

E. R.

Aerospace

MS

PRIME MINISTER

ARABSAT

British Aerospace have now decided to reduce the price of their own bit of the British Aerospace/Matra bid by \$13 million. They are confident that Matra will reduce the price on their part of the contract by at least \$3 million - which would bring the total price down from \$141 million to \$125 million, the figure which the Arabs have demanded if British Aerospace/Matra are to get back into the running. Matra may be prepared to offer a bigger reduction than \$3 million; in that case, British Aerospace will reduce their bid by less than \$13 million of course.

British Aerospace have received a very vague assurance that they will be given the defence satellite contract; but I understand that - simply because the assurance was so vague - this was not a major reason for their decision to reduce the price. The main reason seems to have been a re-assessment of the deal on their part, and pressure from the Department of Industry to think again.

A revised, formal bid will be submitted next Wednesday - which is the final date laid down by the Arabs. In the meantime, the Department are sending a cable to our Ambassador in Jeddah indicating that the revised bid is being prepared; and our Embassy in Paris is being asked to put pressure on the French Government to make sure that Matra come up with their part of the deal.

So far so good. A revised bid of \$125 million will not mean that we will necessarily get the contract; but at least we are back in serious contention.

1 May 1981

12.