

Saudi Arabia

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DESKBY 291000Z
FM JEDDA 290715Z DEC 80
TO IMMEDIATE FCO
TELNO 920 OF 29 DECEMBER 1980

Prince Muniti.
Another sale which
does not look too happy
or promising.
KLS
2/20

ROLLS ROYCE AND AIRBUS

1. I HAVE NOT BOTHERED YOU WITH A BLOW BY BLOW ACCOUNT OF RR'S PROGRESS IN THEIR NEGOTIATIONS WITH SAUDIA SINCE YOU SENT YOUR MESSAGE TO PRINCE SULTAN (YOUR TEL. NO. 675). BUT MATTERS ARE NOW COMING TO A HEAD AND YOUR INTERVENTION MAY BE REQUIRED ON THE AIRBUS INDUSTRIE FRONT IF RR ARE TO BE SUCCESSFUL.

[Handwritten mark]

2. THE SAUDIA EVALUATION COMMITTEE COMPLETED ITS STUDY OF THE OFFERS FROM THE THREE ENGINE MANUFACTURERS SHORTLY BEFORE CHRISTMAS. RR (WHO HAVE HAD PEOPLE ON THE GROUND THROUGHOUT EXCEPT FOR CHRISTMAS DAY AND BOXING DAY) LEARNED YESTERDAY FROM THE CHAIRMAN OF THE COMMITTEE THAT THEIR OFFER FELL SHORT OF PRATT AND WHITNEY'S IN TWO CRUCIAL RESPECTS:

- (A) ENGINE PERFORMANCE
- (B) A GUARANTEED DELIVERY DATE.

3. ON (A) RR HAVE NOW TOLD SAUDIA THAT THEY ARE COMMITTED TO PRODUCING THE IMPROVED RB211-524G AND HAVE MADE A GENEROUS OFFER COVERING THE FITTING OF THE UPGRADED ENGINE ON SAUDIA'S AIRBUSES AS SOON AS IT IS AVAILABLE.

4. ON (B) RR HAVE FALLEN VICTIM TO AI'S UNWILLINGNESS TO GUARANTEE DELIVERY OF THE AIRBUS/RB211. PRESUMABLY AI'S UNWILLINGNESS STEMS FROM (A) UNCERTAINTY OVER THE PYLON AND OVER CERTIFICATION (WHICH DOES NOT OF COURSE AFFECT P AND W AND GENERAL ELECTRIC ON BOTH OF WHOSE AIRBUS VERSIONS AI HAVE GIVEN SAUDIA A GUARANTEED DELIVERY DATE); AND (B) AI'S KNOWLEDGE OF THE DIFFICULT NEGOTIATIONS WHICH LIE AHEAD ON THE BRITISH SHARE OF THE FUNDING IF RR IS SELECTED. RR FEAR THAT UNLESS THEY CAN GET ROUND THIS PROBLEM (I HAVE NOT OF COURSE DISCUSSED (B) WITH THEM) THE CONTRACT MAY YET ELUDE THEM EVEN THOUGH THEY BELIEVE THEIR OFFER IS NOW AS GOOD AS THEIR RIVALS' ON BOTH TECHNICAL AND COMMERCIAL GROUNDS AND EVEN THOUGH SAUDIA'S LATEST TRISTAR INCIDENT HAS REINFORCED THE ARGUMENTS FOR STAYING WITH A WELL TRIED ENGINE.

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5. THIS BRINGS US BACK TO THE PROBLEM SPELLED OUT IN PARAGRAPHS 4 AND 5 OF YOUR TEL NO 609. IF RR ARE RIGHT PARAGRAPH 5 (B) MAY NO LONGER BE AN OPTION AND WE MAY NEED TO INVESTIGATE 5 (A) WITH CONSIDERABLE URGENCY. THE RR MEN ON THE GROUND HERE ARE IN TOUCH WITH THEIR VICE-CHAIRMAN IN THE UK (PEPPER) WHO WILL BE SEEKING A WAY FORWARD. I HOPE YOU WILL BE PREPARED TO DO EVERYTHING YOU CAN TO ASSIST HIM. SAUDIA TOLD RR YESTERDAY THAT A FINAL DECISION ON THE ENGINE WOULD BE MADE BY THE SECOND WEEK OF JANUARY.

CRAIG

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