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10 DOWNING STREET

THE PRIME MINISTER

21 May 1982

Dear Sir John,

Thank you for your letter of 14 May about the Indian steel project. I know how disappointed you and your team must be. I too had hoped very much that you would have been able to lead this very major venture.

We and our High Commissioner share your aim of trying to gain as much business as possible from future Indian plans to proceed with this project. I am certainly prepared to contact Mrs. Gandhi about this but I think it may be best to wait until her current election campaign is over.

Yours sincerely
Margaret Thatcher

Sir John Buckley.

llc



DEPARTMENT OF TRADE
1 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01 215
SWITCHBOARD 01 215 7877

From the
Minister for Trade

Clive Whitmore Esq
Principal Private Secretary
to the Prime Minister
10 Downing Street
London SW1A 0AA

19 May 1982

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Dear Whitmore,

INDIA: ORISSA STEEL PLANT

Thank you for your letter of 14 May, enclosing a copy of a letter from Sir John Buckley of Davy to the Prime Minister about the Orissa steel plant.

Mr Rees saw Sir John Buckley on Monday, and heard from him his view of what had occurred, and the prospects for re-establishing UK participation in the project, assuming that the Indians decide to go ahead with it. Sir John commented that the project would have been the largest fixed priced turnkey contract ever undertaken from Western Europe, and that the amount of work needed to bring it to fruition had probably been under-estimated. The Indian Government's decision following the award of the Letter of Intent, to change both the site of the plant and the product mix, while justified on their merits, had inevitably increased the cost and created uncertainty. In his view, there was simply inadequate time for the Indian Government to deal with the political consequences of departing from the basis on which the Letter of Intent had been awarded. Looking to the future, Sir John noted that the Indian Government had not yet decided how to proceed, but it appeared likely that the turnkey approach would be abandoned. If the plant went ahead, he saw scope for substantial UK participation, given the immense amount of work that had been done, and that agreement had effectively been reached with Davy on all matters including price for substantial parts of the plant. Various options that might be presented to the Indian Government are being explored with Davy by officials here.



Mr Rees considers that from the Government's point of view the prime consideration now must be to obtain as much benefit as possible for the UK from whatever course of action the Indians decide to follow. We remain hopeful that this would involve substantial participation by Davy. However, it is clear from the High Commissioner's report from Delhi that Davy's approach and tactics in the last few weeks have not been beyond criticism, and that the Indians may have reservations about the prominence of the role to be given to Davy in any revised package; however, they do appear favourably disposed to substantial participation from the UK, reflecting the excellent state of Government to Government relations following Mrs Gandhi's visit. The Indians have been very helpful in trying to control the publicity, and their latest public pronouncement yesterday leaves clear scope for UK participation.

You will have seen the High Commissioner's telegram Creda 218 of 15 May, giving his views on whether the Prime Minister should be advised to write to Mrs Gandhi. We are awaiting his further views, but would concur with the advice that such a message could play a useful part in re-establishing UK participation in this project, but should not be sent at earliest until Mrs Gandhi has returned from electioneering.

The draft reply to Sir John Buckley, attached, assumes that the Prime Minister will be prepared to send such a message to Mrs Gandhi, as and when the High Commissioner advises that it is appropriate.

I am copying this letter to the offices of Patrick Jenkin, Leon Brittan, Douglas Hurd and Neil Marten.

Yours sincerely,

Nicholas McInnes

N McINNES
Private Secretary to the
Minister for Trade (PETER REES)

DRAFT

Addressed to :

Sir John Buckley
Davy Corporation Ltd
15 Portland Place
London W1A 4DD

File No.

Copies to :

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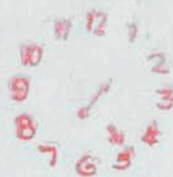
PM
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DEPARTMENT OF TRADE

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We and our High Commissioner share your aim of trying to gain as much business as possible from future Indian plans to proceed with this project. I ~~shall~~ *am certainly prepared* ~~of course be very ready~~ to contact Mrs Gandhi when ~~the time is right.~~ *about this but I think it may be best to wait until her current election campaign is over.*

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10 DOWNING STREET

From the Principal Private Secretary

14 May 1982

BF

Dear Mr James,

INDIA : ORISSA STEEL PLANT

I attach a copy of a letter from Sir John Buckley of the Davy Corporation Limited to the Prime Minister about the Orissa steel plant.

I should be grateful if you could let me have, as soon as possible, a draft reply for the Prime Minister to send to him.

I am sending copies of this letter and of Sir John Buckley's letter to Terry Mathews (Treasury) and Stephen Lamport (Foreign and Commonwealth Office).

Yours sincerely,

Alvin Whitmore.

Nicholas McInnes Esq.,
Department of Trade.

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10 DOWNING STREET

From the Principal Private Secretary

14 May 1982

Sir John,

I am writing, on behalf of the Prime Minister, to thank you for your letter of 14 May 1982 about the Indian steel project.

Mrs Thatcher is out of London this afternoon but I will ensure that she sees your letter as soon as possible after her return.

Yours sincerely,

Alvie Whitmore.

Sir John Buckley

AH



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Sir John Buckley

Davy Corporation Ltd

15 Portland Place
London W1A 4DD
England

Tel: 01-637-2821
Telex: 22604

14 May 1982

The Rt. Hon. Margaret Thatcher MP
10 Downing Street
LONDON SW1

Prime Minister
We have asked for a
happy reply.
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Dear Prime Minister,

I have just returned from Delhi after spending several days there with my colleagues in the final attempt to bring the Indian steel project to a successful conclusion by the critical date of 15 May. I regret to report the outcome is most disappointing, as the High Commissioner, Sir John Thomson, may have already reported.

We were informed on Wednesday 12 May, by the Permanent Secretary at the Department of Steel, that the Indian Government had decided at a Cabinet Meeting, held the previous day, that for a number of reasons they would not proceed with the project as originally conceived and that other means would be employed. However, the hope was expressed that Davy would have an important part to play but that no firm undertaking could be given. I also met Dr. Alexander, Secretary to the Cabinet, who explained the position to me.

A top executive has remained in India, together with a team, in the hope that something can be done to establish a new position. The Indian authorities seemed to want this, although I doubt whether any immediate benefit will be obtained.

Having given so much personal support to this project I am sure you will be as disappointed as we are that despite the enormous effort and cost and the willingness of the Government to provide such generous financial support for the project, it has not been possible to convert the Letter of Intent into a contract. We are most grateful to you for the strong backing we have received.

/Cont'd....

The Rt. Hon. Margaret Thatcher MP

14.5.82

I believe it would help if a message could be sent to the Indian Government expressing your disappointment and I do hope you will not think it presumptuous of me to suggest this course. I understand Mrs. Gandhi was not at the Cabinet Meeting when the decision to alter things was made.

As always Sir John Thomson has been enormously helpful and like us is extremely saddened by the turn of events; no-one could have tried harder for success.

It may well be that the project is to be delayed indefinitely and that the present action is a step in that direction.

Yours sincerely,
John R. K. R. R.