THYSSEN now will cause the plant to be in production in 1993/94.

14019
J.E. Vance & Associates
Consultants

R.R. #4
Tweed, Ontario
K0K 3J0
(613) 478-5034

21 May 1992

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

Dear Mr. Schreiber:

Further to your letter of May 13 to M. Masse, MND outlining Thyssen's new proposal to establish a military vehicle development facility in Canada, Mr. Fowler, DM/DND invited Mr. Massmann and Mr. Alford to a meeting. I accompanied them. The DM had present Gen de Chastelain and Mr. Gillespie, ADM (Materiel).

This letter is a brief report to you on the outcome of that meeting.

The chief position taken by DND officials was that they could not recommend support by DND of the proposal. The main reasons were:

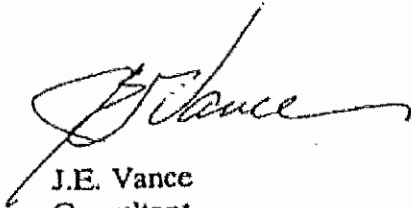
- a. Concern for funding. Acknowledging that the proposal stressed that DND funds would not be sought to finance the Thyssen proposal, the DM was concerned about the inability of Government at large to afford funding. He was also sceptical that funding from elsewhere in Government would not eventually be deducted from DND allotments and that, therefore, DND would end up having to pay for the proposal.
- b. Concern that the Canadian Forces were being asked to become salesmen for an export product they themselves do not foresee purchasing, given their

current financial situation.

- c. Concern for a new precedent in using DND to develop an export programme. (DND normally becomes involved in development only pursuant to their own equipment programmes.)

DND officials offered the advice that the Company should seek a Memorandum of Understanding with ISTC rather than DND.

They did agree to review your draft of the MOU and to provide comments. They also agreed to propose to MND that he respond to your letter of May 13, 1992.



J.E. Vance
Consultant

TH 495 ROLL-OUT

September 28, 1992

THYSSEN HENSCHEL KASSEL, GERMANY

At 11.00h THYSSEN HENSCHEL will receive delegations from 15 Nations which have indicated the intention to attend the inauguration of our new training centre and the ceremonial "roll-out" of the 1st prototype of our new tracked vehicle the TH 495.

This 1st prototype represents a significant commitment to research and development under private funding.

Of particular importance to this event is the vital opportunity for marketing the TH 495 vehicle to all of the 15 nations which will be in attendance, each representing a major national market.

It is the objective of the company to announce at this time that the full development program for the TH 495 will take place in Canada, with the financial assistance of the Canadian Government and will incorporate the distinct performance characteristics as identified by the Canadian Forces from their extensive and internationally renowned experience in peace-keeping.



SUPERText

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

Project/projet A102
File/dossier: 95A517

EXHIBIT INFORMATION

Date Seized: 2001-06-27

Seized By: S/Sgt. ALEXANDER

Exhibit No.: 95-27

Item No.: 222

Sub Location No.: 21 (B-Sup-1)

Location: Industry Canada, 236 Queen St., Ottawa

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

These documents are from a file labelled: 5063-B15 Vol 14
Section 06
Companies, Corporations, Firms
Bear Head Industries Ltd.

5063 B15-

External Affairs and International Trade Canada



Affaires extérieures et Commerce extérieur Canada

P.O. Box 481
Station "A"
Ottawa, Ontario
K1N 9K6

KPE-5053/GY

October 29, 1992

Ms. Leah Clark
Project Manager
Marine and Land Defence System
Industry, Science and Technology Canada
235 Queen Street
Ottawa, Ontario
K1A 0H5

Dear Ms. Clark:

In response to your request for input on export controls regarding military goods, and more specifically to address the Thyssen's BHI proposal to export armoured vehicles from Canada, the following is provided.

The Export and Import Permits Act provides for export controls on the basis of destination, that is the Area Control List (ACL), on products as listed in the Export Control List (strategic and military goods).

Canada closely controls with an assumption of denial exports of military goods and technology to:

- 1) countries which pose a threat to Canada and its allies;
- 2) countries involved in or under imminent threat of hostilities; and
- 3) countries under United Nations Security Council sanctions; or
- 4) countries whose governments have a persistent record of serious violations of the human rights of their citizens.

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OTT/SDC/PCS

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With the exception of NATO allies and a handful of other like minded countries each permit application is subject to extensive consultations (including with ISTC) and is assessed individually against these criteria. In many cases the final decision on whether to issue or deny a permit is made by the Secretary of State for External Affairs.

Whereas Thyssen BHI will be installing automatic firearms on a number of the armoured vehicles, additional export controls are imposed. Exports of automatic firearms are restricted to these countries with which Canada has intergovernmental defence, research, development and productions arrangements. The countries are as follows:

Belgium;
Denmark;
France;
Germany;
Italy;
Netherlands;
Norway;
Sweden;
United Kingdom;
United States; and
Saudi Arabia.

Export permits will be issued only to those destinations noted on the AFCCL. That list may be expanded provided bilateral agreements with the countries could be negotiated. Not all the countries on the Thyssen list, however, would likely qualify for bilateral defence cooperation agreements.

I trust you will find this information useful. should you have further questions do not hesitate to contact us.

Yours truly,



John Bryson
Deputy Director - Enforcement
Export Controls Division

OTT/SDC/CCS

22221008 -



SUPERText

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

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

EXHIBIT INFORMATION

Date Seized: 2001-06-27

Seized By: S/Sgt. ALEXANDER

Exhibit No.: 95-27

Item No.: 222

Sub Location No.: 7

Location: Industry Canada, 236 Queen St., Ottawa

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These documents are from a file labelled: 5063-B15 Vol 15⁵
Section 06
Companies, Corporations, Firms
Bear Head Industries Ltd.



Sure 504, 250 Beards Street, Ottawa, Ontario, Canada K1R 7S2
Telephone: (613) 853-2521 Telex: 9121 561-7666

December 23, 1992

Mr. Michael Ash
Manager
FORD-Q
800 Place Victoria
Suite 3800
P.O. Box 247
Montréal, Qué.
H4Z 1E8



Dear Mr. Ash:

Michael

Further to our meetings during the month of December 1992, I am pleased to provide a written reply to the concerns which you have identified in relation to the Thyssen BHI proposal of 24 July 1992.

I trust that you will find this information helpful in your dealings with other interested Federal Government departments.

Best regards,

Greg Alford

Greg Alford
Sr. Vice President

OTT/SDC/CCS
22207175

B-7-36



THYSSEN BHI

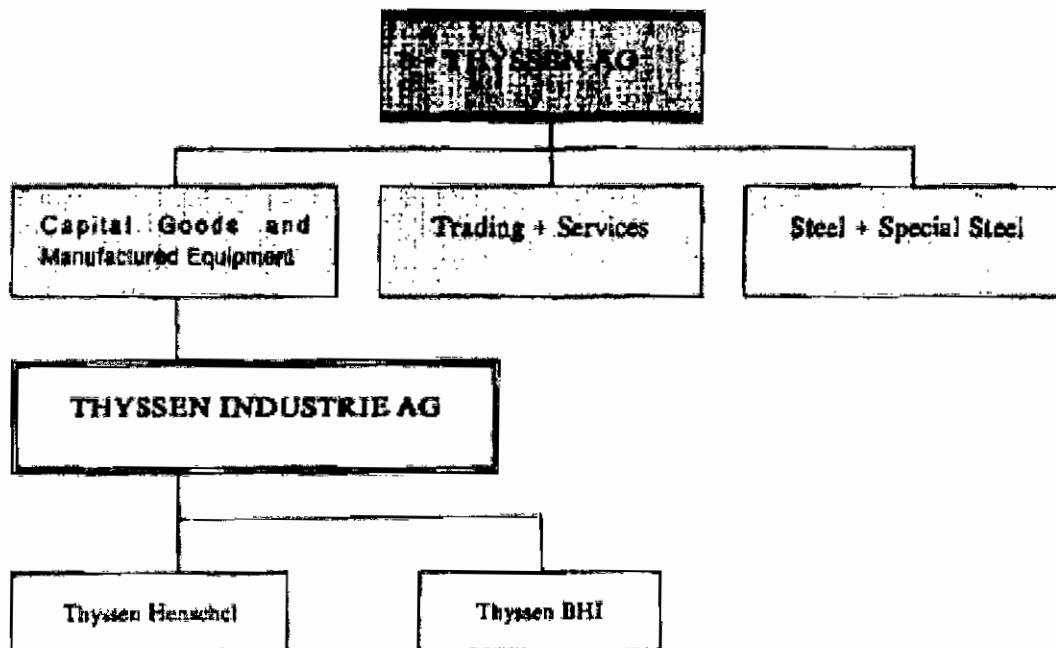
INTRODUCTION TO THE THYSSEN GROUP

With external sales in excess of 26.6 Billion (CDN)¹, Thyssen is among the major German industrial and trading concerns.

The Thyssen Group comprises 285 companies, operating in over 70 countries, and employing an aggregate work force in excess of 147,000 persons.

The parent company of the group as a whole is Thyssen AG, with many and varied activities organized into three business groups:

- Capital Goods and Manufactured Products
- Trading and Services
- Steel and Speciality Steel (see figure 1)



¹ All Figures from 30 Sept. 1992 Annual Report, converted to CDN \$ 0.7449 = 1DM

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Thyssen Industrie AG of Essen, Germany is the European Centre for the Capital Goods and Manufactured Product Group, with about 60 companies worldwide, and turnover of \$6.1 billion. Within Thyssen Industrie AG a remarkable R+D effort is centred on extending and adapting product ranges to match changing market needs. Manufacturing technique flexibility is also a subject of significant focus in the Group.

Manufacturing knowhow and technology transfer among the Thyssen business units to maximize potential in the global market is systematically utilized under the guidance of the Parent Companies.

Within the Thyssen Industrie AG Group, Thyssen Henschel is a major manufacturing division with an established technology research and development centre, with internationally competitive products in these fields:

- Defence Systems - wheeled and tracked armoured vehicles
- Airport Engineering - passenger loading bridges
- Plant and Machinery - mixers, boilers, industrial automation, etc.
- Magnetic Levitation Trains - the 500 km/h Transrapid
- Locomotives, rail cars, waggons and switches, etc.²

Within Thyssen Industrie AG Group, Thyssen BHI³ is a wholly owned Canadian subsidiary established with a mandate to establish additional North American industrial activities from a Canadian base of operation, drawing on the range of technology within the Thyssen Industrie Group. In particular the initial activities are to be drawn from the Thyssen Henschel Group and close cooperation in all aspects of the Thyssen BHI project have existed with Thyssen Henschel.

The focus of the Thyssen BHI project is to start-up in Canada with development of the TH 495 armoured vehicle prototype series which has been initiated with Thyssen Henschel's established expertise in this field. The intent is to execute in Canada the total prototype series development project placing with Thyssen BHI the World Product Mandate for the TH 495 variants developed here, leading to full Canadian production of these vehicles.

The existing cooperation between Thyssen Henschel and Thyssen BHI is critical to the transfer of technology to Canada and to the success in sales of the vehicle.

² As of 1 Oct. 91 part of joint venture with ABB under name of ABB Henschel

³ Incorporated 1964 as Bear Head Industries Ltd, operating as Thyssen BHI

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By establishing an additional base of North American operations in Canada, the Thyssen Henschel divisional interests are served through the significant market access gained.

For Thyssen BHI, in addition to the valuable technology transfer and market knowledge and support received from Thyssen Henschel, the opportunity to participate in markets through Henschel that would not normally be accessible to a Canadian producer is extremely beneficial. (ie. Thyssen BHI cannot reasonably expect to offer as prime contractor, the TH 495 successfully to a client such as Germany, due to the presence of established domestic competition, however, by cross-licensing the TH 495 variants back to Thyssen Henschel and operating as a sub-contractor for technology and specialized components, Thyssen BHI would find a level of participation in a market where it would have little opportunity otherwise.)

OTT/SDC/CCS
22207178



THYSSEN BHI

Suite 300, 360 Sparks Street, Ottawa, Ontario, Canada K1R 2S8
Telephone: (613) 862-3321 Fax: (613) 862-7648

**THYSSEN BHI RESPONSE TO ISSUES
RAISED BY FORD-Q WITH RESPECT TO
THE COMPANY'S PROPOSAL OF
JULY 24, 1992**

The Federal Office of Regional Development - Quebec (FORD-Q) has hosted meetings with Thyssen BHI (BHI) in early December at which time FORD-Q has raised a number of issues associated with the BHI proposal of July 24, 1992 to the Federal Government. It is understood that the FORD-Q questions are the result of FORD-Q's own analysis of the BHI proposal as well as that of other interested Federal Government departments, including Industry Science and Technology (ISTC), National Defence (DND) and External Affairs (ExAff).

It is the hope of BHI that the accompanying responses will provide FORD-Q with a complete understanding of the proposal and allow an early progress toward the start of the intended project.

Given the nature of the material put forward by BHI, it is necessary that this be recognized as Commercial Confidential, reflecting the Company's competitive market assessments and strategies, and accordingly be protected by FORD-Q. Furthermore, BHI asks that FORD-Q, as recipient of this information take all necessary measures available within the Access to Information Act to protect these materials, and if necessary return any materials which the company deems Commercial Confidential but cannot be protected in the manner which we request.

OTT/SDC/CCS

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COMMERCIAL CONFIDENTIAL**General comments regarding market projections:**

The projections provided in the Thyssen BHI proposal are based on the presence and experience of Thyssen Henschel (TH) marketing personnel and representatives in the international market place. TH has completed armoured vehicle projects in 30 countries and has on-going market presence in more than 40.

Some of the markets cited will not have specific projects identified as yet since the requirements are only just being developed and therefore programs are in the emerging stage. It is also the case that in some markets, contracts can be awarded even when there is not a widely known project requirement in existence, and this situation can occur in both underdeveloped and developed nations. Experience has demonstrated that while some projects take longer than expected, there will also be others that emerge more quickly and are not anticipated in early forecasts. Such is the nature of forecasts and projections.

Format: *The criticism or question as presented by FORD Q is written in italic and the reply by Thyssen BHI follows in block type.*

Q 1.

Internationally, there is a general overcapacity in the field of armoured vehicles.

Address the BHI approach to this fact in the marketplace

Answer:

- A general over capacity in the broad field of armoured vehicle production is acknowledged. Among those facilities which are operating below capacity is an absence for independant R + D capability to produce complete new vehicles and concepts to address current market trends. Also present has been a preponderance

1 / 25

Dec. 23, 1992
THYSSEN BHI

OTT/SDC/CCS

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COMMERCIAL CONFIDENTIAL

of domestic market high volume supply, and a resulting inflexible production system which is less efficient against the smaller unit orders that are more prevalent in current markets.

- The BHI proposal is based on TH 495 which is a product of TH experience as a technology leader in light and medium weight armoured vehicles.

- The TH 495 addresses a niche market which is associated with demand for a highly flexible, highly protected vehicle which can be deployed domestically or air transported. These characteristics are seen to be common to a number of emerging vehicle requirements internationally.

Q 2.

The TH 495 brochure identifies a 26 t vehicle, but the only observed demand trend is in the less than 23 t range, which permits C 130 air transportability.

- Discuss the TH 495 family and the 2nd prototype which is now under construction, and will be C 130 air transportable.

Answer:

The current brochure shows prototype # 1 having a weight of 26 tonnes, with 6 road wheels.

This 1st. prototype is an MICV variant and meets specifications for programs which do not limit air transport weight to C 130 capability.

The 2nd TH 495 Prototype is a 17 ton, 6 road wheel, basic vehicle designed to meet the weight limits of C 130 air transportability. This vehicle is some 75% through construction and will be completed about April 1993.

The TH 495 family will be built on both the 6 road wheel and 8 road wheel basic vehicles, dependent upon client requirements

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Dec 23, 1992
THYSSEN BHI

OTT/SDC/CCS

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COMMERCIAL CONFIDENTIAL

TH/BHI observe that the C 130 is the most widely used heavy lift aircraft and therefore have made compliance with it's size and weight limits a fundamental criteria in the TH 495 basic vehicle (5 road wheel).

Q 3. *Is there a market for a specialized Peacekeeping vehicle?*

Answer:

A market is not perceived for a vehicle with the exclusive purpose of "peace keeping", rather it is the addition of peace keeping assignments to armies which were not previously so engaged, which is creating a market for vehicles that have the versatility to serve a multitude of tasks in regular Army employment, along with those specific tasks encountered on peacekeeping assignments.

The number of nations now planning to begin participating in peace-keeping that previously had no suitable equipment for "out of area" operations will create a significant new market.

The key requirement for an army to effectively serve in a peace keeping assignment is a basic armoured vehicle with high mobility, a high level of basic armour protection and the capability to "add-on" to that armour in theatre if necessary, and the capability to be air-transported via Hercules C 130. All characteristics which are designed into the TH 495. The add-on armour concept is particularly valid when one observes the level of threat encountered by UN Forces in the former Yugoslavia.

Thus the probable requirement is best described as a general purpose vehicle, whose specifications respect the special demands of peacekeeping. These demands include, in addition to tactical mobility and firepower:

a. Strategic Mobility, permitting nations to deploy quickly in "out-of-theatre" moves. The vehicle in at least some of its variants, must therefore be deployable by C130 aircraft.

b. Protection The previous norms of planning for high intensity operations permitted armies to design lightly armoured equipment, accepting a higher risk of casualties

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Dec. 23, 1992
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In the interest of acquiring a larger number of smaller and cheaper vehicles. It is considered that, in peacekeeping operations, nations will not tolerate casualties as a cost of doing business if there is any possible way of avoiding them. Thus the demand for adequate protection becomes paramount in designing vehicles that are suitable for, inter alia, peacekeeping.

- Q 4. *In the U.S. plants are being closed, and most are seriously underutilized, and this trend is expected to continue. The U.S. Army Materiel Command has recently reported the future for the production of light armoured vehicles is not promising:*

"Without aggressive foreign military sales and upgrades to U.S. vehicles - two events that now seem increasingly likely - the tracked vehicle industrial base will be in serious trouble. Without new production awards, a large portion of suppliers are expected to go cold and the capability to create spare parts will be lost."

- Discuss U.S. armoured vehicle production capacity in light of the trend stated above by U.S. Army Materiel command.

Answer:

The comment from the Army Materiel Command is accurate with respect to U.S. plants. The largest player in the U.S. LAV market is FMC, builder of tracked vehicles, the M 113, Bradley and AGS. Their plant facility is based on the high unit volume requirements of the US Army during the 1970's and 80's.

Future markets will be smaller and U.S. facilities may need to make considerable adjustments to be competitive.

Recently, Thyssen Henschel, in partnership with General Dynamics (GD) won an order from the US Army for the specialized Thyssen Henschel Fox NBC reconnaissance vehicle. Key to competitive success was superiority of technology

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and the ability to supply the comparatively small number of vehicles at a cost effective price.

These same factors are seen as critical to competitiveness in the requirements foreseen for specialized future programs in the U.S.

Q 5.

Compare the TH 495 to GM AVGP/LAV in these categories:

- *basic characteristics*
- *fundamental role*
- *capability, i.e. mobility etc.*

Answer:

As a preface to this reply, it should be noted that Thyssen Henschel is internationally recognized as a prime contractor for both wheeled and tracked armoured vehicles in the light to medium weight classifications, and has a proven capability for independent R+D leading to total armoured vehicle systems in either design. From this position of capability in either wheels or tracks, Thyssen Henschel has surveyed the market to determine that the emerging trend in requirements is toward multi-purpose base armoured vehicles with critical performance capability in the areas of mobility and armour protection. These factors influenced the choice in Thyssen Henschel to select a tracked base vehicle for the TH 495 project.

Therefore, while it is conceivable that in certain competitions, wheeled vehicles such as the GM AVGP/LAV may be offered, Thyssen will have the capability to assess the project and decide to offer either a Thyssen wheeled vehicle for less demanding requirements, or as is expected to increasingly be the case, offer the new TH 495 tracked vehicle which will have a much greater capacity for mobility and armour protection.

It is assumed that this question should be "compare the TH 495 to GM LAV". (Note: that the LAV is the 8x8 vehicle in current production, whilst the AVGP is the older 6x6 design no longer manufactured by DDGM.)

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COMMERCIAL CONFIDENTIAL**General**

In general terms, the TH 495 is tracked and the LAV an 8 wheeled vehicle. Both can be described as baseline vehicles suitable for production in a number of variants to meet designated military roles.

Mobility

The TH 495 has the capability for much superior off-road mobility over a variety of terrain including soft ground, snow and many types of severe obstacles. The LAV 25 has good mobility on prepared roads and tracks and an adequate performance on firm, dry, relatively level ground. It is also amphibious, however any increase in weight, particularly top-weight through additional armour protection or armament and turret fittings, reduces or eliminates this capability. LAV 25 has an unsatisfactory profile in minor obstacle crossing, both horizontal gaps and vertical steps, a poor performance in soft ground or snow, and is easily impeded in wooded or rocky terrain. (These shortcomings have been identified in trials in Canada and NW Europe.)

Protection

LAV 25 is a lightly constructed vehicle with limited basic ballistic protection (7.62mm ball ammunition and smaller splinters.) The proposed fitting of reactive ceramic tiles and other add-on armour options to turret and hull should improve protection at the cost of extra top weight. It is unlikely that these measures will meet essential protection requirements (eg. "against 14.5mm all round and 30mm on the frontal area" such as advised by DND to industry in Oct. 91).

TH 495 will meet these requirements with its new modular armour and additionally possesses design features which greatly reduce IR and radar signatures. These are important survival aspects on the modern battlefield whether the role is as participant or intervenor.

Firepower

Both vehicles can accept a variety of weapon fits. (A LAV test unit has been fitted with the NATO 105mm gun.) TH 495 is a heavier, more durable tracked vehicle and this provides a more stable platform for the larger calibers, with basic design capability to carry the 120 mm NATO gun, as well as future weapons now in

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development. This is a significant factor in the accuracy and therefore effectiveness of the fitted armament.

Q 6. *Address this market observation:*

"According to Forecast International, in the period 1992-2001, almost 70% of the total quantity of vehicles in the less than 23 tonne class expected to be produced will come from four producers (Chinese State Arsenal, FMC Corporation, Krauss-Maffei and Steyr-Daimler-Puch). In almost all cases, a manufacturer has been selected for forecast programs. In fact, only 12% of anticipated demand (1650 vehicles) will be open for competition, leading to a highly competitive scenario."

Answer:

It is not possible to address the selected statement of Forecast International without seeing further information from their study.

Q 7. *Address these observations and criticisms of Thyssen BHI market projections.*

see following 6 pages extracted by FORD-Q from their internal confidential document.

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BHI-THYSSEN

November 10, 1992

COUNTRY BY COUNTRY ANALYSIS OF THE BHI-THYSSEN MARKET PROJECTION

■ Introduction

The following section analyzes the BHI market proposal in light of currently available information on armoured vehicle procurement. While the BHI proposal identifies potential sales, it is unclear as to what will be sourced from Canada. When referring to BHI share of markets, the company uses undefined terms "units" and "vehicle equivalents". In an environment where purchasing countries attempting to maximize domestic participation, there are very real questions as to the quality of Canadian participation BHI can expect, particularly when it is not acting as prime contractor.

■ Norway:

BHI Projection:

160 units, commencing 1997. Thyssen Germany Prime Contractor
50% BHI share (80 units)

Assessment:

Norway intends to contract 250 light tracked vehicles in late 1993. This program already has approved short list, which does not include Thyssen. Competitors are the FMC Bradley, the Haggunds CV90, and the Steyr/Santa Barbara ASCOD.

■ Germany:

BHI Projection:

300 units, commencing 1998. Thyssen Germany Prime Contractor
30% BHI share (90 units)

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Assessment:

While a contract for concept development for the Marder 2 has been awarded to Krauss Maffei, the production program for 1000 vehicles in the late 1990s is unlikely to proceed due to high unit costs. The German Army GTK program is a wheeled vehicle program, with requirements based on a Mercedes 6x6 wheeled vehicle. The earliest production possible is 2002-2004. With several major manufacturers, Germany has excess capacity in the military vehicle sector. The German government would likely require production in Germany.

will

United States:**BHI Projection:**

1000 units, commencing 1998. US Prime Contractor
40% BHI share (400 units)

Assessment:

The Armoured Gun System program has been awarded to FMC. The Armoured Systems Modernization program has recently faced cancellation of development contracts for its primary variant, leaving the future very uncertain, at best. At this time, there is no M113 replacement program; indeed, some existing M113s may be upgraded to A2 or A3 standards. There are no programs in the near future for which the TH 495 is a competitor; nor could any develop that would start production prior to 2000-2005. There are some demonstrator programs ongoing, which are unlikely to progress beyond the basic research arena. With several major manufacturers facing plant closure, the United States has excess capacity in the military vehicle sector. Thyssen's American partner, General Dynamics, is mothballing plants.

United Kingdom:**BHI Projection:**

850 units, commencing 1995. UK Prime Contractor
BHI share 25% (213 vehicles)

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Assessment:

IT IS The only program in the works in the United Kingdom, the Tracer, will not come on stream until 2005. With several manufacturers, the British have excess capacity in the military vehicle sector. As a major vehicle exporter, it ~~would be~~ unlikely that the United Kingdom would choose a foreign vehicle for their own Army. If it were to do so, the probable candidate would be the NATO Multi Purpose Base Armoured Vehicle which is currently at the concept stage.

■ France:**BHI Projection:**

200 units through Franco-German cooperation, commencing in 1998
BHI share 25% (50 vehicles)

Assessment:

The Vehicle Blinde Modulaire (VBM) program, which will begin procurement in the 2000-2005 time frame program has strong French competitors. This program has been in planning for some time, and is probably too late for new entrants. While there is increasing Franco-German cooperation, it would be ~~unlikely~~ *not* to be expanded to Canadian manufacture. France is a world leader in vehicle design and manufacture and has overcapacity in the military vehicle sector.

■ Australia:**BHI Projection:**

200 units, commencing in 1995
BHI share 80% (160 units)

Assessment:

15 A This ~~appears to be~~ the DDGM program. There are no major additional programs anticipated in Australia, according to the Australian Military Standardization Representative at DND.

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■ Switzerland:

BHI Projection:

600 units, commencing 1995. European prime contractor
BHI share 20% (120 units)

Assessment:

The Swiss are undertaking an upgrade program of their M113 fleet, using upgrade kits from FMC. The Swiss have undertaken some limited evaluation of tracked armoured personnel carriers including English, American and Swiss products. They have traditionally been quite self-sufficient in arms manufacture, but there are existing ties between Swiss companies and another German military vehicle manufacturer, Krauss Maffel. There would be little impetus to send work out of Europe.

LITTLE

15

■ Saudi Arabia:

BHI Projection:

700 units, commencing 1995. BHI Prime Contractor
BHI share 80% (560 units)

Assessment:

Saudi Arabia has traditionally sourced through the United States Foreign Military Sales (FMS) program when possible, or through its other traditional ally, the United Kingdom. (German defence industry has been very weak in Saudi Arabia.) They are currently acquiring large fleets of military vehicles from the United States, including a large number of LAVs which are built by DDGM in London. DDGM experience shows it takes close to a decade to get a Saudi program to production; a 1995 start is not viable.

■ Singapore:

BHI Projection:

200 vehicles, commencing in 1997
BHI share 90% (180 vehicles)

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BHI-THYSSEN

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Assessment:

Wiesel

Singapore's programs, both rebuild and new vehicle procurements, are well advanced. They are in the process of procuring a light vehicle (presently looking at the BV 206 and the MaK ~~Wiesel~~). They have selected the GIAT AMX as a wheeled vehicle, and have purchased 250 Commando vehicles from Cadillac Gage. There is no evidence of a light tracked vehicle requirement. Singapore has a strong defence industrial base and a history of developing their own products, or producing under licence.

It could be an export control problem in the future, as they have a reputation for resale.

■ Indonesia:

BHI Projection:

150 units, commencing in 1995.

BHI share 90% (135 units)

Assessment:

Indonesia has requirements for a number of military vehicles, but does not appear to have funds for procurement. Currently there are no light tracked vehicle programs in the works. Indonesia has expressed desire for local production. Traditionally, they buy British. Sales to Indonesia are unlikely to receive export control approvals.

NO PERMIT

■ Malaysia:

BHI Projection:

150 units, commencing in 1995.

BHI share 90% (135 units)

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BHI-THYSEN

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Assessment:

Malaysia has a requirement for a light tank, and is undertaking an analysis of competitors. We do not know if the TH 495 is included. They also have a requirement for a lighter vehicle for which the TH 495 would not be applicable. Traditionally, they buy British. Both the U.S. And Australia are major sources of military aid to Malaysia. Export control approvals to Malaysia may be a problem in the future.

*Export
control
problem?*

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Answers to FORD Q Market Projection Criticisms:

NORWAY

TH 495 has received an invitation from Norwegian Department of Defence to conduct winter trials and testing of the TH 495 in 1993.

The TH 485 trial will be in parallel to the Norwegian MICV trial. Two major issues have emerged in the Norwegian project which may cause the project to be suspended after winter trials:

1. There is a concern on the Norwegian side with the winter mobility of the short-listed competitors, due to the fact that the participants have offered very heavy vehicles in order to meet the essential protection requirements and there is fear this may cause a short fall in essential winter mobility.
2. Norway and Switzerland have agreed to conduct the winter trials jointly, but there has been a postponement of the Swiss MICV program (Nov. 92) to post 2000. Upon resumption of that project, the Swiss will rewrite the weapon requirements to a higher calibre. This has raised the spectre that Norway may do the same with their existing program.

Thyssen has an extremely good relationship with Norwegian DOD, based upon a recent submarine contract which delivered a cost effective system and an associated industrial benefits packaged that doubled contract value.

GERMANY

German Army is revising many of its vehicle programs.

- Marder A2 is postponed to after 2006
- Leopard 2 upgrade is postponed to after 2005
- other programs are also reduced or cancelled.

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The criticisms offered with respect to the projections for the German Army are not entirely accurate, in particular the references to the GTK program and the absence of additional new requirements are somewhat misinformed. On the basis that this document will be delivered under the classification of Commercial Confidential, the following is the German market outlook as known by Thyssen Henschel, which has ongoing programs under contract with the German Army.

The GTK program does have a wheeled component but there is also the intention to include tracked vehicles as well. There is a new Mercedes developed heavy wheeled vehicle proposed for GTK, which has attracted significant media attention; but the decision remains open for the wheeled component of GTK to in part or total, utilize TPZ Fox wheeled 6x6 vehicles (built by Thyssen Henschel) which are already in German Army inventory and can be modified to meet the wheeled vehicle requirements. The arguments in favour of the TPZ Fox vehicle is especially persuasive given it's relative cost effectiveness as a modification project to existing vehicle stocks, and the internationally proven performance capabilities of the vehicle which includes deployment of NBC reconnaissance variants during the "Gulf war" to troops of the United States, Britain, Turkey, Israel and Saudi Arabia. The tracked vehicle requirements under GTK are not yet concluded, but Thyssen Henschel is actively engaged in the associated consultations with industry. BHI participation in the future requirements of the German Army is not proposed as prime contractor, but rather as a technology and components major sub-contractor to German based sister company Thyssen Henschel.

New vehicle requirements with significant promise are emerging in relation to Germany's constitutional amendment now under way, to permit German army participation in peacekeeping missions beyond the boundaries of NATO which until now has been constitutionally prevented.

German MOD which has traditionally had no "out of area" capability, has indicated interest in TH 495 as a likely vehicle for employment on peacekeeping missions. Specific programs are currently being planned by MOD Bonn.

The German Minister of Defence paid a formal visit to Thyssen Henschel on December 8, 1992, to see the TH 495 prototype. On this occasion the Company was

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strongly encouraged by the Minister and his officials to proceed in the TH 495 project, while maintaining close liaison with MOD Bonn.

UNITED STATES

The sale of the Thyssen Henschel Fox NBC reconnaissance vehicle to the United States Army in 1990, was the first procurement by the US Army of an armoured vehicle that was not built by an American company. The program itself was an example of effective strategic partnership and penetration of a niche market.

- Forecast participation in U.S. markets includes BHI activity associated with follow on work on the Thyssen/General Dynamics Fox program and other programs.

- Future vehicle requirements in special purpose - niche market applications are foreseen by 2000.

- Necessity to replace the aging M 113 fleet promises definite future market, but it should not be expected this will cause the development of a single project titled "M113 replacement", rather a variety of new requirements will emerge as a result of the necessity for military planners to address the uniquely new mission requirements associated with U.S. interventions in international crisis situations which are anticipated to be a significant part of future U.S. deployments.

It must be recognized that the outlook for future army missions is now dramatically changed to include rapid response to areas of intense regional conflict. The vehicle requirements associated with rapid deployment in the past led to light air-portable vehicles, held in large numbers to sustain the losses associated with the lack of armour to achieve lightness. Now, with the dramatic increase in ammunition capability, the threat in these regional conflicts is extreme, so for intervening forces it is necessary to achieve much higher protection levels in the vehicles deployed, while still maintaining air-portability and high cross country mobility on the ground, a combination of characteristics not optimally achievable for wheeled vehicles, and until recently not widely achieved by tracked vehicles.

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The TH 495 has been conceived on the basis of meeting performance requirements, of these future assignments. The TH 495 concept is totally new and steps further forward in its performance capabilities to introduce infrared and radar anti-detection protection features.

UNITED KINGDOM

- UK market is expected to be supplied by "built in UK" solution.
- Discussions with potential UK partners are on-going
- BHI participation will be as technology and subsystem supplier through Thyssen Henschel.
- Inter-operability is a key element in UK priorities, therefore expectations of UK participation in the NATO MNAV project are reasonable.

Thyssen Henschel is among the industrial participants for the NATO MNAV project, and expect that while a single vehicle concept may emerge from the MNAV project, it is more likely that the project will define desirable performance characteristics, and achieve the basis of a inter-operability in major components, i.e. power train, weapons, etc., and these will then be embraced by a smaller group of the industrial partners having the resources to realize an actual vehicle concept independently. Upon presentation of such a vehicle to the market place, it will become the defacto NATO MNAV through levels of domestic participation directly linked to procurement share. Addressing the NATO MNAV requirements is within the basic intentions of the TH 495 program.

- Industrial offsets are intended for offer against the value share secured by the Thyssen Henschel/BHI group. Industrial offsets capacity is extensive with participation from Thyssen Group of Companies.

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COMMERCIAL CONFIDENTIAL**SWITZERLAND**

The current Swiss armoured vehicle evaluation is being shared with Norway and will include the Norwegian winter trials. However, the Swiss have recently decided to postpone their procurement until post 2000.

Thyssen has been informed that in returning to the program, they will establish new technical requirements in the category of weapon calibre, mobility and protection. Thyssen feels confident of the TH 495 suitability to address this, and the Swiss Army has expressed a high degree of interest in TH 495.

Krauss Maffel is the supplier of Switzerland's MBT but do not have any secured position for light and medium weight vehicles.

BHI participation is forecast as technology and sub-system subcontractor to TH/Swiss prime contractor. Competitiveness of both TH and BHI is be enhanced by strong industrial relations between the parent company and Switzerland.

SAUDI ARABIA

In 1992 TH has won a contract to supply the Saudi Arabian Army with Fox NBC vehicles. This contract is the result of several years pursuing this market. The follow-on relationship since securing this order has been very positive and there is a high degree of confidence for future orders. Specifically the client has expressed very strong interest in the TH 495 prototype and has dispatched observation teams to the company trial centre.

In addition to direct vehicle sales to Saudi Arabia, Thyssen Henschel is presently under contract for complete operator training for the Fox vehicle, now being conducted at the Thyssen M 1 logistic and training centre opened September 1992 at Thyssen Henschel, Germany.

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COMMERCIAL CONFIDENTIAL**FRANCE**

The strength and competitiveness of the French armoured vehicle industry is well known to Thyssen and industrial cooperation with French partners has been engaged successfully in the past.

There are two significant trends in France that encourage the prospects of Thyssen Henschel's participation in this market:

1. The Franco-German Brigade has been a symbolic achievement in military cooperation. Both countries are consequently promoting industrial cooperation for equipments and services for the Brigade and beyond.
2. French and German defence industry, in the face of increasing U.S. protection of its defence industry, are promoting the concept of "buy in Europe" for their and other European armed Forces. This is driving a very practical acceptance of industrial cooperation among trading partners.

BHI thus does not foresee direct prime contractor participation in the French market, but does see the opportunity for participation in what would otherwise be an inaccessible market through technology and subsystem subcontracts from Thyssen Henschel which would participate under France/German cooperation.

AUSTRALIA

The participation identified for Australia is not that program which has been won by DDGM, rather it is associated with requirements which Thyssen marketing activity has identified as pending announcement within future procurement plans. Australia currently operate a fleet of several hundred M 113, replacement of which is expected with TH 495 category vehicles, before 2000.

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COMMERCIAL CONFIDENTIAL**SINGAPORE**

- expressed an interest in the TH 495 light tracked vehicle.
- Singapore have procured the GIAT AMX and Cad-Gage Commando, both wheeled vehicles procured for appropriate missions. Additionally, they operate an old version of an AMX tracked vehicle which they maintain and upgrade locally with Singapore Automotive Industries Ltd. there is an undeclared interest to replace this vehicle. Interest has been expressed to Thyssen for acquisition of the TH 495 as a replacement.

INDONESIA

As a market, Indonesia is known to procure in a manner which does not require that a formal project be widely known internationally (a practice which can occur in developed nations as well).

Thyssen acceptance in the Indonesian market has been most encouraging in the past few years and prospects for the TH 495 are very promising.

MALAYSIA

Malaysia has expressed immediate interest in the TH 495 and has visited the company trials of the first prototype.

Malaysia is an established client of Thyssen Henschel purchasing 459 CONDOR wheeled vehicles (delivered 1981 - 84). Thyssen Henschel also has an ongoing contract with Malaysia at this time.

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COMMERCIAL CONFIDENTIAL**EXPORT CONTROL ISSUES**

Comments are made suggesting unlikely Canadian export permission for markets in Singapore, Indonesia and Malaysia. These markets were included in the BHI projection because they were understood to be a permissible market as indicated by their inclusion in the *Second Annual Report of the EXPORT MILITARY GOODS FROM CANADA 1991*. Additionally, given the membership of these nations in the ASEAN Group of nations and their consequent treatment for export permission from Germany being equivalent to Canada or any other NATO nations, it was assumed they would also qualify for Canadian export permission.

If the Government of Canada's Export Policy is not reflected by the aforementioned report, then it would be necessary to review this area of the forecast, since in all circumstances, the Company's market efforts will be consistent with Canadian Export Policy.

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Q 8.

What components of the TH 495 are targeted for production in Canada, both at BHI and at sub-contractors?

Answer:

a) Hull, including doors and hatches

- Nature of this fabrication is technologically demanding due to the dimensional precision required and the difficulty associated with working in armour plate as opposed to conventional steel

b) Turret housing (if appropriate)

c) Suspension components

- track
- road wheels
- axle arm pivots
- idlers, drive sprockets
- torsion bars
- brakes

d) Power train components

- final drives
- engine and transmission (final assembly and test)

e) Fuel tanks, lines and connections

f) Electronics

- C³
- Data bus
- Fire Control Systems
- Computers, displays
- Wiring Harness

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- g) Optics
 - periscopes
 - Thermal imagery
 - Night vision devices, etc.
- h) Hydraulic components (if fitted)
- i) Heaters, auxiliary power units (APU)
- k) Winches, cranes, etc. (as required)
- l) Fasteners (screws, bolts, etc.)
- m) Seats, safety straps, stowage containers
- n) Instrumentals (eg. drivers console)
- o) Surveillance systems
- p) Communications and EW equipment as required

Q 9.

What specific technology will be controlled by BHI, and to what extent will BHI hold World product mandate or similar such authority to enable it to grant component sub-contracts?

Answer:

BHI will be granted by the parent corporation the World Product Mandate for the TH 495 variants developed and manufactured in Canada. In this situation, qualified Canadian component manufacturers will be given preference, except in those cases where mandatory content requirements are established by the customer and offset

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or similar arrangements are not possible.

Q 10.

What is the nature of technology transfer associated with the BHI role for TH 495?

Answer:

The design, development and production engineering technology for the complete vehicle system, similar to that sustained at Thyssen Henschel for like vehicle projects will be transferred to BHI

Q 11.

Name Canadian defence system contractors which have been identified by Thyssen as potential participants, assuming quality and competitiveness standards are met?

Answer:

CAE, CDC, CHT, DDGM, Devtec, Diehl Canada, EBCO Eng. Invar, Industrial Rubber Inc, Lertz Canada, OA, SNC, are among established Canadian concerns whose capability and potential are being considered.

Q 12.

What is the Company's intention toward Canadian sub-supplier development?

Answer:

BHI has continually stated the intention to encourage and where necessary assist in the qualification of Canadian sub-contractors.

Q 13.

Does the BHI proposal carry the authority of Thyssen Industrie AG?

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Answer: Yes

Q 14.

How will BHI operate as prime or sub-contractor in the various projected markets?

Answer:

Depending on the size, geographic location and contractual terms of individual projects, a decision will be reached on the role of BHI. As a general rule commercial considerations will apply.

Q 15.

*Who would be manufacturers of the turret and weapon?
Is there a possibility for major Canadian sub-contractors in this area?*

Answer:

The manufacture of the turret housing, components and fittings could be sub-contracted to companies such as INVAR and SNC. Alternately turret housings might be fabricated at BHI. Optical components would be supplied by appropriate manufacturers among which could be Canadian firms. It is likely that weapon systems would be selected, and in some cases supplied, by the customer. In some situations, the armament would be fitted at the delivery destinations with contracted company assistance.

Q 16.

Is it feasible to meet proposed first shipment target for 1995?

Answer:

Depending upon the timing of a final decision, the dates for the project schedule can be adjusted accordingly.



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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.

26 August 1998



SUPERText

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

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

EXHIBIT INFORMATION

Date Seized: 2001-06-27

Seized By: S/Sgt. ALEXANDER

Exhibit No.: 95-27

Item No.: 222

Sub Location No.: 7

Location: Industry Canada, 236 Queen St., Ottawa

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

These documents are from a file labelled: 5063-B15 Vol 15[~]
Section 06
Companies, Corporations, Firms
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MEETING, SEPTEMBER 17, 1993, OTTAWA

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93-09-29

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 the two existing (ICV and ^{ACV} ~~RCV~~ variant) prototypes and developing and prototyping 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 production approach to prototyping the

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ACV variant in Canada; ^{AIFU} the criteria for testing the two existing (ICV and ~~ACV~~ variant) 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, Francophonie, NATO and NATO countries; Canada's unique experience, reputation and traditions in peace keeping efforts in many theatres worldwide; and the mix of expertise and technology developed by Canadian peace keepers over the years;
- b. In general, marketing of the TH 495 family of vehicles is currently a corporate (Thyssen Henschel) function with assistance from the Canadian entity as required. The Canadian operation 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 would be sole source (production and distribution) supplier for certain parts and components as 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 undertaken on the basis of sound economics and in accord with government agreement;
- f. The Thyssen TH 495 variant designs would include North

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Americanization of major components such as engines, transmissions, suspension and steering components. 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.
- j. Design and development of the ACV prototype 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 RCV variant) 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) ~~successful testing~~ results from the two (ICV and RCV) variants by DND; and 3) a signed Canadian Government Thyssen/BHI establishment agreement.
- m. Estimated TH 495 unit costs are not known. Direct labour estimates are one Person per Vehicle manufactured per Year. After initial TH 495 vehicle production of an estimated minimum 250 vehicles, Thyssen/BHI would diversify into other product areas to be determined.

AIFV

test and evaluation

AIFV

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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 ^{AIFV} the ^s project testing ^{of} for the two existing Thyssen (ICV and RCV) variant prototypes were to be discussed between DND and Thyssen/BHI officials in the near future;

and

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 22, 1993

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ATTACHMENT #1

LISTING OF PARTICIPANTS

MEETING, SEPTEMBER 17, 1993, OTTAWA

**THYSSEN BHI
and
CANADIAN GOVERNMENT DEPARTMENTS**

Thyssen BHI:

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

External Affairs:

Mr. Ken Murata, Trade Commissioner, Sectoral
Liaison Secretariat

National Defence:

Ms. Cynthia Cannizzo, Section Head, Industrial
Development Marine and Land
Mr. Mike Williams, Director General, Supply
Policy and Administration

FORD-Q:

Mr. Ray Auger, Director, Industrial and Regional
Benefits

Industry and Science Canada:

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

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AGENDA

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GOVERNMENT DEPARTMENTS
MEETING ON THYSSEN BHI PROPOSAL

SEPTEMBER 23, 1993, 235 QUEEN STREET, 302 A East

1. 10:00 Introductory Remarks

- OBJECTIVES:
- Discuss Minutes September 17th Meeting
 - Discuss the "Road Map"

2. 10:10 Recap of meeting of September 17th

Events since September 17th meeting

3. 10:30 Presentation, Road Map - Government/Thyssen BHI project proposal and progressive next steps,

4. 10:50 Follow-up Actions

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ROAD MAP

THYSSEN BHI - CANADIAN GOVERNMENT STEPS
TESTING OF TWO PROTOTYPES AND PROTOTYPING THE ACV VARIANT

STEP I. DND

a. By September 30, 1993

Prepare general terms of reference for possibly contracting the test procedures and testing, on a cost recovery basis, the two existing TH 495 (ICV and RCV variant) prototypes.

b. By October 30, 1993, DND/Thyssen BHI

Commence negotiation of the draft contract.

c. By December 30, 1993, complete negotiations and sign or walk away from testing TH 495 (ICV and RCV variant) prototypes.

STEP I. ISC

a. By September 30, 1993

Define the major phases, their content, and timing of completion of the project which could possibly lead to an government company approval to proceed with the project. Also, identify the stakeholders and their responsibilities if both parties agree to proceed with the project. At this time the sequence of events are:

- establish roles for each of the government players
- reach company-government agreement on the road map to approval
- receive a formal application from the company
- receive a formal business plan from the company
- complete marketing analysis
- complete Canadian content analysis
- complete technical, management, financial analysis
- complete testing of the prototypes (DND)
- develop a government counterproposal by the government departments involved
- obtain government approval to negotiate
- commence formal negotiations and analysis with the company
- conclude negotiations and prepare Memorandum of Understanding (MC)
- sign MC (agreements) with the company

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ROAD MAP continued

STEP II, DND and ISC

- a. By October 1, 1993

Forward both, DND and ISC STEP I outlines to Thyssen BHI.

STEP III, Thyssen BHI

- a. By October 19, 1993

Receive Thyssen BHI's response to material forwarded in Step II and ISC will respond as required and prepare background material for early November meeting.

STEP IV, Government Project Team

- a. During the week of November 2, 1993

Canadian project team meet with Thyssen BHI. Present detailed government information and data as required and flesh out questions and responses from previous step. Also establish the responsibilities and schedule for the phases outlined in STEP I, ISC.

STEP V, By All

- a. Implement agreed schedule of events.

STEP VI, BY All

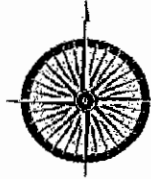
- a. During the week of December 20, Thyssen BHI - Government Project Team meet in Ottawa to determine status of project.

September 22, 1993

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



14 October 1993

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

→ *Deach K.*

- verify + advise if any problems.
BD 12/10

Dear Bruce,

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

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

Best regards,

Yours sincerely,

J.A. Doucet
Chief Executive Officer

encl.
c.c.: Jürgen Massman
Greg Alford

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

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

REVIEW OF PREVIOUS MINUTES

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

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

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

MARKETING

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

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

EUROPE AND NATO

Norway:

- Thyssen Henschel will carry out a trial in Norway of the TH 495 in March 1994. Mobility in snow will be emphasised as other contenders have not done well.

- The previous NAMC's acquisition program has been postponed by one year. The winter trial of 1991/92 will be continued in January 1994.

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October 4, 1993

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- If TH March 1994 trials are successful there is a possibility that THK will re-enter the circle of competitors. TH is trialing the 6 road-wheel version with a KUKA/Oerlikon turret/gun combination.
- TH is a late entry for the requirement but still retains a chance for consideration.
- It was confirmed that Norway has no domestic manufacturer and would work with offsets.
- Had TH been able to start development earlier against the original CF requirement (LAV replacement), then the Company's situation would now be much more favourable.

Switzerland:

- MICV: as evaluations and test during the last two years did not meet expectations, a new GSR will be established. TH 495 will be a strong contender.
- Program has been delayed to 2000 +
- TH will enter with the KUKA turret originally designed against the Swiss Army requirement
- Due to lengthy postponement TH has not as yet sought a Swiss partner for project
- Swiss fighter aircraft replacement controversy has contributed to delay.

Germany:

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

IFV program:

- It is expected that feed back of latest information from U.N. missions indicates even larger requirements for replacement IFVs.
- Definition of new IFV commences end of October in Munster. TH 495 is the main contender and the Company has been invited to be present with hardware
- This program is 2-4 years away.

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GTK program:

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

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

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

USA:

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

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

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

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

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

MIDDLE EAST

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

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

Saudi Arabia:

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

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FAR EAST

Indonesia:

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

Malaysia:

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

Singapore:

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

ADDITIONAL PROSPECTS

Turkey:

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

Hungary:

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

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October 4, 1993

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the armed forces need to be replaced by Western equipment.

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

Venezuela:

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

Mexico:

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

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CONCLUSION

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

Pre 2000

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

Post 2000

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

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

TESTING

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

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

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

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

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

SUMMARY

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

- acknowledged the market survey presented and its relation to NIAG study
- recognized that there was a Company Market strategy in place and that probabilities of success were being addressed.

- requested that the Company be prepared to additionally provide more detailed and sensitive information focusing on their intended method of achieving sales in certain critical "make or break" markets. This would provide the kind of information needed to justify Government financial support.

- reminded the Company of the possibility of Government to Government contracting using CCC.

- Additionally reminded the Company of marketing benefit by use of Government financial liability through CCC sales
(To which Mr. Massmann remarked that Government to Government marketing and financial assistance had not been considered as a factor in existing Company assessments. In some situations they might well increase the market prospects.)

- Advised that the Company could expect first response from ISC at end of next

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

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

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

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

WAY AHEAD

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

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

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October 4, 1993
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**RCMP/GRC "A" DIVISION A
Commercial Crime
Délits commerciaux**

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

EXHIBIT INFORMATION

Date Seized: 2001-06-27

Seized By: S/Sgt. ALEXANDER

Exhibit No.: 95-27

Item No.: 222

Sub Location No.: 8

Location: Industry Canada, 236 Queen St., Ottawa

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

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



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

December 14, 1993

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

5063 B15
[Handwritten signature]

Dear Mr. Krajewski:

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

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

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

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

Sincerely,

[Handwritten signature]

Greg Alford
Sr. Vice President

OTT/SDC/CCS
22208042

*THYSSEN BHI
MARKET ANALYSIS*

*COPY #3 TO KEN MURATA
COPY #4 TO CYNTHIA
CANNIZZO
JANUARY 17, 94*

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Suite 908, 250 Sparks Street, Ottawa, Ontario, Canada K1R 7S8
Telephone: (613) 563-3321 Fax: (613) 563-7548

December 14, 1993

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

Dear Mr. Krajewski:

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

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

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Greg Alford', is written over a faint, larger version of the same signature.

Greg Alford
Sr. Vice President

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**MARKETING ANALYSIS
METHODOLOGY**

THYSSEN BHI

NOVEMBER 1993

November 2, 1993

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**MARKETING ANALYSIS METHODOLOGY
THYSSEN BHI
NOVEMBER 1993**

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OBJECTIVE:

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

STRATEGIC CONTEXT FOR THE MARKETING FORECASTS: (1)

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

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

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

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Marketing Analysis Methodology - THYSSEN / BHI

November 3, 1993

1. ESTIMATE THE TOTAL MARKET DEMAND FOR LIGHT ARMoured (WHEELED AND TRACKED) VEHICLES:

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

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

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

Identify and specify for each customer:

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

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SUPERText

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

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

EXHIBIT INFORMATION

Date Seized: 2001-06-27

Seized By: S/Sgt. ALEXANDER

Exhibit No.: 95-27

Item No.: 222

Sub Location No.: 8

Location: Industry Canada, 236 Queen St., Ottawa

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

These documents are from a file labelled: 5063-B15 Vol 1/6
Section 06
Companies, Corporations, Firms
Bear Head Industries Ltd.

Kuwait negotiates for MLRS: The Kuwaiti army is discussing the purchase of MLRS multiple-launch rocket systems with Hunting Engineering under the Anglo-Kuwaiti memorandum of understanding signed in December 1992. The Gulf state is interested in acquiring two battalions, of 24 or 27 vehicles each, with initial deliveries starting in 1994-1995. Some of the rounds would carry the AT2 anti-tank mine warhead. Kuwait has already ordered more than 250 armoured vehicles in the Warrior family from GKN Defence under a contract worth in excess of £500 million, and is also negotiating with the company to buy more than 100 Piranha wheeled armoured personnel carriers.

SOCOM fast-response craft: Peterson Shipbuilders will provide the MKV Special Operations Craft to the US Special Operations Command (SOCOM) under a US\$4.5 million contract. The 21m-long all-aluminium asymmetrical catamaran will be powered by twin MTU 16V 396 TE94 diesels, each delivering 3,000hp via Rolla surface-piercing propellers to provide sprint speeds of 50kt. A 570hp Seatek diesel drives a Hamilton waterjet at loiter speeds. The MKV SOC incorporates design inputs from the British company Cougar Marine, including experience with the CAT 2100 Dark Moon drug-interdiction vessel built in Spain for that country's customs service.

NASAMS moves towards service: The Royal Norwegian Air Force is due to accept the first two complete batteries of NASAMS (Norwegian Advanced Surface-to-Air Missile System) by late 1994. Conversion from NOAH (Norwegian Adapted Hawk) to the new weapon will be completed by the end of 1996, and the RNoAF's new integrated air-defense system — which additionally includes F-16s, RBS70 missiles, Bofors 40mm guns and the associated command, control and communications system — is due to be fully operational by 1998. NASAMS, developed by the HKV joint venture between Hughes Aircraft and NPT, successfully completed development firings of its AMRAAM missiles at Pt. Mugu, California, in June 1993.

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10-7-10

FROM: Banigan, John

TO: SWAIN, HARRY OCS

CC: Banigan, John
DEACON, BRUCE CGSI
DURNFORD, DIANA J. * OCS
KRAJEWSKI, DICK CGSI
LYNCH, KEVIN OCS
Street, Margo

SUBJECT: Thyssen meeting with Minister
PRIORITY:
ATTACHMENTS:

Dec 20
Urbanczy
5063 B15
DATE: 12-18-93
TIME: 11:21

It's nice to know that
DND is keeping us
informed, isn't it?

Karlheinz Schreiber and Greg Alford of Thyssen together with Hon. Marc Lalonde briefed Minister Dec 17 on their proposal to manufacture armoured personnel carriers in Canada. Minister Collenette was briefed by company earlier in the week. Two page summary of market analysis was given to Minister consistent with longer document provided to officials.

Company explained attempts to strike alliance with DDGM failed because of insistence of both parties to maintain control. Thyssen has abandoned talks with DDGM and has returned to proposal of greenfield plant which could be located where ever government wishes, again appealing to regional development theme. Motivation is Canadian endorsement by way of DND testing and IC funding to help in export markets as "maple leaf sells better than iron loss".

Minister listened to presentation and offered little encouragement other than application for DIPP was noted and will be studied by officials.

DICK

** WAS AT THE MEETING DEC 17TH.*
*** ONLY MARC LALONDE MET WITH MINISTER*
**** COMPANY OF THE OPINION BUSINESS*
AS USUAL AND WILL PROCEED WITH
MARKETING ANALYSIS

COLLENETTE, DDIR DID NOT
PREPARE BRIEFING!
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THYSSEN

THYSSEN BHI

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

February 1, 1994

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

Dear Marc:

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

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

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

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

I will keep you informed as the situation develops further.

Sincerely,



Greg Alford



THYSSEN BHI

Suite 908, 350 Sparks Street, Ottawa, Ontario, Canada K1R 7S8
Telephone: (613) 563-3321 Telefax: (613) 563-7646

**TO: The Canadian Government Departments for
Industry, National Defence and Foreign Affairs and International Trade**

FROM: Greg Alford

DATE: May 11, 1994

SUBJECT: Thyssen BHI Market Analysis

PAGES: 4

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CONFID.
[Signature]

The accompanying pages are provided as updates to the Thyssen BHI Market Analysis submitted December 14, 1993.

Thank you

[Signature: Greg Alford]

Distribution:

- Copy 1: Dick Krajewski IC
- ✓ Copy 2: Helmut Zankl IC
- Copy 3: Ken Murata DFAIT
- Copy 4: Cindy Cannizzo DND
- Copy 5: Baj Hafez IC

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THYSSEN BHI

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.

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SUMMARY 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	3305
Malaysia ⁹	0		2000	20	400
Total	22034		18526	20	3705

BHI Forecast gross market 18,526 vehicles

BHI Forecast net market 3,705 vehicles

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

E: Summary

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

Vehicle potential NATO countries : 2,762 vehicles

Vehicle potential Non NATO countries : 5,243 vehicles

Total Vehicle Potential : 8,005 vehicles

¹⁰excluding US

¹¹including Thailand J100 vehicles



THYSSEN BHI

MEMO

TO: Jürgen Massmann

FROM: Greg Alford

TEL: 613-563-3321

FAX: 613-563-7648

DATE: June 7, 1994

SUBJECT: Internal notes

PAGES:

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

GA

Additional Note from June 3 Meeting with Government

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

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

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MEETING REPORT
DND - THYSSEN BHI
June 3, 1994

Attending for DND

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

Attending for THYSSEN BHI

Jürgen Massmann
Greg Alford

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

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

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

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

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

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

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

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

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

Status of TH 495 Development

TH495 prototypes 1 (MICV) and 2 (ICV) are now fully developed with each having performed extensive company trials of several thousand kilometers.

Prototype 2 (ICV) is presently enroute to Malaysia for an extensive customer trial.

Market feedback has confirmed the suitability of these prototypes such that the transition to pre-production status could be rapidly achieved to meet customer requests in markets now being monitored.

investments to date by Thyssen Henschel	DM 25 million
investments by partners for long lead items	15 million
<u>Total</u>	<u>DM 40 million</u>

All research and development expenditures for TH495 have been funded exclusively by Thyssen Henschel and partners for long lead items. All design rights of TH495 are held exclusively by Thyssen Henschel.

Further prototype work may take place to develop additional variants in accordance with market requirements.

Market

Thyssen is actively marketing TH495 in all markets accessible under German and Canadian Exort policy. The primary driving force behind development of the TH495, is the significant demand for highly protected armored vehicles, capable of fulfilling the needs of Peacekeeping /Rapid-Reaction force assignments which have increasingly become that focus of Armed forces' missions

The vehicle most widely deployed in this mission is the 1960's vintage M113 tracked vehicle and a variety of similarly aging vehicles, a total of some 100,000 vehicles, all of which have reached the limits of their ability to provide adequate protection and mobility for the current nature of peacekeeping activities. The approaching obsolescence of these vehicles has reached such a critical stage that NATO commissioned a special study to identify concepts of potential replacement vehicles referred to generically as The Multi Purpose Base Armoured Vehicle (MBAV). In the NATO study three concepts were considered, one tracked and two wheeled. Only the tracked variant was judged capable of meeting all of the missions set out in the target mission profile. The Thyssen TH495 matches or exceeds all the design and performance characteristics of the NATO tracked vehicle concept. Though lack of agreement on the part of NATO members on timing and unified sourcing in pursuit of a common design has halted the NATO MBAV plan, the findings of market need and vehicle performance are still valid and confirm the suitability of TH495 as a "state of the art" solution to a most significant international market need.

In a detailed market analysis of the world market demand for TH495, Thyssen projects a gross market of 35,000 units from which a market share of some 8,000 units is estimated.

Over the past year, Industry Canada, along with DND and Foreign Affairs have reviewed that same market through their independent sources to USA confirm a projected gross market of similar scale to that projected by Thyssen and an expected market share for the Thyssen TH495 of some 2,000 units. These projections made no inclusion of a Canada market.

Government vs Thyssen Analysis of Export Market

In comparison of the Government market projection to Thyssen's (see attached) the first 3 of 4 market segments there is general agreement on the gross market size. In the projection of UNIT SALES, there is a higher rate of Market win (unit sales) projected by Thyssen than projected by the Government. This was expected and is because the government analysis considered each market as if it would be a "first sale" of TH495. However it was agreed that once TH 495 makes its first sale, the Government's probability of market win will increase for each market occurring thereafter, resulting in a higher unit sale projection by Government

In the 4th market segment, "Unspecified Non-NATO", Thyssen projects an additional gross market of some 18,500 units(commencing post 2000 and peaking 2008-15) from which the company projects a market share of some 20%. This market share forecast is based on the continuance of market share projected in the above mentioned market segments which are typically occurring in an earlier time frame.

The Government is presently reviewing their position on this 4th market segment, having agreed that while the information available for this market is less than that of the preceding segments, it cannot be considered to "not exist" as was the position of the Government "Scenario 1" of 07/15/94.

TRACKED LAV MARKET FORECAST SUMMARY*

SCENARIO 1

<u>MARKET SEGMENT</u>	<u>BHI FORECAST 1996-2015</u>		<u>GOVT FORECAST 1996-2020</u>		<u>GOVT AS % OF BHI</u>			
	<u>GROSS</u>	<u>UNIT SALES</u>	<u>%OF IOI</u>	<u>GROSS</u>	<u>UNIT SALES</u>	<u>%OF IOI</u>	<u>GROSS</u>	<u>UNIT SALES</u>
1. SPEC. NATO	3960	1131	14	4700	515	35	119	46
2. UNSPEC. NATO	8280	1656	20	5800	270	18	70	16
3. SPEC. NON-NATO	6660	1845	22	6320	676	47	95	37
SUBTOTAL	18900	4632	56	16820	1461	100	89	32
4. UNSPEC. NON-NATO (5)	18500	3700	44	0	0			
TOTAL	37400	8332	100	16820	1461	100	45	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)
- 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 FORECASTS ZERO SALES FOR THIS SEGMENT BECAUSE OF THE MANY UNKNOWN FACTORS.

TRACKED LAV MARKET FORECAST SUMMARY*

SCENARIO 2

<u>MARKET SEGMENT</u>	<u>BHI FORECAST 1996-2015</u>		<u>GOVT FORECAST 1996-2020</u>		<u>GOVT AS % OF BHI</u>			
	<u>GROSS</u>	<u>UNIT SALES</u>	<u>% OF TOT</u>	<u>GROSS</u>	<u>UNIT SALES</u>	<u>% OF TOT</u>	<u>GROSS</u>	<u>UNIT SALES</u>
1. SPEC. NATO	3960	1131	14	4700	515	25	119	46
2. UNSPEC. NATO	8280	1656	20	5800	270	13	70	16
3. SPEC. NON-NATO	6660	1845	22	6320	676	33	95	37
SUBTOTAL	18900.	4632	56	16820	1461	71	89	32
4. UNSPEC. NON-NATO (5)	18500	3700.	44	12950	592	29	70	16
TOTAL	37400	8332	100	29770	2053	100	80	25

NOTES

* BASED ON THE LATEST ITERATION ON TRACKED LAV MARKETS PRESENTED BY BHI-THYSSEN JUNE 15.1994

1 GERMANY, NORWAY AND TURKEY (USA REMOVED)

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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.



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.

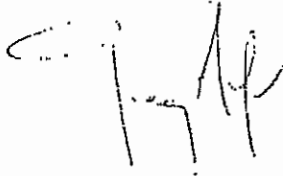
This results in the Government agreement on gross market rising to 80% (29,770 units) of the BHI forecast and net unit sales rising to 25% (2,053 units) of the BHI forecast.

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.

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.' or similar, written in a cursive style.

CONFIDENTIAL
CONFIDENTIAL

-4-

TRACKED LAV MARKET FORECAST SUMMARY*SCENARIO 2

<u>MARKET SEGMENT</u>	<u>BHI FORECAST 1996-2015</u>			<u>GOVT FORECAST 1996-2020</u>			<u>GOVT AS % OF BHI</u>		
	<u>GROSS</u>	<u>UNITS SALES</u>	<u>% OF TOT</u>	<u>GROSS</u>	<u>UNITS SALES</u>	<u>% OF TOT</u>	<u>GROSS</u>	<u>UNITS SALES</u>	<u>UNIT SALES</u>
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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

<u>MARKET SEGMENT</u>	<u>BHI FORECAST 1996-2015</u>		<u>GOVT FORECAST 1996-2020</u>		<u>GOVT AS % OF BHI</u>			
	<u>GROSS</u>	<u>UNIT SALES</u>	<u>% OF TOT</u>	<u>GROSS</u>	<u>UNIT SALES</u>	<u>% OF TOT</u>	<u>GROSS</u>	<u>UNIT SALES</u>
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07/15/94

TOTAL P. 04

draft

Your file / Votre référence
Our file / Notre référence
Confidential
5063-B15

~~September 22, 1994~~

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

*Dick - may please see
the final market
analysis which Borg
did. Borg*

Dear Mr. Massmann:

Further to our luncheon discussion on September 20, I am enclosing a copy of two graphs and tables which highlight the results of our study of the markets for tracked light armoured vehicles.

Our analysis is presented under two scenarios. One assigns zero sales to the unspecified non-NATO segment of the market because of the many unknown factors. The second scenario assigns a maximum of 592 units for the same segment by applying the same ratio observed in the unspecified NATO segment of the market in our survey.

The enclosed results are based on information gathered during the winter and assumptions made at that time. You will appreciate that markets are dynamic and consequently market forecasts have a limited time span.

The attached tables and graphs were passed on to Mr. Greg Alford earlier this summer.

OTT/SBC/CCS
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Canada

08-13-2

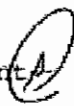
2722213 0000011

Confidential

If you have any questions with respect to the attachments, please do not hesitate to call us.

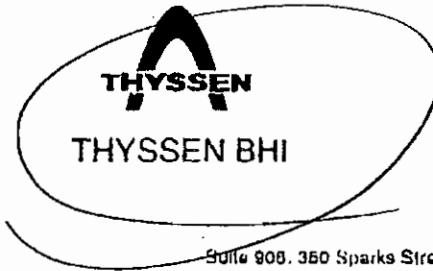
Yours sincerely,

Bruce L. Deacon
Director General
Space, Marine & Defence Branch

Attachment 

OTT/SDC/CCS
22213013.

2722213 0000013



Beakhead. file

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

September 26, 1994

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

M.P. 01

Dear Marc:

The enclosed notes of our meetings of Sept. 20, 94, replace those which were provided to you in draft last week. There are a few additional points in this final form which were part of our discussions with you but had been overlooked in my first draft.

Thanks.

Regards,

Greg Alford
Greg Alford

P.S. At your request, Mr. Patrick Tobin from Minister Ouellet's office has called and asked that I send a copy of the attached notes via fax today.
Thanks.

Lunch Meeting with Industry Canada**September 20, 1994****Participants: Bruce Deacon, Industry Canada
Dick Krajewski, Industry Canada****Jürgen Massmann, TH
Greg Alford, BHI
Jack Vance, BHI**

Mr. Massmann opened business discussions mentioning it was June 3, 1994, since the last discussions of the project with Industry Canada.

Mr. Deacon explained the delay by pointing out that Industry Canada has shared their conclusion of the TH 495 market analysis with all interested departments and urged them to acknowledge the existence of the export market, their clear understanding that it is distinctly different from the market for GM LAV and the likelihood of TH 495 penetrating that market. (The Government forecast export market penetration for TH 495 is some 2,000 units over 15 years. This is in contrast to the Company's forecast of 8,000 units, and it is agreed that the actual market win will be in the range between 2,000 and 8,000.)

The lack of a conclusive response from all interested departments to the market analysis has delayed Industry Canada in getting back to the Company.

Mr. Massmann expressed appreciation for the update, but then asked if Mr. Deacon could shed some light on concerns brought to the Company's attention recently. The Company has been told on three different occasions that within the Government's consideration there is a detailed negative summary of the BHI proposal by Industry Canada, to which Industry Canada has invited agreement from other departments for the closing of this file. The three points of criticism of the BHI proposal, attributed to Industry Canada are:

1. The Government should not support establishment of a new armoured vehicle producer when Canada already has a successful manufacturer in this sector, in GM Diesel Division, (suggesting that there is no product and market differentiation between GM's wheeled vehicle and the tracked TH 495).
2. There is international over-supply in the armoured vehicle market leading to uncertainty for any export market success for TH 495.

3. There is no Canadian DND requirement to which TH 495 could be a potential supplier.

Mr. Deacon expressed no knowledge of such a position being taken by Industry Canada, though he did say that it is possible for a negative position to have been taken toward the Thyssen proposal at another level (assumed to be political level). Furthermore, he indicated that the three criticisms more reflect the position of Industry Canada at the beginning of the discussions one year ago. Mr. Deacon acknowledged that at that time Industry Canada was doubtful that any market existed at all, however, after a year of investigation and analysis, the Industry Canada view is that a market does in fact exist and the Government's own analysis has now concluded that the Thyssen TH 495 is a vehicle well designed to compete in that market and should achieve an absolute minimum export market of 2,000 + units. That forecast is based on conservative assumptions considering each market surveyed as if it would be a "first sale" for TH 495.

Further discussions reviewed and found agreement on these additional points:

- The Government forecast method assumed every market surveyed would be a "first sale" for TH 495, while this supports the conservative forecast methodology, it was agreed that after a first sale of TH 495 is achieved in one market, the probability to win additional markets will increase significantly.
- TH 495 is a new and distinct product addressing the replacement market for M 113 and like vehicles and the new requirements for Peacekeeping/Rapid Reaction Forces. As such, it is a market characterized by a need for new designs to meet newly established requirements. This market is not subject to the problems of "oversupply", rather it is one in which only a very few products exist and TH 495 is recognized to have an early lead as a new product. In no way should this new market be confused with the broad market categories of Main Battle Tanks and general armoured vehicles where the suggestion of over-capacity and competitor crowding could apply.
- There is a clear understanding that TH 495 as a tracked vehicle is a distinctly different product from the GM LAV wheeled vehicles and not a direct competitor in the export market forecast.
- On the estimate of the gross market for TH 495, the Government forecast is 30,000 units. If one applies an average price of \$2M per unit, this leads to a total export market volume of \$60 Billion. Out of that market, if one uses the Government net market of 2,000 units as a low and the Company forecast net market of 8,000 units as a high, this leads to a range of \$4 Billion to \$16 Billion export sales over approximately 15 years.

- Since the forecast deals exclusively with export markets, the significant economic activity associated with the project serves the Government's interest in increasing export based jobs.

Mr. Deacon expressed concern that if a negative position on the BHI file exists in the Government, it has been formed without benefit of the most current Government market analysis. In effort to correct any misunderstandings, he undertook to look into the situation described by Mr. Massmann and reply back through Greg Alford.

Mr. Deacon also mentioned that it would be premature for any assessment, either positive or negative, of the project's precise contribution to Canada, since there has not yet been a formalized business plan presented. It was agreed between the Company and the Government that before developing the business plan there must first be agreement on the market forecast as this is the basic input around which the plan must be built.

Mr. Massmann noted that the Company's assessment based on production experience in Germany is that the numbers being contemplated as a minimum export market will support a very substantial manufacturing activity, citing the fact that Thyssen Henschel, having sales in the range of DM 500 M (\$430 M) supports a workforce of some 2,000 persons.

In closing, Mr. Deacon agreed to provide to the company a written acknowledgment of the elements in the market analysis as agreed so far:

1. *Industry Canada, along with input from National Defence and Foreign Affairs have examined the export market prospects for TH 495 over the past year, to conclude that there is a total export market of approximately 30,000 units.*
2. *Of that export market, the Government by independent analysis, estimated that TH 495 can penetrate and win a market share of at least a minimum of 2,000 units. This can be contrasted with the company forecast of 8,000 units to establish the range of market penetration expected.*
3. *The Government forecast is a conservative outlook, given that the Government forecast assumes:*
 - *no Canadian market sale*
 - *every market forecast is on the basis that it would be a "first order" for TH495*
 - *once a first sale occurs, the probability for winning other markets increases by a significant factor. The Government's forecast method has made no allowance for increased win probability due to the conservative methodology of its forecast.*

It was understood that such a letter would also be copied to all interested departments.

On the topic of potential Government funding sources to support Thyssen establishment in Canada to produce for the export market, Mr. Deacon explained that his contact to the federal regional development agencies has found that the Atlantic and Western regional development agencies are unable to support the project due to lack of funds, Ontario has no regional development fund, so that leaves Quebec as the only potential source of financial support.

Asked about the Defence Industrial Productivity Program (DIPP) which had been original source of funding proposed by Industry Canada, Mr. Deacon indicated this fund presently has a very limited capacity.

Conclusion:

This meeting was very positive in that it brought to the attention of Mr. Deacon and Mr. Krajewski, the information that there may be a view formed at some level of Industry Canada which has not had the benefit of the Industry Canada led market analysis and most current conclusions. The actions proposed by Mr. Deacon should bring remedy to the issues and concerns which had been brought to the Company's attention suggesting an Industry Canada opposition to the Thyssen/BHI proposal.

The Company is now waiting for a letter from Industry Canada which will confirm their view of what is the absolute minimum export market which TH 495 will achieve. After release of that letter, a meeting between Mr. Deacon and Mr. Massmann will be established as soon as possible to agree on next appropriate actions.

Lastly, it is also understood that Mr. Deacon will seek a reading from the political level on the willingness to accept new export oriented job creation when it means an increase in Canada's capacity for armoured vehicles into a new market sector which GM LAV does not reach.



SUPERText

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

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

EXHIBIT INFORMATION

Date Seized: 2001-06-27

Seized By: S/Sgt. ALEXANDER

Exhibit No.: 95-27

Item No.: 222

Sub Location No.: 10

Location: Industry Canada, 236 Queen St., Ottawa

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

These documents are from a file labelled: 5063-B15 Vol 18
Section 06
Companies, Corporations, Firms
Bear Head Industries Ltd.

A102 : 6829 : 20010824 : 2722210 : 0000079 : Front

Dick, BHI

A copy of the two marked
scenarios for Thyssen

OTT/SDC/CCS

21220179

SEP 23 1994

Copy of det of work
at page 2180
200108124 cc

SC/63-BIS
DIT/DEC/1005

22210060 -

FROM: Krajewski, Dick: SMD

TO: Deacon, Bruce L.: SMD

DATE: 09-28-94

TIME: 17:53

CC: Krajewski, Dick: SMD

SUBJECT: Thyssen/BHI

PRIORITY:

ATTACHMENTS:

Greg Alford called (BAJ was in my office) to find out the status of consultations and the letter he thinks he will be receiving from you re the government's market forecast.

On consultations: I told him that you were ill, wouldn't be in till next week, and that I did not know what progress you had been able to make re the outcome of the consultations. As far as I knew, consultations were continuing. (By the way, Ouellet's letter arrived, content as expected).

On your letter re Market Forecast: I told him I didn't think he needed it because he had the charts and tables already. (Given him in June). He said he needed the written proof from you that there "was a market".

We then got into a discussion on the government's market forecast. The bottom line is that he thinks our position is that the market lies somewhere between 2000 and 8000 vehicles, over 25 years.

We said NO, that is not the case. Our projections consisted of two scenarios; one at about 1500 units/assuming Zero sales to unspecified M 113 replacement markets; and, the other at 2000 units/assuming a low penetration of the unspecified M 113 replacements. He had difficulty accepting our rationale.

I finally terminated the conversation saying it was premature debating forecasts which are a business case issue, when in fact it was government direction (as to whether or not to proceed to the next phase) that we were seeking.

I agreed to relay to you his desire to receive our forecast, formally from you. He will likely be calling you early next week.

OTI/SQC/CCS
22210081 -

BB-10-25

Meeting Between Thyssen BHI and IC

October 11, 1994, 13.30h

Summary of Discussion

Attendance

IC Bruce Deacon
 Dick Krajewski
 Baj Hafez

Thyssen BHI Greg Alford
 Ian Reid

KPMG Marc Brûlé

General

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

Discussion

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

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

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

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

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

Market Data

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

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

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

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

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

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



THYSSEN BHI

MEMO

TO: Mr. Jürgen Massmann

FROM: Greg Alford

TEL: 613-563-3321

FAX: 613-563-7648

DATE: October 20, 1994

SUBJECT: Meeting with Industry Canada (IC) on October 20, 1994

PAGES: 3

General

A meeting was held on October with IC as a follow-up to the October 11 meeting attended by Bruce Deacon and previously reported.

The primary purpose of this meeting was to examine the projected market total and Thyssen share for the Serial 4, specific NON-NATO (from the IC prepared table). The Company was prepared to explain our calculations. IC was anticipated to re-examine their position on market share and explain their calculation methodology.

Conduct

The meeting was chaired by Dick Krajewski (Bruce Deacon was not present), DND and Foreign Affairs were represented, and there were a number of IC staffers now involved in the project. The meeting was conducted in haste as little time had been allotted, and much of that was spent on introducing (and explaining matters to) first-time attendees.

BHI Calculations

Greg Alford explained the background source and calculations made by the Company to reach a gross-market total of 18,500 vehicles. As this included some 2 000 vehicles for an advised Malaysian project, it was agreed that the new Serial 4 market quantity calculated by BHI should amount to 16,500. The meeting was informed that this total was derived from extracts from both Jane's and Mönch publications which showed those

countries not previously covered on the survey which, were presently operating M 113 or like (Western design) vehicles.

Dick Krajewski questioned the assumption that these would be replaced at all, or if so, whether they would not be replaced by wheeled vehicles. These old arguments were effectively countered.

IC Actions

Attention then turned to the actions to be taken by IC to more realistically reflect BHP's possible market share in this segment (Serial 4). Krajewski said he now proposed to directly contact as many of these unspecified countries as possible in order to confirm their M 113 holdings, and to determine their upgrade and/or replacement intentions and attrition rate. When asked he believed that it would take about a month. This initiative was news to Ken Murata of Foreign Affairs who indicated that he wished to discuss it later with Dick. As regards IC's proposed calculation data once available, no method had as yet been decided.

Comment

This proposal is rather impractical, and appears to be a delaying tactic. They should make an educated assumption from existing market data to meet Bruce Deacon's direction to give Thyssen some credible share of the market. (This matter will be taken up in the immediate future with IC to avoid more time delay).

Costing Information

As an additional item Dick Krajewski asked the Company to table a revised calculation of R&D, Training, Technology transfer, Set-up costs, Plant construction (as purchase and conversion), and Project financing.

In response, the meeting was advised of the Company's R&D expenditure to date and the current prototype status. The other information would shortly be provided in the proper forum (when sufficient time had been allowed by IC for presentation and discussion).

It was agreed to schedule a further meeting during the week of October 23.

General Comment

Dick Krajewski appears not to be responding adequately to Bruce Deacon's more positive direction. Some progress was made at this meeting in that the Company's market calculations were explained, however, IC's proposed action do not reflect the urgency of the project. Bruce Deacon's further intervention seems necessary. In the meantime, we will strongly suggest that they arrive at some level of market share using assumptions as necessary and record them as agreed footnotes to their report.

At the close of the meeting, Krajewski also advised that Bruce Deacon was continuing to determine level of support for our project in other areas of government.

Best regards

Greg

P.S. Jürgen,

Given this situation, I see it all the

more important to get a meeting with Bruce Deacon
and you "under four eyes".

I will advise as soon as I can confirm it.

Greg



SUPERText

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

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

EXHIBIT INFORMATION

Date Seized: 2001-06-27

Seized By: S/Sgt. ALEXANDER

Exhibit No.: 95-27

Item No.: 222

Sub Location No.: 14

Location: Industry Canada, 236 Queen St., Ottawa

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

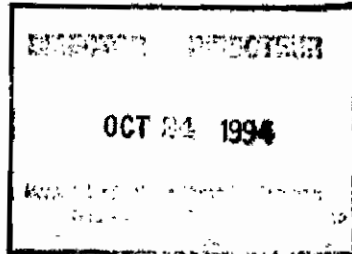
These documents are from a file labelled: 5063-B15^e Vol 04
Section 06
Companies, Corporations, Firms
Bear Head Industries Ltd.



Suite 908, 350 Sparks Street, Ottawa, Ontario, Canada K1R 7S8
Telephone: (613) 563-3321 Telex: (613) 563-7840

October 24, 1994

RM
Oct 24/94
Mr. Dick Krajewski
Director
Marine & Land Defence
Industry Canada
235 Queen St.
Room 697 A East
Ottawa, Ont.
K1A 0H5



Dear Dick:

Annie: @ FYI

@ Please check with Murata to see if there are some to whom we

The accompanying charts are based on information extracted from Janes and Mönch defense publications.

would not expect!

If we can provide you with any assistance in your investigation of the M 113 and similar vehicle fleet, please don't hesitate to call.

*@ which some of remaining have the
Thanks own firms?*

Best regards,

Greg Alford
Greg Alford
Sr. Vice President

*Bill K
Oct 24*

OTT/SDC/CCS
22214185

7B-14-51

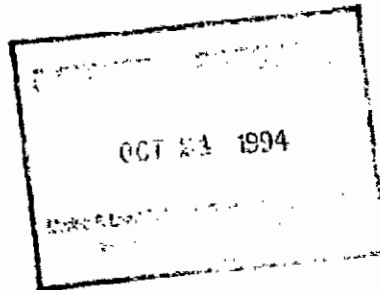


THYSSEN BHI

Suite 908, 350 Sparks Street, Ottawa, Ontario, Canada K1R 7S6
Telephone: (613) 563-3321 Telefax: (613) 563-7646

October 24, 1994

Mr. Dick Krajewski
Director
Marine & Land Defence
Industry Canada
235 Queen St.
Room 697 A East
Ottawa, Ont.
K1A 0H5



Dear Dick:

Re: M 113 Equivalent Types (your request of 20 Oct. 94)

The "M 113 type" vehicles included in BHI supporting data for the "unspecified non-NATO" market segment reflect a variety of light tracked vehicle types likely to require replacement in a similar time frame.

They include:

- UK Scorpion CVR (t) family (older versions)
 FV 432 APC and CP variants
- France AMX 13 family (all versions)
 AMX VCI (APC)
- USSR BTR 50 P (all variants)
 BMP 1 and 2
- Czech OY 90 (all variants)
- China YW 531 (all variants)

The above types have been sold in various quantities and their replacement should provide market potential for TH 495.

Best regards,

OTT/SDC/CCS
22214186.

TOTAL P.01

6-14-513



Industry, Science and Technology Canada

Industrie, Sciences et Technologie Canada

FACSIMILE MESSAGE / TRANSMITTAL SLIP

FICHE DE MESSAGE / TRANSMISSION PAR FAC-SIMILÉ

URGENT ROUTINE

Date *October 24/95*

No. of pages (including this form) *4* PAGES
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To - À
*Ken Murata
Sectoral Liaison Secretariat
(TOS)*

From - De
*Annie Desgagné
Industry Canada*

Facsimile No. of Addressee - N° de fac-similé du destinataire
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991-9469

If there are any problems with this transmission, please call

S'il y a des problèmes avec cette transmission, veuillez appeler



MESSAGE

Hello Ken.

Please find attached Thyra BHI country listing for potential M113 replacement program. Could you please review the list and indicate which countries we would not likely be able to export to (within next ten years).

I would appreciate it if you could provide me with your comments early this week, if possible.

Thanks,

Annie

*OTT / SDC / CCS
22214187*

BB-14-52

10/24/1994 10:28

10704015 P.01



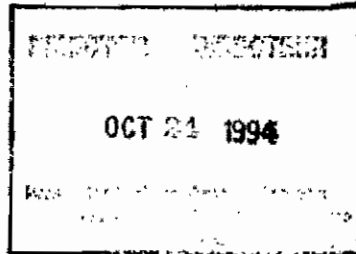
THYSSEN BHI

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

October 24, 1994

*RMK
OCT 24/94*

Mr. Dick Krajewski
Director
Marine & Land Defence
Industry Canada
235 Queen St.
Room 697 A East
Ottawa, Ont.
K1A 0H5



Annex: ① FYI

Dear Dick:

*② Please check with Murata to see if
there are some to whom we*

The accompanying charts are based on information extracted from Janes and Mönch
defense publications.

would not expect!

If we can provide you with any assistance in your investigation of the M 113 and similar
vehicle fleet, please don't hesitate to call.

*③ which some of remaining have the
Thanks own firms.*

Best regards,

Greg Alford
Sr. Vice President

*Dick
OCT 24*

OTT/SDC/CCS
22214188-

78-14-53

cont'd Table D:

Country	Quantity in service No	Forecast gross market		Forecast net market	
		No	%	No	%
Taiwan	1100				
Vietnam	2300				
Argentina	550				
Bolivia	40				
Brazil	775				
Chile	130				
Colombia	160				
Ecuador	120				
Guatemala	10				
Peru	300				
Uruguay	15				
Egypt	2650				
Others	1500				
Total	22034	75	16526	20	3305
Malaysia ²	0		2000	20	400
Total	22034		18526	20	3705

BHI Forecast gross market 18,526 vehicles

BHI Forecast net market 3,705 vehicles

²35 battalions, total requirement 3080 vehicles; ratio tracked/wheeled 2:1

OTT/SDC/CCS
 22214189

18/24/1994 18:29

18704015 P.03

D: Unspecified Non NATO Market

Today's situation.
 X. Canada cannot export to.

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
X Iran	520				
India	600	<i>Case by case basis</i>			
X Israel	4000				
• Jordan	1400				
X Lebanon	1285				
X Lybia	575				
• Morocco	455				
X Sudan	40				
• Tunisia	120				
X Yemen	76				
Australia	700				
X Cambodia	30				
South Korea	900				
X Laos	25				
New Zealand	78				
• Pakistan	1100	<i>Case by case basis</i>			
Philippines	480				

cont'd....

⁷Forecast gross market/ Quantity in service

⁸Forecast net market/ forecast gross market

OTT/SDC/CCS

22214190 -

TOTAL P.03

U: 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

OTT/SDC/CCS
 22214191

TOTAL P.03

B
4-54

FILE NAME: LAVS.WK4

TRACKED LAV MARKET FORECAST SUMMARY*

SCENARIO #2

REFLECTING CURRENT CANADIAN EXPORT CONTROLS

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	13	4700	516	26	119	46
2. UNSPEC. NATO	8280	1656	19	5800	271	13	70	16
3. SPEC. NON-NATO	8660	2566	30	8320	880	44	96	34
SUBTOTAL	20900	5353	62	18820	1667	83	90	31
4. UNSPEC. NON-NATO (5) (6)	16500	3300	38	7328	342	17	44	10
TOTAL	37400	8653	100	26148	2009	100	70	23

NOTES

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

- 1 GERMANY, NORWAY AND TURKEY (USA REMOVED)
- 2 BELGIUM, DENMARK, FRANCE, GREECE, ITALY, NETHERLANDS, PORTUGAL, SPAIN AND UK (CANADA NOT INCLUDED)
- 3 SWITZERLAND, VENEZUELA, GCC, SAUDI ARABIA, INDONESIA, MALAYSIA (BOTH PROGRAMS), THAILAND, SINGAPORE AND HUNGARY
- 4 CONSISTS OF 30 OTHER COUNTRIES (ORIGINALLY M113 REPLACEMENT MARKET) NOT ANALYSED IN THE SAME METHODOLOGY
- 5 BHI FIGURE CONSISTS OF M113 AND SIMILAR TYPE VEHICLES
- 6 GOVERNMENT FORECAST MAXIMUM SALES OF 342 UNITS BY APPLYING GOVT. UNIT SALES TO GROSS RATIO (4.6%) IN UNSPECIFIED NATO (SEGMENT # 2 BASED ON GOVT.'S COUNTRY BY COUNTRY SURVEY) TO THE AMOUNT OF M113 VEHICLES FOUND IN FORECAST INTERNATIONAL THAT CANADA HAS CURRENT EXPORT PERMITS WITH.

FILE INFORMATION DATED NOVEMBER 14 1994

OTT/SDC/CCS

11/24/94

22214192 -

RESEARCHED GOVERNMENT LIST**SCENARIO 3****REFLECTING CURRENT CANADIAN EXPORT POLICY**

COUNTRY	M113 TITLE	FORECAST INTL.
JORDAN	M113 A1/A2	1300
MOROCCO	M113 A1	499
TUNESIA	M113 A1	137
AUSTRALIA	M113 A1	773
SOUTH KOREA	M113	810
NEW ZEALAND	M113	76
PAKISTAN	M113 A1	894
PHILLIPINES	M113 A1	100
ARGENTINA	M113 A1	248
BOLIVIA	M113/ A1	44
BRAZIL	M113	614
CHILE	M113 A1	61
COLUMBIA	M113 A1	80
ECUADOR	M113	21
PERU	M113 A1	157
URUGUAY	M113	18
EGYPT	M113 A1/ A2	1496
TOTAL		7328

NOTE:

- LIST INDICATES UNSPEC. NON-NATO COUNTRIES THAT HAVE M113 TYPE VEHICLES LIST PROVIDED BY THYSSEN BHI OCT. 24 1994
- INDIA DEVELOPING OWN VEHICLE-ARJUN INDIAN MBT
- PAKISTAN CURRENTLY UPGRADING M113 FLEET

OTT / SDC / CCS
22214193 -

11/23/94

B1 1-51

FILE NAME: LAV2.WK4

TRACKED LAV MARKET FORECAST SUMMARY*

SCENARIO 2

DISREGARDING CURRENT CANADIAN EXPORT CONTROLS

<u>MARKET SEGMENT</u>	<u>BHI FORECAST</u> 1996-2015			<u>GOVT FORECAST</u> 1996-2020			<u>GOVT AS % OF BHI</u>	
	<u>GROSS</u>	<u>UNIT SALES</u>	<u>% OF TOT</u>	<u>GROSS</u>	<u>UNIT SALES</u>	<u>% OF TOT</u>	<u>GROSS</u>	<u>UNIT SALES</u>
1. SPEC. NATO	3960	1131	13	4700	516	21	119	46
2. UNSPEC. NATO	8280	1656	19	5800	271	11	70	16
3. SPEC. NON-NATO	8660	2566	30	8320	880	36	96	34
SUBTOTAL	20900	5353	62	18820	1667	69	90	31
4. UNSPEC. NON-NATO (5) (6)	16500	3300	38	16368	762	31	99	23
TOTAL	37400	8653	100	35188	2429	100	94	28

NOTES

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

- 1 GERMANY, NORWAY AND TURKEY (USA REMOVED)
- 2 BELGIUM, DENMARK, FRANCE, GREECE, ITALY, NETHERLANDS, PORTUGAL, SPAIN AND UK (CANADA NOT INCLUDED)
- 3 SWITZERLAND, VENEZUELA, GCC, SAUDI ARABIA, INDONESIA, MALAYSIA (BOTH PROGRAMS), THAILAND, SINGAPORE AND HUNGARY
- 4 CONSISTS OF 30 OTHER COUNTRIES (ORIGINALLY M113 REPLACEMENT MARKET) NOT ANALYSED IN THE SAME METHODOLOGY
- 5 BHI FIGURE CONSISTS OF M113 AND SIMILAR TYPE VEHICLES
- 6 GOVERNMENT FORECAST MAXIMUM OF 762 UNITS BY APPLYING GOVT. UNIT SALES TO GROSS RATIO (4.6%) IN UNSPECIFIED NATO (SEGMENT # 2 BASED ON GOVT.'S COUNTRY BY COUNTRY SURVEY) TO THE AMOUNT OF M113 VEHICLES FOUND IN FORECAST INTERNATIONAL. LIST INCLUDES ALL BHI LISTED COUNTRIES EXCEPT INDIA

FILE INFORMATION DATED NOVEMBER 14 1994

OTT/SDC/CCS

22214194.

11/24/94

RESEARCHED GOVERNMENT LIST**SCENARIO 2****DIREGARDING CURRENT CANADIAN EXPORT CONTROLS**

<u>COUNTRY</u>	<u>M113 TITLE</u>	<u>FORECAST INTL.</u>
IRAN	M113 A1	182
ISRAEL	M113 A1/A2	7048
JORDAN	M113 A1/A2	1300
LEBANON	M113 A1/A2	478
LIBYA	M113 A1	40
MOROCCO	M113 A1	499
SUDAN	M113	74
TUNESIA	M113 A1	137
YEMEN	M113 /A1	67
AUSTRALIA	M113 A1	773
CAMBODIA	M113 MOD	54
SOUTH KOREA	M113	810
LAOS	M113	6
NEW ZEALAND	M113	76
PAKISTAN	M113 A1	894
PHILLIPINES	M113 A1	100
TAIWAN	M113 A1/A2	875
VIETNAM	M113 MOD	207
ARGENTINA	M113 A1	248
BOLIVIA	M113/ A1	44
BRAZIL	M113	614
CHILE	M113 A1	61
COLUMBIA	M113 A1	80
ECUADOR	M113	21
GUATEMALA	M113	9
PERU	M113 A1	157
URUGUAY	M113	18
EGYPT	M113 A1/ A2	1496
<u>TOTAL</u>		<u>16368</u>

NOTE:

- LIST INDICATES UNSPEC. NON-NATO COUNTRIES THAT HAVE M113 TYPE VEHICLES LIST PROVIDED BY THYSSSEN BHI OCT. 24 1994
- INDIA DEVELOPING OWN VEHICLE - ARJUN INDIAN MBT
- PAKISTAN CURRENTLY UPGRADING M113 FLEET

OTT / SDC / CCS
22214195 .

11/23/94

14-56

FILE NAME LAV4.WK4

TRACKED LAV MARKET FORECAST SUMMARY*

SCENARIO 1

ZERO M113 REPLACEMENT

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	13	4700	516	31	119	46
2. UNSPEC. NATO	8280	1658	19	5800	271	16	70	16
3. SPEC. NON-NATO	8660	2566	30	8320	880	53	96	34
SUBTOTAL	20900	5353	62	18820	1667	100	90	31
4. UNSPEC. NON-NATO (5) (6)	16500	3300	38	16500 0	0	0		
TOTAL	37400	8653	100	18820	1667	100	50	19

NOTES

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

1 GERMANY, NORWAY AND TURKEY (USA REMOVED)

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

3 SWITZERLAND, VENEZUELA, GCC, SAUDI ARABIA, INDONESIA, MALAYSIA (BOTH PROGRAMS), THAILAND, SINGAPORE AND HUNGARY

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

5 BHI FIGURE CONSISTS OF M113 AND SIMILAR TYPE VEHICLES

6 GOVERNMENT FORECASTS ZERO SALES FOR THIS SEGMENT BECAUSE OF THE MANY UNKNOWN FACTORS.

FILE INFORMATION DATED NOVEMBER 14, 1994

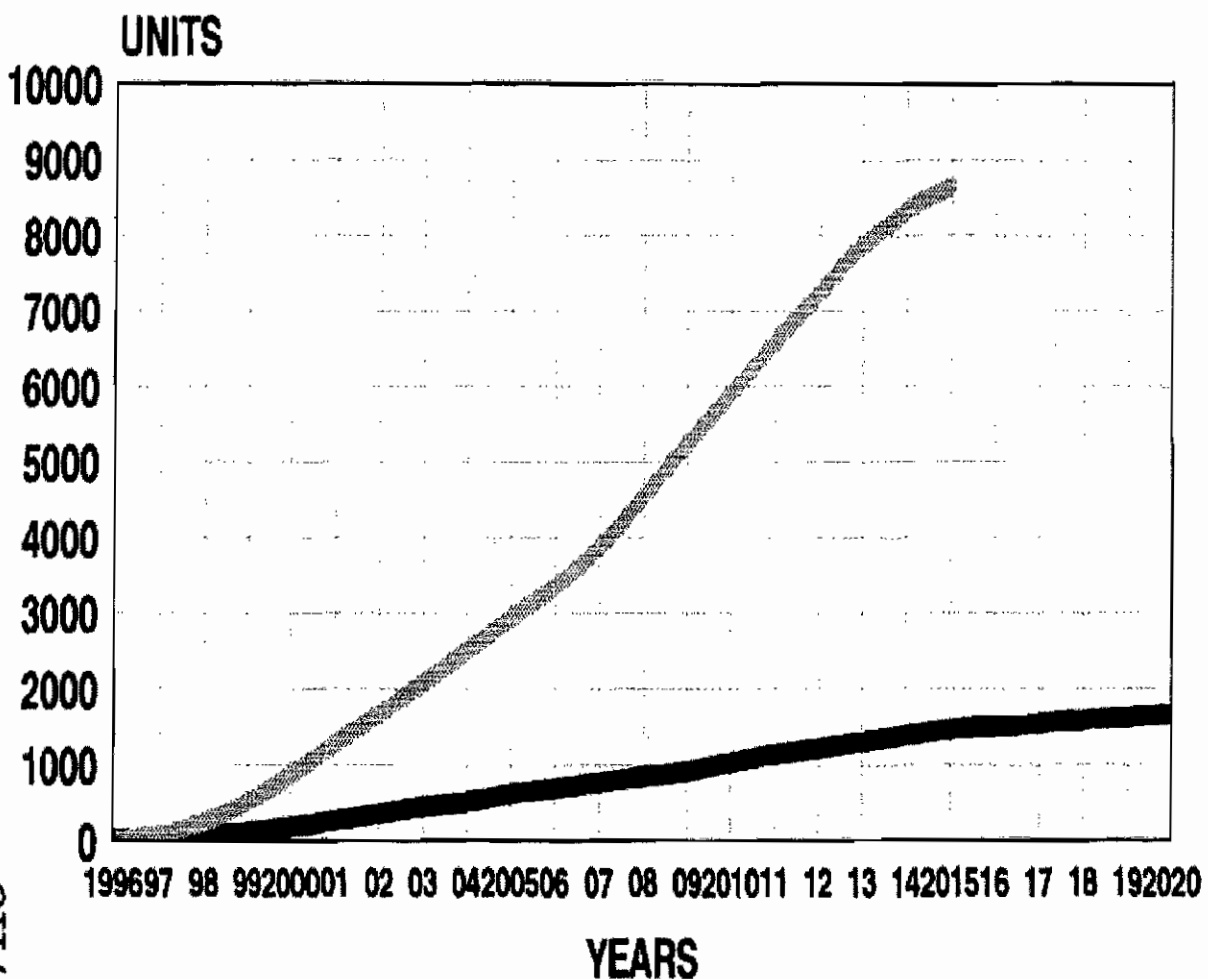
OTT/SDC/CCS

22214196.

11/24/94

LAV MARKET ANALYSIS

CUMULATIVE SALES - SCENARIO #1



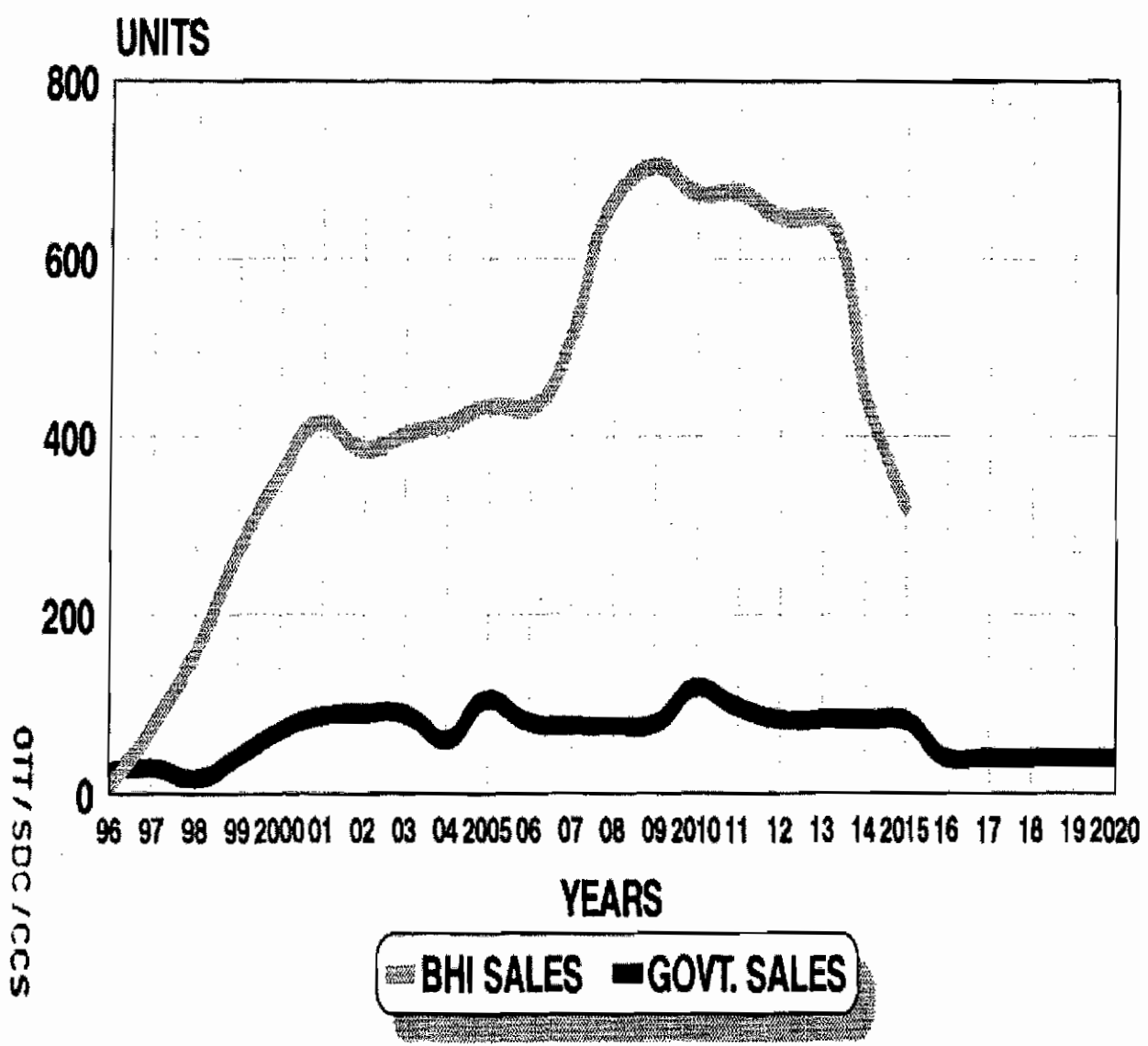
BHI SALES **GOVT. SALES**

OTT / SDC / CCS
22214197 -

THESE FIGURES INCLUDE 2ND MALAYSIAN PROGRAM | 2000 VEHICLES NOVEMBER 15

LAV MARKET ANALYSIS

FORECAST UNIT SALES (ANNUAL) - SCENARIO #1



OTT / SDC / CCS
22214198

THESE FIGURES INCLUDE 2ND MALAYSIAN PROGRAM 2000 VEHICLES NOVEMBER 15

FILE NAME: LAV2.WK4

TRACKED LAV MARKET FORECAST SUMMARY*

SCENARIO 2

DISREGARDING CURRENT CANADIAN EXPORT CONTROLS

-14-57

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	13	4700	516	21	119	46
2. UNSPEC. NATO	8280	1656	19	5800	271	11	70	16
3. SPEC. NON-NATO	8660	2566	30	8320	880	36	96	34
SUBTOTAL	20900	5353	62	18820	1667	69	90	31
4. UNSPEC. NON-NATO (5) (6)	16500	3300	38	15368	762	31	99	23
TOTAL	37400	8653	100	35188	2429	100	94	28

NOTES

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

1 GERMANY, NORWAY AND TURKEY (USA REMOVED)

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

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5 BHI FIGURE CONSISTS OF M113 AND SIMILAR TYPE VEHICLES

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FILE INFORMATION DATED NOVEMBER 14 1994

OTT/SDC/CCS

112494

22214199

RESEARCHED GOVERNMENT LIST**SCENARIO 2****DIREGARDING CURRENT CANADIAN EXPORT CONTROLS**

<u>COUNTRY</u>	<u>M113 TITLE</u>	<u>FORECAST INTL.</u>
IRAN	M113 A1	182
ISRAEL	M113 A1/A2	7048
JORDAN	M113 A1/A2	1300
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LIBYA	M113 A1	40
MOROCCO	M113 A1	499
SUDAN	M113	74
TUNESIA	M113 A1	137
YEMEN	M113 /A1	67
AUSTRALIA	M113 A1	773
CAMBODIA	M113 MOD	54
SOUTH KOREA	M113	810
LAOS	M113	6
NEW ZEALAND	M113	76
PAKISTAN	M113 A1	894
PHILLIPINES	M113 A1	100
TAIWAN	M113 A1/A2	875
VIETNAM	M113 MOD	207
ARGENTINA	M113 A1	248
BOLIVIA	M113/ A1	44
BRAZIL	M113	614
CHILE	M113 A1	61
COLUMBIA	M113 A1	80
ECUADOR	M113	21
GUATEMALA	M113	9
PERU	M113 A1	157
URUGUAY	M113	18
EGYPT	M113 A1/ A2	1496
TOTAL		16368

NOTE:

- LIST INDICATES UNSPEC. NON-NATO COUNTRIES THAT HAVE M113 TYPE VEHICLES
LIST PROVIDED BY THYSSSEN BHI OCT. 24 1994

- INDIA DEVELOPING OWN VEHICLE - ARJUN INDIAN MBT

- PAKISTAN CURRENTLY UPGRADING M113 FLEET

OTT / SDC / CCS

22214200 -

11/23/94



SUPERText

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

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

EXHIBIT INFORMATION

Date Seized: 2001-06-27

Seized By: S/Sgt. ALEXANDER

Exhibit No.: 95-27

Item No.: 222

Sub Location No.: 14

Location: Industry Canada, 236 Queen St., Ottawa

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

These documents are from a file labelled: 5063-B15⁰ Vol 04
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Companies, Corporations, Firms
Bear Head Industries Ltd.

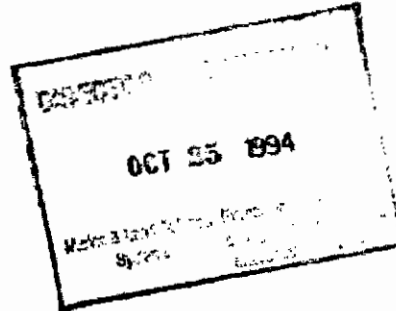


THYSSEN BHI

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

October 25, 1994

Dick
Mr. Dick Krajewski
Director
Marine & Land Defence
Industry Canada
235 Queen St.
Room 697 A East
Ottawa, Ont.
K1A 0H5



Dear Dick:

Ref: My letter of Oct. 24, 1994, via fax

I believe the accompanying Declaration which must accompany Table D, may have gone through my fax machine behind the cover letter and therefore did not reach you.

Please be so kind to add it to your file and forward it to any person that may have received a copy of the above mentioned Table D.

Regards,

Greg Alford
Greg Alford
Sr. Vice President

J. J. J.

Please add as requested.

OTT/SDC/CCS
22214183-

B-14-50

DECLARATION

Reference: Table D: Unspecified Non-NATO Market

Given the time frames of the markets under discussion, no specific assumptions have been made regarding export policy. The accompanying slides and discussions should in no way be considered a Thyssen position or comment with respect to Canadian export policy.

Along with other market events, recognition that some markets could be inaccessible for reasons of export policy is reflected in the "Probability of Market Occuring Factor" of 0.75 being applied to the total of M 113 and like vehicles in service.

OTT/SDC/CCS
22214184 .

TOTAL P.02



THYSSEN BHI

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

TELEPHONE (613) 563-3321

TELEFAX (613) 563-7648

TELEFAX

TO:

M. Lalonde
STIKEMAN ELLIOT

FAX NO:

FROM:

Greg Alfond, Thyssen

PAGES:

3

(including cover page)

DATE:

24. 11. 94

MESSAGE:

Marc

Attached was sent to Bruce Jaeger - Industry Canada
in hope of encouraging them to issue their promised
letter.

I trust it will be received in the intended polite
and positive light.

Best regards,
Greg

6135637648 10704015 P.01

THYSSEN BHI 11/24/1994 17:03

LAL00014





THYSSEN BHI

iii) the Government forecast considers only tracked vehicle export markets and makes no consideration for possible future domestic market requirements of DND.

I would greatly appreciate if this could now be actioned so we may proceed to the next phase of our initiative.

Sincerely,

Greg Alford
Sr. Vice President



THYSSEN

THYSSEN BHI

MEMO

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

*for meeting
Ottawa
14 Dec*

FROM: Greg Alford

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

DATE: December 1, 1994

SUBJECT: Defence White Paper Release and Letter

PAGES: 6

Defence White Paper released today, 3 key pages attached.

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

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

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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

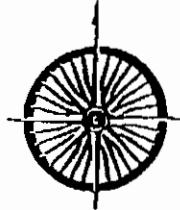
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THE GOVERNMENT BUSINESS CONSULTING GROUP INC.

HALIFAX • OTTAWA • NEW YORK



5 Dec 01 10 52 AM '94

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

1000

GBCG INC

12/05/94 11:45 FAX 813 782 2428

MUL00011



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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THYSSEN BHI

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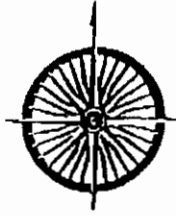
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THYSSEN BHI

Suite 908, 550 Sparks Street, Ottawa, Ontario, Canada K1R 7S8
Telephone: (613) 583-3321 Telex: (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 MNAV study for future light armoured vehicles.

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



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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.

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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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3



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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 808, 300 Snake Street, Ottawa, Ontario, Canada K1R 7S8
 Telephone: (613) 563-3321 Telex: (613) 583-7848

December 14, 1994

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

THYSSEN BHI

DEC 15 1994

File No.
 Dossier No. 9405866B
 Charged to / Chargé à

Dear Minister:

Further to the letter sent Friday, December 2nd by Jürgen Mussmann, 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 2,000 people in a variety of commercial operations across the country with the largest concentrations in Kitchener, Orangeville, Mississauga, Scarborough, Toronto, and Winnipeg. These businesses contribute not only to the Canadian economy, but also to the communities in which they are located.

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

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

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



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2

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

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

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

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

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

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

Yours sincerely,

Greg Alford
Sr. Vice President



THYSSEN BHI

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

TELEPHONE (613) 563-3321

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TELEFAX

TO: MARC LALONDE
CC J. MASSMANN
K. SCHREIBER

FAX NO:

FROM: GREG ALFORD

PAGES:
(including cover page)

DATE: 19. D. 1994

7 pages
Total

MESSAGE:

2 pages LETTER + 4 page attachment follows.



THYSSEN BHI

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

December 16, 1994

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

Dear Marc:

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

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

1. NATO MBAV Study

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

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

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



THYSSEN BHI

2

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

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

2. Industry Canada

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

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

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

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

Regards,

Greg Alford

INTRODUCTION

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

1.2 Current Situation. Within the Alliance there are a multiplicity of light armoured vehicles (LAV) (M-113, VAB, PT2, FY432, etc.) in service. Some are capable of upgrades which will make them usable beyond 2010. There is a risk, however, that the cost of upgrades will be increasingly expensive and, in any event, will prove ineffective in the face of newer technology. Others will reach the end of their useful lives by 2000, necessitating their removal. Existing fleets generally offer limited protection, mobility, firepower and protection and are not truly suitable for the post-2000 battlefield even in relatively benign situations.

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

1.4 General Requirement. MBAV will be required to:

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

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

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

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

Design requirement

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

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

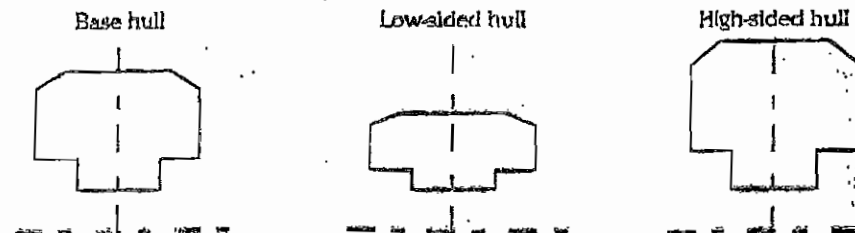
* The author is a defense consultant and former Research Director at Vickers Defence Systems, UK.

MBAV

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

by J.H. Brewer*

Figure 1



Roles:

BASE HULL

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

LOW-SIDED HULL

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

HIGH-SIDED HULL

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

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

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

The same applied to the power train. Future multi-compound diesels, gas turbines and electric traction were considered, but the specified production date meant that the final concepts would have to use current or near-term diesel engines and transmissions of the current epicyclic type. Electric traction had been closely studied in 1982-1989 by the

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

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

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

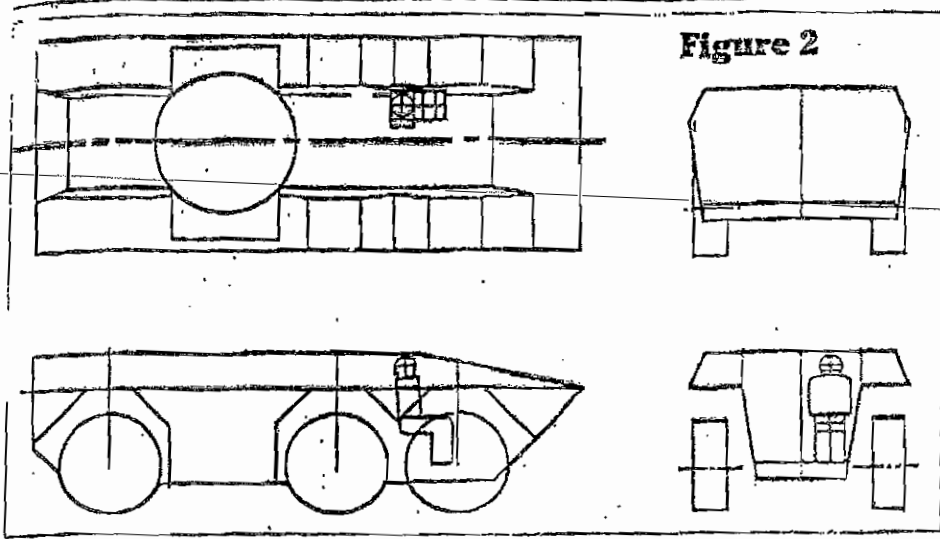


Figure 2

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

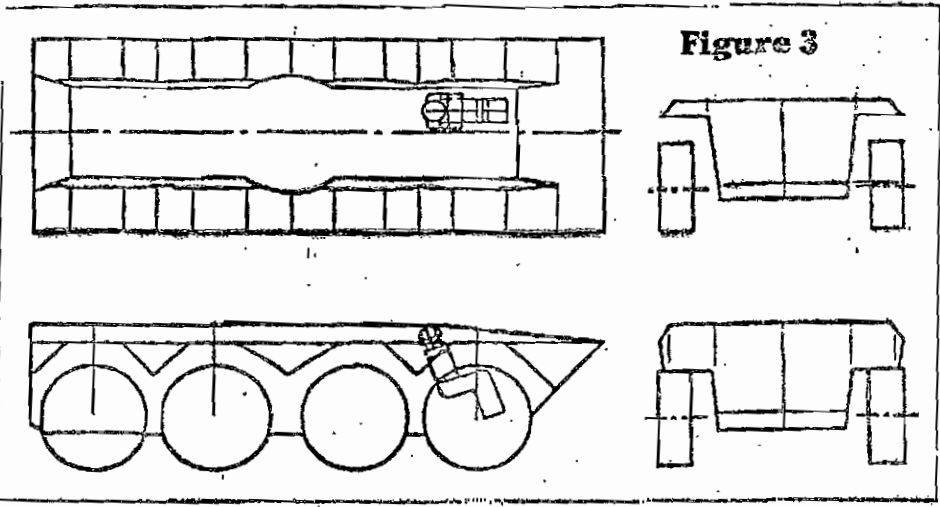
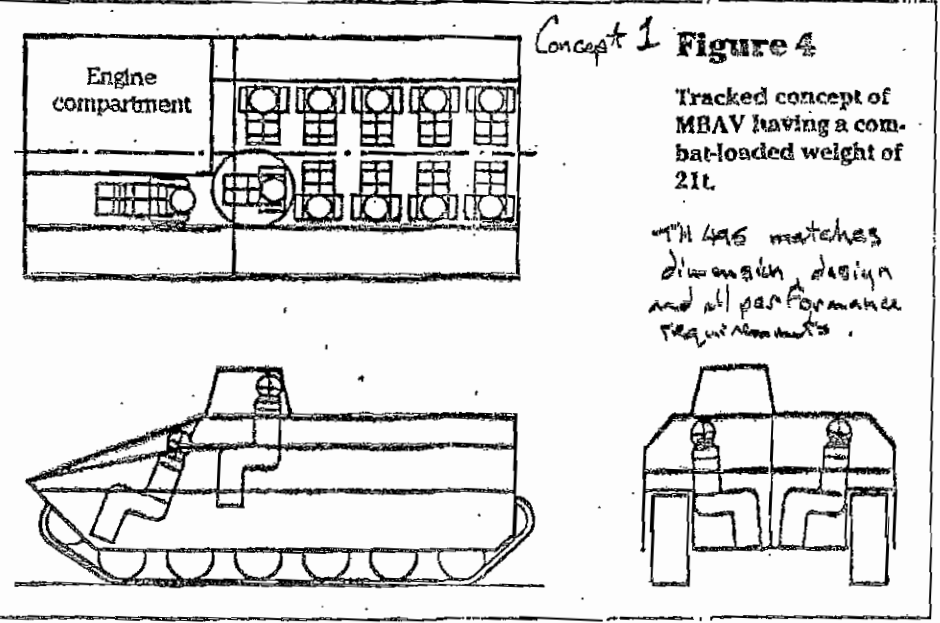


Figure 3

Eight-wheeled concept of MBAV having a combat-loaded weight of 25t.



Concept 1 Figure 4

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

with 495 matches dimension design and all performance requirements.

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

Wheels or tracks?

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

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

SO41 will produce a comprehensive report which will then be commented upon by government experts. In the cases of the 1985-1986 SO18 and 1988-1989 SO25 studies (both concerning future MBTs), no follow-on actions were taken once these had been completed. At that time a cooperative tank was self-evidently not required by NATO or by any of its armies, as manifested for example by the survival of both Challenger 2 and Leclerc as national programs. This, to date, has always been the problem. Whilst it was obvious even then that a common tank could have saved money in the long run their respective national solutions were obviously not so expensive that the UK and France could not afford to go their separate ways. National pride is also involved, but

but were ruled out, presumably due to risk and timescale.

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

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

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with the cost of unilateral development and production becomes prohibitive, as has happened in the aircraft and missile fields, cooperation will not begin.

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

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

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

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

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

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

NIAG: concord between competitors

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

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

Early groups tended to be large, but in recent years numbers have been about 40-50 people, with the ability to call on specialists as required. Each group chooses a chairman and a deputy chairman, along with a secretary or rapporteur. The latter really has the hardest job, bringing the report together in reasonable English which is not the native language of most of the members of the group. An organization and structure to suit the subject to be studied, and the number of meetings required, are agreed with NATO.

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

* TH495 is now under formal consideration by Germany and UK as focus of a future joint production program. Germany has extended invitation to Canada to join this in hope of creating a tri-lateral joint project. Canadian acceptance was not available until after the White Paper on Defence, and is still awaiting



SUPERText

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

Project/projet A102
File/dossier: 95A517

EXHIBIT INFORMATION

Date Seized: 2001-06-27

Seized By: S/Sgt. ALEXANDER

Exhibit No.: 95-27

Item No.: 222

Sub Location No.: 15

Location: Industry Canada, 236 Queen St., Ottawa

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

These documents are from a file labelled: 5063-B15⁶ Vol 05
Section 06
Companies, Corporations, Firms
Bear Head Industries Ltd.

→ D. Krajewski



Suite 808, 350 Sparks Street, Ottawa, Ontario, Canada K1R 7S8
Telephone: (613) 563-3321 Telefax: (613) 563-7648

Mr. John Banigan
Assistant Deputy Minister
C.D. Howe Bldg.
235 Queen St
Ottawa, Ont.
K1A 0H5

MS
BD

December 23, 1994

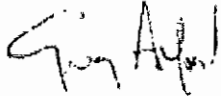
Dear Mr. Banigan:

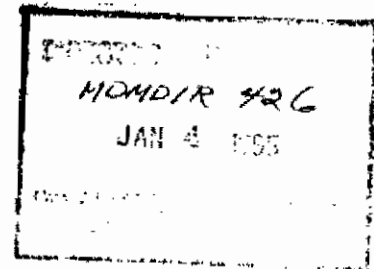
I have written Minister Manley today with respect to our interest in manufacturing our TH 495 tracked light armoured vehicle in Canada, and our interest in the Canadian Army's requirement for APC's as announced in the White Paper on Defence.

I attach a copy of that letter. If you have any questions in this regard, please do not hesitate to contact me.

Best wishes to you for the holiday season and New Year.

Regards,


Greg Allard
Sr. Vice President



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OTT/SDC/CCS
22215039

CE-15-14



THYSSEN BHI

Suite 900 350 Sparks Street, Ottawa, Ontario Canada K1R 7S8
Telephone: (613) 563-3321 Telefax: (613) 563-7648

December 22, 1994

Hon. John Manley
Minister of Industry
Room 408, West Block
House of Commons
Ottawa, Ontario
K1A 0A6

Dear Minister,

Further to my letter of December 14, 1994, you will recall our meeting one year ago when ADM John Banigan and your policy assistant, Diana Durnford allowed us the opportunity to present an introduction to the Thyssen Group of companies and an overview of the Thyssen BHI (the Company) proposal for an export based manufacturing facility in Canada.

The initial product for our proposed Canadian facility is the Thyssen TH495 light armoured vehicle which has been designed to meet an international market which we estimate to be in excess of 35,000 units. On this overall market we have done a detailed analysis projecting market share for TH495 of approximately 20%, which will lead to Canadian exports approaching \$10 Billion over the next 15 to 20 years.

At the time of that meeting we had already been in discussion with your officials for a few months, and on December 14, 1993 submitted our detailed export market analysis for the TH495. Industry Canada, leading a government committee which included representatives from National Defence and Foreign Affairs and International Trade then carried out an independent analysis of the Export market described for TH495.

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. You will no doubt have received information from your officials describing the progress which they have made in their independent analysis of this market. Their formal discussions with the company are summarized as follows.

With respect to the market for the tracked TH495, the Company and Government agree that the market can be examined in four segments: i) Specific NATO Nation Projects, ii) Non specific NATO demand, iii) Specific non NATO Nation Projects and iv) additional non NATO Demand. On the first three of these segments there is 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).

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22215040 -



THYSSEN BHI

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With this important agreement on the size of the basic market, and agreement that TH495 can be expected to win a share of that market, it is reasonable to expect that the most probable market share will be in the range between 9% and 25%.

The fourth market segment dealing with additional non-NATO markets accessible within Canadian export policy is estimated by the Company at approximately 18,000 units from which is forecast a market share of 20%. Timing of this market segment is generally later with its peak being reached between 2008 - 2014.

Industry Canada officials have indicated they are now finished with their review of this fourth market segment and are expected to provide a written acknowledgement of their views on this, as well as the earlier agreed segments. We look forward to receiving this report in the very near future.

The efforts of the Company and the Government committee over the past months have established the very reasonable outlook that TH495 will bring a significant net increase to Canada's exports. At the outset of the Government market analysis considerable effort was made in discussions with the Company to establish that TH495 is competitive only in export markets where tracked vehicles are specifically demanded. This was an important product differentiation to establish in order to ensure that the export markets targeted by TH495 would not overlap with those naturally pursued by the Canadian branch of General Motors, GM Diesel Division (GMDD), operating at London Ontario, where it manufactures only wheeled vehicles.

In addition to the net Canadian value added by our new production facility, there will also be the additional benefit to Canada through the Canadian suppliers of parts and components which would naturally include companies like Computing Devices, Deimaco/Devtek, Diehl, GMDD, Industrial Rubber, Invar, Miltech, to name a few.

The current discussions with Government were initiated on the mutual assumption that there may have been no near term Canadian requirement for armoured personnel carriers (APC's) and the Government wished to consider the merits of our proposal only on the basis of exports. Accordingly, with the export potential for TH495 confirmed by the Government's independent analysis, Industry Canada would have considered the eligibility of the project to receive financial contributions through the Defence Industry Productivity Program (DIPP) combined with possible regional incentives. These programs could provide incentive for establishing the world product mandate for TH495 in Canada, in the absence of a domestic market share.

Towards the latter stages of the discussions, we were made aware that in light of budgetary constraints the Government had little capacity to provide significant incentives for the TH495 project. Furthermore, in the interim the Company had progressed independently to complete the first two prototypes, finding a positive market reception, with the APC version being delivered last month to Malaysia for customer trials.

OTT / SOC / CCS

22215041 -



THYSSEN BHI

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Meanwhile the Canadian Defence requirement for new APCs was confirmed in the White Paper on Defence, and we are confident that TH495 can fully meet the requirements and delivery schedule commencing in 1997.

Assuming the Government will invite proposals from industry for the supply of APCs and include in that call for proposals a request for industrial benefits, we would like to amend our original concept for establishing the manufacture of TH495 in Canada.

We would propose to include the commitment to build TH495 in Canada for the domestic and export market among the industrial benefits to Canada if selected as the contractor to supply Canada's Land Forces with new APC's .

Therefore, given the expressed desire of the Government to create jobs and particularly export based jobs, and your officials' positive assessment of export market prospects for TH495, we are writing to ask for your support for our request for the opportunity to be included in the selection process for new APC's for the Canadian Army.

Please call me at your convenience should you have any questions or concerns regarding our proposal.

In closing I extend best wishes to you for the holiday season .

Sincerely,

Greg Allford,
Sr. Vice President

cc: Hon. Andre Ouellet
Hon. David Collenette

OTT/SDC/CCS

22215042 -

Mr. Greg Alford
Sr. Vice President
Thyssen BHI
Suite 908, 350 Sparks Street
Ottawa, Ontario
K1R 7S8

Dear Mr. Alford:

Thank you for your letters dated December 14, 1994 and December 22, 1994, regarding your interest in manufacturing the Thyssen 495 tracked light armoured vehicle in Canada and your interest in the requirement for Armoured Personnel Carriers (APCs) by the Department of National Defence (DND) as announced in the Defence White Paper.

Regarding your most recent proposal focusing on the international market for light tracked armoured vehicles, submitted to the government in September 1993, I understand that you will be advised shortly of the results of a review of your market study by an interdepartmental group comprised of officials from Industry Canada, the Department of National Defence, Foreign Affairs and International Trade. / 10

With respect to the recommendations of the Special Joint Parliamentary Committee on Defence Policy pertaining to the requirement for APCs, followed by the White Paper on Defence which confirmed DND's intention to acquire such vehicles, I have been advised that DND has completed initial studies concerning the operational requirements for APCs including a survey and analysis of the capabilities of a number of tracked and wheeled vehicles. I understand that the TH 495 was one of the vehicles considered in the survey.

- 2 -

I would expect that DND's approach to this procurement will address the need to stringently control the costs and technical risks associated with it and wherever possible, the selection process will likely favour equipment which has already been technically proven. I expect that the government will soon decide its strategy for the DND procurement of APCs.

Thank you for apprising me of your interests in the equipment requirements of the government and for the contributions which Thyssen has already made to the Canadian economy. I would like to wish you continued success in your future endeavours.

Yours very truly,

John Manley

c.c. The Honourable David Collenette, P.C., M.P.
The Honourable André Quérellet, P.C., M.P.
The Honourable Paul Martin, P.C., M.P.



SUPERText

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

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

EXHIBIT INFORMATION

Date Seized: 2001-06-27

Seized By: S/Sgt. ALEXANDER

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5063-B15^e Vol 05
Section 06
Companies, Corporations, Firms
Bear Head Industries Ltd.



THYSSEN BHI

Suite 906, 250 Sparks Street, Ottawa, Ontario, Canada K1P 7S8
Telephone: (613) 563-3321 Telefax: (613) 563-7648

January 19, 1995

Ms. Diana Durnford
Special Assistant, Policy
Industry Canada
235 Queen St.
Ottawa, Ont.
K1A 0H5

Dear Ms. Durnford,

Thank you for your continuing interest in our proposal to establish new export focused manufacturing in Canada. As per your request during our telephone conversation Wednesday, I send this note via fax to outline my present concern.

It is now more than a year since the Company provided to Industry Canada, a detailed export market projection which was then verified by a committee of Government Departments led by Industry Canada, and using the Government's independent sources of information.

By July 1994, officials shared the results of some of their findings with the Company. At that point it was evident that both Company and Government did agree that an export market exists for tracked vehicles in the category of the T11495. Also agreed was the view that T11495 could reasonably be expected to win a share of that market. My letter of December 22, 1994 to Minister Manley summarizes the discussions on market.

My concern is that although the Government market analysis is complete and officials have agreed last fall that they would confirm in writing to the Company the findings of the Government's market analysis, nothing has yet been received. The delay is explained with reference to other issues which the Government is concerned with.

The Company asks that acknowledgement of the Government market analysis be released now and if "other issues" arise, they can be addressed separately.

We would be most grateful if you can assist in some way to remedy this situation.

Sincerely,

Greg Alford
Sr. Vice President

OTT / SDC / CCS
22215019 -

BB-15-4

TOTAL P. 01

Briefing Request for Minister Manley

Details

Phone call Letter (attach) Other (specify)

Name / Organization THYSSEN BHI / Greg Alford Sr. Vice President

Subject / Event THYSSEN'S PROPOSAL TO ESTABLISH
NEW EXPORT FOCUSED MANUFACTURING
IN CANADA

Date Mtg N/A

Location N/A

Requirements

Recommendation required Yes No Written Verbal

Briefing required Yes No Written Verbal
→ EMAIL

Comments Talking points requested for a call to
Mr. Alford and any necessary background
info. E-mail would be fine, please S.C.
Sue McCulloch. THANK YOU!

Departmental representative Yes No

OTT/SDC/CCS
22215020

Date required Tues, JAN 24/95 Time END OF DAY

c.c. TONY Macerollo Signature of originator SUE McCULLOCH
JOHN BUTLER For Diana DURNFORD
KAREN ELLIS Date JAN. 20/94 Special Assistant -
Policy



SUPERText

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

Project/projet A102
File/dossier: 95A517

EXHIBIT INFORMATION

Date Seized: 2001-06-27

Seized By: S/Sgt. ALEXANDER

Exhibit No.: 95-27

Item No.: 222

Sub Location No.: 15

Location: Industry Canada, 236 Queen St., Ottawa

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

These documents are from a file labelled:

5063-B15^e Vol 05
Section 06
Companies, Corporations, Firms
Bear Head Industries Ltd.

D. Krajewski

FYE + nec action

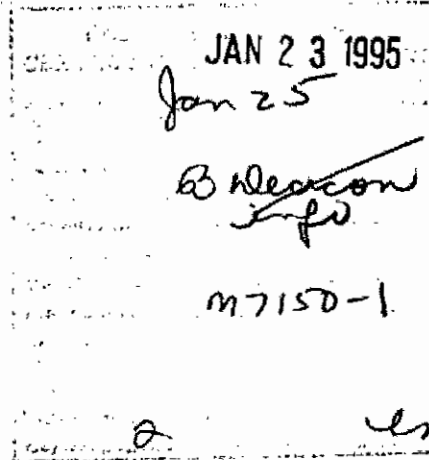
Copy: Annie Blouin - former files
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Unit
400-615MD-1



Minister of Foreign Affairs

Ministre des Affaires étrangères

Ottawa, Canada K1A 0G2



Mr. Greg Alford
Senior Vice-President
Thyssen BHI
Suite 908
350 Sparks Street
Ottawa, Ontario
K1R 7S8

Dear Mr. Alford:

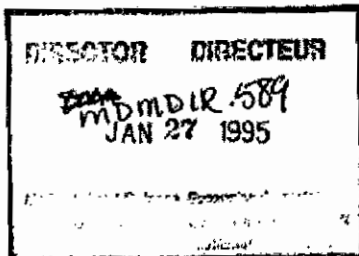
Thank you for your letter dated December 14, 1994, which I understand was also sent to my colleague, The Honourable Roy MacLaren. In your letter, you summarized the history of your company in Canada and sought my support for a competitive bidding process for the supply of Armoured Personnel Carriers (APCs) to the Department of National Defence.

I am aware of Thyssen's international reputation as one of the world's largest industrial manufacturing companies, its holdings in Canada and the company's contributions to Canada's economy. I am also aware of your past proposals for the expansion of this investment in Canada by establishing a manufacturing facility for tracked Light Armoured Vehicles (LAVs).

Your proposal, submitted to the government in September, 1993, focussed on the international market for tracked armoured vehicles in general and potential sales of the TH 495 in particular. I understand that the results of a review of your market study by an interdepartmental group is virtually complete and that you will be advised of the outcome shortly.

OTT/SDC/CCS

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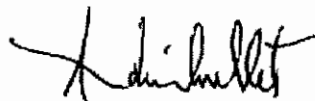
- 2 -

The recent White Paper on defence includes the requirement to acquire new APCs. I have been advised that DND has completed initial studies concerning the operational requirements for APCs, including a survey of the capabilities of a number of tracked and wheeled vehicles. The TH 495 was one of the vehicles considered in the survey.

DND's approach to this procurement will address the need to stringently control the costs and technical risks associated with major acquisition projects. Therefore, wherever possible, the selection process will favour equipment which has already been technically proven. I expect that the government will soon decide its procurement strategy for APCs for the Department of National Defence.

Thank you for your continuing interest in competing for the requirements of the Canadian Forces and I wish you success in your future endeavours.

Yours sincerely,



André Ouellet

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

OTT/SDC/CCS

22215022 -

Desgagne, Annie: SMD

From: Durnford, Diana J.: OCS
To: Krajewski, Dick: SMD
Cc: Deacon, Bruce L.: SMD; Desgagne, Annie: SMD; Banigan, John: MPI
Subject: RE: Thyssen BHI / Talking Points
Date: Thursday, January 26, 1995 9:44AM

Thanks. Was out yesterday so will call him today.

From: Krajewski, Dick: SMD
To: Durnford, Diana J.: OCS
Cc: Deacon, Bruce L.: SMD; Desgagne, Annie: SMD; Krajewski, Dick: SMD; Banigan, John: MPI
Subject: Thyssen BHI / Talking Points
Date: Tuesday, January 24, 1995 6:06PM

You asked for a set of talking points for your upcoming telcon with Greg Alford on three issues raised in Alford's letters to the Minister and lately to you.

1. Thyssen's interests in competing for the forthcoming DND procurement of APCs:

You could inform him that the procurement strategy with respect to the requirement for APC's as identified in the recent defence white paper is under development. Thyssen's interests in the procurement are understood within the government.

(Please avoid any suggestion that this procurement will be based on a competitive process).

2. Establishment of a facility in Canada (possibly Quebec):

The company's perspectives on this issue are understood. This issue is under active discussion within the government and no decision has been taken.

3. Access to the interdepartmental market survey for tracked light armoured vehicles:

This issue is being considered in the context of the broader discussions mentioned above. Therefore there is reluctance to release one part of the picture until interdepartmental agreement has been achieved.

We regret and understand the frustration which the company feels and we expect to be in position to release the survey results shortly.

(Please avoid any commitment to release any market data until the Minister has had a chance to review the complete procurement strategy for the APC.)

Please call if you have any queries.

2722215 0000025



THYSSEN BHI

10 February 1995

CONSIDERATIONS FOR THYSSEN TH495 PROPOSAL

Background:

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

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

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

Canadian Armoured Vehicle Fleet and Recent Purchases:

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

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

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



Thyssen Approach:

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

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

Tracks vs Wheels in Peacekeeping

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

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

The attached article from Vanguard Magazine deals with this issue of APC requirements in some careful detail. The opinions offered are based on comments by the Canadian Forces peacekeepers on assignment in Croatia and Bosnia. Please note the section of the article



subtitled "Hard Skinned Vehicles" pages 24 - 26 which ends with the statement: "the army needs a well-armoured, fast tracked vehicle with reasonable fire support - even for peacekeeping".

Canada / Thyssen Partnership

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

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

Is M113 Upgrade Cost Effective ?

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

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

Thyssen Proposal, a Net Gain to Canada

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



Conclusion

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

~~Excessive~~ ^{Tensive} Testing by Malabar Army

Company Testing

Pre-Series-Production model

Company Testing

Prototype

R+D

Component-Testing

1990

1991

1992

1993

1994

1995

1996

7.06.92

7.06.1992

Nov 1994
Feb. 1995



FEB 10 1995

THYSSEN BHI

Suite 900, 350 Sparks Street, Ottawa, Ontario, Canada K1R 7S0
Telephone: (613) 563-3321 Telefax: (613) 563-7648

February 10, 1995

Randy McCauley
Sr. Policy Advisor to
Minister of National Defence
National Defence Headquarters
MGen G.R. Pearkes Bldg.
101 Col By Drive
Ottawa, Ont.
K1A 0K2

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Dear Mr. McCauley: *Randy*

Thank you for providing me the opportunity to meet you and discuss the interest of our company in supplying the Canadian Forces new Armoured Personnel Carriers (APCs) in response to the requirement named in the White Paper on Defence.

Our discussions touched on a variety of subjects, so I thought it might be helpful, if I elaborate on the key-points in writing.

THYSSEN TH 495

Thyssen Henschel of Kassel, Germany is an established manufacturer of Armoured Personnel Carriers (APC) with recognized capabilities in both wheeled and tracked systems. These vehicles are in service with NATO and other armies world-wide.

For the Canadian APC requirement, we plan to offer our versatile multi-mission TH 495 tracked vehicle. As a Company funded development, the TH 495 was designed to meet the need for a new generation APC in the 1990's and beyond. TH 495 has outstanding protection characteristics, excellent overall mobility and high growth potential. We understand from the Canadian Army that TH 495 fully meets the operational requirements of the APC project.



THYSSEN BHI

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OFF THE SHELF

The TH 495 exists in 2 fully developed prototypes which have been constructed using modern but proven components. The design objective sought to minimize technology risk while optimizing protection, performance and growth potential. (The full capability of Computer Aided Design (CAD) was applied in the design process.)

The TH 495 meets the Department's definition of "Off the Shelf", or the more specific definition "Non Developmental Item" (NDI), as defined by LGen Fischer in his recent presentation to the Canadian Defence Preparedness Association.

INDUSTRIAL BENEFITS

When the TH 495 is selected for the Canadian Forces APC requirement, Thyssen will transfer the international product mandate for TH 495 to Canada.

A very significant international market for the TH 495 has been identified by the Company, and verified through independent analysis by a Canadian Government committee led by Industry Canada with participation from National Defence and International Trade officials.

The TH 495, as a tracked vehicle is not in direct competition with the lighter wheeled vehicles of GM Diesel Division (GMDD). In direct comparison, wheeled vehicles, such as those manufactured by GM Diesel, have their own market niches. For technical reasons wheeled vehicles cannot offer as high armour protection, all terrain mobility, load carrying capacity or growth potential, and therefore tend to qualify only to markets with lesser mission requirements than can be met by TH 495. This distinction was also confirmed by the above mentioned Government market analysis, which is currently in the hands of officials at Industry Canada.

The Thyssen TH 495 is a distinct product that offers technical capabilities to specific export markets, one of which is a worldwide demand for new tracked APC vehicles. This will provide a net gain to the Canadian Defence Industrial Base for both domestic and export markets.

In addition to establishing a new production facility in Canada, Thyssen would intend to contract significant work to Canadian Industry, ie. Computing Devices (CDC), Deimaco/Devtek, Diehl, GMDD, Industrial Rubber, Invar, Miltech, to name a few.

The TH 495 proposal is therefore a good program for Canada's Armed Forces, for Canadian industry and for Canadian exports.



THYSSEN BHI

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INTERNATIONAL PROGRAMS

NON-NATO

The APC prototype of TH 495 is presently engaged in testing with the Armed Forces of Malaysia. Among other characteristics, these tests have proven all terrain mobility, C 130 airportability, efficient logistic systems, and all round armour protection against both direct fire and land mines, etc.

NATO

TH 495 is presently the focus of discussions between UK and German Armed Forces. Both Armies have interest in the TH 495 as a common platform for a variety of light armour missions, including APCs. Canada could also participate in this joint project.

WHEELS VS. TRACKS

There is a long running debate on the merits of wheeled vehicles versus tracked vehicles and in some markets that debate tends to be greatly influenced by commercial interests at the expense of the pure technical needs of the Army. As mentioned before, Thyssen builds both wheeled and tracked designs and therefore observes the likely operational requirements of the user before offering a single solution.

For some time, we have heard the Canadian forces describe the age of their overall APC fleet which is mixed tracks and wheels. We observe the most recent acquisitions have been of 200 wheeled 8x8 Bisons ordered in 1989 and now in service, and an additional 200 + 8x8 GM LAV Recce vehicles ordered in 1992 and due for delivery soon. The tracked M 113 portion of the APC fleet is the most aged and in the most desperate need of replacement.

In regard to the Canadian Army's specific equipment requirement, I thought it would be helpful to pass on the attached article from Vanguard Magazine which deals with this issue in some careful detail, based on recent visits to Canadian Forces peacekeepers on assignment in Croatia and Bosnia. The opinions offered are based on comments by the troops themselves. I draw your attention to the section of the article subtitled "Hard Skinned Vehicles" pages 24 - 26 which ends with the statement: "the army needs a well-armoured, fast tracked vehicle with reasonable fire support - even for peacekeeping".

An additional important reference on this subject is Brig.Gen Hayes (Chief of Staff UNPROFOR April - Oct. 93) who, in his presentation to an international audience in London on 4 November 1994, on the subject of "Light Armour in UN Humanitarian and Peacekeeping Operations" stated in part: "a wheeled vehicle will have far less off-route mobility than a tracked one, and it will also be less agile on the many poor routes that



THYSSEN BHI

4

criss-cross the country. For this reason, I would support tracked over wheeled vehicles every time", and elsewhere "the other disadvantage of a wheeled vehicle is that your tires can be shot out and the vehicle disabled as a result. In Mostar in July 93, the Spanish lost 70 tires in 2 days when their movement into the city was not welcomed."

PRICE

For planning purposes, I would like to draw your attention to a budgetary price submitted 14 July 1994 to DND Directorate of Land Requirement (DLR3). At that time, we offered a budgetary price of 1.5 M DM FOB Kassel or converted by today's exchange rate, just under Can \$1.4 M. In the absence of a formal Statement of Requirement (SOR) or Request for Proposal (RFP) you will appreciate that it is not possible to provide a specific price quotation. We are certain that when responding to a formal RFP, where a clear SOR is established, Thyssen can offer a highly competitive price.

Since submission of our survey reply to DLR, we have had no success in scheduling the appropriate follow-on discussions. The reason given by DND officials for deferral was the tentative status of the APC project pending promulgation of the Parliamentary Defence Review and the subsequent White Paper. These delays have precluded full physical demonstrations of vehicle performance, preliminary discussion of technical ILS support, and other matters. Nor have any discussions taken place on possible technical variations of the vehicle which would potentially reduce the budgetary unit acquisition costs, ie. substitution of a North American power pack, that could bring a substantial cost reduction.

In closing, we hope there will be an opportunity to have more formal exchange of information between DND and our Company before any critical decisions on the APC project are taken.

If you have questions with respect to any area of our proposal or the technical vehicle characteristics, please do not hesitate to call. Again, many thanks for providing me with the opportunity to meet with you and to open a dialogue on this important subject.

Sincerely,

Greg Alford
Sr. Vice President

Attachment: Article of Vanguard Magazine, pp. 22-27



THYSSEN BHI

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

TELEPHONE (613) 563-3321

TELEFAX (613) 563-7648

TELEFAX

TO: Karlheinz Schreiber, Kaufering
Marc Lalonde, Stikeman, Elliott
Jamie Deacey, Association House
Daniel Despins, Association House
Jack Vance, Tweed

FAX NO:

FROM: Greg Alford

PAGES: 7
(including cover page)

DATE: 8 March 95

MESSAGE:

Please find attached reports of the meetings with
Minister Ouellet (28.02.95) and
Mr. Lagueux, ADM Supply, DND (27.02.95)

REPORT OF MEETING

February 28, 1995

Minister of Foreign Affairs

Participants: Hon. André Ouellet, Minister of Foreign Affairs
Patrick Tobin, Policy Advisor

and: Jürgen Massmann, Thyssen BHI
Greg Alford, Thyssen BHI

Meeting took place at Minister Ouellet's Parliament Hill office in Ottawa.

Originally scheduled for 30 minutes, the meeting lasted over 1 hour.

In advance of the meeting, Mr. Tobin explained that any initiative by the Defence Department to push through a sole-source order to GM has been blocked by Minister Ouellet at Cabinet level. Further, Minister Ouellet's interest in the Thyssen proposal is very high, hence the agreement to meet.

Minister Ouellet made a warm welcome, indicated his familiarity with the Company's proposal and after a few minutes of background discussion, raised a number of points to which Mr. Massmann replied.

The Minister:

1. Is the Company asking for financial assistance from Industry Canada?

J.M.: No. At first this was the case based on the Government offer to give an R&D contribution in the absence of any order from the DND, but now that the Army requirement for Armoured Personnel Carriers (APCs) has been confirmed by the White Paper on Defence, the Company has withdrawn the request for grants and offered to bring the manufacture of TH 495 to Canada for export if TH 495 is selected for the Canadian APC requirement.

The Minister:

2. What about tracks vs. wheels?

J.M.: Our understanding is that the Army has indicated they would accept either a wheeled or a tracked solution, but their view of their best solution would be a new

tracked vehicle.

TH 495 was designed to meet the requirements which the Canadian Army described over the past years, first for the MRCV program, and subsequently for the MNAV (NATO) program. Thyssen did not receive any official written notice of requirements, but based the understanding on numerous discussions of mission requirements and operational issues which the Canadian Army discussed with the Company as the TH 495 development took place.

The Commander of the Army visited Thyssen Henschel in Germany during 1993, when he test drove the TH 495 and he acknowledged our vehicle met all his expectations for a new APC, as it had been defined in the Army studies on vehicle requirements.

The Minister:

3. There is some concern that your vehicle is only a prototype and could not be produced in time to meet the Army requirement for 1997?

J.M.: TH 495 has been built as a prototype in 1992, and was then subjected to extensive company trials from which design modification were made. Naturally, as a first vehicle there were some changes necessary and these were identified over several thousand kilometres of Company tests.

The next vehicle, completed in mid 1993, incorporated all necessary changes and was produced as a pre-series production vehicle. That vehicle has undergone further company tests to prove the design and has just completed intensive performance trials with the Malaysian Armed Forces. At the end of these Malaysian trails which included over 2,000 km of intensive use, the Malaysians reported that the vehicle was completely successful, having no system or component failure, and proved to be the most effective system they have found in their APC search.

As for when could TH 495 be produced, we are only limited by long lead items such as engines which must be ordered in advance. For planning purpose, if an order were received today, the first production would take place between a minimum of 12 months and a maximum of 18 months.

The comparison of TH 495 is to GM's LAV, but as we understand GM is offering a significantly upgraded version of their original vehicle and that vehicle is not now produced in London and itself is only a prototype.

To suggest GM can deliver quickly is hard to believe, since they have received the most recent Canadian order for 200 GM LAV reconnaissance vehicles since 1992, and are understood only to commence that delivery in 96/97, completing in 1999, therefore it is hard to see how they might deliver APCs in 1997.

Minister:

4. Export Market?

J.M.: We have submitted a detailed export analysis to the Government Committee led by Industry Canada with participation from Foreign Affairs and Trade and Defence. This Committee has carried out an independent analysis of that market with support from the military attachés around the world. They have agreed that the market for TH 495 does exist, and as a minimum a market of 2,000 units would be won for TH 495 with no known first market. With a first market secure, then the increase to the market share could be very significant. If the first market is Canada, then TH 495 export market could be as high as 4,000 units.

Minister:

5. What Canadian Partners can you work with?

J.M.: Computing Devices Canada (CDC) are already suppliers for electronic systems, and we are prepared to expand our business with them.

GM We are prepared to work with GM and as an example, if the Government were to indicate a preference for the Delco turret, this would be an area for co-operation with GM since Delco is their sister company and they already do work on that turret.

Oerlikon We have already done engineering tests with Oerlikon to confirm the ability of their ADATS system to work with TH 495. Also we have received a recent contact opening discussions for other areas of cooperation as relates to the Canadian APC and we are open to this.

The Minister:

6. Location?

J.M.: We have examined a number of areas where we could carry on our business and confirmed potential exists for number of industrial regions in Canada.

Quebec, and particularly Montreal, is certainly among the regions where we can operate efficiently. We seek an established industrial area, skilled workforce, good communications and transport links, and available site and plant facilities which can be acquired from a competitive real estate market.

We have made no commitment to specific sites, as we want to keep flexibility in order to respond to Government priority.

The Minister:

7. Do you have friends in DND?

J.M.: We would have more friends in DND, if our name was GM.

We believe our support in DND exists in the Army, if they are asked whether TH 495 is a good vehicle to meet their APC requirement. If that question is posed and they are

a good vehicle to meet their APC requirement. If that question is posed and they are free to answer without any DND Headquarters influences saying "buying exclusively from GM is Government policy", then the answer will be, TH 495 meets all the requirements of the APC requirement. It is a highly protected, highly mobile vehicle with growth potential to make it the best solution for the Army.

Closing Comments by Mr. Massmann:

The APC requirement is for some 600 vehicles starting in 1997. Thyssen can meet that date with TH 495 built in Canada. Furthermore, if it is the need of the Government to split that quantity to 300 units to Thyssen and 300 units to GM that still will be enough for the start-up of TH 495 in Canada, with a world product mandate for Canadian production for the large export market. The jobs created by the Thyssen project will be high value permanent jobs both for skilled workers and for engineers.

Lastly, comments about "Cadillac or Mercedes" solutions are not accurate for a military vehicle like TH 495. It is simply a modern vehicle designed to operate efficiently over a long life (30-40 years), delivering a high level of protection and defensive capability to multi-purpose Army such as Canada. As a modern tracked vehicle, it is lower in cost to a wheeled vehicle that would offer the same mission capabilities.

After the formal meeting

Mr. Tobin indicated that Oerlikon has asked for Min. Ouellets support and Oerlikon has been encouraged to find cooperation with Thyssen.

Also mentioned was GM's recent approach to Ouellet which apparently is unattractive politically, due to its lack of Quebec content.

MEETING REPORT

DATE: 27.02.1995

ATTENDING: DND - Pierre Lagueux
Asst. Deputy Minister, Supply

THYSSEN - J. Massmann
G. Alford

The meeting took place at Mr. Lagueux's office, DND Headquarters.

Duration of the meeting was approx. one hour.

Jürgen Massmann (J.M.) thanked Mr. Lagueux for the meeting and opened discussion on the pending Federal Budget asking Mr. Lagueux (P.L.), if it is DND intention that the APC project should be sole sourced instead of competed, explaining that all major DND programs observed by Thyssen have been sole-sourced.

P.L. No decision has yet been taken on the APC project. That it is still subject to final input from other departments and ultimately the Cabinet.

J.M. Is DND internally intending that the project should be wheeled only?
If it is the Government intent to procure wheels only, sole-source from GM - then please tell us and we will accept this.

P.L. Each individual project is subject to consideration for sole sourcing or competition, but the APC procurement strategy is not yet decided. As for wheels, the Army has indicated preference for wheeled APCs based on the success of wheels in the current assignment to Bosnia.

J.M. The Company has been informed that the Army preference was not for wheels but in fact was open to a new generation of tracked vehicles capable of high protection and mobility, combined with high growth potential in order to serve the Army over the many years ahead.

The Army's willingness to accept wheels is understood to exist as a least preferred alternative to no new vehicles at all.

As to the suggestion that wheels are cheaper, it is proven by recent studies that if a wheeled vehicle and a tracked vehicle have identical mission capability - the tracked vehicle will have lower procurement cost.

Further, to compare life cycle costs, it is also proven by these same studies that life cycle costs to operate a new generation tracked vehicle will be lower than the costs to operate an old wheeled vehicle. In the Canadian context this would apply as the GM/Mowag vehicle, which is a 15 year old design and therefore will not have any operating cost advantage over a new generation tracked vehicle such as TH 495.

It is understood that in addition to acquiring an appropriate technical solution for the Army, the Government is equally concerned that the APC should be built in Canada, bringing direct industrial benefits in balance to the procurement investment, as well as for exports. There is a point of view which argues for limiting APC production in Canada to a single producer - GM. However, GM cannot offer a tracked solution for Canada and for export. In contrast, the Thyssen proposal offers an uncompromising technical solution for the Army, with industrial benefits from production for the domestic market and for the export market.

In closing, J.M. recalled that in June Mr. Lagueux made arrangements for the Army staff to visit the Thyssen exhibition at EuroSatory. Since that time, there has been only limited discussion with the requirement staff until a "freeze" on industry contact was imposed about September.

Most recently, a technical update presentation by Thyssen was accepted by the Project Management Office, but the restriction on officers to not discuss the APC program made the presentation a one way discussion. However, the Company assumes that before going ahead in such a large project as is the APC Replacement, there is some benefit to be gained by an exchange of views and open technical discussions that will allow the Company the opportunity to develop the best solution for the Canadian Forces.

J.M. asked Mr. Lagueux to arrange for a meeting between the Company and DND officials where such an exchange of information can take place. Mr. Lagueux eventually agreed that the Company could come back to him on that in 2 weeks (13 March).



THYSSEN BHI

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

TELEPHONE (613) 563-3321

TELEFAX (613) 563-7648

TELEFAX

TO: Marc Lalonde

FAX NO:

FROM: Greg Alford

PAGES: 4
(including cover page)

DATE: 17.3.95

MESSAGE:

Please find attached a note which I have prepared to summarize the themes of criticisms which we are picking up in DND contacts.

I plan to share this information with Patrick Tobin.

Regards,

Recent contacts with DND have revealed the following themes of criticism, directed at the Thyssen Proposal.

March 16, 1995

Thyssen is only hearing what they want to in their meetings and not accepting the "obvious messages", ie.

i) "The APC will be sole-sourced to GM and that decision is final, except for a Cabinet sign-off at Treasury Board".

Response: Thyssen has asked DND specifically - will purchase be a sole-sourced order to GM Diesel Division. The reply from the Assistant Deputy Minister Supply is that the APC project is not yet decided and subject to inter-departmental approval and then Cabinet approval.

Thyssen contacts at Cabinet level say emphatically - no decision has yet been taken for the APC project, and therefore Thyssen's offers and interest are welcome and encouraged.

ii) The Army prefers wheeled APCs.

Response: Thyssen has been given no indication from the user that the Army has established a preference for wheels, in fact, when we last discussed with the Army, their indication was a preference for a modern tracked vehicle which should be evaluated in comparison to a wheeled vehicle if a wheeled vehicle exists that could meet the anticipated mission requirements.

iii) GMDD, as an established armoured vehicle builder in Canada, must be the prime contractor by Government Policy.

Response: As to the suggestion that GMDD is the exclusive supplier to Canadian APC requirements, that has never been stated to Thyssen over the past 10 years. The Government has continually promoted our investment in Canada which has always been based on manufacture of APCs for both domestic and export markets.

iv) Current Government Policy is to decrease defence industry and defence exports; so the Thyssen proposal is in contradiction of that.

Response: If that is the specific policy of the current Government, then how can the Ministries of Industry, Foreign Affairs and International Trade and Defence not have dismissed the Thyssen proposal at its outset? In fact, the Thyssen proposal has been continually encouraged as a creator of jobs and exports. The Thyssen TH 495, as a vehicle targeted to the needs of Armies

engaged in peacekeeping is completely consistent with the Liberal "Red Book" statements on Defence industry, Defence procurement and Foreign Policy.

v) *Thyssen's TH 495 will compete with GM's vehicle in export markets, eg. Malaysia*

Response: The TH 495 is tracked, while the GM vehicle is wheeled. In most international markets users make a clear definition of requirement as either tracked or wheeled; or at minimum, set technical performance requirements achievable by only one type. Bidders decide whether to invest in pursuing each market based on an assessment of their equipment's capability to meet those requirements.

In the specific example of Malaysia, that customer has two clearly identified requirements. The TH 495 is presently being evaluated for the tracked requirement. There is also a wheeled requirement in Malaysia to which the TH 495 is not being offered, while it is understood the GM LAV/Mowag is being offered. The delineation tracked and wheeled export markets is quite clear.

vi) Thyssen has had plenty of opportunity to discuss requirements with "the user" (the Army) and present details on several occasions. DND has all of the information it needed to assess TH 495.

Response: True, Thyssen has spoken with the user on a number of occasions leading up to the APC requirement.

However, since the brief visit (2 hrs) of Army requirements staff to the static display of the TH 495 during the EuroSatory exhibition, June 1994, no substantial discussion with respect to the APC requirements has been possible. There was the suggestion that the Army Requirements Staff would visit Europe to drive vehicles of interest and have more detailed discussions during September. Unfortunately, when a visit to Europe occurred, it was limited only to the GM partner Mowag. As for discussions with the Requirements staff in September, Thyssen was told there was a "freeze" on industry contacts until "after the White Paper". Since the White Paper was released, responsibility for the APC project shifted to the Program Management Office for Light Armoured Vehicles (PMO LAV). On Feb. 16, 1995, officers of PMO LAV received a presentation from Thyssen, but were restricted from discussing the APC requirement.

Thyssen's concern is that there is an apparent restriction on discussions

with interested bidders. It is common for a purchaser to outline their requirements and then invite industry to make respond with the equipment which they have available, in Thyssen's case "off the shelf", to fulfil that requirement.

vii) The Thyssen vehicle is only a prototype, it is not in production.

Response: The TH 495 has finished its APC prototype work and has advanced to a pre-series production vehicle. If an order is signed by end of 1995, TH 495 can be in production in Canada in 12 to 18 month, thereby meeting the 1997 delivery requirement for the Canadian Forces.



THYSSEN BHI

To: Karlheinz Schreiber
Marc Lalonde

From: Greg Alford

Date: 27.03.95

Subject: Update on Thyssen Political Support

In a meeting today at Ottawa, Jamie Deacey and his colleague Daniel Despina reported the following information specific to our proposal and the support it has with Minister Ouellet:

Mr Deacey has an associate (who he did not wish to name) who has a 25 year friendship of a "mentor to student nature", with Minister Ouellet. That associate had a telephone discussion with Ouellet on the morning of 26 March, the results of which he relayed Mr Deacey in the afternoon. He asked: "What is the Minister's view of the Thyssen proposal and would it be worthwhile for the associate to get involved with Thyssen?"

The reply of Min. Ouellet was to cite all of the old arguments of Bob Fowler against Thyssen i.e. the Army only want wheels, etc.

Important to note is that all of those arguments were discussed and responded to in detail during the Company's meeting with Min Ouellet on 28.02.95.

Min Ouellet is understood to have further advised that "the Thyssen proposal is not going anywhere, don't waste time on this. There may be pressure for some kind of a competition on this requirement instead of a sole source to GM but this will probably only serve to put pressure on the GM offer."

Comment:

Why did Min Ouellet show such interest in our offer during the meeting 28.02.95 ?

One possibility is that by supporting the Thyssen offer Min Ouellet creates a leverage over GM to press them into accepting Oerlikon Aerospace as their partner to do the turret integration on the Delco turret. If GM were to commit to Oerlikon for that work that would represent a large Quebec share on the APC.



THYSSEN BHI

MEMO

TO: Jürgen Massmann
Karlheinz Schreiber
Marc Lalonde ✓

FROM: Greg Alford ✓

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

DATE: March 29, 1995

SUBJECT: Release of Market Study

PAGES: 1

I have received a telephone call today from Diana Durnford, policy Advisor to the Minister of Industry.

She wanted to let me know that Minister Manley has recently reviewed our request for release of the market survey, and he has decided to recommend to his colleagues that it now be released to the Company. The process, by which they have decided to release this information, will now require that the Industry Department gain agreement from the Departments of Foreign Affairs, International Trade and most importantly, Minister of National Defence" who now has lead on the issue since the APC program was announced".

I questioned the appropriateness that the Industry Department give up leadership on the release of the market study to the Defence Minister, when it is clearly a study on industry issue and was concluded well before the Defence White Paper announcement of the APC project. However, Ms. Durnford replied that she appreciated my opinion, but that they are proceeding as she had described.

Ms. Durnford also said, it will be another 2 weeks before they conclude their contact with the other departments and only then will she be able to tell us when we will get our letter. Mr. Banigan, the Assistant Deputy Minister for Manufacturing is the senior Industry bureaucrat directed to carry out the contacts to the other departments.

BHI Action

1. I have put a call to Mr. Banigan's office to inquire about this process.
2. I have placed calls to Mr. Tobin at Minister Ouellet's office and Mr. McCaulley at Minister Collenette's office to discuss this.



THYSSEN BHI

Suite 908, 350 Sparks Street
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K1R 7S8

TELEPHONE (613) 563-3321

TELEFAX (613) 563-7648

TELEFAX

TO: Marc Lalonde
Stikeman, Elliott

FAX NO:

FROM: Greg Alford

PAGES: 6
(including cover page)

DATE: 10.4.95

APR 10 '95 15:50

REJECTED

PAGE.001

11 AVR 1995

TO: Marc Lalonde
Stikeman, Elliott

FAX NO:

FROM: Greg Alford

PAGES: 6
(including cover page)

DATE: 10.4.95

MESSAGE:



04/10/1995 15:51
Industry and Science
Canada

THYSSEN BHI
Canada

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Ottawa, Canada
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PROTECTED

APR -- 7 1995

Your File - Votre référence

Our file - Notre référence

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

Dear Mr. Massmann:

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

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

Yours sincerely,

W.J. Laycock
Director General
Aerospace & Defence Branch

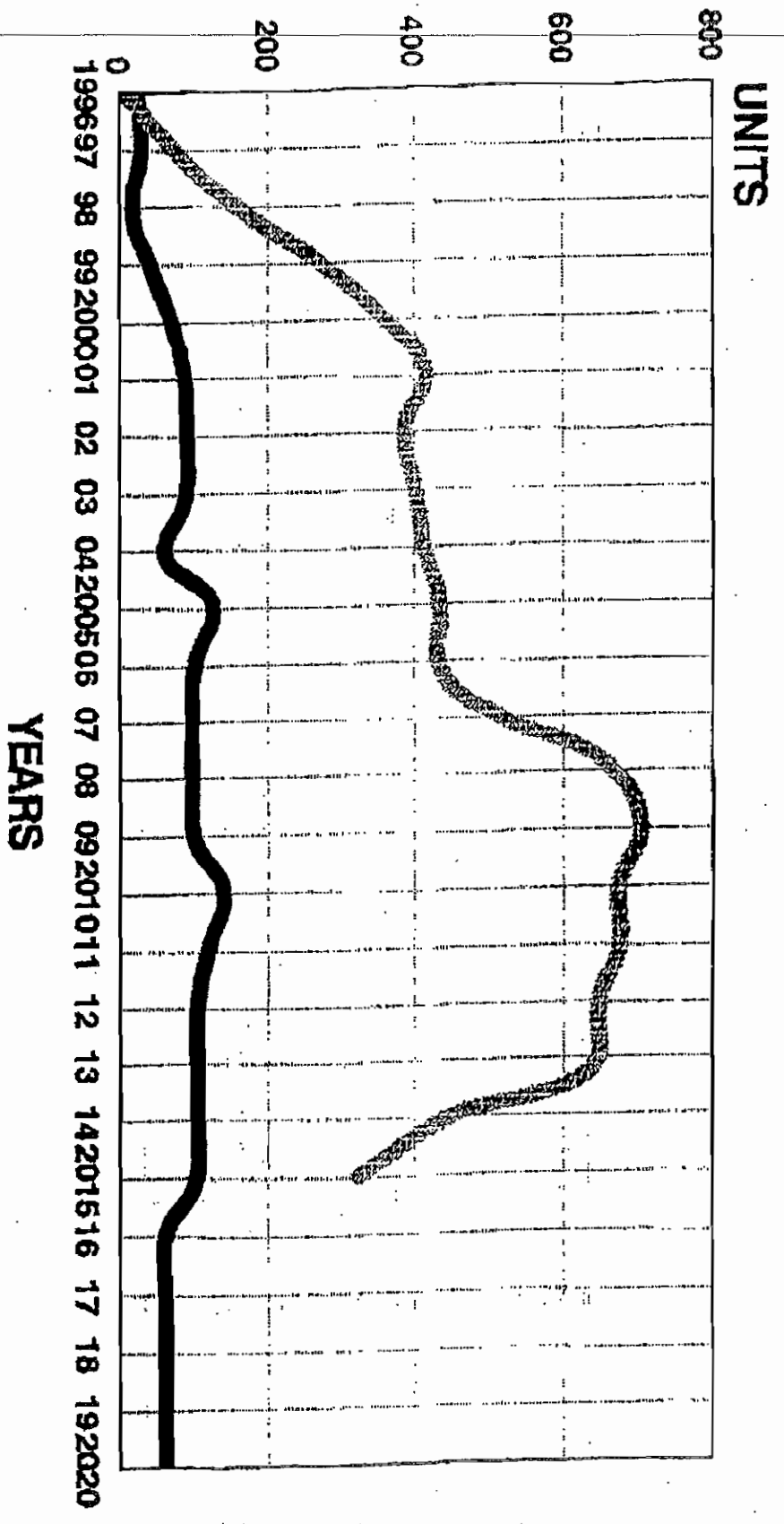
Attachment

cc. Greg Alford

Canada

TH 495 LAV MARKET FORECASTS

UNIT SALES (ANNUAL) - EXCLUDING CANADIAN PROCUREMENT

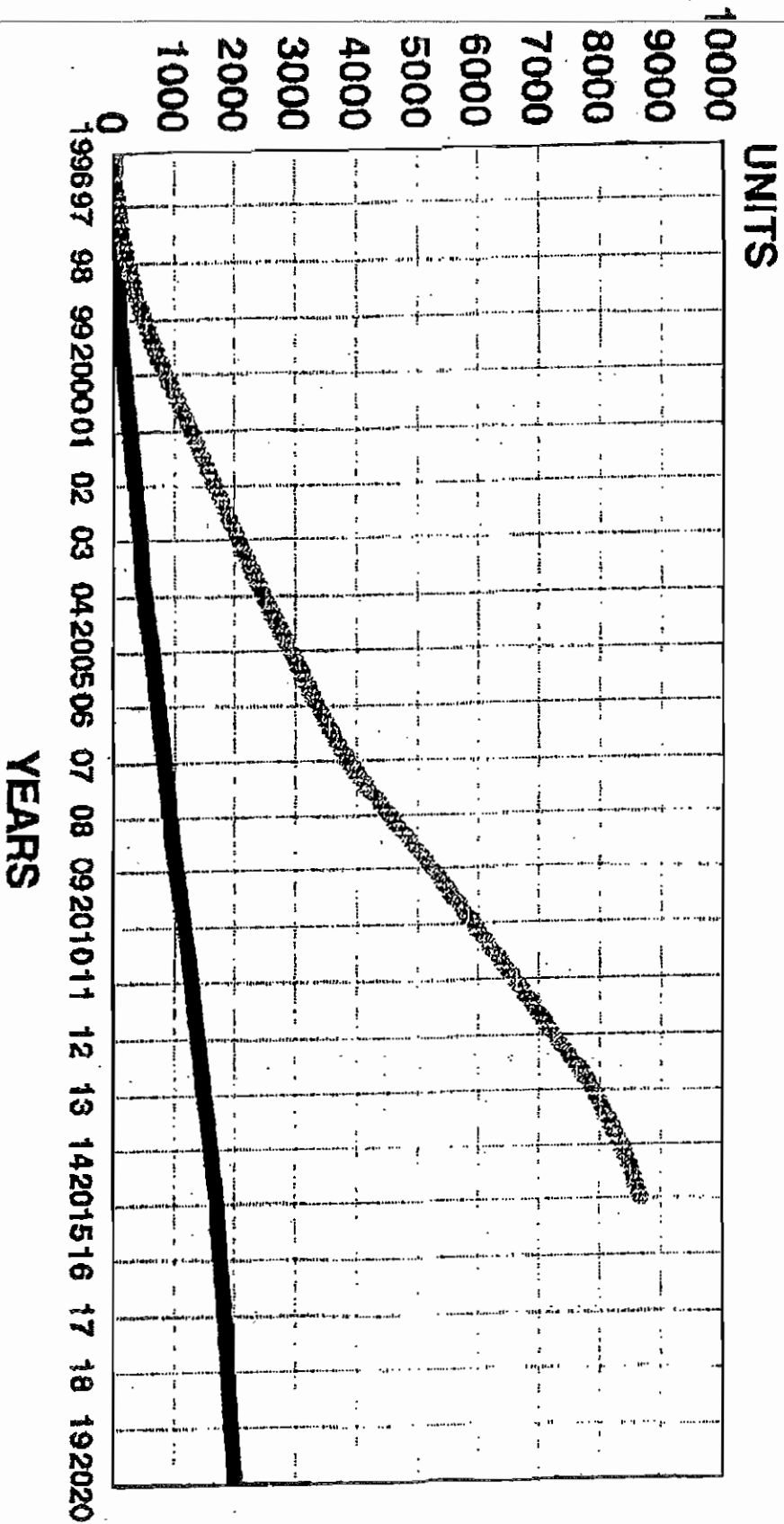


6841 BHI FORECASTED SALES — GOVT. FORECASTED SALES

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

TH 495 LAV MARKET FORECASTS

CUMULATIVE SALES - EXCLUDING CANADIAN PROCUREMENT



BHI FORECASTED SALES — **GOVT. FORECASTED SALES**

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

TRACKED LAV MARKET FORECAST

REFLECTING CURRENT CANADIAN EXPORT POLICY

<u>COUNTRY</u>	<u>M113 TITLE</u>	<u>FORECAST INTL. VEHICLES IN INVENTORY</u>
JORDAN	M113 A1/A2	1300
MOROCCO	M113 A1	499
TUNISIA	M113 A1	137
AUSTRALIA	M113 A1	773
SOUTH KOREA	M113	810
NEW ZEALAND	M113	78
PAKISTAN	M113 A1	894
PHILLIPINES	M113 A1	100
ARGENTINA	M113 A1	248
BOLIVIA	M113/ A1	44
BRAZIL	M113	614
CHILE	M113 A1	61
COLUMBIA	M113 A1	80
UADOR	M113	21
RU	M113 A1	157
GUAY	M113	18
PT	M113 A1/ A2	1496
<u>TOTAL</u>		<u>7328</u>

NOTE:

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

TRACKED LAV MARKET FORECAST SUMMARY*

REFLECTING CURRENT CANADIAN EXPORT CONTROLS

BHI FORECAST 1988-2015 OVER 28 YEARS
 GOVT FORECAST 1988-2020 OVER 26 YEARS
 GOVT AS % OF BHI

MARKET SEGMENT	GROSS UNIT SALES	% OF TOT	GROSS UNIT SALES	% OF TOT	GROSS UNIT SALES	% OF TOT
1. SPEC. NATO	3960	11.31	4700	5.76	26	1.19
2. UNSPEC. NATO	8280	18.58	5800	2.71	13	7.0
3. SPEC. NON-NATO	8660	25.66	6320	6.90	4.4	9.8
SUBTOTAL	20900	63.63	16820	16.67	8.2	31
4. UNSPEC. NON-NATO (S) (6)	16500	33.00	7328	3.62	17	4.4
TOTAL (7)	37400	86.53	28148	20.09	100	7.0

NOTES
 * BASED ON THE LATEST ITERATION ON TRACKED LAV MARKETS NOV. 14 1984

- GERMANY, NORWAY AND TURKEY (USA REMOVED)
- BELGIUM, DENMARK, FRANCE, GREECE, ITALY, NETHERLANDS, PORTUGAL, SPAIN AND UK (CANADA NOT INCLUDED)
- SWITZERLAND, VENEZUELA, GCC, SAUDI ARABIA, INDONESIA, MALAYSIA (BOTH PROGRAMS), THAILAND, SINGAPORE AND HUNGARY
- CONSISTS OF 30 OTHER COUNTRIES (ORIGINALLY M113 REPLACEMENT MARKET) NOT ANALYSED IN THE SAME METHODOLOGY
- BHI FIGURE CONSISTS OF M113 AND SIMILAR TYPE VEHICLES
- GOVERNMENT FORECAST MAXIMUM SALES OF 342 UNITS BY APPLYING GOVT. UNIT SALES TO GROSS RATIO (4.8%) IN UNSPECIFIED NATO (SEGMENT # 2 BASED ON GOVT'S COUNTRY BY COUNTRY SURVEY) TO THE AMOUNT OF M113 VEHICLES FOUND IN FORECAST INTERNATIONAL, TAKING INTO ACCOUNT CANADA'S CURRENT EXPORT PERMIT REGULATIONS.
- THE BHI AND GOVT. FORECASTS ARE BASED ON METHODOLOGIES WHICH PRODUCE EXPECTED DISCRETE VALUES AND NOT AN AVERAGE HIGH/LOW FORECASTED RANGE. CONSEQUENTLY IT IS NOT NECESSARILY CORRECT TO CONCLUDE THAT THE REAL SALES FIGURES WOULD BE SOMEWHERE BETWEEN THE BHI AND GOVT. FORECASTS. THE "REAL" FIGURE COULD IN FACT TURN OUT TO BE HIGHER THAN BHI'S FORECASTS OR LOWER THAN THE GOVERNMENT'S.
- THIS FORECAST RELATES TO TRACKED VEHICLES AND DOES NOT ADDRESS THE WHEELED VEHICLE MARKET.

BASE INFORMATION DATED NOVEMBER 14 1984



THYSSEN BHI

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

April 20, 1995

Hon. Marc Lalonde
Stikeman, Elliott
1155 Dorchester Blvd.
Suite 3900
Montreal, Que.
H3B 3V2

Dear Marc:

Further to our telephone conversation last night, Minister Ouellet has now had his meeting with Minister Collenette and according to Patrick Tobin, "the matter is in the hands of the Defence Minister, who will make an announcement at the appropriate time."

I have discussed this situation with Jürgen Massmann today, and we interpret this as negative and the indication that Minister Ouellet has given up.

However, we still do not have any direct comment on this from Min. Ouellet, so we would ask that you contact him on our behalf, so that we at least have a direct report from him on the situation and our prospects.

We would also like to get a similar assessment from the Defence Minister, as well as from the PMO.

Since the new letter for Minister Collenette will be ready Friday, perhaps you could make arrangements to personally pass this to Ministers Ouellet and Collenette and at the same time use that opportunity to find their current view on our offer.

Best regards,

NOTE: this page is a DRAFT FOR INTERNAL THYSSEN DISCUSSION ONLY)

Export Potential

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

- At the start of the study, the Government committee was doubtful of the market defined by Thyssen for the TH 495. However, the Government's study concluded that a specific tracked light armoured vehicle market does exist in the TH 495 category, in approximately the same scale and time frame as described by the Company's projection.
- The TH 495 as a tracked vehicle, will penetrate a distinctly different market from that which will be entered by the wheeled GMLAV. As such, any market share projected for the TH 495 represents a net increase in Canada's exports.
- The Government market analysis, assuming no Canadian sale, projects the TH 495 will achieve an export market of some 2,000 units over a period reaching out some 20 years. Furthermore, the Government committee agreed once the initial sale of the TH495 occurs, the projected market share probability would increase significantly for each export market projected. A reasonable increase to the Government's 2,000 units scenario would be to increase to 4,000 units as a most likely scenario.
- Thyssen projections indicate there is a reasonable market share potential for as much as an 8,000 unit market share, but for purposes of discussion in Canada, we are prepared to base our plant viability assessment on the Government scenarios. The Company confirms that a plant is viable even at the lowest market share projected by the Government of 2,000 units.

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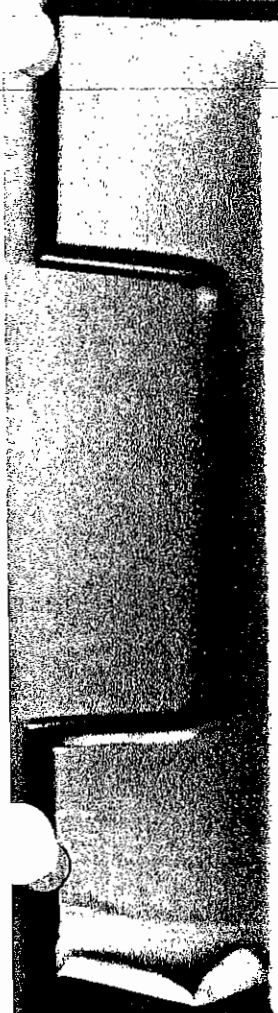
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Freitag 10. September

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Feld. Riv. Fops + Kopp.

Geige Witten ✓

Kamp Flüge + Malle

Krag. 105er

F. 105er

Frank Hoos

Friedl
Hagen

Td. Bar

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Td. 8.40

SA 6.02

Sonntag 19. September

SU 18.28

11.11.11

Montag 20. September

SU 18.26

37. Woche
282-103
Eidgenössischer Beitrag
(Schweiz)

William DND

Manon-Dante

Ap. 217

94. ~~43~~ 44 91

43 44 91

Abat.

43 45 41

UHR	11.11.11	11.11.11
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Gröser Hefeger
Haberer 2

Neumann Roy

Geys Roy

38. Woche
283-102

38. Woche

284-101

Amcke

50

B-Falcon

Rep. Leon

25 Rockediff

100 STT

FRA. 856

1.1. 500

MARE

356

UHR	11HR
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38. Woche
266-99
Tel. Strobel
Friedrich
Rothmühle

Tel. Hooser V

Bs. 31. 1992
DSK + DM Badel
ST Tr.
Landsk. Zins.
Pensionsin
Royal Bank
Alypethal Nord

UHR	7	UHR	7
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	10		Friedrich Hooser 10
	11		Hooser 11
	12		Manhard Bort 12
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	17		17
	18		Ahnalen 18
	19		Maart 10 Pers. 19
	20		15 20

Friedrich Hooser
267-98
38. Woche
Fred. Witz Buecher

Hugent Drexler
Hapollenburg 31a
82297 Stornhof.

Masse

Hilfen Park - Halle
Doyelhausen.

Samstag 25. September

SU 18.14

Sonntag 26. September

SU 18.12

38. Woche
259-96

38. Woche
259-96

UHR

UHR

UHR

UHR

UHR

UHR

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Handwritten notes:
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Handwritten: Marten 10

Handwritten:
Max
Mark
Rater
Katjani
Mh.

Handwritten: Wisln. Box 3

Handwritten: Albert

Voraussichtlich: Ende der Sommerzeit

39. Woche
270-95

Gisela / Max - Zimm?

...
...
...
...
...

H. Spnied / Sehe ya

Cham. ...
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UHR

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Tel. Kold

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Tel. Gism.

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Tel. Müller E.

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775 Sendung.

UHR

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Tel. Doret. Fred
Tel. Elmir.

Gisela. Abg. ...

Wiss'n Diction box

Niccorok
Müller E
Beules
Poter
Mh.
+ Name + BRÄR

39 Woche 272.93
 SA Marga
 0821-3105.632
 PTAWA Machad. 623
 Mobil →
 Fax 0821-3105.637

UHR	Uhr
7	7
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10	10:30 Augsburg 18 Zimm
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Tel. Bob Heider
 Tel. Erwin 0950

Talk gang 70

BAR /
 Jansen Made Freiberg

30

31

94
Sa 6:22

Freitag 1. Oktober

SU 18:00

Samstag 2. Oktober

SU 17:58

39. Woche
274-91

Filber
Kommande Waschen geschliffen

UHR	1	II/III
7		
8		Erich Riedl
9		Franz
10		
11:30	A. Spindler	
12		
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18		30 Minuten geschliffen
19		
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Blutdruckgerät

Schulung 60.

Erke + Jäger

M. S. J.

M. S. J.

M. S. J.

M. S. J.

39. Woche
275-90

39. Woche
27.6.89

Freitag
Bauern

Tag der deutschen Einheit
Erntedankfest

Freitag
Bauern

Freitag
Bauern

Mol...

Freitag
Bauern

40. Woche
27.7.89

Freitag
Bauern

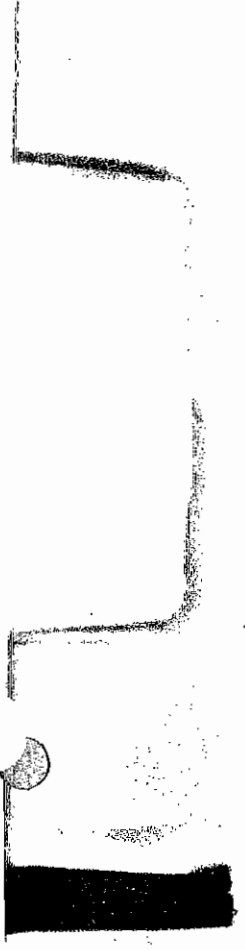
UHR	7	785	102	UHR	7	
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40. Woche
 279-87
 Fr 5. Sep. A B

UHR	UHR	NA LIJID	40. Woche 279-86
7	7		
8	8	Therap. Con ca. 30-40 sec	← Nachsa Rothornbeeren A.L.
9	9		Enika Bof. m. Ropyang.
10	10	1:30 Laminieren Nur	Thomas Geygare / Stier
11	11	1:30 S. Spritzk.	Geygare Miguel
12	12		Balala
13	13		Plas. f. f.
14	14		B. W. B. G. G. G. G.
15	15	TEL. Netzwer.	Fischer
16	16		Reinigung.
17	17		25 - 28 ent. Programm
18	18	Yesim.	
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100-111
 (31)
 111

40. Woche
280-85

UHR

UHR

40. Woche
281-84

Tel. Hauptort ✓
30 € GAC Post.

7

1

Eviksen 1998
Hakola 1998
Nokia 1648
D-Netz

Peter ✓

8

8

Altkolon Konax

Giesmar ✓

9

9

Romminger

10

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Goppel

11

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Ballett

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12

Emilia Binj Redungen

13

13

Muttere Wörms Seife

14

14

Geyer Ponde ✓

15

15

Spitz Telefonbuch Dreyfurt ✓

16

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Goppel

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Goppel

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Goppel

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Goppel

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Goppel

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Lamv
Ely suicide
Bogner
Hort Blanc Basisk.

Frau Lonn Kaye

Huch.

Tel. Max

Tel. Weyer ✓
Tel. Bock ✓
Daimler

Rudolf Nohsen ✓

40. WOCHEN
282-83
283-4

CA
Altkorallen Norport

Roggeholz haben
Apfel haben

Splank Bois
Birnen Speiser
Bald Kuchenerney

UHR	UHR	UHR
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CA - 16. 1909.
Jörgen Mejsman
Albert Birken S.N.
Kocher Riedpflanz
Theodor Pj

Altkorallen
Aula Hauptstadt.

Bay. GmG. Vorn.

084 92 38.373

Heiligewirt. Br. 3

Bay. Geldmarkt p. d. 2

Projekt. | Pflanzl. Fren.

Lorenz v. Rom. v

Meluh Rg. v

B. v. m. S. Nov

4 Wochen

Dischinger Halle

65-35-3

Schindler

8

Yager v. Markt
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Fritz Darrat
Chanson

Apfard. Buchhold & Bin
Mo 31.12.91.

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Z. Frisch Bar

Los. 10. ...
out Bar ...

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Darrat.

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Baile Rlle

664.52

30.000.

Boyale Rappat

Rulle

Hauptgale Wausman.

Leysch.

Mo. Canada.

637.860-8

Proj. 3473.88/312

Edmond Chirsson

Hanc!

41. Woche
288.79

UHR
Held, Pons, Marc

UHR
Heller, Fried
Wöhrle, juu

41. Woche
287.78

UHR
Rominger, Marc
Kostmanns

1992. 67025

7 0033.1.44364436
8 0049.8191.70933

8

133.8570

Edy B. & Henry on

9 P. Brast

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Jergens

10:30 Rominger

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Rom - h.) Saunley i. Au
950 4093

1989. 90.000

11 Anstod.

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Elmer Necker

1990

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Frank Moore
Cathy

1991 30.000

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Falconetti

1992 88.000

14 Working 2. prog.
Dinner

14

Borgetto & Heini Mann
Bos Hedden

208.000

15

403.452.0781
483-5144

1000.000

16

Martin Larnell, Brian
H. Spind, Morris

208.000

17

Marsout R. Schmidt

792.000

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41. Woche

41. WOCHE
289-76

888-774
Wiederholungs Dokumente

Bar 2 - Ende

Harold Baile

Zelle - Meyerlich 18
19-21

Frank Meares

Bismann

Baile

Don Johnson Ferner Review
David Johnson - Barroso

UHR

7

Ted. More in Paris ✓

8

Waldykeys Power
Perry. Carved

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Ted. Perry

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ELMER, Ted.

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Frank Meares. Ted.

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Ted. More, Allan, Frances
McDermott, Edward,

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E. Miller

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Fernst Miller
Hansing

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Hotel Alexander

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Hotel Alexander

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Hotel Alexander

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Hotel Alexander

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Hotel Alexander

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Hotel Alexander, Litchner

globe. 1-251.8203
2-208

Ted. Mohler

Hotel

Filer Babel

globe Scaron
0041. 1-251 8203
2-208

Hotel Alexander

Hotel Alexander

Hotel Alexander

Hotel Alexander

Hotel Alexander

Hotel Alexander

Hotel Alexander

Hotel Alexander

41. Woche
290-75

Kirchweih

UHR

Lorel
Dorel } Corvus ?
Hering

42. Woche
291-74
Spöck Remington

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10	10:45 Fütterung
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Hantel Käse 92.000 05
 Garagenwärm 433.850
 Fremdstück 40.000
 4.000. 30.000 4
 27 Garagenwärmer, Pinger
 von 4.000. 30.000. - an
 2.000
 Herbst: Habeger's Bild
 Eiben
 Kopie Bayreuth Remington
 Lorenz & Pflanz

SA 655

Dienstag 19. Oktober

SU 17.21

SA 654

Mittwoch 20. Oktober

SU 17.19

42. Woche
292-73

Goslar

Eiswan Ray

UHR

III III

42. Woche
293-72

TH 495-Roy

Massel

Haerfax

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11:36 Kauf. In. Masse

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*Ray. Hermann
Vander Aepool*

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SA 6.56

Donnerstag 21. Oktober

SU 17.17

SA 6.58

Freitag 22. Oktober

SU 17.16

42. Woche
29.4.71

*Thyssen / Kessel
Rost & General*

UHR

UHR

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Strobl - Rom in 1949 Woche 29.5.70

*Lorenz Kopp's Bergbau
Hilbert Hölzger's N. 112
Kalle*

SA 6.59

Samstag 23. Oktober

SU 17.13

SA 7.01

Sonntag 24. Oktober

SU 17.11

42. Woche
296-69

UHR	UHR	UHR
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Baldie
Bergitte
Albert

42. Woche
Peter Heber
Dore

SA 7.03

Montag 25. Oktober

SU 17.09

SA 7.04

Dienstag 26. Oktober

SU 17.07

43. Woche

43. Woche

299-87
Schall wq. Deminger

Nationalleitung (Österreich)
Hoch Krause
Bäse

Lorend' Zeitplane ?

Raphe Mahr

Lorenz

Albst Tomis halle

Erbs

Wapfury Baufirma

etc

MAX 7:47
Dorle 18:00

ipreiter

UHR	UHR	UHR
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Erben Mahr

Erben Mahr



43. Woche
300-65

Eglinger Bild Nacht

Murter

Hilger braune Spader

Tel. Mizi Mach

Tel. Max

Spitz Horkanten ?

Adventparty ?

UHR
7 Tel. Heertof.

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15 Porse w Wägel

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18 Jensen.

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IHR
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15 Porse ?

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43. Woche
501-64

Max Zallenyan

Pietraday Etkan

Flug Canada

T.H. 6 ?

Grey Prose Pasternak

Magda wite Zayman

Elain, Naki + Perre

TH 495, Vinsolange

Hoyner Boda ALBA

Mipp Wokelipin Fax

Mppman Zayman wgr

Manni

Mippen

Maxwell / Dodelle

43. Woche
302.69

T. West Conrad?

Perle

Wester

Wagner Zugweg Wald

Th. Weg Greg Weg

Brief für Kanari

Fahrad Handschuhe

UHR

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Ed. Beer

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IHR

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T. Meier

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Eglinger

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Bob Matsumi Monowaki

David Coppen Field

Fred Bauer

Greg - Kalender

David Coppen Field

306 725 62

Carren Coale

Bob Matsumi afu?

Fred Bauer

Coppen Field Coale

Eglinger Bier

Weg Monowaki Hand ...

SA 7.18

Sonntag 31. Oktober

SU 16.58

SA 7.14

Montag 1. November

November

SU 16.58

43. Woche
304-61

Reformationstag

UHR
7

UHR
/

SCHREIBER 44. Woche
305-60
Gesetzliche Feiertag in Baden-Württemberg, Bayern,
Nordrhein-Westfalen, Rheinland-Pfalz und im Saarland.
Verh. Tel. No. 70933

Ed. F. W.
V. Z. M. W.
Lampen Garten ?
Coppsfeld ?
Fam. W. W. W. ?

Fricker.

W. Z.
Frau M. W.
230.390 / Do.

Hen Kowalski.
403.427.3162
403.674.3225 B.
011.49.8191.7093

Ed. G. W.
Fricker.

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111

111