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PRESIDENT

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Dear Philippe,

Since our meeting many developments have occurred. Some undoubtedly have been brought to your attention since the English press went berserk.

The English case involved the Northern Ireland acquisition of the old Lear Fan plant. The true story is as follows :

1. Because of an approach to SRC by Venga Aircraft Corporation of Montreal requesting SRC financial participation in their "Carbon Fiber Aircraft Project", I requested through high-level friends a visit to see the former Lear Fan Plant. The reason was rather simple. I did not believe the representations of the Venga people. The president had been a student of mine at McGill University. Bill Lear had been a friend when alive, and I knew the start-up history of this material.
2. My trip to Belfast, with my son Stephen, was sponsored and organized by the Industrial Development Board. They had devised a schedule to visit both Queens University and the University of Ulster, as well as the former Lear Fan Plant. At the University of Ulster they had formed a "Composite Technology Group" to absorb the key engineers that were made redundant by the Lear Fan bankruptcy. The former Chief Engineer of Lear Fan was Mr. Jim Brooks, who, by chance, had worked for me on the Canadian guided missile programme from 1955 to 1960 at C.A.R.D.E.
3. Most of the time was spent at the Universities. For about one-hour Jim Brooks took us on the tour of the old Lear Fan Plant. The buildings and equipment had been sold as scrap some four years previously. The equipment was dismantled and stacked in corners. The plant itself, leaking roof and all, was being used as a warehouse for generators and spare parts by F.G. Wilson, who bought the lot from bankruptcy.

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7

Jim Brooks was very enthusiastic about any possibility of restoring the plant. In effect the plant was of the most elementary form of technology. Like a tailor's shop, they bought the woven carbon fiber mats from Dupont, cut them to shape, and cured them in auto-claves. The major aircraft industries now use carbon-fiber components in many non-critical parts of commercial aircraft. Jim was certain that if the plant could be re-purchased for a reasonable price and restored to operation, then it could be profitable on direct sub-contract work from such companies as Shorts (Belfast), British Aerospace, Mc Donald Douglas, Boeing, etc. Evidently all these companies had contacted Jim Brooks previously. What Jim could not tell me was the status of the warehouse and dismantled equipment. That is, was it for sale, was it partially sold etc.

5. On my return I handed the matter over to Michel. The visit had shown that the Venga representations were incorrect. The building of a carbon-fiber aircraft body was more expensive and time consuming at the present state-of-the-art than normal construction techniques.

Subsequently Michel and Stephen visited the site. Michel became extremely enthusiastic and took up the project. In his first discussion with F.G. Wilson he learned :

- a) F.G. Wilson had been conducting negotiations with the Rumanians for over six months to sell all plant equipment as scrap. They had signed a protocol; the Rumanians had sent numerous delegations to collect all machinery brochures, and photograph as well as inspect each item, etc. They had to come up with a down payment, and this seemed to be a problem.
- b) Wilson was willing to put a 30 day deadline on the Rumanian negotiations. By that time they had to deposit £ 100,000 or be eliminated. If the SRC group then wished to make the option money payment we could and take over.
7. Michel discussed the matter with me, expressing his belief in the project and desire to go ahead. We agreed to gamble the 100,000 pounds, hoping to find partners during the period the option was valid.
6. Shorts had lost large sums of money and was being privatized. The problem was that there were no buyers when we started. Long after we concluded the agreement, Canadair (Canadian tax-payer's money, although ostensibly private belonging to Bombardier) purchased Shorts (June - August 1989).
9. During the month Michel canvassed various groups, including the Iraqi TDG group which owned Matrix-Churchill in England. The TDG group referred it to Baghdad. Dr. Amir Al Saadi requested a meeting with Michel and myself to discuss the matter. The argument for participation was that carbon fiber was the highest added value petro-chemical product. The policy of Iraq is to acquire petro-chemical plants abroad and in Iraq. The proposal would allow them to assess the market potential of carbon-fibers. They have a very small pilot facility, but expansion to an industrial size plant involves a very large investment. Such plants exist in Israel, India, Brazil, the UK, the USA, France, Switzerland, Japan, the Soviet Union, etc. Full details of the numerous patented processes are available in the open literature.
10. The decision of the Iraqis was that if Michel could show a sound business plan, and the exact size with risks of the investment required by them, they would go along. Their interest was to determine the long term market from a 3-year period of involvement in a company trying to make a business out of sub-contracting.

Michel worked with the Industrial Development Board and Peat-Marwick (Brussels) to develop the business plan. One issue brought up at the outset was the question of acceptability. Was SRC acceptable? Were the Iraqis acceptable? The Northern Ireland authorities were most affirmative on both, and were given full background details.

- 12 The Iraqis accepted the business plan and agreed to be a 50% partner, but only after they sent their own group independently to receive assurances from the Northern Ireland authorities that they were welcomed. This they received.
- 13 So we formed "SRC Composites", openly declared its share holding etc, and bought the facility for 3.2 million pounds. I had no involvement whatsoever for several reasons. First, I was over my head already in other matters. Secondly, I did not want any publicity.
- 14 On Friday August 11 at 4:30 pm, Michel received on the SRC telex at Highwater, Canada, a telex from the IDB saying that a grant of 2.2 million pounds had received approval from all UK authorities. They wished to close by mid-week and asked Michel to travel on the weekend to ensure all matters were in order for a Wednesday morning closing.

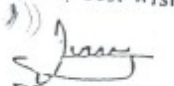
When the project began I had advised Michel to stay away from any governmental participation. My experience in Canada had shown company after company destroyed by accepting so called "assistance grants". Furthermore, we did not need the money. He has explained to me that the IDB insisted on the grant for political reasons.
- 15 Michel showed me the tlx as I was staying at Highwater. I explained my surprise at the time of reception; English civil servants do not work late on August weekends.
- 16 Monday morning at 9 am (UK time) Michel received by hand the letter attached. The signee had never been involved. When he sent me a copy, I realized its similarity to Canadian actions in the past. Ultimately I found out that a "Mr. Levine, former head of United Technologies, now the Czar for all UK defense buying and selling" had intervened. Mr. Levine is Jewish.
- 17 We received an offer first from Bombardier in Montreal (Laurent Baudouin has been an acquaintance for years) and then Shorts. My advice to Michel, which he accepted, was to sell at once.
- 18 However, the Foreign Office decided to run a press campaign through "leaks". The utter nonsense they spread was beyond belief. A warehouse and scrap equipment becomes the key to UK security etc. They bring up a non-existent "Project Condor" with Argentina, claiming Iraqi involvement. The Iraqis hit Teheran with more than 150 ballistic missiles with ranges of up to 1000 km. These were engineered and manufactured in Iraq during the war, and fully described in the Iraqi media. So why would they waste money on some mad Argentina-Egyptian effort?
- 19 I addressed a blunt memorandum to the Foreign Office on the whole matter. Through publicity, they were making me a target of terrorist groups. I was advised in a letter of an imminent "accident". The Foreign Office was advised about the curious fact that accidents often happen in series.

After the memo was delivered, the matter was dropped from the press. Also we were assured that the action was by "a few irresponsible juniors and did not reflect the Foreign Office views of myself, our companies, the past etc."

20 One other fall-out of this has been information given us that the ASTRA group is not only Jewish supported, but in fact is a front for Israeli Military Industries. I hope most sincerely, this is not true.

Hopefully this letter will clarify this episode to your satisfaction. Of course it must be borne in mind that Iraq is supported by France and the US, while Iran is supported by the UK. The UK at this time are busy shipping all forms of arms including Chief tanks to Iran. The political division will obviously persist.

With best wishes


DR. G.V. BUI