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From the Minister for Trade

cap

Rt Hon John MacGregor MP
Chief Secretary
HM Treasury
Parliament Street
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31 July 1986

NBPM (yet)

~~DN~~ no see

*CDP
31/7*

John John

EXTENSION TO DHEKELIA "B" POWER STATION IN CYPRUS

I am writing to seek your agreement to an offer of ATP in support of three British companies (Foster Wheeler, GEC and NEI Parsons) who are bidding to win contracts for the extension to the Dhekelia "B" oil-fired power station in Cyprus. Details of the ATP required are set out in the Annex. The case is urgent. Bids for the turbine generators close tomorrow, 1 August, and we need to be able to indicate our willingness to offer ATP if the Cyprus authorities are to take this into account in assessing the bids, a point confirmed by the High Commissioner and by British Electricity International (BEI), consultant to the client.

I understand that your officials' refusal to accept the case stems mainly from reluctance to see ATP offered in Cyprus, a country with an income per head of over \$3,000, where we agreed ATP would be used exceptionally. However, officials in my Department and in the ODA are satisfied that the project meets the industrial, commercial and developmental criteria and that assistance is justified. Aid was an important component in winning the original station for the Germans and the Austrians, and the French are waiting in the wings with an aid protocol in place and ready to be activated.

With the recent appointment of BEI, assisted by our efforts, the UK is in a fair position to take the business on Dhekelia "B" from the sitting tenants. The combination of BEI as designers and British companies with recent experience in the country would then put the UK in the lead to supply to Cyprus the next generation of coal-fired power stations. It would also provide a good reference point in other markets for 60 MW units.

L03AME



Rt Hon John MacGregor MP

July 1986

This order would help prevent further redundancies in the power sector and the UK companies have worked hard in preparing their bids in the belief that they had a good case for our support. I would be most unhappy to let them down.

I should therefore be obliged if you could review this case. I would be happy to discuss it further when we meet this evening, but I shall need your agreement no later than that. I do hope we can avoid asking EX to meet.

I am sending a copy of this letter to members of EX and to Sir Robert Armstrong.

A handwritten signature in black ink, appearing to read 'Alan Clark', with a large, stylized flourish extending downwards and to the right.

ALAN CLARK

L03AME

DHEKELIA "B" POWER STATION EXTENSION, CYPRUS

UK BIDS

Turbine Generators

	Unit 3 (ATP initiation)	Unit 4 (option) (ATP conditional marketing)
GEC Turbine Generators Limited		
UK Content	£8.5m	£7.94
Local Costs	0.5	0.48
Total Contract Value	9.0	8.42

NEI Parsons Limited

UK Content	8.0	6.4
Local/Third Country Costs	1.6	1.0
Total Contract Value	9.6	7.4

Boilers

Foster Wheeler

UK Content	6.2	5.31
Local Costs	0.8	0.69
Total Contract Value	7.0	6.0

ATP drawdown for Unit 3 if turbine generators and boiler contract came to the UK - £1.84 in 1987/88 and 1988/89

Total imputed HMG subsidy in each case for Unit 3 = 27.6%

