



10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

17 May 1988

Thank you for your letter of 4 May about the Third Bosphorus Bridge. As you will know from discussions with Government Departments, the Prime Minister has sent a reply to the Mayor of Istanbul which our Ambassador delivered on 10 May. While grateful for the British Government's offer to pay for technical and financial studies, Mr. Dalan told Mr. Daunt that this would take too long. Delay would play into the hands of those in Ankara who wished to postpone the project. The contract for the Bridge would be awarded to STFA. Steel would be bought wherever it was best and cheapest. When Mr. Daunt asked the Mayor whether he was confident about the technical and financial viability of the various bids for the Bridge contract, Mr. Dalan said that an assessment of the chosen design sufficiently authoritative to satisfy international insurers and financiers was, of course necessary. He intended to commission one, probably for the STFA proposal.

I understand that you have been discussing with the Department of Trade and Industry and other Departments this disappointing response and that you are considering with them the next step. We hope that it will be possible for you to find a way to regain the initiative. I know that the Prime Minister would wish you well in this.

(C. D. POWELL)

J. W. S. Fletcher, Esq.

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J.W.S. FLETCHER  
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DSJ

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

AJ 4 May 1988

I enclose a copy of a letter which we have received from Mr. J.W.S. Fletcher, Director of Trafalgar House plc. Could you please note the classification marked on Mr. Fletcher's letter.

I should be grateful if you would let me have a draft reply for my signature, to reach this office by Wednesday 18 May.

I am sending a copy of this letter and enclosure to Lyn Parker (Foreign and Commonwealth Office).

Charles Powell

Stephen Ratcliffe, Esq.,  
Department of Trade and Industry.

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# TRAFALGAR HOUSE

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**STRICTLY PRIVATE & CONFIDENTIAL**

C D Powell Esq  
10 Downing Street  
London SW1A 2AA

4 May 1988

Dear Mr Powell

Thank you for your letter dated 25 April telling us that the Prime Minister found the briefing note we sent on 31 March on the third Bosphorus bridge useful but that unfortunately she had found Mr Dalan's attitude to our subsidiary's, Cleveland Bridge's, joint venture tender with ENKA discouraging.

We have also found Mr Dalan's approach to the Bosphorus bridge project disappointing; we had proposed writing to him on 21 April (copy of the draft letter is enclosed) expressing concern over the way the Bosphorus bridge "competition" was being handled by the Istanbul Municipality. But before actually sending this letter, we talked to the Department of Trade & Industry who informed us the Prime Minister was proposing writing to the Mayor of Istanbul responding to the Turkish proposal that the Expressway and the third Bosphorus bridge be combined and a leaseback, or BOOT, method of financing adopted for both projects.

Following several meetings with Department of Trade & Industry officials, Tarmac and Wimpey, little positive progress has been made on the Turkish suggestion because the other British companies consider the combining of the two contracts will undermine their position on the Expressway and in addition a leaseback financing scheme would be unattractive to them.

Separately, I saw Dr Yusuf Ozal, State Minister, when he was in London last week. I explained our concern over the Istanbul Municipality's approach on Bosphorus III, which he understood and accepted; however he repeated that the two projects would only receive Turkish Government approval if the contracts were combined and some form of "off balance sheet financing" was adopted.

DIRECTORS · SIR NIGEL BROACKES (CHAIRMAN) · E W PARKER (GROUP CHIEF EXECUTIVE)  
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The two projects involve about \$800 million of new construction and therefore a major UK involvement in both projects is highly desirable.

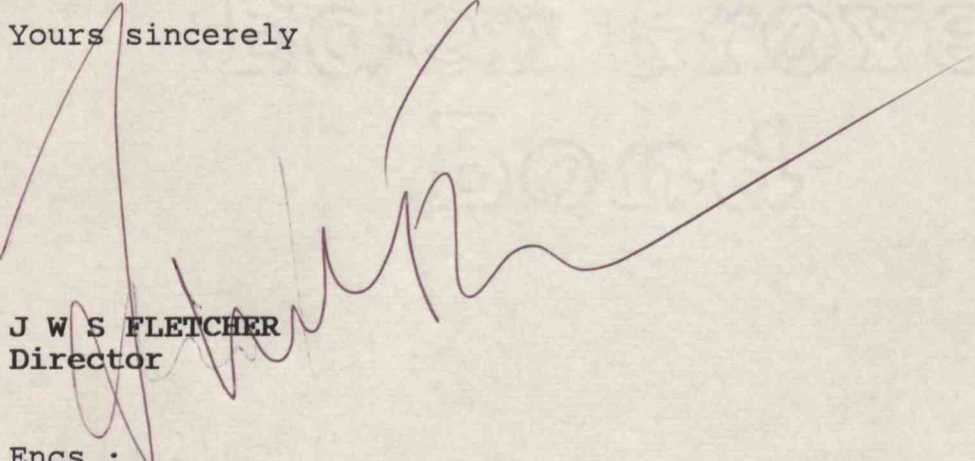
The support of the Prime Minister and the United Kingdom Government to both projects has been helpful and has encouraged the Japanese authorities to indicate they will also provide significant financial assistance.

We believe both projects will only proceed in the foreseeable future as Anglo-Turkish projects, using "off balance sheet financing", either leaseback or BOOT. Trafalgar House are committed to do everything it can to secure the work for the United Kingdom; we have already agreed to commit significant equity funds to the bridge project.

We hope the British Government will be able to respond positively to the Turkish Government and Istanbul Municipality suggestion that the projects be combined and financed on a private sector basis.

If we can do anything further please let me know.

Yours sincerely

  
J W S FLETCHER  
Director

Encs :





ENKA · CLEVELAND CONSORTIUM

JWSF/RB

D R A F T

21 April 1988

Mr B Dalan  
Mayor of Istanbul  
Buyuku Sehir  
Belediye  
Baskanligi  
Sarachane  
Istanbul  
Turkey

Dear Mr Dalan

Since the Enka-Cleveland Bridge proposal was submitted on 8th February 1988 for the third Bosphorus Bridge concession, we have heard nothing from the Municipality of Istanbul although we have offered to attend meetings with you to discuss our proposals.

We understand from the British Ambassador and from British Government officials that you advised our Prime Minister on her recent visit to Turkey that you consider the Enka-Cleveland Bridge proposal to use outdated technology and to be expensive.

In addition we understand your office has given the Turkish press certain price information, which we are advised you have extracted from the proposal we submitted to you, and you have suggested British steelwork prices are not competitive with Spanish ones obtained by STFA.

As you know, we have been working on the project for more than three years following the invitation to us from Prime Minister Ozal in November 1984 to submit a proposal for the third bridge; subsequent negotiations culminated in your arranging for Istanbul Imar Ltd to issue a letter of intent to Enka-Cleveland on 6th October 1986 for the third bridge. I trust you will be able to understand why we are so disappointed you have chosen to divulge our price information without reference to us, particularly as your disclosures are erroneous.



It seems from your comments to our Prime Minister certain fundamental points may not have been adequately considered by your staff in their assessment of the Enka-Cleveland Bridge proposal.

1. The Istanbul Municipality requires the bridge to be built and operated on the BOOT system using commercial funds without sovereign guarantees. These funds will only be raised from the international banking sources if the design of the bridge is provento international standards and the construction guaranteed on a turnkey basis.
2. Cleveland-Enka have produced a proven economic design and are proposing a turnkey contract for design and construction. Cleveland-Enka's bridge will have a design life of 100 years and will revert to the Municipality of Istanbul an estimated 12 years after completion.
3. STFA we are told are proposing an experimental design, rejected by your own Department of Transport for Bosphorus II, with a reduced cross section with a much reduced bridge life. We are also informed that STFA understandably will not be able to finance their scheme under the terms specified in the enquiry dated 17th December 1987 from Istanbul Ulasim Sanayii Ticaret A.S.

We wish to advise you that we absolutely refute your unsubstantiated suggestions that our design is uneconomic or our price in any way inflated. Your innuendos are most damaging to the reputations of Trafalgar House - Cleveland Bridge and Enka.

We would ask that you arrange for all the Bosphorus III proposals to be evaluated by some experienced international independent authority and the result published so that the damage you have caused to our reputation can be in some part be mitigated. If you are not prepared to agree to such a procedure we will be compelled to consider other actions to protect our reputations.

Finally I am enclosing a copy of the Report of Royal Commission into the Failure of West Gate Bridge Enquiry, which we suggest both the Municipality of Istanbul and the Government of Turkey should read before any final decision on the award of Bosphorus III is made. For your personal information we would advise you Cleveland Bridge tendered for West Gate Bridge but lost the contract because their engineers decided the bridge could not be safely built in the manner proposed by Dr W C Brown, then of Freeman Fox & Partners. As you may know, the bridge collapsed whilst being built killing 35 people. Dorman Long, another Trafalgar House Company, were then invited with Maunsells to modify the design and rebuild the bridge, which they completed satisfactorily.



We hope you find this letter helpful and we should be pleased to meet you at your convenience.

Yours sincerely

**J W S FLETCHER**  
Director

Encl :