



From *JOHN BROWNE, MSc, MBA, MP*

**HOUSE OF COMMONS
LONDON SW1A 0AA**

15th April 1981

The Rt. Hon. Mrs Margaret Thatcher, MP,
Prime Minister.

Dear Prime Minister,

Bahrain - Methanol Plant - Davy McKee - US \$350 million

I am sorry to write to you during your very busy visit to the Middle East but I have located a project in which I believe you could play a critical role for winning for Great Britain. I am hoping to see Douglas Hurd this evening on this specific matter but I am putting this letter in your mail bag so that it will reach you in time.

As you will see, it is an important project and I believe that you would be well advised to make a stop-over in Bahrain, if only for a few hours, to see Sheikh Issa to remind him of your previous conversations about it.

*Yours ever
J.Bm.*

JOHN BROWNE

Enclosure

BAHRAIN - METHANOL PLANT - DAVY McKEE (DAVY) - \$350 MILLION

Background Situation

The above mentioned plant is to be build in Bahrain and will have a through-put of approximately 100,000 tonnes of methanol and 100,000 tonnes of ammonia. A cost of US \$350M is a heavy one for Bahrain which is now a net oil importer (to keep its refinery above break-even). The construction of such a plant would place a heavy financial burden on Bahrain at a time when the Bahraini Government has a problem with its Shi'ite Muslims. Saudi Arabia and Kuwait have therefore decided to participate, each for a third of the cost in the construction of this plant in order to help boost the present regime of Sheikh Issa in Bahrain. It is most likely that they will allow the Bahrainis to control the entire operation and allocate all tenders. The Saudis and Kuwaitis are merely sleeping partners, helping the Bahrainis with cash. The main trigger for the decision making will therefore be HH Sheikh Issa, a well-known friend of Great Britain.

Once this project was announced, contractors from all over the world flocked to Bahrain. The basic, initial design contract was awarded to a German firm UHDR, a 100% subsidiary of Hoechst. The main 'turn key' project of US \$350M is soon to be allotted for the definitive engineering, supply of equipment and construction. Earlier this year, pre-qualifications were called for from firms intending to tender. Davy submitted their documents four weeks ago.

Within the next two weeks it is expected that a decision will be made to draw up a short list of names to submit final tenders. It is expected that the list will include: UHDR; a French company; one or two Japanese companies; and possible Kellogg of the US. Davy has a good chance of being included in this list.

Davy

As you may know, Davy is the premier world expert in the construction of methanol plants, having over 50% of world market share, using the well proved ICI techniques. In short, they have the best technology and this project is well within their productive capacity. They are also looking for other similar deals throughout the Middle East. As you know, methanol is used in textiles and as a gasoline extender. It is also a method of converting natural gas to useable liquid.

The Project

This project is for \$350M and is for cash i.e. no external financing will be required. The project will have a very HIGH IMAGE throughout the Gulf and in the methanol world. It will have a particularly high image because it is in Bahrain where it will represent its single largest project over the next five years.

The decision as to whom the tender is awarded will be VERY POLITICAL.

Political

In Bahrain, the Japanese have already built a major gas gathering and treatment plant; the Germans a major steel hardening plant. The British so far have no major new projects. It is therefore 'THE TURN' of the British to be awarded a contract.

The fact that Sheikh Issa is a well-known friend of Britain and that this project has such a high profile will work very much against British interests should we fail to win this tender - for a contract which would give approximately \$250M worth of hardware exports to the United Kingdom if Davy were successful.

Summary

The above mentioned contract is a major high profile contract in a country that is friendly to the UK. It is vital that a British company should win the tender. Davy have the best technology to offer and the capacity to undertake it. Should they win such a contract it would greatly enhance their chances of winning contracts to build methanol plants throughout the Middle East and elsewhere. It would give Britain a US \$350M contract of which US\$ 250M would be accounted for in hardware exports.

IT IS MY BELIEF THAT A KEY ROLE CAN BE PLAYED BY THE PRIME MINISTER IN GETTING THIS CONTRACT AWARDED TO A BRITISH CONTRACTOR BY EXERTING INFLUENCE ON HH SHEIKH ISSA (telling him that the British need this contract; they have the best technology to offer and that it is in fact the British 'turn').