



Prime Minister

(4)

Prime Minister
r f/w briefs.

THE ARAB COMMUNICATIONS SATELLITE

You know of the commercial opportunities which the CPRS highlighted and which it is widely recognised will flow from the use of satellites for communication purposes and television. The Arab Communications Satellite is the first opportunity for British Industry to secure a significant overseas order for satellites and this contract could be a prelude to greater commercial success. It is for this reason that I wish to draw the matter to your attention.

We have been supporting the development of communications satellites through the European Space Agency for nearly 10 years. British Aerospace has won prime contractorship in ESA for the development of these satellites. We now wish to see the fruits of our support and industry's efforts. Success here would be the first non-US commercial sale to an overseas customer and we can expect the competition to be disproportionately severe in order to keep us out of the market.

A communications satellite serving all the Arab States does have a pervasive significance which few other sorts of business, even though they may secure much larger orders, can have.



Winning the order would represent a splended advertisement for British industry generally among the participating Arab States. A measure of the importance we attach to this order is our willingness to provide £12.5 million by way of support with the French providing a similar amount. We have also been providing both Ministerial and diplomatic support.

Three competitors remain - Hughes (USA), Aerospatiale/Ford (France/USA), and BAe/Matra (UK/France). The outcome of the recent Arab Board of Governors meeting in Washington is not known but they will be making a recommendation to the Arab Minister's Meeting in Amman on 28 April to decide the award of the contract. The timing of your visit is therefore particularly opportune.

You have received some background briefing from my officials but I would like to emphasise some of the points you might make. These are:-

- (i) Britain's aerospace industry is successful in spite of difficult world-wide trading conditions, is currently performing profitably and well;
- (ii) British Aerospace is sharing fully in this success;



- (iii) British Aerospace has long standing links and commercial relations with Arab countries;
- (iv) the strength of British Aerospace has been demonstrated by the success of the recent flotation of their shares;
- (v) the Government does nevertheless maintain close interest in British Aerospace's affairs and is wholly supportive of their space effort (the financial support cannot, of course, be mentioned);
- (vi) British Aerospace has demonstrated its ability to win prime contractorships in the bids for European Space Agency work;
- (vii) British Aerospace is dedicated to making a success of the Arab communications satellite and both we and the French Government are equally dedicated to backing them;
- (viii) the bid is unique in offering ESA expertise for the training of personnel;



- (ix) it is in the interests of the Arab States to diversify their resources of supply for strategic goods and we hope the Arabs will award this contract to BAe. We shall, of course, be glad to help and advise with consultancies and training.

The Arabs are playing things very close to the chest and there is still (7 April) no official word on the relative standing of the three firms. I hope to get a clearer picture if I am able to meet the Arabsat team in Washington later this week. If we have any further information we will ensure that you have it before you leave for India.

This particular project, and your own involvement, should be seen in the light of an arranged PQ which David Price will put down for answer when Parliament reassembles on 27 April. This reflects the fast moving space scene in which we hope to see significant opportunities and successes for British industry during 1981.

I am copying this to the Foreign Secretary and to the Secretary of State for Trade.

MICHAEL MARSHALL
Department of Industry
7 April 1981