



the department for Enterprise

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ODA reply with  
received on*

*Dear Lynda*

ANKARA METRO

I understand that you have had an opportunity to consider the report produced following the tripartite discussions in Ankara. I therefore thought it would be useful if I were to summarise the arguments for offering ATP support:

- the UK stands to gain £53m worth of export business from the project alone.
- Hawker Siddeley are in possession of a letter of intent from Lavalin for work on the Toronto metro, valued at £85-150m which will be invalidated if collaboration does not go ahead on Ankara. The forthcoming Bangkok Skytrain project will be similarly compromised, as will any further extensions to the Ankara metro.
- the economic rate of return can be demonstrated to be as high as 7%. If one adds in to this the significant, though unquantifiable, benefits in town planning terms and the positive environmental impact of a metro in terms of car ridership replacement it seems to me that the project cannot be deemed uneconomic or unsound, particularly when it is conceptually designed for social benefit. I further note that the Canadians are arguing that some of the methodology used in your official's appraisal is inappropriate and lends an unduly pessimistic edge to the economic rate of return.



Recycled Paper

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- I assume that there is no longer any doubt over the depth of the Turks' commitment to the project or their understanding of the subsidy implications. The team which visited Ankara was assured of this aspect by both the Treasury and Municipality and were given encouraging estimates of the Municipality's budgetary position and emerging financial planning regime. It is also worth noting that the problems which have been experienced with the Municipality over the Ankara Gas project will not be repeated on the metro as the contractual structure keeps them at arm's length.
- there will be considerable embarrassment to HMG if we do not agree to ATP at this stage. The Canadians have already made representations at the highest level and clearly feel that the project will collapse if we do not agree funding. To compound the problem a good deal of time has passed since the proposal was originally put to us (I believe the SCAT case was circulated last December) and the Canadians have spent a lot of time and money putting the project details and the financing arrangements in place during this period. We will very clearly be blamed for causing the arrangements to fall. This will have a damaging effect on UK/Canadian relations, a fact presaged in the various communications which have come in from high level sources.
- there will be considerable damage to our commercial and political relations with Turkey. These have been detailed at some length by the Embassy and need no rehearsal here. Suffice to say that in the present political climate they assume significantly greater importance.

Although I recognise that your traditional methods of appraising this kind of project show Ankara not to be the most attractive of projects, it seems clear to me that the weight of argument for support is extremely convincing. I do hope



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that you will now feel able to support this project. To turn it down with all the implications of such action, on the basis of an analysis which relies to a degree on subjectivity and whose methodology is not absolute and at a time when we surely wish to be supportive of the Turks would, in my view, be most unwise. It would also be damaging to Hawker Siddeley in several significant contracts.

I am copying this letter to Douglas Hurd and to Charles Powell.

*I can personally vouch  
for the need to reduce car exhaust  
pollution in Ankara. You are  
Tim*

TIM SAINSBURY

