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From the Private Secretary

31 March 1988

Thank you for sending me the material on the Third Bosphorus Bridge. I will make sure that the Prime Minister sees this as part of her briefing for her visit to Turkey.

(C. D. POWELL)

J. W. S. Fletcher, Esq.

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CDP

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Date

31 March 1988

Jan Charles

PRIME MINISTER'S VISIT TO TURKEY: THE BOSPHORUS BRIDGE

I write in the context of the Foreign Office ^{*with CDP?*} note of 29 March and a further meeting which I had with Mr Azil Nadir on 25 March.

I suggest that the FCO note is a little unsubtle. In particular, 1(g) of the summary, the sentence "British firms will win the business on the merit of their bids, not in return ...for favours" is an impossibly naif approach to business in about three-quarters of the globe. Both merit and favours are required. It's like television wrestling. The results may be fixed - but you have got to know the throws and the holds as well.

Nadir re-emphasised to me that he thought it might be possible to 'get' the Prime Minister the Bridge. And he would do his best. He will be making contact with you as to possible tactics (following the Prime Minister's initial reception).

Nadir made the point that the Prime Minister is seen by so many as the leader of the western world that it is undignified for her to 'ask' for something more than once - and even then not too directly. He thought she should make public mention of it only on the occasion of the speech at Ozal's dinner and delete references to it. (even the rather coy passage which I saw in the draft on page 4 'perhaps another still..' and, particularly, that on page 16/17 'we have quite a reputation ..') on the occasion of the Mayor's lunch. There is no point even making it privately in conversations with the Mayor (lg of FCO brief) unless he himself raises it. And I do not recommend 'a very strong pitch' (FCO brief para 16) even then.

dti

C Powell Esq

However the EC references seem well couched being both benign and imprecise. Nadir says it is recognised that a direct linkage between sponsorship and the Bridge is 'not realistic'.

I form the impression that it might be possible for a joint statement of intent to be made. These can be very valuable in tying up the detail later as I know from the Yerevan negotiations - which could always be floated off the reef again by referring back to the Prime Minister's accord with Gorbachev.

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for

ALAN CLARK

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BY HAND

Mr Charles Powell
Private Secretary to the Rt Hon M Thatcher
Prime Minister's Office
10 Downing Street
London SW1

31 March 1988

Dear Mr Powell

**THIRD BOSPORUS BRIDGE - ISTANBUL, TURKKEY
PRIME MINISTER'S VISIT 6TH - 8TH APRIL 1988**

I have been asked during Mr Fletcher's absence overseas to forward the enclosed briefing note on the third bridge across the Bosphorus for the forthcoming visit to Turkey by the Prime Minister.

Yours sincerely

Rosalie Byrne
(Secretary to J W S Fletcher -
Business Development & Marketing Director)

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THIRD BOSPORUS BRIDGE - ISTANBUL, TURKEY
PRIME MINISTER'S VISIT 6TH - 8TH APRIL 1988

Since late 1984, even before the loss of the Second Bosphorus Bridge to the Japanese, the Prime Minister of Turkey has been discussing a third bridge to alleviate the very severe urban congestion in cross Bosphorus traffic. This suggestion was only taken seriously after the Second Bridge was lost. Whilst the Second Bridge is about to open to traffic in accordance with programme it will do little to solve Istanbul's traffic congestion because it is approximately 5 kilometres out of town. The first bridge has been virtually loaded to capacity since its opening and the level of traffic has been insensitive to progressive increases in tolls.

The Third Bosphorus Bridge is now being publicly promoted by the Mayor of Istanbul. It will be located alongside the First Bridge and connect to a proposed new urban road. (This is the BESA project in which there is also a British interest). The Mayor has obtained authority to proceed with the project provided it pays for itself on a Build, Own, Operate and Transfer (BOOT) basis.

Tenders were invited from contractors interested in undertaking the project and accepting the full risks involved in design, construction and operating the franchise. On the 9.2.88 four bids were submitted as follows:-

| <u>Company</u> | <u>Value</u> | <u>Completion</u> | <u>Franchise Period</u> |
|--------------------------|--------------|-------------------|-------------------------|
| STFA (Turkish) | 171.5m USD | 3 years | 12 years |
| Enka/Cleveland | 248.781m USD | 4.5 yrs. | 12 years. |
| Eska Impregilo (Italian) | 258.0m USD | 4 years | 15 years |
| Ballast Nedham (Dutch) | 441.1m USD | 4.7 yrs. | 20 years |

The manner in which offers were requested does not facilitate an accurate evaluation to be carried out amongst competing tenders. There is no doubt whatsoever that the figures quoted above are meaningless without expert technical, commercial and financial evaluation and we do not believe this has been done.

Trafalgar House's subsidiary, Cleveland Bridge, together with their Turkish partner Enka, submitted a comprehensive tender. Cleveland Bridge received very positive support from DTI, ODA and ECGD and also had the benefit of a British Government Grant of £35m (61m USD).

By contrast, the STFA bid is based on an extremely flimsy experimental design and is to a much lower specification. It is not supported by any substantial funding source and has no aid benefit. STFA is by Turkish standards a large construction company with a reasonable reputation in Turkey and some Middle East countries. They is very close to the Mayor of Istanbul. They have worked with the Japanese on the Second Bridge but have not performed on the approach roads. The result is that although the Second Bridge is nearly complete, it is of very little benefit because the roads are 1 - 2 years late.

The Cleveland Bridge bid has the added benefit of support from the Japanese. It is proposed that a minor part of the project would be placed with Japanese companies in return for them bringing some attractive financing.

It must be emphasised that the Cleveland Bridge proposal addresses some very difficult problems with regards to franchising. It envisages the establishment of a bridge authority which would have equity contributed by Istanbul Municipality, Trafalgar House, Enka and British Government Aid. This authority would construct the bridge with funds borrowed with ECGD support and also with loans from Japan, Germany and local sources.

The present situation is that there has been no significant reaction or negotiation from the Mayor's office since 9.2.88. The Turkish press report that no decision will be made until after the 'Thatcher Visit'.

The Posts in Ankara and Istanbul have been kept fully informed and have been extremely helpful in all stages of Cleveland Bridge's efforts to secure this project.

Mr. Watt, a Divisional Director of Cleveland Bridge, will be in Ankara and Istanbul during the Prime Minister's visit and his points of contact advised to HM Ambassador.

J.W.S. FLETCHER
TRAFALGAR HOUSE PLC
31ST MARCH 1988