

2013-08-12

Bern

The Ambassador

Secret

Immediately

For min. Engström and Ljöstad & Stridh, Fö/MFU. Copied to von der Esch/Fö. Communicate also to FXM (General Director, Wallin, Gustafsson) as well as FMV (General Director, Averstad, Lombrink).

The Swiss Gripen procurement - status facing talk with minister Ueli Maurer, August 13th.

Summary: The joint assessment facing the meeting with the security committee 26-27 August is like before, that it is very even. In spite of that, there is hope that both a majority and a decision can be reached. Right now, we are counting with 11 pretty certain for, 10-11 against and 3 uncertain (two of them FDP). To win FDP is therefore still crucial for success. I am meeting with Party leader Philipp Müller on August 20, to go over how the penalty clauses in the main contract works, together with FMV. All the "uncertain" are processed concurrently from different directions. Swiss industry is now clearly more positive, and can play a decisive role.

The starting position facing the meeting with the large chamber's (*Nationalrat*) security committee (SiK/N) on 26-27 August is, in short, as follows:

SiK/N is expecting a report from minister of defense Ueli Maurer regarding the "request" given to Maurer in April this year, i.e. less payment in advance (maximum 15%), clearer penalty clauses and better security when

it comes to inflation. A couple of parliamentary bills from individual SiK/N members will also be addressed. Not until all of this - and certainly also new questions from Hurter, Borer et al. – have been sorted out, can SiK/N move on to voting on the procurement and the Gripen fund.

As previously reported, the president of SiK/N Chantal Galladé (SP) had only planned three hours for the whole session, that will take place in Winterthur, in a badly covered up attempt to once again be "forced to" postpone the decision. Representatives from FDP, CVP and SVP as well as Maurers own VBS have during the summer asked for more time and today we got the message that as much time as needed will be given.

Out of the mentioned about 15 parliamentary bills from individual SiK/N members, the most problematic one is Thomas Hurter's (SVP) suggestion that the government is prohibited to go through with the interim solution. Maurer wants take on this issue offensively and, with good arguments from among others the Air Force, convince the majority that it is a good solution. Secondly, he plans to refer to the interim solution not being a part of RP2012 and that the consideration of Hurters parliamentary bill therefore can/should be postponed (in other words be dealt with in the ordinary budget in December this year, as planned).

Regarding the three "requests" from SiK/N it can be established that the inflation roof is, despite all, a non-issue. The government's own financial administration has established that the wordings in the contract between FXM and armasuisse meet the international standard.

An optimized payment plan (15; 8; 4% - see previous report) was though a serious demand. Maurer will bring back a payment plan with 40% payment before the first delivery (or 32% if you count the whole procurement costs). Maurer is himself convinced that SiK/N will accept this. As for me, I think it will depend entirely on how content SiK/N members are with the third issue - penalty clauses. First and foremost, it's the FDP-president Phillip Müller that has put forward demands, making a good enough result absolutely decisive for how FDP will stand on the whole procurement.

Against that back-drop, I met last Friday with FDP Security Policy spokesperson, Corina Eichenberger. She has during the weekend spoken to her party leader, who is on vacation in Spain. We have just agreed that she

and Phillip Müller will come to the embassy 20 August at 11.00 to, together with Håkan Lombrink from FMV and myself, go through how the main contract works in this regard. The conditions from my side were that nothing can be disclosed about the content of the contract and that we together agree on a "line to take" for Müller to explain why FDP now (hopefully) will support the contract and the procurement. After all, he has to save face.

So, what's the status facing the important meeting on August 26-27?

SiK/N has 25 members. The committee is led by Chantal Galladé, SP, who is a proclaimed opponent. The deputy president Thomas Hurter, from Maurer's SVP, must also be counted as an opponent, although he ultimately may abstain. The others on the opponent side are four SP, two Green, two Green liberal and one SVP (Borer), in total 10-11 (depending how Hurter choses to vote). They will, in no circumstances change their opinion, but act towards a direct "no" or towards further postponement of the decision.

Among the friends, we have 11 reasonably certain. The other five SVP are among this group, as well as three CVP, two FDP and one BDP. These are all behind the procurement and wishes to decide upon it at the meeting 26-27 August.

Left are three "critical" members:

Luc Barthassat, CVP

Walter Müller, FDP

Daniel Stolz, FDP

They are defense friendly but not convinced that so much money should be spent on a plane procurement. The two first have backgrounds in farming and would rather see the money being spent on agriculture instead. The last, we know have been persistently courted by the EADS. All of them will now be courted both by positive industry representatives from their respective cantons and by party colleagues. Eichenberger said last Friday that both Müller and Stolz will in the end vote according to the party line.

It is also worth noting that the government will on Wednesday be informed by Maurer about the result of the latest negotiation round. This will be on the basis of a paper from deputy Secretary General Catrina, that I have been given the chance to read. No further decisions are expected from the government. There is though a risk that the paper is leaked to the media in which case it is my opinion that we should lay low and refer to Switzerland and to the up-coming discussion in the parliament.

Also, I talked to Catrina about tomorrows conversation. He thinks that Maurer above all wants to express his satisfaction that the contract is now (finally!) ready and confirm the payment plan (one billion or 40% 2014-16) and the mechanism to hold 12 MCHF per plane if there are delays.

Altogether, it looks brighter now than just a few days ago: SiK/N will have enough time to actually move to decision and FDF has opened the door to, hopefully, let themselves be convinced. The Swiss industry is also notably more positive than before. Any day, the president of the most important branch organization, Swizzmem, will write a letter to all SiK/N members about the progress in the industrial cooperation with Saab and their partners.

My assessment is that if only Maurer plays his cards well, a majority in the committee is clearly within reach. "Best case scenario" would be 14 votes for, 10 against and one not used. Though, this demands that Maurer is both on his toes and committed, in spite of the incident in Stockholm in May. And, we have to remember: Even if SiK/N says no, the question will come up in the plenary in September. But there are also risks. Besides Maurer's daily form, even the interim solution, the IC:s geographical distribution, possible absences and uncertainties about the majority conditions among SiK/N members have to be counted as such. If the proponents doubt the last issue, it will be tempting to once again agree to postpone the decision (until October, in that case the plenary won't be held until December). If so, the possibility of a referendum in May next year goes up in smoke.

THÖRESSON