



Defence Export Services Organisation

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PC/109/86

Mr P Mountfield
HM Treasury
Parliament Street
London
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DA for 3/12
file

cc. Mr Khanna 07/11

3 December 1986

Dear Mr Mountfield

PROJECT AL YAMAMAH

1. I refer to Peter Henley's letter of 1 December 1986.
2. May I just add three further points to the letter:-
 - a. As a matter of detail Banque Indosuez entered the picture not at the request of the Saudis but simply because they alone among the numerous banks who have expressed interest in the facility were able to accept a facility where the risk on oil price and interest rate fluctuations was to be borne solely by the banks.
 - b. The second point is one of timing. You may be aware that Prince Bandar, son of Prince Sultan, the Saudi Defence Minister, and emissary of King Fahad called on our Prime Minister last week, and expressed to her Saudi frustration at the length of time it was taking to finalize the facility. The Prime Minister agreed to request the relevant UK authorities to conclude the matter with the utmost despatch. Consequently could I please request that approval be given to ECGD's drafts urgently to allow final Ministerial approval to be given?
 - c. Finally, may I emphasize the need to agree to £300M additional cover for BAe? The smaller facility now envisaged leaves BAe with a substantial negative cash flow, which will be a massive burden on them, even considering the size of BAe's balance sheet. It is vital therefore that this burden be lowered by the additional cover recommended.

*Yours sincerely
Philip Curry.*

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