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DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 7691
SWITCHBOARD 01-212 7676

From the
Minister of State

PS/Norman Tebbit MP

T Lankester Esq
10 Downing Street
London SW1

28th May 1981

SM-
M. T. M.

Dear Tim

Thank you for your letter of 21 May enclosing a letter to the Prime Minister from Mr Paul Bristol of KCA International.

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29/5

You will recall that on 9 April E(EA) agreed that British Shipbuilders should be authorised to offer a guarantee of the residual value of the lease of a rig to be purchased by a leasing consortium on behalf of KCA. The guarantee was to be limited to £12 million and would come into effect at the end of a four or five year primary charter period.

Negotiations have been proceeding between BS, KCA and the leasing consortium but there does not appear any immediate prospect of an order by KCA. Mr Bristol alleges that this is because the degree of "underwriting offered by the Department" (in fact offered by BS) is insufficient. This is not our understanding of the position. A prime requirement for the deal to go ahead is for KCA to secure a primary charter from a major oil company for the first four or five years operation of the rig. This he has failed to do. In the absence of a satisfactory factory primary charter, the leasing consortium are not prepared to finance the project even with the benefit of a BS guarantee to cover the secondary rental period. On the other hand, if KCA were to secure a charter, the consortium believe that they could put together a deal on the basis of the level of underwriting already offered. The ball is therefore squarely in Mr Bristol's court.

In the circumstances, it would be best for only a short reply to be sent to Mr Bristol, merely thanking him for keeping the Prime Minister in the picture and noting that negotiations are for British Shipbuilders.

Yours sincerely
Peter Mason

PETER MASON
Private Secretary

Enc

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LETTER FOR PS/PRIME MINISTER TO SEND TO:

P L H Bristol Esq
Chairman
KCA International Ltd
9th Floor
Berkeley Square House
Berkeley Square
London
W1X 6BY

The Prime Minister has asked me to thank you for your letter of 18 May and for keeping her informed of the progress of your negotiations for a drilling rig. ~~The negotiations are a matter~~ // ~~for British Shipbuilders and~~ the Prime Minister has noted that you are having further talks with Mr Atkinson, *and she* *very much hopes that these will ~~be~~ prove* *fruitful.*

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FILE

VLB

North End

cc D/I

CF Waste

1 June 1981

The Prime Minister has asked me to thank you for your letter of 18 May and for keeping her informed of the progress of your negotiations for a drilling rig.

Mrs. Thatcher has noted that you are having further talks with Mr. Atkinson, and she very much hopes that these will prove fruitful.

T P LANKESTER

P. L. H. Bristol, Esq.

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4/6

21 May 1981

I enclose the letter from the
Chairman of KCA International which we
discussed this morning. I would be
grateful if you could let me have
a draft Private Secretary reply, by
Thursday 4 June.

L. E. LANKESTER
MAP

P.E. Mason Esq
Department of Industry

VLS

MFJ

21 May 1981

I am writing on behalf of the Prime Minister to thank you for your letter of 18 May.

I will place your letter before the Prime Minister and a reply will be sent to you as soon as possible.

TPL

Paul Bristol Esq

VCS



10 DOWNING STREET

PRIME MINISTER

We have already made a substantial concession to persuade KCA to build a semi-submersible rig at Cammell Laird. The KCA Chairman now says that it is not sufficient.

I do not think you can get involved in this further. If you agree, I will just acknowledge.

S.J. Piche

pp TPL

20 May 1981

Before we
acknowledge - we ought to
be in touch with K.C.A.
A short forward acknowledgment
nothing else could look
completely disinterested.
ms.

P. L. H. Bristol
Chairman and Chief Executive

KCA International Limited

9th Floor, Berkeley Square House
Berkeley Square
London W1X 6BY

May 18, 1981

The Rt Hon Mrs Margaret Thatcher, MP
10 Downing Street
London SW1

Tel 01-491 3958
Cable KAYGRUP London
Telex 28924

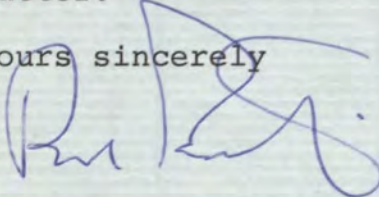
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Dear Prime Minister

It was most kind of you to reply to my letter of 24th March concerning the possible order of a semi-submersible rig from Cammell Laird. I have hesitated in coming back to you as I had hoped that the matter could have been finally concluded in talks with the Department of Industry during the last few weeks. However, although we still wish to build in a British Shipyard, we are having problems in that the amount of underwriting offered by the Department is sadly not sufficient in that it does not commercially make it sensible for us to proceed at the present moment.

I am however meeting Robert Atkinson on Wednesday of this week and I will be fully explaining to him the situation. I realise that you cannot get involved in detail in this matter, however, I did feel that I should let you know where we stand on this matter.

Yours sincerely


Paul Bristol

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Registered Office: Kingsnorth-on-the-Medway
Hoo, Rochester, Kent ME3 9NO
Secretary: A. W. Banyard