



hwe

SH

cc: DT

10 DOWNING STREET

THE PRIME MINISTER

25 March, 1985

Dear Frank

Thank you for your letter of 19 March about the problems which could arise for Taylor Woodrow's efforts to win railway business in Malaysia if the air services dispute is not resolved soon.

The Government have been giving strong support to the consortium in the initial stages of this project. The feasibility study has been supported by the Department of Trade and Industry and consideration is being given to some aid support for the implementation of the project if the consortium win the contract. We are very much alive to the importance of this business and everything possible is being done to resolve the air services problems which might pose a threat to it.

My visit to Malaysia this time is a little shorter than it was to have been last September. Much as I would have wished to have heard a presentation by your representatives in Kuala Lumpur, I very much doubt whether there will be time in a very tight programme. But I shall, of course, take a special interest in the project in my discussions with Malaysian Ministers.

Yours ever

Raymond

RT

The Lord Taylor of Hadfield

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DESKBY 281200Z  
FM KUALA LUMPUR 281100Z MAR 85  
TO IMMEDIATE DESKBY FCO  
TELEGRAM NUMBER 196 OF 28 MARCH

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Fr 97 6  
Brainia

MIPT: YOUR TELNO 165: PM'S VISIT, AIR SERVICES AND COMMERCIAL CONTRACTS.

1. I AM PUZZLED BY THE REFERENCE IN YOUR PARA 2(C) TO THE STATUS OF WHAT YOU CALL "THE RAILWAY PROJECT". THE MALAYSIAN BRITISH RAIL GROUP SUBMITTED SOME SIX MONTHS AGO A STUDY TO THE MALAYAN RAILWAY ADMINISTRATION (MRA) OUTLINING PROPOSALS FOR THE FUTURE REHABILITATION OF THE MALAYSIAN RAILWAY SYSTEM. WE UNDERSTAND THIS STUDY (DETAILS OF WHICH ARE WITH DTI) HAS THE SUPPORT OF MRA. BUT IT HAS NOT YET RECEIVED MINISTERIAL ENDORSEMENT AND EVEN IF THIS WERE TO HAPPEN BEFORE THE PM'S VISIT, THERE IS NO POSSIBILITY OF NEGOTIATING ANY FORM OF CONTRACT DURING THE VISIT. DURING HIS RECENT VISIT HERE MR IAN SPROAT REFERRED TO "TAYLOR WOODROW'S £700 MILLION RAILWAY CONTRACT" BUT THIS IS VERY WIDE OF THE MARK. THE REHABILITATION PROGRAMME, IF IT GOES AHEAD AT ALL, WILL BE IMPLEMENTED OVER MANY YEARS, PROBABLY WITH WORK AND EQUIPMENT CONTRACTED IN SEPARATE LOTS BY MRA. THE BEST WE CAN HOPE FOR, AS A FIRST STEP, ONCE THE MALAYSIAN GOVERNMENT HAS ENDORSED THE BRITISH GROUP'S PROPOSALS, IS THAT THE DAVY/BREL GROUP IS APPOINTED AS CONSULTANTS. THIS COULD TAKE SEVERAL MONTHS. IN THE MEANTIME ONE MAJOR PROBLEM IS THAT DR MAHATHIR'S VIEWS ON FUTURE RAILWAY DEVELOPMENT ARE THOUGHT TO BE VERY DIFFERENT TO THOSE OF THE DAVY-BREL GROUP. THUS NO DECISIONS HAVE BEEN TAKEN HERE ON SUCH BASIC MATTERS AS THE WIDTH OF GAUGE.

2. CONTRACTS TO BE DECIDED BY THE GOVERNMENT IN THE FAIRLY NEAR FUTURE INCLUDE THE FOLLOWING:

(A) RAILBUS, WITH A CONTRACT VALUE OF £4.4 MILLION. ATP OFFER SUBMITTED. BREL TELL US THEY HOPE TO HAVE A LETTER OF INTENT "SHORTLY", BUT A HUNGARIAN MADE RAILBUS RIVAL IS NOW ON TRIAL HERE.

(B) CROSS-BRACED BOGIES. BREL IS AGAIN THE BRITISH BIDDER. CONTRACT VALUE ABOUT £6 MILLION. ATP OFFER SUBMITTED.

(C) RAILWAY LOCOMOTIVES. BOTH BRUSH AND GEC HAVE BID TO SUPPLY 25 MAINLINE LOCOMOTIVES. CONTRACT VALUE £24 MILLION. ATP OFFER SUBMITTED.

(D) FIBRE OPTIC TELECOMMUNICATIONS EQUIPMENT. CONTRACT VALUE £54 MILLION. ATP OFFER SUBMITTED FOR UK CONTENT OF APPROXIMATELY £25 MILLION. TWO BRITISH BIDS, ONE FROM STC AND THE OTHER A UK-FRENCH-ITALIAN CONSORTIUM LED BY GEC. STRONG JAPANESE COMPETITION. DECISION IMMINENT.

3. THE FOREGOING ARE THE MAIN CONTRACTS WHICH MIGHT POSSIBLY BE DECIDED DURING THE PM'S VISIT. ALL EXCEPT RAILBUS ARE SUBJECT TO INTERNATIONAL COMPETITIVE BID PROCEDURES.

4. IN A SLIGHTLY LONGER TIMESCALE THERE IS THE BIWATER RURAL WATER PROJECT, THE PETRONAS GAS PIPELINE AND THE ICI ARTIFICIAL

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PROTEIN PROJECT. ALL THESE HAVE BEEN THE SUBJECT OF RECENT EXCHANGES, RESTING WITH MY TELNO OTTER 48 OF 22 MARCH. THE MOST PROMISING OF THESE IS THE BIWATER PROJECT, BUT EVEN IN THIS CASE, ALTHOUGH A GREAT DEAL OF DETAILED WORK HAS BEEN DONE WE ARE NOT AT THE POINT OF CONTRACT DECISION.

5. ANOTHER PROSPECT IS THE POTENTIAL SALE OF THE BRITISH AEROSPACE 146 AIRLINER TO MAS. WE WERE TOLD YESTERDAY BY BAE THAT THE FEASIBILITY REPORT ON THE SELECTION OF A REPLACEMENT FOR MAS'S FLEET OF F27 AIRCRAFT MAY BE MADE TO THE MAS BOARD IN APRIL. BAE RATE THEIR CHANCES HIGHLY, PROVIDED THE AIR SERVICES PROBLEM HAS BEEN SOLVED BEFOREHAND. BAE BELIEVE MAS WILL HAVE A REQUIREMENT FOR 7 AIRCRAFT WITH A TOTAL VALUE OF AROUND £100 MILLION. (THE AIRLINE IS ALSO ABOUT TO ORDER AN ADDITIONAL BOEING 747 FOR WHICH ROLLS ROYCE EXPECT TO GET THE ENGINE ORDER).

6. TO SUM UP, IF WE ARE LOOKING FOR A DEAL TO BE ANNOUNCED DURING THE PM'S VISIT, RAILWAY EQUIPMENT AND/OR FIBRE OPTICS OFFERS THE BEST PROSPECTS. IT WOULD BE DIFFICULT TO ESTABLISH LINKAGE IN THE WAY YOU DESCRIBE WITH THE HIGHER VALUE PROJECTS REFERRED TO IN PARAS 4 AND 5 ABOVE, SINCE WORK IS NOT SUFFICIENTLY ADVANCED, IN MY VIEW, FOR DEALS TO BE STRUCK NEXT WEEK. BUT WE SHOULD, OF COURSE, PROMOTE THESE PROJECTS AND THE DAVEY-BREL PROPOSALS VIGOROUSLY IN THE OFFICIAL TALKS ON 5 APRIL.

GILLMORE

[COPIES SENT TO NO 10 DOWNING STREET]

PRIME MINISTER'S VISIT TO ASIA

LIMITED

SEAD  
SAD  
PROTOCOL D  
PUSD < MRED  
CCD TRED  
NEWS D  
PLANNING STAFF  
PS  
PS/LADY YOUNG  
PS/MR LUCE

PS/MR RAISON  
PS/MR RENTON  
PS/PUS  
SIR W HARDING  
MR WILSON  
MR VEREKER (ODA)  
CABINET OFFICE

COPIES TO:-  
MR STANTON SAD/ODA  
MR BAXTER EAD/ODA  
MR DUNNING DTI  
MR BENJAMIN DTI  
MR HALL DTI  
MISS NEVILLE-ROLFE PEP2/DTI  
SEC (O/C) MOD  
RMD3 MOD  
PRESS OFFICER NO 10 DOWNING ST

BTP IADIV

-2-  
CONFIDENTIAL

# Taylor Woodrow International Limited

Building Civil and Mechanical Engineering Contractors

REGISTERED OFFICE:

Western House . Western Avenue . London W5 1EU

INCORPORATED IN ENGLAND REGISTERED NO. 374634

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YOUR REF

OUR REF WH:sjw

28th March, 1985.

Mr. Michael Allison,  
Principal Private Secretary,  
10 Downing Street,  
London SW1

*Dear Mr. Allison,*

You will be aware that the current dispute between the Malaysian Airline System and British Airways has stalled negotiations for a major Railway Contract in Malaysia by a Consortium of British companies.

You may not be fully aware however of the extent of the work and the potential value in terms of British jobs that the contract represents, and I attach for your assistance some brief notes on the current situation.

It is our understanding that the Malaysians are likely to withdraw the controversial "tax concession to MAS flights only" in 1986 if they are to be allowed a fifth frequency flight into Heathrow from 1986 and that British Airways will be allowed an additional frequency into Kuala Lumpur, should they so wish. Britain must of course maximise the commercial benefit of any "concession" the Government make and link British Airway's agreement to the reopening of negotiations for the major Railway Contract.

Would you kindly use your influence to bring this matter to an early and commercially acceptable solution.

Yours sincerely,

*Walter Hoggins*

W. HOGBIN.

## MALAYSIAN-BRITISH RAIL GROUP PROPOSAL.

In May, 1984 Taylor Woodrow International Limited together with other members of a British consortium, The Malaysian-British Rail Group\*, was invited to produce a study for a proposal to modernise a major part of the Malaysian railway system. The study was submitted to the Malaysian Railway Authorities in August, 1984 and was favourably received. Subsequent to this, considerable interest has been expressed and discussions proceeded positively until interrupted by the airline landing rights dispute.

The project consists of:

1. The laying of 670 km. of new track.
2. The realignment of 320 km. of existing track.
3. The supply of 80,000 tons of rail.
4. Major earthworks involving the movement of 34 million cu. m. of material.
5. Supply of 9 high-speed trains.
6. Supply of 24 rail buses.
7. In the longer term, the continued supply of spare parts for all the equipment and machinery provided.

The potential value of the project is estimated at £750 million and a value of British goods and services included within this figure of some £360 million. We further estimate that the provision of such British goods and services would result in at least 30,000 man years of employment for personnel in the United Kingdom.

The Malaysian-British Rail Group have been told that the technical content of their offer is acceptable to the Malaysian Minister of Transport and that the financing for the project has been included in their 5-year plan for development. It is particularly frustrating therefore that we are unable to make further progress in our negotiations due to the current dispute over landing rights. The British refusal to discuss this matter further has opened the door to competition for the rail project from the Japanese, French and Spanish which is in danger of eroding our present advantage.

The Prime Minister will be visiting Malaysia from 5th to 8th April and it is the earnest wish of all those involved in the Malaysian-British Rail Group that she be made fully aware before her visit of the scope and value of this major project to British industry as a whole.

\*  
The Malaysian-British Rail Group is a consortium  
of the following companies.

Taylor Woodrow International Limited.  
Davy-British Rail Limited.  
British Steel.  
Wimpey International Limited.  
Balfour Beatty Limited.

***THE  
MALAYSIAN  
RAILWAY PROJECT***



*MALAYSIAN BRITISH RAIL GROUP*





*The railway project is a vision of the future for those who are working towards the prosperity and development of Malaysia.*

*To initiate a discussion of the concept, the new Malaysian British Rail Group offers this document as a broad outline of its capability.*

# A CHALLENGING PROJECT

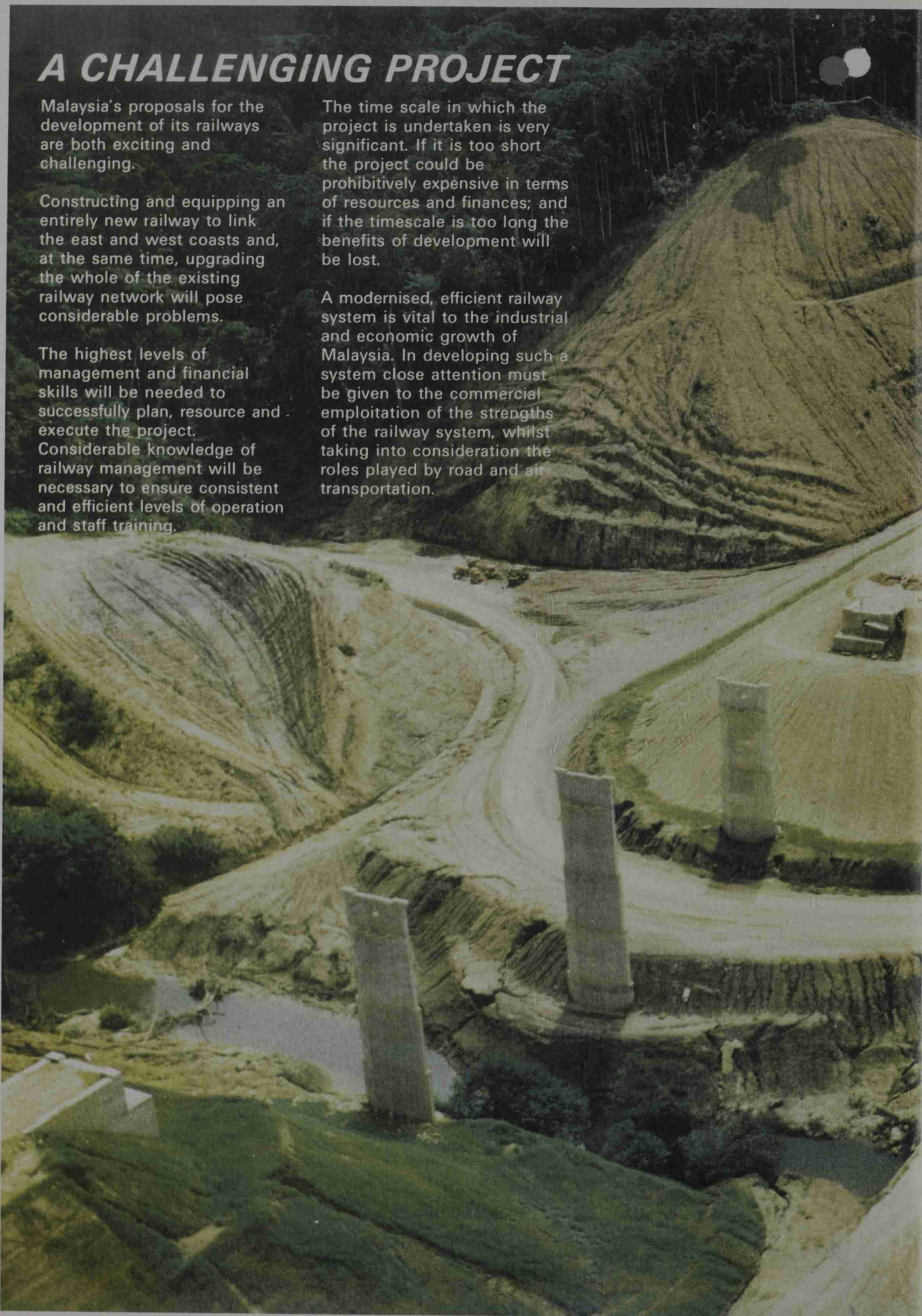
Malaysia's proposals for the development of its railways are both exciting and challenging.

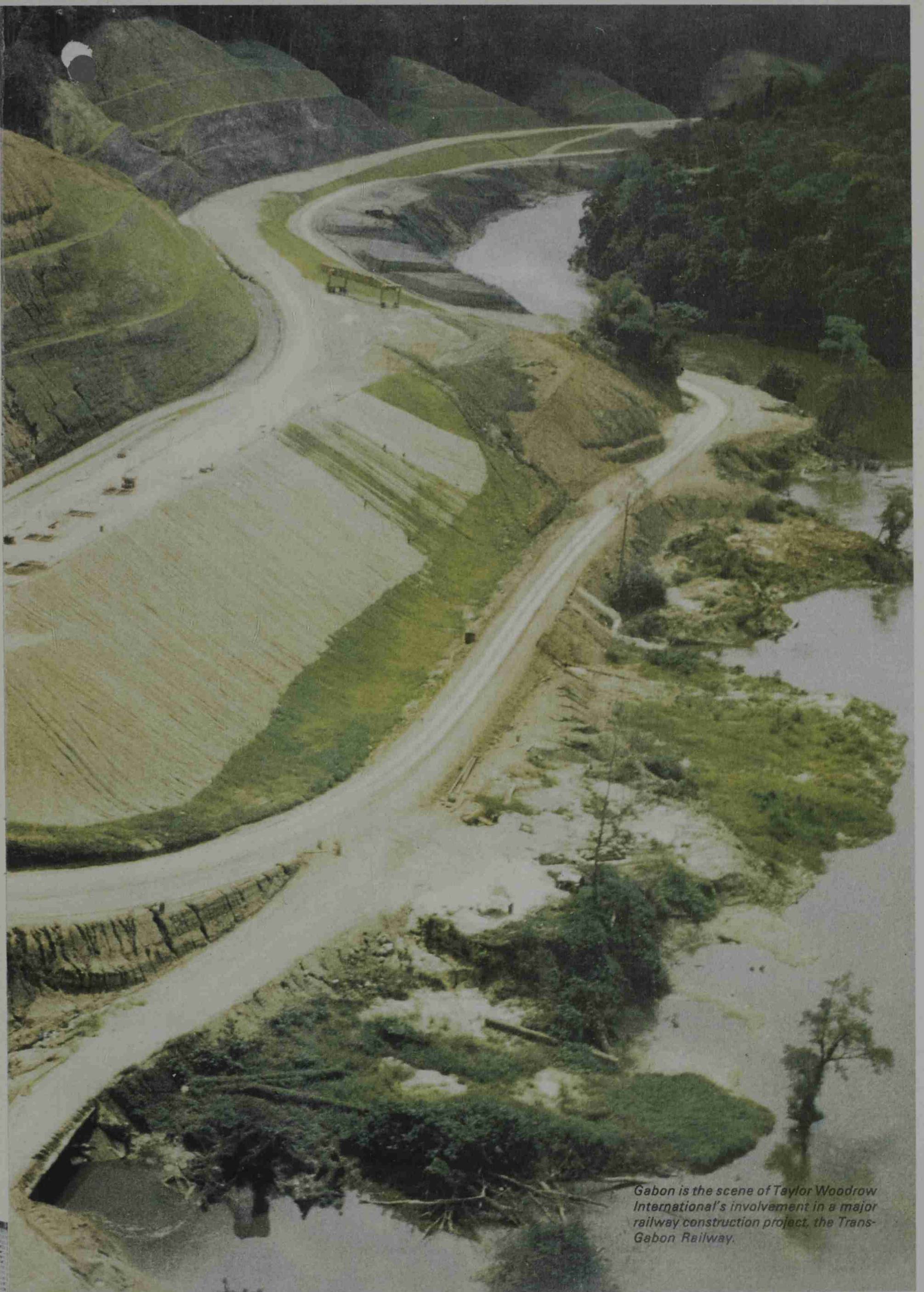
Constructing and equipping an entirely new railway to link the east and west coasts and, at the same time, upgrading the whole of the existing railway network will pose considerable problems.

The highest levels of management and financial skills will be needed to successfully plan, resource and execute the project. Considerable knowledge of railway management will be necessary to ensure consistent and efficient levels of operation and staff training.

The time scale in which the project is undertaken is very significant. If it is too short the project could be prohibitively expensive in terms of resources and finances; and if the timescale is too long the benefits of development will be lost.

A modernised, efficient railway system is vital to the industrial and economic growth of Malaysia. In developing such a system close attention must be given to the commercial exploitation of the strengths of the railway system, whilst taking into consideration the roles played by road and air transportation.





*Gabon is the scene of Taylor Woodrow International's involvement in a major railway construction project, the Trans-Gabon Railway.*

# ***THE MALAYSIAN BRITISH RAIL GROUP***

The Malaysian British Rail Group (MBRG) combines in one project team all the skills of Britain's rail transportation technology.

It spearheads a new force in railway engineering and construction — now combined for the first time in a British group.

Malaysian self-sufficiency in railway operation and management is a priority within MBRG, and local labour skills and capability will be fully utilised from the earliest stages of construction.

MBRG has five members — each with a sound experience in international railway projects.

## ***DAVY BRITISH RAIL INTERNATIONAL***

Davy British Rail International is a new British company bringing together the international contracting capability of Davy Corporation and the railway experience of British Rail and Transmark.

This skill and capability is typified by the transformation of the 33 kilometre Kowloon to Canton Railway in Hong Kong. The overcrowded, single-track line had to be

doubled, electrified, re-signalled and equipped with a fleet of EMU cars. At the same time, all the stations had to be rebuilt to allow for a ten-fold increase in passenger traffic — and, throughout modernisation, the heavily-used line had to remain in full use.

All the associated maintenance facilities and staff training were included in the project.



# **TAYLOR WOODROW INTERNATIONAL**

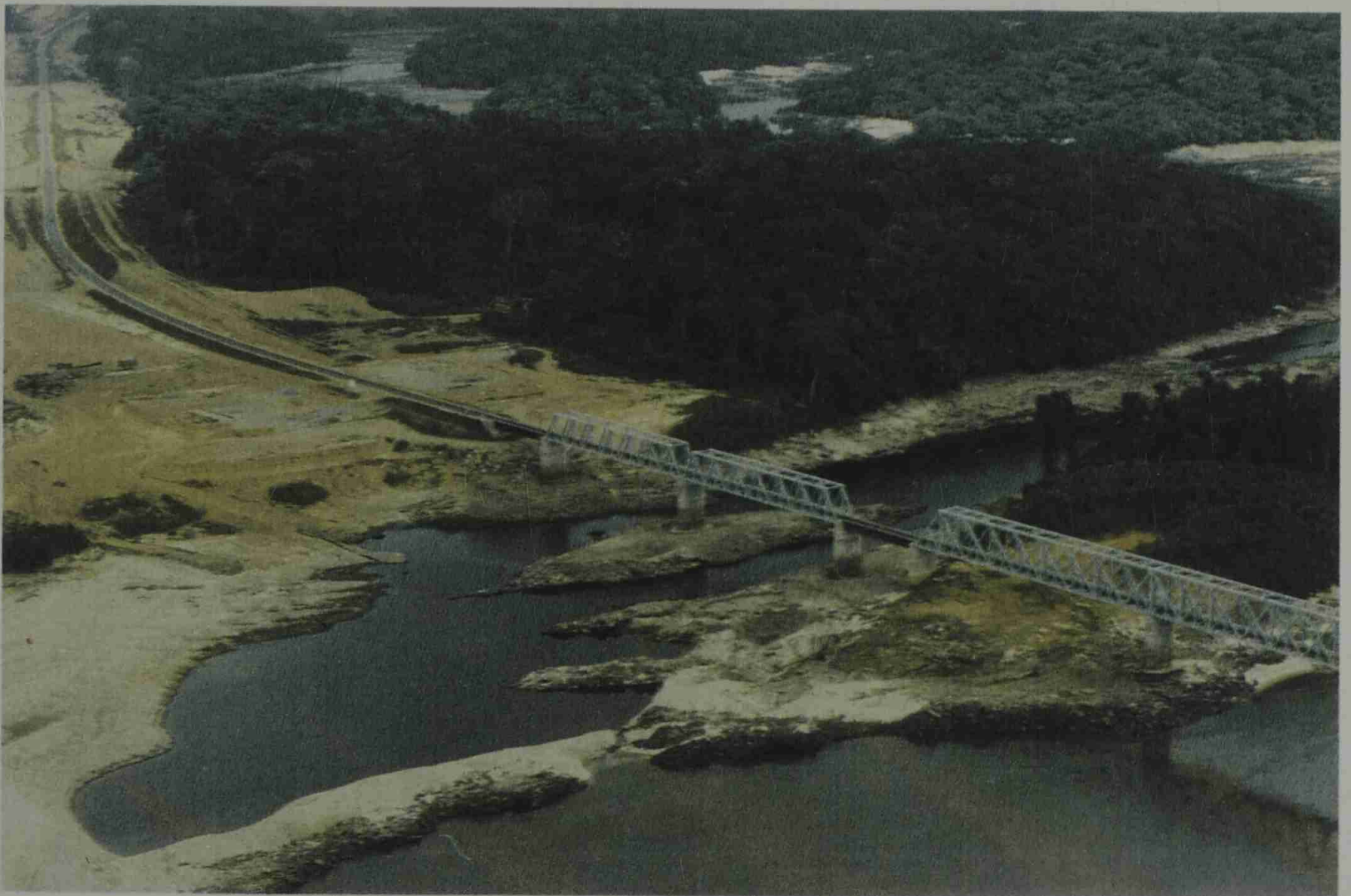


Already well-known in Malaysia as Teamwork Malaysia Sdn. Bhd., Taylor Woodrow International has over 60 years of international civil engineering and contracting experience. It is one of the few construction companies in the world established specifically to work outside its national base. Subsidiary and associated companies have been established in Australia,

Ghana, Gibraltar, Malaysia, Nigeria, Oman, Saudi Arabia and Trinidad.

Gabon is a typical scene of Taylor Woodrow International's involvement in a major railway construction project. The Trans-Gabon Railway is a single line, standard gauge system linking the mining district of Franceville in the east of the country, with the

port and capital city of Libreville, some 650km away. The purpose of the line is to carry the valuable manganese and uranium ores, for export to the modern commercial port at Libreville. Much of the line is through dense, uninhabited jungle and 33 million cubic metres of earth will be moved.

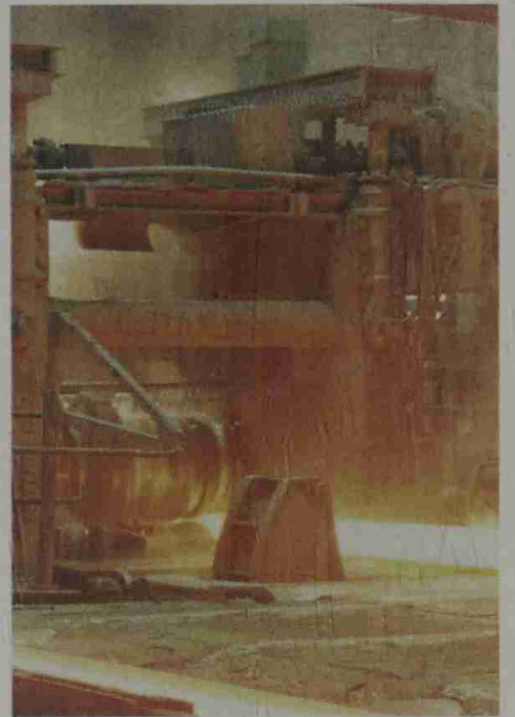


## **BSC TRACK PRODUCTS**

BSC Track Products is part of the British Steel Corporation, one of the largest steelmakers in the world. It has extensive modern rail production facilities including continuous casting, and has supplied rails and accessories to the USA, South America, Hong Kong, South Korea and Spain.



BSC Track Products is able to meet highly specific rail quality requirements. The Hong Kong metro system has found this particularly attractive, and there are applications worldwide where alloy rail and other wear resistant grades of premium rail are proving just as effective.



## **WIMPEY INTERNATIONAL**

Wimpey International Limited is a subsidiary of George Wimpey PLC, one of Europe's largest construction and engineering groups. Contained within the subsidiary is the entire strength and experience of the Group's overseas operations which extends over many years and embraces almost the full spectrum of building and civil engineering in more than 50 countries of the world.



Wimpey International is presently working on rail projects in Hong Kong and the Gabon and has recently completed work in the USA.

A Wimpey Joint Venture successfully completed the double tracking of the San Diego (USA) Trolley System. The contract involved the construction of new main and secondary track, modifications to existing track, installation of substations, construction of new power catenary system and the design and installation of a new block signal system.



# BALFOUR BEATTY CONSTRUCTION



The 75 year old Balfour Beatty Group has four operating companies and is engaged in more than 70 countries throughout the world, in the Americas, the Middle and Far East, Africa, Australia and Europe. The extensive range of activities within the Group includes the management, design and construction of civil engineering, industrial and building projects, electrical power generation and mechanical installations, overhead transmission and distribution lines and steelwork fabrication and the supply of construction plant. The work

has involved various dams, aqueducts, tunnels, underground caverns and transmission lines, industrial complexes, buildings and infrastructure development such as harbours, roads, bridges and railways in the UK and overseas.

Civil engineering construction is handled by Balfour Beatty Construction Limited which has considerable history in major civil engineering projects both in the UK and overseas. Recent and current major projects are the construction in joint venture of the largest

man made harbour in the world at Jebel Ali, Dubai where a total of 14 kms of quay was constructed, and the spent nuclear fuel handling facility at Sellafield.

In addition to the substantial civil construction work carried out by the Group, Balfour Beatty Power Construction Limited, one of the Group's four Operating Companies, undertakes railway electrification and power transmission schemes worldwide.

*Three span type D Callendar-Hamilton Railway Bridge over the M'Konda River in Tanzania of 90m total length. Designed to carry 16 units of RAT Loading.*



# MALAYSIAN BRITISH RAIL GROUP

## Overall Capability

The Malaysian British Rail Group is a powerful combination of design, project management, construction engineering services, training, maintenance and operating advice, together with the ability to arrange the appropriate financing package for all types of railway projects.

### *Transport Systems:*

Analyses of passenger and freight needs, demand studies and choice of system.

### *New Railways:*

Design of track, tunnels, bridges and stations; selection of local contractors; detailed design and equipment

specification; procurement of materials and equipment from appropriate suppliers in any country; supervision of construction, commissioning, training and operational management.

### *Modernisation:*

Specification and installation of new equipment and technologies, such as electrification, advanced rolling stock, station and handling facilities development, improved track materials and maintenance procedures.

### *Advanced Technologies:*

The benefit of proven scientific and technical developments in

areas of research such as track technology, traction systems, signalling systems, electrification and rail vehicle dynamics.

### *Passenger Traffic:*

Introduction of high-speed inter-city travel, mass transit systems including metro-type rolling stock, low-cost rural railways and interchange facilities.

### *Freight Traffic:*

Utilisation of specialised rolling stock, high utilisation operations, modern terminals and handling systems.





### **Operations:**

The introduction and use of advanced operational systems and signalling, centralised traffic control and safety procedures.

### **Britain's railway expertise**

Britain gave birth to railways in the modern form and British Railways has a history of 150 years of development, innovation and experience in the design, construction, operation and maintenance of a railway system unequalled anywhere else in the world.

In 1982 freight traffic amounted to 143 million tonnes which travelled an average haul of 70 miles to produce a total annual net tonne mileage figure of 10 billion.

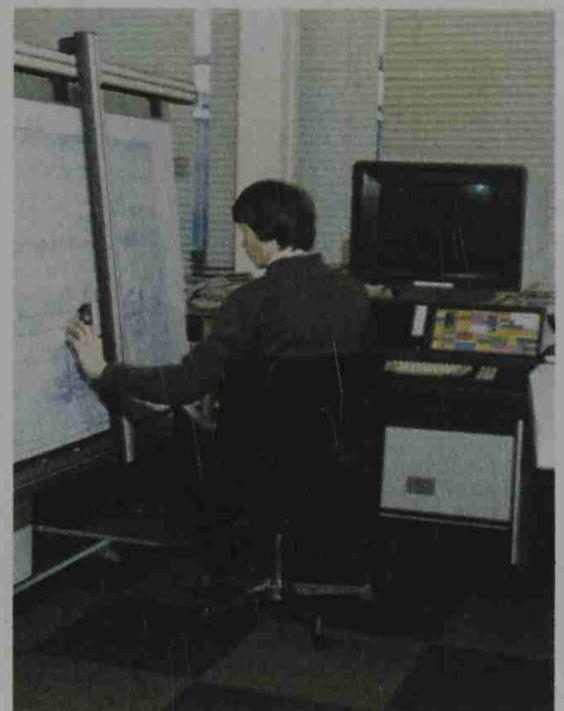
The movement of large volume of passenger and freight traffic requires managers and engineers of the very highest calibre. It also needs a high level of expenditure on maintenance and the continuing provision of the latest equipment so as to improve the service and replace out-of-date and worn assets. In 1982 expenditure on new stations, track, structures, signalling and rolling stock reached almost £150 million.

During the past fifteen years, engineers from British Rail have undertaken projects world-wide through Transmark, British Rail's wholly owned consultancy subsidiary.

Contracts have varied from the choice of alignment and design of new railways through to the rehabilitation and complete modernisation of existing railway systems.



*Freight handling at Felixstowe, U.K.*



*Davy British Rail computer-aided design facilities.*





*Major road improvements in the U.K. Carried out without interference to rail traffic.*

*Britain's Inter-City 125 high-speed train*





*Rail Changing Machine in action, substituting long welded rails for jointed track.*

*The fastest train in the Southern Hemisphere, designed for Australian conditions by British Rail.*



## ***THE MALAYSIAN PROJECT***

The existing main line from Singapore to Butterworth is meter gauge and is restricted in capacity by the need to rehabilitate and modernise. Whilst the ruling gradient is

an acceptable 1.25% there are some tight curves and the modernisation plan presents the opportunity to upgrade the line, ease the curves and move towards electrification

and change of gauge. Improvement, electrification and possible change of gauge of the existing railway would provide opportunity of compatibility, within a given



timescale, with the planned modern railway from Kuala Lumpur to Kuantan and Kuala Terengganu.

The problems of the

rehabilitation of track and the associated signalling and telecommunications are well within the capability of the British Group. An important feature of the services offered

by the Group is the ability to supply operations experts from British Rail, who have experience in planning rail services during track rehabilitation and who would



be able to assist their Malaysian counterparts in the task of minimising traffic disruption during the reconstruction phase.

Whilst the design and construction of the proposed line to run East/West would be a separate part of the overall project there would eventually be a need to integrate it with the existing railway. The Group has particular expertise in the solution of those problems of interface and would ensure a smooth transition from a

project to a part of an ongoing efficient railway system. The secret of this transition is to have given considerable thought to the harmonisation of each discipline at an early stage, and by working closely with Malayan Railways. It would be essential for the Group's project team to involve MRA railway men both to provide local detailed

knowledge and also to participate in technology transfer which would be of great benefit to MRA.

Having the full support of British Railways means that the Group can offer services beyond those normally associated with contracting organisations. Follow-up expertise in operations, maintenance planning and procedures, and training which are vital in the commissioning phase of any railway modernisation project are all part of the overall package supplied by MBRG.



# WORKING WITH MBRG

The Malaysian British Rail Group philosophy is based on an in-depth understanding of the objectives and requirements of the project, followed by the early establishment of good personal working relationships between Malaysian project engineers and MBRG project personnel.

The constituent parts of the British Group come together into a cohesive and properly managed project team with wide experience of major projects. Over the years methods have evolved for co-opting the best resources from various sources — group Companies, sub-contractors and joint venture partners — and bringing them together into effective teams for such projects.

Successful completion of a project, in minimum time and at minimum cost, is dependent on the effective management of resources: principally manpower, equipment, materials and capital. We will use an integrated project management approach in which total responsibility is assigned to one highly competent and experienced Project Manager of senior rank. The Project

Manager, with the participation of staff assigned to the Project and forming the Project Management Team, plans, directs, co-ordinates and controls every phase of project execution in accordance with appropriate standard company procedure. This ensures the required degree of control of costs, quality and programme. The control procedures can be modified or supplemented to suit the specific needs of the Client and or the Project.

The Project Manager is normally assigned for the duration of the project. Client contacts are through this one individual, on all matters relative to the project execution, and he has complete responsibility to fulfil the scope of work defined within the contract, within the established budget and within the proposed schedule.

The Group has varied experience of railway design, construction, maintenance and operation world-wide. Its operating staff and specialists in civil, signal and telecommunication, electrical and mechanical engineering have relevant overseas experience, much of it in South East Asia.

The Group's experts include project engineers, design and co-ordination engineers, planners, cost controllers and accounting specialists. In addition various specialists from consultancy organisations or sub-contractors may be assigned into the task force for exceptional ground problems, major bridges or tunnels.

The team would be assembled at one location for the design and procurement phases of the project, forming a cohesive unit. Later as construction proceeded it would split into site construction groups and also liaise with suppliers. The project manager would move with the centre of activity as appropriate.

These project management techniques perfected on major projects around the world ensure that the Government of Malaysia can place any task with the British Group in full confidence that it will proceed smoothly to completion in accordance with planned schedules and budgets.



# PROJECT FINANCE

MBRG is headquartered in London, the world's largest international financial centre. Through its international connections, MBRG is in regular contact with export credit organisations, major banks, finance houses and international funding agencies. This expertise in arranging favourable finance terms will be a key element in this project.

Bankers to the consortium are Standard Chartered Merchant Bank Limited, a subsidiary and principal merchant banking arm of The Standard Chartered

Bank Group, which is itself the UK's largest independent international bank with total assets in excess of £28,000 million. In Malaysia the Group is represented through The Chartered Bank which has been established since 1875 and offers a complete range of banking services through a 35 branch network throughout the country. The Chartered Bank has merchant banking representation in Malaysia through its 30% investment in Permata Chartered Merchant Bank Berhad (PCMB) one of the leading merchant banks in Kuala Lumpur.

The financing proposals in support of the Malaysian British Rail Group will be developed and coordinated by the International Project Finance Division of SCMB, supported as required by way of local advice and funding by The Chartered Bank and PCMB. SCMB has an acknowledged experience in the capital project financing sphere, both as advisors on and arrangers of finance, and has a reputation for innovation in this area.

It is SCMB's experience that, whilst pure export financing may be appropriate for comparatively simple contracts for the supply of goods, in the case of major capital projects, a variety of financing arrangements may be required. SCMB has recent practical experience and a successful track record in tailoring all the required elements into attractive and effective packages for major projects in a number of countries.

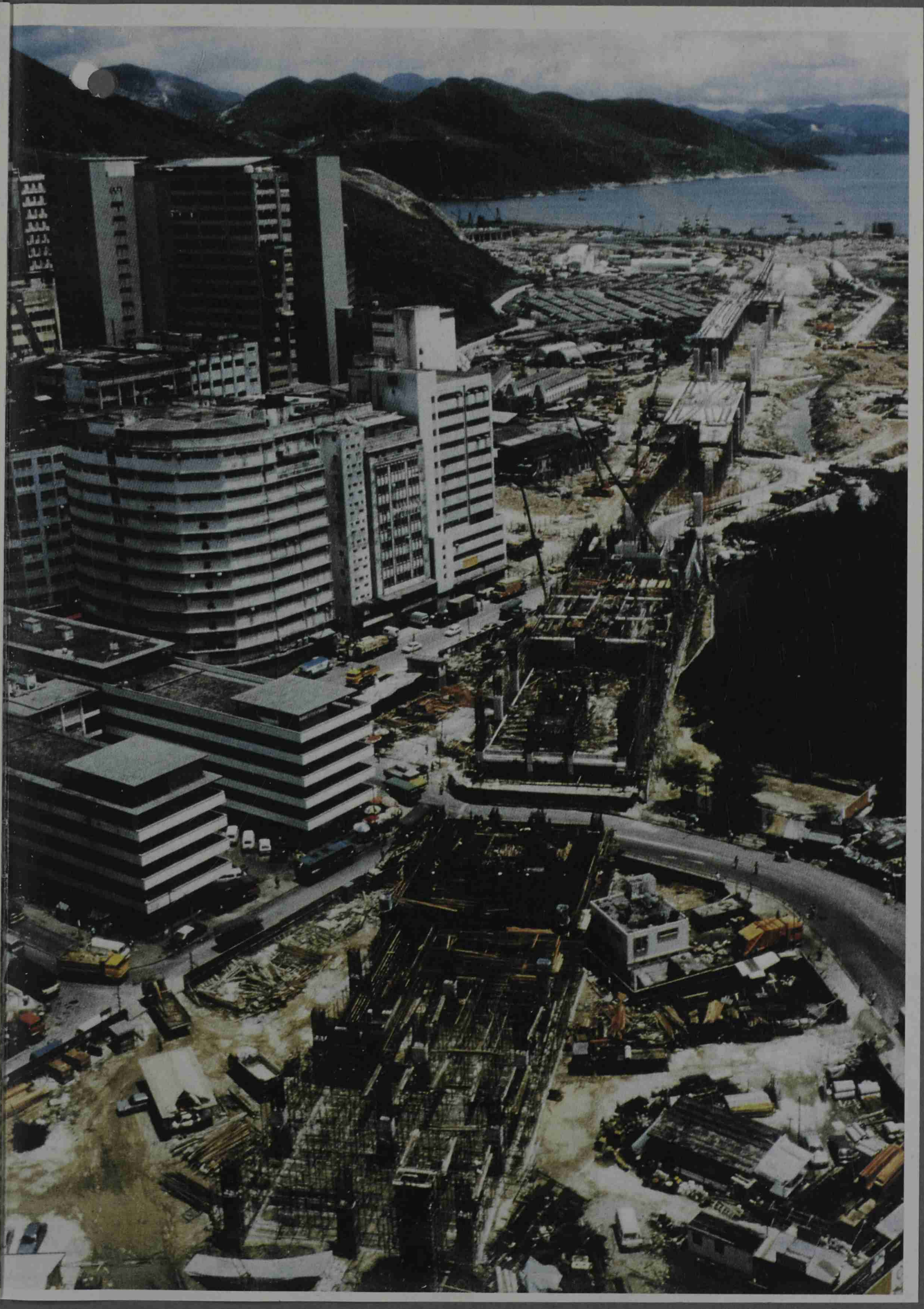
In Malaysia, SCMB has actively supported a number of UK companies and consortia bidding for major projects. The experience gained in recent years, together with the contract established with relevant Malaysian Government officials, will be invaluable in ensuring that the proposals of the Malaysian British Rail Group are supported by a comprehensive project financing package tailored to the requirements of the Malaysian authorities.

*Construction of the Chai Wan overhead station and related viaducts for The Mass Transit Railway Corporation, Hong Kong, financed within a supporting Hong Kong dollar financing framework arranged by Standard Chartered Merchant Bank in conjunction with The Chartered Bank.*



Headquarters of The Chartered Bank in Malaysia .







**MALAYSIAN BRITISH RAIL GROUP**

Room 1704 & 1706, Wisma Lim Foo Yong,  
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## Taylor Woodrow Group

The Lord Taylor of Hadfield  
D.Sc. (Hon.) F.C.I.O.B.  
Founder and Life President

10, Park Street, London, W1Y 4DD  
Telemessage: Tayrow London W1  
Telephone: 01-499 8871  
Telex No: 22513

Our Ref: FT/MO.

19th March, 1985.

The Right Honourable Margaret Thatcher, M.P.,  
Prime Minister,  
First Lord of the Treasury and Minister for  
the Civil Service,  
10 Downing Street,  
London, S.W.1.

*Dear Prime Minister,*

In September, 1984, when you previously were due to visit Malaysia, we were asked to give half an hour's presentation to you in Kuala Lumpur on our current and future projects. This, I believe, was very helpful to you.

We are now told that, due to the short length of your next visit, your programme will not permit time for such a presentation.

However, may I please put the following points to you for your kind consideration and wise decision:-

- A. Unless the delicate nature of the Airline dispute is settled, (they are only asking for one slot at Heathrow per week) we are advised by important Government Officials that there will be no orders to the U.K. for either manufactured goods or contracts and that orders will be placed in Japan, France and elsewhere.
- B. The Railway Contract, which we are trying to negotiate, as a British syndicate (please see brochure enclosed), would be in the region of £800 million in value and this would bring a lot of orders to Britain and would create a considerable amount of employment.
- C. Malaysia is in good financial strength and their currency is strong overseas. They are developing their country and there will be many orders available for all kinds of merchandise, but, in which our country will not participate unless the Airline dispute can be settled.
- D. In view of the above, do you consider it would be wise if Mr. Brian Burdekin, our No. 1 Director in Kuala Lumpur, could give half an hour's presentation to you during your visit?

*PTO*

P.T.O.

**TAYLOR  
WOODROW**  
*AAAA*

10 Park Street, London W1Y 4DD  
Telephone: 01-499 8871  
Telex No. 55213

Taylor Woodrow Group  
The Lord Taylor of Harfield  
Director  
President and Vice President

It is with reluctance that I place this suggestion to you for your consideration, because I know you have thousands of problems claiming your time and attention. However, after consideration, I thought that this was so big and so important that I was justified in putting the matter to you for your kind consideration and decision.

*With every good wish.*

*Sincerely,  
Franky*

*Dear Prime Minister*

*10*



DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET  
TELEPHONE DIRECT LINE 01-215 5422  
SWITCHBOARD 01-215 7877

PS/  
Secretary of State for Trade and Industry

22 March 1985

Charles Powell Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
London SW1

Dear Charles,

with CP? YES (FOR POL SE ASIA)

MALAYSIA: LORD TAYLOR'S LETTER TO THE PRIME MINISTER

Thank you for your letter of 20 March enclosing one from Lord Taylor of Hadfield, on behalf of Taylor Woodrow, to the Prime Minister.

2 The project in which Taylor Woodrow are interested, as members of a consortium, is the refurbishment and upgrading of the railway network on Malaysia's east coast. In total, it is worth about £800 million of which the British content would be about £400 million. Taylor Woodrow's share of the first phase - design and management - would be worth about £6 million but they are also looking ahead to some of the civil engineering work of the second and larger phase.

3 The DTI have been working closely with the consortium: a feasibility study carried out by Davy/BREL was partly funded by the BOTB and active consideration is being given to making some aid (from the Aid Trade Provision) available for the project. It is clear that we regard it, together with some smaller associated railway contracts, as a most important piece of business to win. This has already been reflected in the briefing we have prepared for the Prime Minister's visit. We doubt whether there is much to be gained from a special presentation by Taylor Woodrow's representative in Kuala Lumpur. But if time for this could be found we would have no objection.

4 We are, of course, also conscious of the threat to British firms winning such business if the air services disputes with Malaysia are not resolved soon. Traditionally, the contenders in disputes over air services have not allowed these difficulties to spill over into separate and unrelated areas of trade. Dr Mahathir has confirmed that there is no policy of discrimination against British suppliers. Nevertheless, threats of discrimination in the field of transport have been made.

JH2AJT



5 Lord Taylor's brief reference to the problem of frequency of Malaysian Airline Systems (MAS) flights to London, however, rather over-simplifies the matter. We understand that the discussions of this problem between British Airways and MAS had made a great deal of progress towards a solution. This was undermined by the tax measure introduced in October of 1984 by the Malaysian Government which discriminates in favour of MAS at the expense of other airlines, including BA and Cathay Pacific, operating from Kuala Lumpur. They have suffered severe losses of revenue as a consequence. The way forward may be to reaffirm that a solution to the frequency difficulty can be found if the Malaysian Government can resolve the discriminatory tax problem. The High Commissioner in Kuala Lumpur will explore this, if possible with Dr Mahathir, in advance of the visit. The Prime Minister will be briefed in the light of his consultations.

6 A draft reply for the Prime Minister to send to Lord Taylor is enclosed. Copies go to Richard Allan and Peter Ricketts.

*Yours sincerely,  
Maureen Dodsworth.*

MAUREEN DODSWORTH  
Private Secretary

JH2AJT

BEMAKU

The Lord Taylor of Hadfield DSC (Hon) FCIQB  
Taylor Woodrow Group  
10 Park Street  
London W1Y 4DD

Thank you for your letter of 19 March about the problems which could arise for Taylor Woodrow's efforts to win railway business in Malaysia if the air services dispute is not resolved soon.

*The Government have been giving*  
~~You will, of course, know of the strong support that~~  
*strong support to the consortium*  
~~the Department of Trade and Industry have given in~~  
~~the initial stages of the project. In which Taylor~~  
~~Woodrow are associated with Davy and BREL. The~~  
*Department of Trade and Industry*  
~~feasibility study has been supported by the Department~~  
~~and active consideration is being given to some~~  
~~aid support for the implementation of the project~~  
~~if the consortium win the contract. We are, therefore,~~  
~~very much alive to the importance of this business~~  
~~and everything possible is being done to resolve the~~  
~~air services problems which might pose a threat to~~  
~~it.~~

We are  
certainly  
in no  
doubt of  
its  
importance

My visit to Malaysia this time is a little shorter than it was to have been last September. Much as I would have wished to have heard a presentation by your representatives in Kuala Lumpur, I very much doubt whether there will be time in a very tight programme. *But* I shall, of course, take a special interest

in the project in my discussions with Malaysian  
Ministers.

EM



THE tour of south-east Asia planned by Mrs Margaret Thatcher next month threatens to become bogged down in a row over airline flights. Diplomatic sources in London said last week that this vexed issue is bound to be raised when Mrs Thatcher makes the first trip to Malaysia by a British Prime Minister.

Talks between British Airways and the state carrier Malaysian Airline Systems collapsed last month amid bitterness and recrimination. At the core of the long-running dispute is MAS's claim for one extra flight each week from Kuala Lumpur to London, which jeopardises important arms and trade deals planned between the two countries.

Senior British industrialists are annoyed that what appears to be a straightforward dispute has been allowed to fester for at least a year. Lord Taylor, chairman of the construction company Taylor Woodrow, is believed to have complained to Mrs Thatcher at a recent private meeting at 10 Downing Street. In addition the Defence Sales Organisation - the British arms exporting body - has sounded

# Eastern flack for PM

by Lionel Barber

out the Malaysians on possible contracts but has been given a lukewarm reception.

Taylor Woodrow's concern centres on an important construction contract, worth about £750m, to upgrade Malaysia's rail network. Although this has yet to be put out to tender Taylor Woodrow, along with other top British exporters such as the Davy Corporation and Wimpey International, believe their chances of winning the order are being damaged by the dispute.

A second contract for British Rail Engineering's railbus - worth more than £50m - also

hangs in the balance. Malaysia is testing a Hungarian version and is said to have been impressed by the Hungarians' willingness to accept bartered goods.

The airline row stems from British Airways' refusal to accept MAS's case to increase its flights to London from four to five. BA claims that too many passengers from Kuala Lumpur are on stop-overs from Australia and this undermines BA's arrangements with Qantas on the Australian route.

The Malaysians weakened their case recently by offering tax incentives to Malaysians to travel on MAS flights. Their defence is that it helps to reduce the big deficit on invisible trade, but BA has seized on the move as a covert subsidy. This new element has made the row even more intractable.

Mrs Thatcher will not be pleased by the failure of the transport department and BA inability to come to a settlement. Her south-east Asian hosts will point to several other airline disputes with Far East carriers:

DOWNING STREET,  
WHITEHALL S.W. 1

return to No. 10

*the Private Secretary's  
Compliments*

# THE MALAYSIAN RAILWAY PROJECT



MALAYSIAN BRITISH RAIL GROUP



10 DOWNING STREET

*From the Private Secretary*

20 March, 1985.

BF. | I enclose a letter to the Prime Minister from Lord Taylor of Hadfield about the Prime Minister's visit to Malaysia, and in particular the problems which could arise for the Railway Contract as a result of the continuing dispute over Malaysian Airways. I should be very grateful for an early draft reply, if possible for the Prime Minister's weekend box.

Lord Taylor asks whether the Prime Minister will be able to receive a briefing on the railway project while in Kuala Lumpur from Taylor Woodrow's Director on the spot. My impression is that there is no space in the programme for this.

I should add that the Prime Minister is increasingly concerned about the possible effect on her visit of the continuing airline dispute, both with Malaysia and Singapore. I have suggested to the Department of Transport that their Secretary of State might like to minute the Prime Minister soon on this.

I am copying this letter and enclosure to Richard Allan (Department of Transport) and Peter Ricketts (Foreign and Commonwealth Office).

(C.D. Powell)

Callum McCarthy, Esq.,  
Department of Trade and Industry.

A handwritten signature in the bottom right corner of the page.