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Treasury Chambers, Parliament Street, SW1P 3AG

Matthew Cocks Esq
Private Secretary to the Minister for Trade
Department of Trade and Industry
1 - 19 Victoria Street
London
SW1

1 August 1986

Dear Matthew,

ATP: EXTENSION TO DHEKELIA 'B' POWER STATION IN CYPRUS

Your Minister discussed with the Chief Secretary the proposal outlined in his letter of 31 July.

The Chief Secretary expressed reservations about the proposal to offer ATP on this project. EX had decided that ATP should be provided only in exceptional circumstances for places like Cyprus. Yet this project followed hard on the heels of the Southern Conveyor project. ATP commitments for 1987-88 were already building up. He understood from Treasury officials that 2/3rds of the amount available had already been committed for next year. He therefore had to call into question whether this was really a priority.

Your Minister explained that he shared the Chief Secretary's concerns about ATP. But it was necessary to provide assistance if British exporters were to gain a foothold in the Cypriot market. There was evidence that competitors were using soft finance. Mr Mountfield pointed to the lack of follow-on orders for an oil-fired power station. He thought that we could reach a position where ATP had to be provided in every case for Cyprus. Your Minister said he did not share that perception. But he acknowledged that there would have to be a review of the position in Cyprus if there were substantial numbers of future bids.

Summing up, the Chief Secretary said he had explained his misgivings to your Minister. He said that if your Minister judged that it was right, taking account of EX's conclusions, to offer ATP in this case he would be prepared to agree subject to the following conditions:

CYPRUS
RELATIONS P T 3

(i) ATP would only be offered on the first unit if there were firm evidence of offers of assistance from competitors

(ii) Your Minister accepted that the Chief Secretary would not accept any further cases in Cyprus in the foreseeable future and;

(iii) that your Minister accepted that there would be no increase in the ATP budget.

Your Minister agreed to consider whether, on that basis, he wished to offer ATP support to the Dhekelia 'B' project.

I am copying this letter to Private Secretaries to members of EX and to Michael Stark at the Cabinet Office.

Yours sincerely,

Jill Rutter

JILL RUTTER
Private Secretary

