



From the  
Minister for Trade

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N. B. P. R.

AR 24/6

11 June 1982

Stan John

I was very interested in your comments in your letter of 24 May 1982 following your visit to Saudi Arabia.

I would certainly agree that Bechtel are in a very strong position in Saudi Arabia. In addition to being probably the most experienced management contractors in the world and with a very strong home base in the largest market in the world, they have developed strong ties with the Saudi Royal family over more than two generations. Inevitably therefore there is a strong bias towards American standards, practice and equipment.

Equally, I agree that it is of great importance that British firms, very often consultants, should be involved in projects from the outset, and that we should give what support we can to achieve this. However, as you recognise, it is equally important to improve the follow on from consultancy by British firms to the implementation of main contracts by British contractors and suppliers, which can provide a far greater return to the UK.

As you know, UK consultants are already very successful and undertake a large proportion of the consultancies for major projects throughout the world; in particular, they are generally recognised as being second to none in the Middle East market. This success to a large extent stems from their recognised impartiality towards contractors and manufacturers of any nation including those from the UK. The same ethical position is not of course always adopted by many of our competitors. In the Saudi Arabian market, however, major projects are often undertaken by management contractors such as Bechtel as opposed to the consultant/contractor method favoured by UK practice.

As far as improving follow on is concerned, there is little doubt that standards and specifications developed for international marketability would improve the chances of securing more overseas orders for our firms. However, although we support efforts to increase the number of widely accepted international standards, and increasing international attempts to this end have been made since the start



of the century, to date progress has been disappointing with the exception of electrical standards. This means that in practice equipment for different markets will continue to need to meet different specifications. In the last analysis it is the manufacturers who must identify which markets they wish to enter and to adopt the appropriate standards and specifications for those markets.

While British consultants do tend to specify British standards, which can readily be met by British firms, our overseas competitors can often also meet these standards. I think therefore that we need to look elsewhere to improve the follow on from consultancy to main contract and equipment supply. This is, I believe, best done on a sectoral basis by fostering closer contracts between the consultants, contractors and suppliers in the different sectors. As you may know the British Consultants Bureau is engaged in discussions with both the British Electrical and Allied Manufacturers' Association (BEAMA) and the Export Group for the Constructional Industries (EGCI) to this end. My own Department, through our Projects and Export Policy Division, also encourages this process. One example of this, as I think you know, is the meeting they are due to arrange between consultants and contractors in the airport sector, which you will be invited to attend.

I am copying this to the recipients of your letter.

A handwritten signature in dark ink, appearing to read 'Peter Rees', with a long horizontal flourish extending to the right.

PETER REES



Saudi  
Arabia  
L. H. M.

10 DOWNING STREET

*From the Private Secretary*

1 June 1982

CONSTRUCTION MISSION TO SAUDI  
ARABIA

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The Prime Minister has noted  
Mr. Stanley's minute of 24 May to Mr. Rees on  
the above subject.

A. J. COLES

John Henry, Esq.,  
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MINISTER FOR HOUSING AND CONSTRUCTION

Prime Minister

A.J.C.  $\frac{24}{5}$

24 May 1982

Dear Peter

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CONSTRUCTION MISSION TO SAUDI ARABIA

My visit to Saudi Arabia last month with a team from the UK construction industry brought out vividly once again the critical influence that the consultants have on large construction projects.

The two US firms, Bechtel and Parsons, have secured between them the four largest construction projects in the Kingdom - the two massive international airports (King Khaled at Riyadh and the proposed new Eastern Province Airport) and the two equally massive new cities of Yanbu and Jubail. The spin-off from the appointment of Bechtel and Parsons comes to US manufacturing industry rather than to US contractors because hardly anyone can compete with the Japanese and the Koreans who have got the lion's share of the contracting work for these projects. However because the consultants are American, the specifications are American and though in theory contractors can offer, say, air-conditioning equipment, to a European specification equivalent to the American one, the hassle and risk of delay in getting Bechtel or Parsons to agree means that in practice the contractors largely buy US equipment and materials for their buildings. This was brought out vividly in the discussions that I had with Saudi-Tarmac, the only British firm to have won a significant construction contract at King Khaled airport. Saudi-Tarmac told me that to do the job they had had to set up a special equipment procurement office in the US and of the \$8 million worth of equipment they have to procure for their contract for the connecting walkways between the three airport terminals,

they will be buying about \$7 million in the US.

The point was further brought out during the tour that I had of King Khaled Airport with Bechtel. Though no US firm had won, or had even bid for contracting work at the Airport, the Logistics Display Room showed that some 50-60% of all the containers then in transit from all round the world bringing in equipment and materials to King Khaled were coming from the USA.

The lessons I feel are: first, that we need to direct as much effort at securing the major consultancies as at the major contracting jobs themselves; and, second, that we need to achieve industry by industry and product by product UK standards and specifications that have international marketability.

I am sending a copy of this letter to the Prime Minister (following her Private Secretary's letter of 17 February), Douglas Hurd and Norman Lamont.

*Yours ever*  
*John*

JOHN STANLEY

Peter Rees Esq QC MP

24 MAY 1982

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