

OUT TELEGRAM

Classification
RESTRICTED

Caveat

DESKBY

ZCZC 1 zczc
 TO 2 RESTRICTED
 CAVEAT 3
 FM 4 FM DTI
 TO 5 TO DESKBY 200500Z ANKARA
 TELNO 6 TELNO
 OF 7 OF 191600Z APRIL 88
 AND TO 8 AND TO IMMEDIATE ISTANBUL AND ROUTINE TOKYO

10 FROM WHEELER, PEP1
 11 THIRD BOSPHORUS BRIDGE AND ISTANBUL EXPRESSWAY

13 1 In case you are able to see the Mayor of Istanbul in person
 14 in order to deliver the Prime Minister's holding reply, you may
 15 wish to have an early report on the Secretary of State for Trade
 16 and Industry's meeting today with Yusuf Ozal and Canevi, at
 17 which the Minister for Trade was also present. Ozal was in
 18 good form and has obviously enjoyed revisiting his old haunts.
 19 He was grateful that Mr Kenneth Clarke was able to attend the
 20 opening of the Turkish industrial exhibition. Discussion of
 21 the bridge and road projects occupied about ten minutes.

23 2 Lord Young referred to the Prime Minister's recent visit
 24 to Turkey and said he was disappointed that the Istanbul Express-
 25 way project appeared to have been postponed and that the Mayor
 26 of Istanbul seemed disposed to give most of the bridge project
 27 to the local contractor, STFA. Ozal did not respond directly.
 28 He said that in his view the two projects were necessarily
 29 linked. There could be no bridge without a road. For his part,

YYYY	Catchword HE		
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1 he had thought it sensible to complete the second bridge, do
2 the traffic studies and then decide whether another bridge
3 necessary. However, the Mayor of Istanbul had exerted pressure.

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5 3 Ozal said that he had heard that Dalan had floated with
6 the Prime Minister the idea of combining the two projects.
7 Lord Young did not confirm this report but said that we would
8 look at such a proposition. Mr Clark added that STFA's design,
9 to which the Mayor seemed so attracted, was very much an untried
10 model. When asked how the two projects might be combined, when
11 one was a public sector project and the other a BOOT project,
12 Ozal implied that he favoured combining them. Responsibility
13 for the composite project could go to one (implicitly Turkish-
14 UK) consortium. He could foresee two options. If the composite
15 project ^{were} financed on a total BOOT project basis but was found
16 not to be financially viable, it might be possible for the Turkish
17 Treasury to take a percentage or to subsidise the project.
18 Alternatively, it could be fashioned as a Build, Lease, Transfer
19 project, which would be off the Government balance sheet. The
20 bridge and road system could be leased by the sponsors to the
21 Istanbul Municipality or to the highways authority and sponsors
22 would get a fixed rate return guaranteed by the Treasury.

23
24 4 It would seem from this exchange that Dalan's proposition,
25 if not cleared in advance with the central government, is now
26 known to the latter and commands some support. It is difficult
27 to know whether this is because of its intrinsic merits - con-
28 verting the Expressway into a BOOT project (and we see intrac-
29 table difficulties in this) might lessen the government borrowing
30 requirement - or because the Treasury see it as a means of
31 delaying both projects. Yusuf Ozal's ideas for merging the bridge
32 and road into a single modified BOOT project are likely to be
33 even more unattractive to the British companies than some form
34 of linked financing of the two projects. As we have seen with

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1 AMEC, raising the funds would take some doing. However, the
2 British companies will now have to consider this approach more
3 seriously. Their present attitude is one of rejection.

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5 YYY Y

6 MAIN

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