



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

30 August 1990

Thank you for your letter of 30 August about the request from British Aerospace that the Prime Minister should again ring President Ozal about the contract for Turksat. I have consulted the Prime Minister who is not prepared to speak to President Ozal again. She notes that the President has informed us, through our Ambassador, that the decision is final. She thinks it would be counter-productive to attempt to ring again, more especially at a time when we have considerable need of Turkey's cooperation in other areas. She sees no harm in us continuing to nag the Turks at official level about this.

I have informed the rather insistent caller from British Aerospace of the above.

(CHARLES POWELL)

Mrs. Rosalind Cole,
Department of Trade and Industry.

dti

the department for Enterprise

The Rt. Hon. Peter Lilley MP
Secretary of State for Trade and IndustryCharles Powell Esq
Private Secretary to
the Prime Minister
10 Downing Street
LONDON SW1Charles*DTI rang me about this.
I told them there was no
way the PM could speak
to Ozal at the time
mentioned at *.*Department of
Trade and Industry1-19 Victoria Street
London SW1H 0ETEnquiries
071-215 5000Télex 8811074/5 DTHQ G
Fax 071-222 2629Direct line 071 215 5623
Our ref PB4ATO
Your ref
Date 30 August 1990*Derek**30/8/90**Dear Charles*

Thank you for your letter of 30 August.

DTI supports the company's request for further intervention by the Prime Minister with President Ozal. So does Post. HMA in Ankara today reported being informed that President Ozal's decision was final. Although HMA doubts whether further intervention would change things, he feels that we should not take this treatment lying down, and would welcome another intervention from the Prime Minister. A copy of Tel 384 is attached. The Prime Minister should ring President Ozal today if possible to put further pressure on him (a speaking note is attached).

Meantime, we are trying to find out through the OECD network whether the French are sticking to the terms of the no-aid agreement. It is unlikely that the French will have succeeded in matching the BAe price, much less reducing this original bid by "a considerable amount" as the Turks are claiming.

We understand from Ankara that President Ozal will be available until 1800 (BST) today. *

*Rosalind Cole*ROSALIND COLE
Private Secretary



the department for Enterprise

The Rt. Hon. Peter Lilley MP
Secretary of State for Trade and Industry

Charles Powell Esq
Private Secretary to
the Prime Minister
10 Downing Street
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*Already
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Rosalind Cole

ROSALIND COLE
Private Secretary



Recycled Paper

DRAFT SPEAKING NOTE FOR THE PRIME MINISTER

I was very disappointed to hear on my return from overseas that my Ambassador was unable to get a satisfactory explanation from officials in both your office and the Communications Ministry, as to how the contract for Turksat was awarded to Aerospatiale when its bid remained more expensive than British Aerospace's.

I am deeply concerned to learn that the decision to award the contract to Aerospatiale is final. I am puzzled that the Aerospatiale bid was reported to be the lowest by a considerable amount. This does not tally with my information. Could you tell me why BAe's more competitive offer has been turned down, and what terms the French are offering?

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DTI FOR HEAD OF PEP AND OT4/18

MY TELNO 380: TURKSAT

SUMMARY

1. PRESIDENT OZAL REJECTS OUR APPROACH: CONFIRMS DECISION IN FAVOUR OF AEROSPATIALE. BLANDLY ASSERTS THAT THE FRENCH BID IS LOWER. NO PROPER EXPLANATION. BAE NONETHELESS SAY ALL IS STILL NOT LOST AND HOPE PRIME MINISTER WILL AGAIN INTERVENE.

DETAIL

2. THE PRESIDENT'S PRIVATE SECRETARY TELEPHONED LATE ON 29 AUGUST TO SAY THAT THE DECISION TO AWARD THE TURKSAT CONTRACT TO AEROSPATIALE WAS FINAL. IN ANSWER TO QUESTIONS, HE SAID THAT THE AEROSPATIALE BID WAS THE LOWEST BY 'A CONSIDERABLE AMOUNT'. I SAID THAT WE WERE RELIABLY INFORMED THAT, IN BEST AND FINAL OFFERS IN FEBRUARY, BAE WAS OVER 50 MILLION LOWER: HAD THERE BEEN REBIDDING? IF SO, WHY HAD AEROSPATIALE ALONE BEEN ALLOWED TO CHANGE? THE PRESIDENT HAVING TOLD THE PRIME MINISTER ON 24 AUGUST THAT HE WOULD LOOK INTO THE MATTER, SHE WOULD EXPECT AN EXPLANATION. SENSOY REPLIED THAT I WAS EVIDENTLY RELYING SOLELY ON BAE'S ACCOUNT OF AFFAIRS: 'COMPANIES ALWAYS TALK LIKE THIS': THE PRESIDENT ACCEPTED THE TURKISH MINISTER OF COMMUNICATIONS' ACCOUNT: HE HOPED THE BRITISH WOULD LOOK FORWARD, NOT BACKWARDS, AND CONCENTRATE ON FUTURE OPPORTUNITIES/CO-OPERATION (CF PARA 5 OF TUR).

3. I KNOW, FROM BAE SOURCES, THAT THE MINISTER OF COMMUNICATIONS CONSULTED BOTH THE PRIME MINISTER AND THE PRESIDENT BEFORE SENSOY SPOKE TO ME. AS WE FORESAW, OZAL EVIDENTLY DECIDED TO CALL THE BAE BLUFF AND DISREGARDED ANY OBJECTION PRIME MINISTER AKBULUT MAY HAVE RAISED.

4. BAE SAY THEY KNOW THAT AEROSPATIALE'S PRICE IS STILL OVER 30

MILLION ABOVE THEIRS. THEY HAVE OVERNIGHT CONSULTED THE PRESIDENT'S PRIVATE LAWYER, WHO IS CLOSE TO THEM AS WELL AS TO HIM. THE LAWYER HAS AGREED TO PUT IT TO OZAL LATER TODAY THAT THERE COULD BE REAL LEGAL DIFFICULTIES AND (POLITICAL TROUBLE) IF HE GOES AHEAD WITH AEROSPATIALE AND BAE SUES.

5. ON THE STRENGTH OF THIS PROMISE OF LAST SECOND INTERVENTION BAE THINK ANOTHER FIRM TELEPHONE CALL FROM THE PRIME MINISTER TO OZAL COULD STILL SWING THINGS.

COMMENT

6. IT MUST BE DOUBTFUL WHETHER FURTHER INTERVENTION AT PRIME MINISTER LEVEL WOULD NOW CHANGE THINGS. THE COMMITMENT TO THE FRENCH MUST BE PRETTY FIRM (WE STILL DO NOT KNOW WHAT INDUCEMENT TO TURKEY, BUT I AM RELUCTANT TO LIE DOWN UNDER THIS TREATMENT OF A MAJOR BRITISH FIRM AND WOULD WELCOME IT IF THE PM WAS PREPARED TO INTERVENE AGAIN, NO ADEQUATE EXPLANATION HAVING BEEN GIVEN TO ME DESPITE OZAL'S UNDERTAKING TO HER.

DAUNT

YYYY

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C Mr Worman

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OF 281700Z AUGUST 90
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DTI FOR HEAD OF PPE AND OT48

YOUR TELNO 453: TURKSAT

SUMMARY

1. NEGOTIATIONS WITH AEROSPATIALE PROGRESSING RAPIDLY. MINISTER OF COMMUNICATIONS UNHELPFUL. OTHER MINISTERS, POSSIBLY INCLUDING PRIME MINISTER, MAY BE LESS SO. PRESIDENT OZAL OUT OF TOWN. HIS ATTITUDE, AS USUAL, CRUCIAL.
2. BRITISH AEROSPACE LIKELY TO ASK THE PRIME MINISTER TO INTERVENE AGAIN WITH OZAL.

DETAIL

3. I HAVE FOLLOWED UP SINCE RECEIPT OF TUR WITH THE PRESIDENT'S OFFICE, STATE MINISTER AKKAYA (INVOLVED AS AN ADVISER TO BAE UNTIL HE JOINED THE GOVERNMENT) AND THE MINISTER OF COMMUNICATIONS, AS WELL AS CONFERRING FREQUENTLY WITH BAE REPS. OZAL HAS BEEN OUT OF ANKARA SINCE NOON ON 24 AUGUST. HIS OFFICE CANNOT GET A FIRM LINE UNTIL HE RETURNS LATE 28 AUGUST. MEANWHILE THEY ARE SAYING THAT HIS ROLE HAS MERELY BEEN TO RATIFY GOVERNMENT DECISIONS, NOT TO INITIATE THEM.

4. WHEN I PUT TO AKKAYA, IN THE PRESENCE OF BAE REPRESENTATIVES, THE BEST AND FINAL PRICES SUBMITTED IN FEBRUARY, GIVING BAE 57 MILLION ADVANTAGE, HE AGREED TO SPEAK URGENTLY TO PRIME MINISTER AKBULUT.

AND THAT IF AEROSPATIALE HAD LOWERED THEIR FEBRUARY BID (BAE SAY THEY HAVE) OTHER BIDDERS SHOULD HAVE BEEN GIVEN THE OPPORTUNITY ALSO TO REBID.

5. IN CONTRAST, COMMUNICATIONS MINISTER TUNCER TOLD ME ON 28 AUGUST THAT HE WAS NOT PREPARED TO DISCUSS FEBRUARY BID PRICES, WHICH WERE STRICTLY CONFIDENTIAL AND WHICH SHOULD NOT HAVE LEAKED. OZAL HAD DECIDED IN FAVOUR OF AEROSPATIALE: THE DECISION WOULD NOW BE

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IMPLEMENTED: BRITAIN SHOULD CONCENTRATE ON THE LUCRATIVE COMMUNICATIONS SECTOR PROJECTS NOW IN THE PIPELINE: HE WOULD CERTAINLY WISH TO FAVOUR US FOR ONE OR MORE OF THESE. HE HOPED BAE WOULD NOT RULE THIS OUT FOR THE FUTURE BY INITIATING LEGAL ACTION. WHEN I ASKED HOW I WAS TO ANSWER MY PRIME MINISTER'S QUESTION, AND OZAL HIMSELF HAD AGREED TO LOOK INTO THE MATTER, TUNCER ALSO HEDGED BUT AGREED TO CONTACT OZAL IMMEDIATELY ON HIS RETURN TO ANKARA.

6. BAE SOURCES ALLEGE APPARENTLY INVOLVEMENT ON BEHALF OF AEROSPATIALE BY SUNDRY TURKISH OFFICIALS. THEY, AND I, HAVE TAKEN STEPS TO CORRECT ANY MISAPPREHENSION ABOUT THE EUROPEAN NATURE OF THE BAE BID (INCLUDING 50% FRENCH CONTENT IF LAUNCH BY ARIANNE INCLUDED).

7. BOTH OZAL'S OFFICE AND THE MINISTER OF COMMUNICATIONS HAVE UNDERTAKEN TO GET BACK TO ME WITHIN 24 HOURS. MEANWHILE BAE, KNOWING THAT ONLY OZAL COULD REVERSE A PROCESS WHICH SEEMS TO BE MOVING WITH UNSEEMLY HASTE TOWARDS CONTRACT CONCLUSION WITH AEROSPATIALE, ARE LIKELY TO ASK THAT THE PRIME MINISTER AGAIN TELEPHONES OZAL.

COMMENT

8. IT LOOKS AS THOUGH OZAL DECIDED FOR AEROSPATIALE UNDER PRESSURE FROM THE FRENCH, WHO MAY OR MAY NOT HAVE OFFERED SOME INDUCEMENT (EG OVER MISSILE TECHNOLOGY - THIS IS A MERE GUESS) AND WHO ALMOST CERTAINLY LOWERED THEIR PRICE. THE INCIPIENT DIFFERENCES BETWEEN HIM AND PRIME MINISTER AKBULUT MAY BE EXPLOITABLE. THE LATTER WILL BE WORRIED ABOUT LEGAL ACTION BY BAE AND ADVERSE PUBLICITY. BUT OZAL MAY WELL BE READY TO CALL THE BLUFF: WOULD BAE REALLY SEEK AN INJUNCTION AND WIDE PUBLICITY ON THE BASIS OF THE FEBRUARY BID FIGURES WHICH THEY OBTAINED ROUND THE CORNER (AND WHICH MIGHT CONCEIVABLY NOW BE DOCTORED)?

9. THIS IS A DISGRACEFUL, BUT NOT ALTOGETHER UNTYPICAL BUSINESS. BAE ARE PROBABLY RIGHT THAT IT WILL GO THE FRENCH WAY IF THERE IS NOT FURTHER PRIME MINISTERIAL INTERVENTION. EVEN THAT MIGHT HOWEVER FAIL TO DO THE TRICK.

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