



From the Secretary of State

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MS

Prime Minister
Mr. Pott will
probably telephone
about this on the
weekend.

19 September 1980

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19/9

Dear Tim

PRIME MINISTER'S VISIT TO GREECE - POWER STATION PROJECT

Further to our letter of 12 ^{Flag A} September to Michael Alexander, the news from Athens is not as encouraging as we would have wished.

The Greek Prime Minister has made it plain that he will be guided by the views of his Ministers. Talks in the last 2 days in Athens with those Ministers have shown that they do not yet feel able to recognise the package as being publicly defensible. They claim that they need further concessions beyond those which have already been made. It is our view and that of the companies that the package taken as a whole is unbeatable.

So far as the power station element itself is concerned, the companies have gone as far as they can and are now in the position that they would be prepared to see the order go rather than increase the loss which they say they will already now be making on the deal.

Officials have been in touch with the NCB to see whether something might be done on the parallel coal supply contract. The NCB (and Shell who are sub-contractors) believe that they too have reached the end of the road and wonder whether the Greeks are not just negotiating. Without some financial help to the NCB from Government the package must remain as it is and the risk incurred that the Greeks after all will reject the package offered to them. The only way of minimising the risk is for NCB to commit additional coal supplies but this would almost certainly involve the NCB in a loss which they would not be willing to contemplate in view of the financial targets set for them by Government. Whether they would be responsive if those targets were changed officials have not tested because Ministers themselves would need to take the necessary decision to ease the financial framework.



From the Secretary of State

Given the position of the companies the view of officials is that the offer must now stand even at the risk that the Greeks may decide to reject it.

We have not yet been able to report this to Mr Nott but will do so as soon as we can and he will probably want to telephone the Prime Minister about it over the weekend. Because of the Prime Minister's interest we thought we should let you have this report at once.

I am copying this letter to Ian Ellison (Industry) and Roderic Lyne (FCO).

Yours sincerely

Catherine Capon.

CATHERINE CAPON
Private Secretary