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~~Minister/EC~~
~~Head of Chancery~~
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INFO IMMEDIATE COLOMBO

FOR PRIME MINISTERS' PARTY
SAMANALA WEWA

EARLIER BRIEFING FOR THE PRIME MINISTER ON SAMANALA WEWA NEEDS SUPPLEMENTING IN LIGHT OF EVIDENCE NOW EMERGING THAT CERTAIN JAPANESE INTERESTS ARE INTENT ON UNDERMINING THE ARRANGEMENTS ORIGINALLY ENVISAGED FOR CO-ORDINATING AND SUPERVISING THIS PROJECT.

DURING BILATERAL TALKS BETWEEN OFFICIALS IN FEBRUARY THE JAPANESE INDICATED THEY WOULD BE WILLING TO ACCEPT THAT IF THE SRI LANKAN CLIENT WISHED TO EMPLOY AN AGENT (I.E THE SWISS CONSULTANT ELECTROWATT) TO SUPERVISE THE OVERALL PROJECT AND TO CERTIFY WORK UNDERTAKEN NO ADDITIONAL JAPANESE CONSULTANT WOULD BE NEEDED TO SUPERVISE THE WORK TO BE UNDERTAKEN BY JAPANESE CONTRACTORS, OR TO PREPARE DETAILED DESIGN AND TENDER DOCUMENTS PROVIDED THIS WORK WAS ALREADY UNDERWAY AND HAD BEEN CARRIED OUT IN A COMPETENT MANNER (BY SIR ALEXANDER GIBB AND PARTNERS) AND IN CONFORMITY WITH JAPANESE INDUSTRIAL STANDARDS. (THE UK DELEGATION RECOGNISED THERE WOULD IN ANY EVENT BE A REQUIREMENT FOR A JAPANESE CONSULTANT TO BE APPOINTED IN A SEPARATE ROLE TO ASSIST THE CLIENT IN THE EVALUATION OF THE JAPANESE TENDER PROPOSALS AND IN CONTRACT NEGOTIATIONS FOR THE JAPANESE FUNDED WORK).

THE JAPANESE DELEGATION ALSO INDICATED IT WOULD RESPECT ANY DECISION BY THE CLIENT TO REQUIRE THE LEAD UK CONTRACTOR (BALFOUR BEATTY) TO UNDERTAKE A CO-ORDINATION ROLE WITH REGARD TO THE PROJECT'S OFFSHORE CONTENT I.E THE WORK TO BE PERFORMED BY THE UK AND JAPANESE CONTRACTORS. IT WAS THIS ROLE WHICH WAS SEEN AS PROVIDING THE UK WITH PROJECT LEADERSHIP EVEN THOUGH IT WAS UNDERSTOOD AT THE TALKS IN FEBRUARY THAT JAPAN WOULD FUND OVER SIXTY PERCENT OF THE OFF-SHORE WORK AND THUS HAVE MORE CONTRACTORS ON SITE THAN THE UK. YOUR TELNO OTTER 182 OF 11 APRIL CONFIRMED THAT THE JAPANESE SAW NO PROBLEM IN PRINCIPLE IN BALFOUR BEATTY RETAINING PROJECT LEADERSHIP.

EVIDENCE HAS EMERGED SINCE THAT THE CLIENT HAS BEEN SWAYED BY THE PROMISE THAT THE OECF FUNDING PACKAGE WILL NOT ONLY COVER THE JAPANESE OFFSHORE CONTENT BUT ALSO FUND THE ON SHORE COSTS OF EMPLOYING A SUPERVISORY AGENT. FROM THE POSITION IN WHICH A JAPANESE CONSULTANT (NIPON KOEI) MIGHT HAVE SIMPLY BEEN EMPLOYED TO ADVISE ELECTROWATT AN INDEPENDENT SUPERVISORY AGENT ON THE JAPANESE PORTIONS OF THE WORK, EVENTS HAVE MOVED FORWARD TO THE POINT WHERE N K MAY NOT ONLY DOMINATE THE SUPERVISORY WORK (AS A SENIOR PARTNER IN THE JOINT VENTURE WITH ELECTROWATT PAID FOR ENTIRELY BY OECFO. BUT ALSO EXTEND THE SUPERVISORY ROLE TO SUCH AN EXTENT THAT NO GENUINE CO-ORDINATION FUNCTION AS BETWEEN THE CONTRACTORS WILL BE LEFT FOR BALFOUR BEATTY TO FULFIL.

WE EXPECT TO OBTAIN A CLEARER READ OUT IN COLOMBO NEXT WEEK WHEN BALFOUR BEATTY MEETS THE CLIENT AGAIN. IN THE MEANTIME WE HAVE PUT THE JAPANESE EMBASSY (OTA) ON NOTICE THAT WE ARE CONCERNED TO ENSURE THAT EFFECTIVE SUPERVISION AND COORDINATION IS AGREED BILATERALLY AND THAT WE EXPECT TO PURSUE THE MATTER FURTHER WITH JAPANESE OFFICIALS ONCE WE HAVE HAD CONFIRMATION ABOUT THE LATEST DEVELOPMENTS IN COLOMBO.

LINE TO TAKE

IF SAMANALA WEWA IS RAISED AS AN EXAMPLE OF THE COLLABORATION THAT CAN BE ACHIEVED BILATERALLY. IT WILL BE IMPORTANT AT THIS JUNCTURE TO MAKE IT CLEAR THAT WE TOO WANT AN EFFECTIVE PARTNERSHIP BUT THAT WE ARE CONCERNED ABOUT THE EXTENT TO WHICH ARRANGEMENTS FOR SUPERVISION AND CO-ORDINATION APPEAR TO BE DIVERGING FROM THOSE DISCUSSED IN FEBRUARY. DEPENDING ON THE OUTCOME OF FURTHER SOUNDINGS IN COLOMBO NEXT WEEK WE WOULD EXPECT TO PURSUE OUR CONCERNS IN TOKYO AT AN EARLY DATE.

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