

*c. R. Wiggins**1) JAT
2) NBM*

Treasury Chambers, Parliament Street, SW1P 3AG

Paul Channon MP
Minister for Trade
Department of Trade and Industry
1 - 19 Victoria Street
London
SW1

24 January 1985

Dear Minister,

THE SECOND BOSPHORUS BRIDGE

Norman Lamont wrote to me, in your absence, on 14 January.

This is a matter of priorities. I said in my letter of 11 December that if you accorded top priority to the Airbus order, as in the event you did, we would face difficult decisions because it would pre-empt almost all the available cover in a bad market.

Now we face those decisions. I do not think Bosphorus Bridge is the next highest priority.

The Bosphorus Bridge project would use up all remaining cover for Turkey. The order could only be obtained by heavy subsidy with ATP money. The effect would be to displace commercial orders won by British industry in free competition. I have just heard, for example, that the NEI consortium (led by Atomic Energy of Canada Ltd) has probably been awarded the Akkuyu nuclear power station contract. This will involve UK exports of £30 million with substantial employment benefits. I think it would be wrong to allow this order to be displaced by a subsidised order for the Bosphorus Bridge.

I know you will still be concerned about Cleveland Bridge's future, but this must be viewed in context. Despite recent problems, Trafalgar House's Steel Division, of which Cleveland Bridge is the dominant part, has increased turnover by fourteen hundred per cent in the past decade. You particularly mentioned future contracts in China, US and Portugal totalling over £300 million and your worry that Cleveland Bridge would be seen to have been 'beaten' by the Japanese for the Bosphorus contract.

However, I am sure that other governments will not be impressed by a firm that required a 50 per cent subsidy to beat Cleveland Bridge, whose reputation is well established.

I have also seen Geoffrey Howe's minute of 21 January. I appreciate his concern for our relations with the Turkish Government, but surely we shall be making a substantial contribution to their economic rehabilitation if we secure the power station contract?

The limitations on cover mean that a straight choice between NEI and Cleveland Bridge is likely to be required, since either would use up all that remains. This is a difficult decision, but I hope you will agree that we should not provide ATP for the bridge. This will ensure that priority is given to the unsubsidised NEI contract. If you can show good reasons for not supporting NEI, I would be prepared to consider a scaled-down UK involvement in the Bosphorus Bridge contract, if this were feasible, but only if it would still leave significant cover remaining for commercial business.

I am copying this letter to the Prime Minister and to Geoffrey Howe.

Yours Sincerely

Peter Rees

PETER REES

*(Approved by the Chief Secretary
and signed in his absence)*

TRADE
No Tariff
Barriers Act

24 JAN 1985

12125
987654321



COP



Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213..... 6400

Switchboard 01-213 3000

The Rt Hon Peter Rees QC MP
 Chief Secretary
 HM Treasury
 Great George Street
 LONDON SW1

12 February 1985

Don Peter

file into COP

PROJECTS IN TURKEY: SECOND BOSPHORUS BRIDGE AND AKKUYU POWER STATION

I have seen copies of the recent correspondence on this subject and strongly support Norman Tebbit's view that we should agree an increase in the ECGD cover limit sufficient to accommodate both Cleveland Bridge and NEI, and in addition should provide ATP of some £10 million for the bridge bid.

Virtually all the 4000 man years work which would flow from these two contracts would go to areas of very high unemployment. Much of it would go to plants in the North East, one of the most economically depressed parts of the country. Not only does it have the highest unemployment rate of all regions in Britain (Northern Region, excluding Cumbria: 20.3%, only slightly below Northern Ireland's rate of 21.3%), it has a disproportionate number of jobs in traditional sectors, such as coal mining and shipbuilding, which must be vulnerable. Redundancies are currently running at over 2000 a month, twice the national average. There is a widespread feeling in many sectors of the community in the North East that the Government has not shown sufficient concern about their plight.

I understand that 500-600 redundancies could result if Cleveland Bridge fail to win the Bosphorus Bridge contract and that all 1000 jobs at the Darlington plant could be at risk because of the effect this would have on the company's chances of winning other overseas business in the future. There must also be a risk of significant job losses at NEI if they fail to win their contract. I gather that NEI are at present totally dependent on export orders, that there are very few such orders around and



withdrawing from the Akkuyu project would jeopardise their chances of winning other business in partnership with the Canadians.

I am copying this letter to the Prime Minister, Patrick Jenkin, Geoffrey Howe, Paul Channon and Sir Robert Armstrong.

2 m
[Signature]

Trade: Non Tomi's banners? Pt 4

112 FEB 1985

112 FEB 1985



JF7510

Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215
SWITCHBOARD 01-215 75422

5 February 1985

The Rt Hon Peter Rees QC MP
Chief Secretary
HM Treasury
Treasury Buildings
Parliament Street
LONDON
SW1P 3AG

D. Peter,

PROJECTS IN TURKEY : SECOND BOSPHOROUS BRIDGE AND AKKUYU POWER STATION

In your letter of 14 January to Paul Channon you reiterated your opposition to ATP support being offered for the £40m UK content sought by Cleveland Bridge in its bid for the second Bosphorous bridge. I believe that this is a particularly important project and that we should now meet, with Geoffrey Howe, to try and resolve the issue. If not, I would want to go to EX.

2 I understand that our officials have been in touch and that this Thursday seems the most suitable time. Without rehearsing all the arguments once again, I would like to pick up some of the points raised by your last letter and what I hope we might be able to agree at our meeting.

3 You say that a "heavy subsidy" is needed for Cleveland Bridge to win. I agree that ATP is necessary, but it is not a "heavy subsidy". We are seeking the norm of 25.1 per cent, which is a great deal less than the 40% plus grant element being offered by the Japanese on a more extensive \$200m loan.

4 Should there be any doubt about the Japanese intentions, you should see the attached copy of their bid. I should emphasize that this is not a publicly available document and should be given a very restricted circulation. You note that other business is being pursued by UK companies in Turkey, of which NEI's Akkuyu bid is the most significant. But, first, any contract award to NEI is a more distant prospect than you suggest. Negotiations are certainly at a fairly advanced stage, following the initial bids a year ago.



KWU, of Germany, remain in close contention. Second, the whole of the ECGD cover at present available is some £20m short of NEI's requirements, which have been reduced to an absolute minimum by substantial overseas sourcing. Supporting Cleveland Bridge does not displace NEI: the company is already blocked by inadequate cover.

5 As things stand, therefore, neither NEI nor Cleveland Bridge are really in a position to pursue either contract. However I think there is justification for supporting both projects. The case in favour of Cleveland Bridge has already been spelt out extensively. Success for NEI would pave the way for further collaborative efforts with the Atomic Energy Company of Canada. To choose one project now seems to make no commercial sense, and would attract vigorous criticism that we are not prepared to give our project industry - and the jobs that depend upon it - anything like the same kind of support that our competitors do.

6 To give both Cleveland Bridge and NEI the Government backing they need to maintain their bids would involve agreeing:

- (i) an increase in the ECGD limit sufficient to accommodate both bids, should they be successful. We currently estimate this at an additional £45m; and
- (ii) ATP of some £10m for the bridge bid.

7 I am copying this to the Prime Minister, who has seen the previous correspondence and will I understand be meeting some of our own backbenchers this week about the Bosphorous bridge, and to Geoffrey Howe, Leon Brittan, Tom King and Patrick Jenkin who have expressed an interest in the case.

A handwritten signature in dark ink, appearing to read 'Norman Tebbit', written in a cursive style.

NORMAN TEBBIT

PROPOSALS

NY Cover note 2pm
SS/DTI to CST 5/2

Please state any proposals about the construction technique, finance and duration of the work with regard to the realization of the project, otherwise state "not applicable".

We are submitting below our proposal on the subject of the financing required for realizing the project :

Our group would like to undertake the construction of the whole four lots, which are:

- 1) Kinalı - Mahmutbey Motorway section of the Kinalı - Adapazarı Motorway (Thracian Motorway),
- 2) 2nd Bosphorus Bridge and Crossing,
- 3) Çamlıca - Gebze Motorway (Anatolian Motorway),
- 4) İzmit - Adapazarı - Kazancı Motorway (Anatolian Motorway)

and secure their financing.

Our group is in position to secure financing covering the whole value of our tender, under favorable payment conditions.

We would like to draw your attention to the following two points which will enable obtaining financing under favorable conditions :

- 1) We are in position to obtain a Japanese Yen Credit of \$ 200 Million U.S.Dollars equivalent value, which will be used exclusively for financing the 2nd Bosphorus Crossing lot of work, covering the Bridge and the related crossing motorways. In case your Administration agrees to, the subject Yen Credit can be realized upon request of the Turkish Government.

Terms and conditions can be as follows :

- Yearly interest rate 4,25 - 4,75 %
- Back payment period 25 years including 7 years grace period
- Amount : up to \$ 200 million

- 2) The financing we are going to secure for the 1st, 3rd and 4th lots and possibly for the motorway part of lot 2 can be as follows :

- 15 % by Italian Government credit under conditions indicated below,
- Another 15 % as an export credit loan.

● PROPOSALS

Please state any proposals about the construction technique, finance and duration of the work with regard to the realization of the project, otherwise state "not applicable".

The U.S. Dollar based Italian Government Credit can be obtained under the following conditions, in case this is requested by the Turkish Government from the Italian Government.

- Yearly interest rate 2 % - 2,5 %
- Back payment period 17 years including grace period
- Amount 15 % of the tender value for the subject lots.

The export credit loan will be under the current consensus agreement terms and its amount will also be the 15 % of the tender value of the same lots.

It is planned to complement the rest of the financing requirement from commercial credits.

We are submitting to your kind attention the above scheme which for the whole of four lots meets your credit requirements under most favorable terms and conditions to your Administration regarding interest rates, back-payment periods and grace periods.

We have set up our programs with the goal of completing the whole project by July 1988.

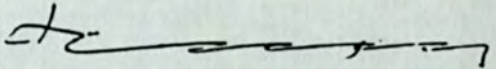
In setting up this Association, the combined strength of the partners,

- In their strong staffs of skilled personnel,
- In extensive plants and equipments in their ownership,
- In their financial strength,
- In their deep experience in the construction and manufacturing fields for similar works,
- In their use of the latest and most actual technical means and in the additional support which will be brought in by their associated companies and subcontractors,

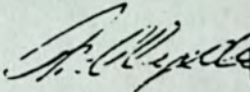

will insure the reliable and perfect realization of this most important project.

Our Turkish Partner is entitled to contact your Administration on behalf of our Association, in case any information or clarification is required regarding our prequalification application.

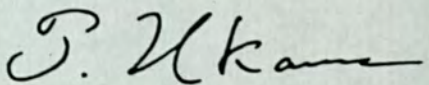
Yours respectfully,

Sezai Türkeş Feyzi Akkaya Construction Co. 

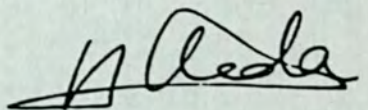
Ishikawajima-Harima-Heavy-Industries Co. Ltd.

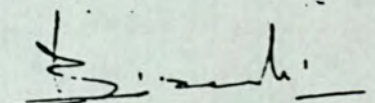
Mitsubishi Heavy Industries Ltd.



Nippon Kokan K.K.



Impregilo S.p.A. (Impresit Girola-Lodigiani)



Trade: Non-Tariff Barriers Pt 4.

5 FEB 1985

