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Prime Minister ①

SECRET

PRIME MINISTER

ROLLS-ROYCE : SAUDI ARABIA

Yes - but this is not the kind of letter that will help. Please get in touch with the Foreign Secretary.

Agree attached message to King Fahd, in support of Rolls Royce!

DMB 22/12

I am writing to seek your urgent intervention with King Fahd of Saudi Arabia to assist Rolls-Royce Ltd in competing for an engine contract worth US\$365 million in which the King is directly involved.

2 Rolls-Royce have made substantial sales to Saudi Arabia in the past, despite considerable competition from their US rivals. These include engines for 27 Tristar and B747 aircraft for the national airline (Saudi) and for the Royal B747SP. As Rolls have frankly admitted to me, there have been reliability problems with their RB 211-524 engines in Saudi, due partly to engine mechanical problems but very largely to the harsh operating environment, onerous flight operating procedures, and Saudi maintenance practices. Rolls-Royce have been tackling these problems vigorously with a permanent core of 20 product support staff at Saudi and bi-monthly visits at a senior level. As a result, there has been a significant improvement in the on-wing life of the engine over the past year, and further improvements are being applied progressively.



SECRET

3 Over recent months, Rolls-Royce have been negotiating, under conditions of customer-imposed secrecy, for the supply of further RB211-524 engines for ten new B747s to be purchased by King Fahd himself for use by Saudia. Agreement had been reached in principle between Rolls-Royce and the King's representative for the sale of 60 engines to the latest (D4) standard, valued at a gross amount of US\$365 million, for delivery in 1985. Boeing had specified these engines in their proposal to the King. However, it now appears that Pratt and Whitney may be favoured for this contract, though it is not clear what has occasioned this change.

4 Rolls-Royce are prepared to take on Pratt and Whitney in competition for this business, but they are concerned that the Saudis should not take an early pre-emptive decision in favour of Pratt and Whitney before Rolls have had a chance to put forward their own competitive proposals. In particular, they have not yet been given the opportunity to present the technical merits of the RB211-524D to the airline. Sir William Duncan had hoped himself to lead a team to Saudia immediately after Christmas and our Ambassador in Jeddah, Sir James Craig, has been active in trying to facilitate such a visit. However, at a meeting on 19 December, the Director General of the airline was unwilling to agree to an early meeting, and said that he saw no reason to see any of the engine manufacturers. It was clear to Sir James that matters were proceeding above the Director General's head.



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5 This highlights some of the unusual characteristics of this deal, in that the proposed purchase appears to have been handled by the Royal Household, without having been requested by the airline, who appear to have been consulted only very late, if at all. Although there is, not surprisingly, speculation that personal considerations with the Royal family may be involved in this purchase, neither we nor, I understand, Rolls-Royce have any firm evidence. Rolls-Royce have conducted their business in good faith with a prominent Saudi, Sheikh Abdul Aziz, who has acted for the King in various substantial purchases in the past, but it appears that the engine decision may now be out of his hands.

6 In the circumstances, I am sure that we should do what we can to help Rolls-Royce compete for this very important contract, and to prevent a pre-emptive decision against them. Rolls-Royce have asked me for a high-level expression of support from HMG, and, in view of the personal involvement of King Fahd, it seems to me entirely appropriate that such an expression should be given by a letter from you to the King. Sir James has recommended in favour of such a letter, on the grounds that it is the only avenue remaining open to Rolls-Royce, and that if he is able to present it personally it may give him an opportunity to establish whether the King is prepared to discuss the matter. My recent visit to the Kingdom provides some basis for such a letter.



SECRET

7 I therefore recommend that you write to King Fahd along the following lines, provided that Geoffrey Howe, to whom I am copying this letter, sees no objection in terms of Anglo-Saudi relations as a whole. I believe that action is required urgently if we are to have any chance of influencing events.

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N T

22 December 1983

Department of Trade & Industry

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After Greeting

~~DRAFT LETTER FROM PRIME MINISTER TO KING FAHD~~

I was most grateful for your Majesty's
Thank you for your kind message to me which my Secretary of State for
Trade and Industry brought back from his instructive visit to your
Kingdom.

I have learned from him that consideration is being given to the purchase
of ten further Boeing 747 aircraft for your national airline, and that
Rolls-Royce Limited is one of the two potential suppliers of engines.
I understand that a decision on the choice of engine manufacturer may
be very close, and that this decision may not be in Rolls-Royce's
favour even though a technical assessment of their product has ~~not~~ yet ~~to be~~
~~been~~ made. Saudia is one of Rolls-Royce's most valued overseas customers.
I therefore wished to write directly to your Majesty to underline how
important the continuance of this relationship is to Rolls-Royce, and
to ask that they be invited to make a technical presentation to the
airline. The latest version of the Rolls-Royce engine, the RB211-524D4,
has not yet been analysed by Saudia, and I am sure that the airline will
be impressed by its excellence. The Chairman of Rolls-Royce,
Sir William Duncan, is ready to visit Saudi Arabia at an early date for
this purpose.

No doubt there will be vigorous competition from America for this contract,
but I know that Rolls-Royce will respond in a manner which will serve the
best interests of your airline and the Kingdom.

Please accept, your Majesty, the assurance of my highest
respect.

This will not do. We must
wish skilled hands up to the
customs expectations of the recipients

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Foreign and Commonwealth Office

London SW1A 2AH

PO/83/2

22 December 1983

*per
DMS
23/12**Dear John,*Rolls Royce-Saudi Arabia

Mr Tebbit proposed, in his minute to the Prime Minister of 22 December, that the Prime Minister should write to King Fahd in support of Rolls Royce's efforts to sell RB211 engines to Saudia.

I am writing to confirm that Sir Geoffrey Howe supports this proposal. We have no objection to the draft enclosed with Mr Tebbit's minute which follows from the Ambassador's recommendation.

A decision is expected to be announced in the next few days. If the Prime Minister is content, we could despatch the text by telegram for the Ambassador to deliver as a matter of urgency.

*Yours ever,**P F Ricketts*

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street