



OVERSEAS DEVELOPMENT ADMINISTRATION
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Trade

From the Minister

N. S. P. R.

27 May 1982

Dear David,

MR 29/5

RAIL WAGONS FOR KENYA

Thank you for your letter of 26 May, in which you asked if it would be possible to reach a conclusion before Tuesday, 1 June, on the request for ATP support to help secure an order for freight wagons from Kenya.

I am afraid that it is not possible, for several reasons, to provide a final answer by that date. In the first place, the developmental case for this supply of wagons is still under consideration here in ODA and by our Development Division in Nairobi. Further information has had to be sought from Nairobi on some aspects and it may be some few weeks yet before a final conclusion can be reached. I understand that the DOT are in fact also awaiting revised costings from BRE-Metro, which were requested all of two months ago, and without these it is clearly not possible to conclude our investigations.

I would not wish you to think that this matter was being looked at with any lack of urgency. However, there has in the recent past been criticism in Parliamentary and other circles about our ATP operations in terms of their developmental justification and I have no option but to ensure that there is an acceptable case on developmental grounds for approving ATP support. The arrangements which have been set up for dealing with ATP applications among the Departments principally concerned are designed to ensure that this aspect as well as the trade and industrial arguments, including employment considerations, are adequately dealt with.

It is also of considerable importance to note that BR is not the only British competitor for this order. A private sector group (comprising Standard Wagons of Heywood and W H Davies of Mansfield) is also actively in the hunt and, on the basis of our latest information, may be more price competitive than BR. In the normal course of events, any ATP offer we made to the Kenyans would be conditional only upon the order being placed with a British contractor. It would therefore apply equally to both bidders in this case, if both were still in the field.

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It is open to us - the initiative on this rests with the Departments of Trade and Industry - to back a single British competitor and such a decision would be possible in this case. But in so doing, we would need to recognise the potential difficulties for us in giving preference to a public sector organisation over one from the private sector.

Finally, we have to bear in mind that there can be no guarantee that an ATP offer from us would secure the contract for Britain. We and BR both know that a number of other countries are fighting very hard to break into the Kenya market and there are likely to be other very attractive overt and covert offers available to the Kenyan authorities. In other words, the existence of an ATP offer does not guarantee that a contract will necessarily be secured. I cannot see that it would be in their or our interest for their relations with their unions to be soured by the holding out now of what events might prove to be a false promise.

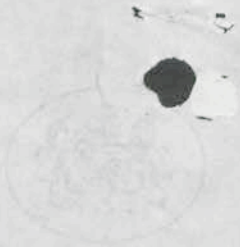
For all these reasons, I hope you can appreciate why we do not think it would be helpful for BR to pin all their faith on this case in their negotiations with the unions. I am copying this letter to the recipients of yours.

Yours,
Neil

NEIL MARTEN

The Rt Hon David Howell MP
Secretary of State for Transport

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