

A. V. ROE CANADA LIMITED

170 UNIVERSITY AVE. TORONTO, ONTARIO

AVRO AIRCRAFT LIMITED

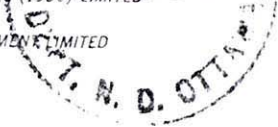
CANADIAN CAR COMPANY LIMITED

CANADIAN STEEL FOUNDRIES (1958) LIMITED

CANADIAN STEEL IMPROVEMENT LIMITED

ORENDA ENGINES LIMITED

OCT 23 1958



October 21, 1958

The Hon. George R. Pearkes, V.C.,
Minister,
Department of National Defence,
Ottawa, Ontario.

Dear Mr. Pearkes:

The purpose of this letter is to confirm some of the remarks I made during our meeting in your office on Thursday, October 16th, to the following effect:-

That, on the basis of installing the Hughes MAL fire control system, and the adoption of the Falcon and/or Genie missiles, and as the result of other substantial economies and savings proposed by the Company, it is now estimated that we can produce and deliver 100 operational Arrow aircraft, complete in all respects including the Iroquois engine and the MAL fire control system, for approximately \$3,500,000. each. This excludes the development and tooling costs, which it is assumed would continue in accordance with existing contracts, and the small amount of GFE presently proposed. However, the originally estimated cost of development, that is, on the basis of the 37 aircraft programme, would also be substantially reduced, inasmuch as the last 17 of these aeroplanes have been calculated as part of the aforementioned 100 operational aircraft.

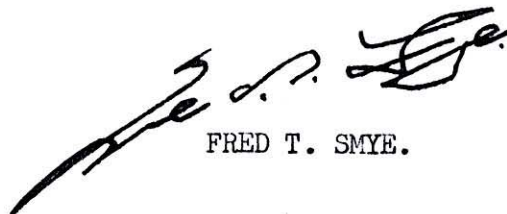
In order to substantiate the validity of this estimate, and on the basis that it would make a substantial contribution to the Government's deliberations concerning the Arrow programme, it was stated that the Company would be prepared to enter into a fixed-price type of contract on the basis of \$3,750,000. for a complete, operational aircraft, including the Iroquois engine and the MAL fire control system, excluding only GFE.

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It is realized that, in essence, this is a statement of intention in principle, and that a definitive proposal would have to be submitted, outlining the terms of contract, and clarifying and defining the specification in detail in accordance with our normal practice.

Should you wish it, Avro Aircraft and Orenda Engines would be happy to prepare proposals in conjunction with the Officers of your Department and the Department of Defence Production in line with the principles outlined in this letter.

Yours sincerely,



FRED T. SMYE.

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