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Aerospace



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From the
Parliamentary Under Secretary of State's office

T Lankester Esq
Private Secretary to
the Prime Minister
10 Downing Street
LONDON SW1

Prin Amrith

18 May 1981

in Mr. Higham

I believe the Arabs
treated us very shabbily
over time. But I doubt
if there is anything
else that can be done.

Dear Tim,

ARABSAT

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Thank you for your letter of 11 May.

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We had in fact already taken action on the lines suggested by the Prime Minister. In FCO telegram number 245 of the 23 April to Jedda on the revision of the ECGD terms, we said "If an opportunity became available, we hope that you would make the point that the Prime Minister is taking a personal interest in this project. Following her direct intervention, the Government has considered whether further channels exist to assist the consortium to cut its price. We have been able to help and as a result the Arabs will be receiving a revised price package". Later, after the bid price had been further reduced to \$125 million, we said in FCO telegram number 270 of 1 May to Jedda "We hope that you will be able to make the following point to Faisal Zaidan. This further reduction is the result of a request by the Prime Minister to review the situation and has been arranged in the spirit of the recent discussions between her and Arab Ministers". This message was conveyed to Faisal Zaidan on 3 May who "listened patiently and then told me that subject to final negotiation, the contract had already been awarded to Aerospatiale/Ford on Wednesday 29 April in Amman".

On 9 May, BAe's letter announcing their price reduction to \$125 million was handed to Faisal Zaidan (Saudi Arabian Deputy Minister and Chairman of Governors) who, although accepting it, could not consider it as a tender in view of the selection of Aerospatiale for final negotiations.

We have nonetheless advised our Posts to use such suitable opportunities as present themselves to let all the other ARABSAT Member States know of the

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existence of the new price. In the light of the repeated invitations to submit prices by the Arabs, it is particularly irksome that BAe's final offer was, in the event, too late to be considered. As I said to you, we now understand that the contract was awarded to Aerospatiale/Ford (subject to final negotiations) on the very day we received information from BAe's representative in Riyadh that BAe still had an opportunity to submit a revised bid. This information was, we assume, misleading and consequently it seems BAe reduced their price to \$125 million to no avail.

Although we shall continue to make what representations we usefully can, I would not wish to leave you with the impression that hopes of success are high, for all the indications we are receiving point to the fact that Aerospatiale/Ford are likely to meet ASCO's conditions by 20 May.

I am sending a copy of this letter to Francis Richards (Foreign and Commonwealth Office).

Yours ever,

Frances Nieduszynska

MRS FRANCES NIEDUSZYNSKA
Private Secretary

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