



Mr Alexander (or)

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Prime Minister

From the Secretary of State

To note at this stage. I will arrange for Mr Brown to write to Mr Browne. We will look at

20 May 1981

proper affair nearer the time of your visit to Bahrain.

M O'D B Alexander Esq
Private Secretary
10 Downing Street

Dear Michael,

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BAHRAIN METHANOL PLANT

With your letter of 7 May you enclosed a copy of a letter from John Brown MP to the Prime Minister about this project. You asked for advice on whether the Prime Minister could take action to enhance Davy McKee's chances of winning the Bahrain methanol plant project and whether it could be brought to fruition in time for the Prime Minister's visit to Bahrain at the end of September.

Mr Browne has also written to this Department and to the Lord Privy Seal enclosing the memorandum about this project which was enclosed with his letter to the Prime Minister. After receiving Mr Browne's letter we arranged a meeting with Davy McKee to discuss the project. Davy McKee have confirmed their interest. (Two other companies operating from the UK are also interested - Foster Wheeler and Humphreys and Glasgow.) But Davy's current information is that the Gulf Petroleum Industries Corporation (GULPIC) appear unlikely to award a contract on a "turn key" basis. Instead, companies which succeed in pre-qualifying (among which Davy McKee have been told, unofficially, they will be included) would be asked to bid for a contract to supply design and erection services. The UK value of this would, they estimate, amount to some £15 million as against local construction costs of some £70 million. Suppliers of equipment - which would represent a greater part of the imported content - would be chosen separately and independently, possibly with no one supplier country predominating.

The invitation to bid and list of pre-qualifiers will be out in about a month, and the bidding and decision taking processes could, according to Davy, take six months from that date. On this basis the Bahrainis would not be taking a decision before December.

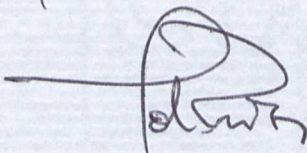
GULPIC's approach to the project should be clearer once the invitation to bid and list of pre-qualifiers appears. We should



From the Secretary of State

then also be better placed to assess the potential importance of this project for the UK. In these circumstances, it is felt that no action is necessary at this stage by the Prime Minister to help secure the contract. However, the Department will be keeping in very close contact with the interested companies and will be co-ordinating action on the project. I will certainly be in touch with you if Prime Ministerial involvement is thought desirable by the UK interests. If you agree, the Secretary of State could write a follow-up letter to Mr Browne confirming the position. We understand that Davy McKee have in fact already been in touch with Mr Browne.

I am sending copies of this letter to those to whom you sent copies of yours and to Sarah Everett in the Lord Privy Seal's Office.

Yours sincerely,


JOHN RHODES
Private Secretary