



The Rt. Hon. Earl Jellicoe, KBE DSO MC  
Chairman

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*Ric Minister*

The Rt. Hon. Margaret Thatcher MP  
No 10 Downing Street,  
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*You will wish to see - but I doubt if the President will be briefed*

*Dear Margaret.*

You may recall that you asked me, as we were taking leave of you on Thursday evening, about Davy's activities and future prospects in Turkey. This was, of course, in the light of the State Visit by the President of Turkey this week.

*in this sort of detail.*

I promised to let you have a brief which I accordingly enclose.

*With sincere good wishes.*

*Yours ever*

*CGD  
11/7.*

JELlicoe

*Goy*

Encls

## DAVY CORPORATION PLC

### BRIEF ON TURKEY

#### PAST DAVY CONTRACTS

During the past ten years, Davy companies have secured over 30 individual contracts in Turkey. However, except for orders for the supply of miscellaneous equipment from our Sheffield works and a rod mill supplied by Ashlow, one of our companies, via the Japanese, and at present under construction for Sevas Deceko, the majority of the plants have been provided by Zimmer in Germany. Zimmer is a wholly owned Davy subsidiary.

No less than 18 polyester fibre plants have been built in Turkey by Zimmer over the past ten years with a number of them as repeat orders from Filament AS.

#### CURRENT PROSPECTS

Davy's current prospects quoted from the UK are centred on the development of the Ereğli Iron and Steelworks on the Black Sea Coast. Three Davy companies are currently involved in negotiations for separate parts of Ereğli's modernisation programme. Further details are given below.

Turkey will continue to expand its steel industry rapidly. In 1980 Turkey produced 2.5M tonnes. However, by 1987 production had risen to 6.8M tonnes and this is expected to increase to approximately 11M tonnes in 1994.

There is a considerable shortfall in the production of flat products and as a result, Ereğli Demir Ve Ceilk Fabrikalari T.A.S (Erdemir), the only flat product plant in Turkey, is planning to improve and modernise its facilities. This programme could include the supply of the following plant from Davy companies:

#### Steelplant modernisation (Davy McKee Stockton)

The quotation for the steelplant modernisation will be submitted in mid-August, with a contract award in February 1989. The contract will include the design, supply (both UK and Turkish equipment), supervision of construction and commissioning, together with the provision of training services. The client will undertake civil works and the erection of the equipment. The total value of this section is approximately £42M, of which some £28M will be UK supply, the remainder coming from Turkey and other countries.

We are working with Mitsui in Japan in order to utilise OECF funds for the Turkish supply element. In parallel we will be bidding directly on the basis of UK finance. We have an offer from ECGD for the offshore supply but as yet no cover for local work. Application has been made for ATP assistance via PEP.

**New Slab continuous casting facilities (Davy Distington)**

Our quotation is to be submitted by the end of September 1988.

The value of the two slab casting machines, including certain ancilliary equipment, is expected to be £34M, of which £25M will be UK supply. An application has been made to ECGD and for ATP assistance.

**Steckle mill modernisation (Davy McKee Sheffield)**

The latest quotation was submitted at the end of June and it is expected that this section of the modernisation programme will be the first contract to be negotiated by the client. The package for the mill modernisation, which is valued at £22/£24M, depending on the client's final choice of equipment and sourcing, consists of a number of speciality items of equipment made by our Sheffield Works, together with electrical equipment of over £4M which could come from Italy.

Negotiations are in progress with ECGD and an application has been made for ATP.

As will be seen, each of the three quotations are being negotiated with ECGD, and PEP have been fully advised.

The total project is extremely important to Davy. It would be the first significant entry for us into the iron and steel sector in Turkey and would lay the foundation for further work in the anticipated expansion of the Turkish steel industry.

It would be helpful to have the President's comments relating to the following:

- \* The priority given to the overall project and the Turkish Government's determination to proceed to programme.
- \* Is it the intention to re-apply for World Bank finance?
- \* The dependence of the the project upon a soft loan to finance the element of Turkish supply.

OTHER PROSPECTS

There are no other major prospects from the UK for Davy companies but our Zimmer company in Germany is negotiating the following:

- \* Polycondensation plant for the production of bottle grade chips. The client is SASA Artificial & Synthetic Fibres Inc, Adana.
  
- \* Polyester polycondensation plant with direct spinning . The client is Zorlu Polimer Sultanhamam, Hocahan Sok, Dirihan, Istanbul.

8 July 1988  
PI/vac